

Managing Utilization of Diabetes Medications

Summary

Type 2 diabetes, also called adult onset diabetes, is one of the most common chronic diseases in the U.S. Marked by high levels of blood sugar (glucose) and resistance to insulin, type 2 diabetes affects an estimated 24 million people in the U.S. — almost 8% of the population. Furthermore, this condition affects 23% of Americans who are over age 60 — nearly triple the population average!

As a group, Rx Collaborative employers' annual spend on type 2 diabetes medications is nearly \$70 million. By using basic utilization management strategies, these employers could save nearly 40% (\$30 million) of costs without impacting access to effective treatments, according to a recent Towers Watson analysis.

Strategy

In a nutshell, utilization management changes the brand/generic drug mix to generate savings.

As shown in *Figure 1*, the top three generics and the top five brands account for roughly 90% of utilization and 94% of the total cost. A closer look reveals that it only takes about 30% of brand utilization to drive nearly 85% of the cost.

By managing utilization with a formulary and preferred-drug step therapy edits, Rx Collaborative members could yield significant savings. For example, 50% of the brand-name drug utilization could shift to generics without affecting quality of care. This would increase generic utilization from 60% to 75% and decrease drug spend on brands from \$59 million to \$29 million — resulting in \$30 million in savings.

Figure 1. Drug mix and cost implications

Drug	RxC Utilization	Amount Paid	RxC Cost Distribution
Current Mix and Cost			
Top 3 generics	61.4%	\$ 6,362,089	9.2%
Top 5 brands	29.2%	\$58,636,964	84.8%
Others	9.4%	\$ 4,148,177	6.0%
Total	100.0%	\$69,147,230	100.0%
Improved Mix and Achievable Cost			
Top 3 generics	75.9%	\$ 7,877,614	19.1%
Top 5 brands	14.7%	\$29,318,482	70.9%
Others	9.4%	\$ 4,148,177	10.0%
Total	100.0%	\$41,344,273	100.0%
Savings		\$27,802,957	

Source: Medco. RxC utilization as a group, September 1, 2009, to August 31, 2010.

Figure 2. Efficacy and cost comparison

Drug	Efficacy	Cost/ Month	RxC Utilization	RxC Cost Distribution
Generics				
Metformin	Reference	\$ 6.69	42.4%	5.1%
Glipizide	Same	\$10.93	10.1%	2.0%
Gluburide	Same	\$13.06	8.9%	2.1%
Weighted average		\$ 5.10		
Brands				
Actos®	Same	\$165.96	13.5%	40.4%
Januvia®	Same	\$147.57	9.5%	25.4%
Avandia®	Same	\$143.37	3.1%	8.0%
Byetta®	Same	\$207.68	2.3%	8.8%
Prandin®	Same	\$157.47	0.8%	2.2%
Weighted average		\$141.07		
Other	Same	\$ 34.80	9.4%	6.0%

Source: Medco. RxC utilization as a group, September 1, 2009, to August 31, 2010.



Comparative Effectiveness

For Rx Collaborative employers, oral type 2 diabetes medications rank sixth in utilization and seventh in cost. These medications are equally effective in controlling blood sugar in people who manage their diets. Controlling blood sugar reduces the risk of disease complications like stroke, heart failure, blindness and kidney failure. Effective diabetes control is defined by a hemoglobin A1c blood test, the results of which should be less than 7%.

Figure 2 lists the drugs most commonly prescribed, their efficacy and price differences.

Safety Concerns

In 1999, the U.S. Food and Drug Administration (FDA) approved Avandia for its ability to control weight more effectively than other diabetes medications. Eight years later, news that Avandia increases the risk of heart attack began to circulate, and an investigation ensued. In Europe, manufacturers pulled this drug from the market. In the summer of 2010, an FDA panel determined that Avandia could remain on the U.S. market with restrictions and a black box warning. In addition, safety issues have also been associated with Actos, which is in the same therapeutic category.

Safety concerns notwithstanding, these brand medications are therapeutically equivalent to the generic medications, such as metformin, but significantly more expensive. That's why utilization of this class should be managed.

Employers' Call to Action

The *ideal* drug mix depends on individuals' response to medications. However, without an effective management strategy designed to optimize the use of affordable generics and provide access to brands only

Management Recommendations

- **Formulary.** Create a formulary that lists affordable generics as the drugs of first choice.
 - The Towers Watson Reference Formulary System accomplishes this goal.
- **Generics.** Generics are affordable at \$10 to \$20 per month.
 - Place them on the lowest copay tier.
- **Brands.** Brands are as effective as generics but cost up to 15 times more. Additionally, some brands are not safe for some people.
 - Place brands on the third tier with a "generic before brand" conditional coverage step therapy rule.
- **Mail.** Discounts through mail are better than retail discounts for generics and brands.
 - Encourage members to obtain maintenance medications through the mail channel. Ask your pharmacy consultant if members' copays allow the company to fully benefit.

when necessary, employers are vulnerable to a drug mix that is driven by direct-to-consumer advertising and physicians' discretionary prescribing patterns.

Next Steps

There is a 30-fold variance in price between the highest-cost medications, such as Byetta®, and the lowest-cost medications, such as generic metformin. While there is no difference in efficacy between brands and generics, there are some potentially serious differences in safety profiles.

Towers Watson's Rx Collaborative has a utilization management strategy that reduces cost — and is available to all member companies. If you would like to learn more about managing the cost of type 2 diabetes medications, please contact your pharmacy consultant or e-mail RxCollaborative@towerswatson.com.

About Towers Watson

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