

# Achieving Cost Control Goals in the “New Normal”

Proven Strategies for Evolving Times



## BRIEFING

July 16, 2020

**Joshua Fredell, PharmD**

Vice President,  
Product Development,  
CVS Health

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With the COVID-19 outbreak wreaking havoc, all attention was on flattening the curve and caring for those who had contracted the virus. The pandemic has caused — and continues to create — economic hardship in addition to health concerns. We are together in this. As the pandemic unfolded, we took steps to help ensure **plan members had convenient, uninterrupted access to the medications** they needed.

As businesses around the country reopen, many are looking for ways to mitigate the financial impact caused by the virus and shelter-in-place orders. Implementing strategies that can help reduce inefficient spend — expenditure that is not necessary to ensure member access and positive outcomes — is a key area of cost management that can enable employers to continue to offer affordable pharmacy benefits.



**Cost management measures such as narrower networks can deliver savings without necessarily reducing access, and with minimal member disruption.**

Payors who adopt generous plan benefits are often motivated by wanting to ensure broad member access. However, cost management measures such as narrower networks can deliver savings — something many plan sponsors are seeking now more than ever before — without necessarily reducing access and with minimal member disruption.

In 2019, clients in our commercial book of business who have multiple programs focused on cost control had a trend of 0.9 percent compared to the overall trend of 1.4 percent. The trend difference was even more dramatic — 1.4 percent vs. -4.5 percent — for those who moved from having no cost management programs — such as formulary or utilization management, or narrow networks — to implementing such programs.

## Formulary Management

Formulary management is the cornerstone of cost containment. Payors who are currently aligned to a broad formulary without exclusions could find significant savings opportunities by adopting a narrower formulary. We continually monitor the pharmaceutical landscape and evolve our formulary strategy to help clients stay ahead of marketplace trends, while offering members access to clinically appropriate, cost-effective medications. Generally, clients aligned to our Standard Control Formulary (SCF) have much greater savings than clients who have opted for a broad formulary with no drug exclusions, and it covers all generics and most brand drugs. However, moving beyond SCF and aligning to a more tightly managed formulary, such as Advanced Control Formulary or Value Formulary, could help deliver significantly greater savings.



### Advanced Control Formulary\*



Advanced Control Formulary delivers greater savings while promoting cost-effective care through increased rebates and generic utilization driven by tighter controls. Utilization management programs for specialty treatments are included along with the appropriate plan design for greater savings. It covers select generics and brands and can deliver gross pharmacy savings of up to 5 percent.



## Value Formulary\*\*

Value Formulary covers most generics and select brands across all disease states and can deliver up to 6 percent in savings. It represents our most progressive approach to drug coverage for our commercial clients and delivers significant savings by prioritizing generic utilization across all disease states. It combines a closely managed drug list and an array of clinical programs — including step therapy, prior authorization (PA) and quantity limits — across therapeutic classes.

## Network Management

Managed network designs can reduce pharmacy redundancy without reducing access. Many clients achieve significant savings by utilizing a limited or narrow network.

Our broadest National Network covers all national chains and most independent pharmacies. However, payors can maintain member access with a narrow network based on their specific plan population. Depending on the demographics of their plan population and geographic location, member-based networks and our Exclusive Choice Network can deliver savings.



## Member-Based Networks

Member-based networks are built around where members are located and are anchored by CVS Pharmacy stores and select independent pharmacies. Members can use one of our CVS retail locations or, if they don't live close to a CVS Pharmacy, they can use pharmacies from our National Network. Such networks are based on proximity and access and can deliver significant savings. There are two types of member-based networks:

- ✓ **CVS Pharmacy Proximity Network:** A dynamic network in which members have access to different pharmacies based on their home ZIP code. It includes CVS Pharmacy stores while providing members who don't live near a CVS Pharmacy access to the national network.
- ✓ **CVS Pharmacy Access Based Network:** A static, custom network in which all members have access to the same set of pharmacies. It includes CVS Pharmacy locations, plus the right number of independent pharmacies needed to provide access to all members.



## Maintenance Choice Network

Maintenance medications typically make up about 80 percent of all of a plan's non-specialty pharmacy spend. A network that focuses on helping ensure members have access to these routine medications can help payors cut costs while maintaining adherence. The Maintenance Choice Network delivers savings by encouraging 90-day fills for maintenance prescriptions and offering mail copays at both CVS Pharmacy retail locations and our mail service pharmacy. This network offers voluntary and mandatory fill requirements at our more than 9,900 retail pharmacies and through mail service.



## Exclusive Choice Network

For clients who want to focus on reducing the redundancy of a broad, 30-day national network, the Exclusive Choice Network is anchored by CVS Pharmacy and two nationwide grocers, as well as independent pharmacies for a total of 19,000 pharmacies.



While these solutions are not new, as companies reassess their financial strategies in the wake of the economic hardship caused by the coronavirus pandemic, we recommend taking a fresh look at these purpose-built solutions designed to help lower plan costs.

Want to see how formulary and network strategies can help you  
meet your post-pandemic cost control goals? [Ask Us](#)



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### Cost Management

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\* Advanced Control Specialty Formulary embedded.

\*\* After discounts and rebates for retail, mail and high-cost drugs.

Data source, unless otherwise noted: CVS Health, Enterprise Analytics, 2020.

Savings will vary based upon a variety of factors including things such as plan design, demographics and programs implemented by the plan.

Mail pricing at CVS retail for ERISA governed plans. The Maintenance Choice program is available to self-funded employer clients that are subject to ERISA. Non-ERISA plans such as insured health plans, plans for city, state or government employees, and church plans need CVS Caremark Legal's approval prior to offering the Maintenance Choice program. Prices may vary between mail service and CVS Pharmacy due to dispensing factors, such as applicable local or use taxes.

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