

# Navigating Employer Group Waiver Plan (EGWP) Formularies

When evaluating an Employer Group Waiver Plan (EGWP), make sure to look for a transparent cost savings analysis. An important component of your prescription solution is the formulary. Some EGWP plan sponsors may offer a very low premium, while others could provide a robust or even customized formulary. EGWPs may even offer significant employer group savings; however, understanding the impact to your formulary is crucial. Part D formularies are governed by Medicare, and plan sponsors must follow rules that may seem convoluted to employer groups used to dealing with commercial formularies. ***Will my formulary be different under an EGWP?*** Yes, but understanding the differences will help you to better understand your savings analysis and compare your options.

## Open versus closed formulary

An open formulary allows members to access non-formulary drugs. This may result in less member disruption.

A closed formulary is limited to drugs specifically listed in the formulary. An important note: today's version of the closed formulary is different from the more restrictive versions of the past.

## Utilization management is part of a Part D formulary

The Part D formulary includes utilization restrictions, such as quantity limits, step therapy and prior authorization, as part of the submission to Medicare. The Part D formulary may differ from your current formulary, but generally plans will not permit customization due to size and complexity. This ensures that all Part D plans meet minimum formulary requirements set forth by Medicare.

## Drugs with a Protected Class

Medicare requires Part D plans to cover on their formularies substantially all products of six "Protected Classes". This includes drugs to treat certain diseases such as HIV and cancer.

## Drugs excluded from Part D

Medicare excludes certain drugs from coverage, such as cough and cold medications, lifestyle drugs and over-the-counter drugs. Employer groups may cover these drugs under a supplemental wrap benefit.

### EGWP Formulary Checklist

- Ask the Part D plan to perform a formulary disruption analysis against your current formulary
- Ask if the analysis is based on an open or closed formulary
- Find out if excluded drugs may be covered under a wrap
- Ask if the Part D plan has any unique programs to minimize formulary disruption
- Ask how many tiers the formulary uses and if there are different options available for utilization management

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## Formulary change requirements

Medicare has very strict requirements regarding mid-year formulary changes. Negative changes must be approved by Medicare, and plans must provide members with at least 60 days advance notice of these changes. This Medicare change requirement differs from commercial plans. Commercial plans may immediately replace a brand name drug with a new generic drug as soon as it comes on the market, but Part D plans must provide advance notice of the change.

## Medicare GenerationRx<sup>SM</sup> Formulary Options

Medicare GenerationRx<sup>SM</sup> formularies are designed to meet your needs. We offer broad formulary access, and greater member access to drug coverage through our Open formularies, and select access through narrower formularies that yield greater cost savings. Formularies are available in 4 or 5 tier options.

Tremendous strategic, clinical, and operational effort goes into making our Part D standard formularies valuable, effective, operationally sound and CMS-compliant. Significant annual changes in CMS processes and requirements, levied under extremely aggressive timeframes, result in formulary process evolution each and every year in order to meet and exceed CMS mandates. We follow the CMS standardized tier structure and tier labeling.

Perpetual Grandfathering (PGF) is an option offered to minimize member disruption often experienced with formulary changes. It provides continuous member drug coverage at the previous cost-sharing and formulary status, irrespective of formulary changes. The PGF option greatly minimizes member and provider disruption in the presence of significant formulary content changes generally associated with new implementations or changes in formulary type. Most importantly, PGF helps to promote a seamless overall transition while aligning with new formulary processes and procedures. This option is typically suitable for larger groups, and it can be complex because it requires significant data to implement.

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The "800-series" EGWP Part D Plan, marketed under the name Medicare GenerationRx<sup>SM</sup> is a fully-insured and self-insured group plan underwritten by Stonebridge Life Insurance Company (Rutland, VT), a Transamerica company. Stonebridge Life Insurance Company (a Transamerica Company) is a PDP plan sponsor with a Medicare contract. Enrollment in this plan depends on contract renewal. As of October 2014, the plan is rated 4-out-of-5 stars by the Centers for Medicare & Medicaid Services (CMS). Medicare evaluates plans based on a 5-star rating system. Star ratings are calculated each year and may change from one year to the next.