

February 14, 1996

The Honorable Mike Jaros
Member of the House of Representatives
of the State of Minnesota
St. Paul, Minnesota 55155-1298

Dear Mike:

Thank you for your letter regarding changes to the federal employees' health benefits package. The change for those who select the standard option for pharmacy coverage has occurred, and I understand your concerns regarding this matter. My Administration will review this issue over the course of the next year.

I appreciate having your perspective, and I'm glad you took the time to write.

Sincerely,

BILL CLINTON

BC/SEM/JFB/bws (Corres. #2691010)
(2.jaros.m)

cc: w/inc Jen Klein, WW
cc: IGA

147510

M. Hall

Mike Jaros
State Representative

District 7B
St. Louis County



Minnesota House of Representatives

Irv Anderson, Speaker

CHAIRMAN, INTERNATIONAL TRADE AND ECONOMIC DEVELOPMENT
COMMITTEES: AGRICULTURE; TAXES; SALES AND INCOME TAX DIVISION

December 19, 1995

President Bill Clinton
The White House
Washington, DC 20500

Dear President Clinton:

Recently, my pharmacist told me of a change in the benefit package federal employees receive, who are enrolled in Medicare Part B and select the Standard Option for pharmacy coverage. I am troubled by this change and would appreciate an explanation.

From the information I was provided, community pharmacies participating in the preferred networks are required to begin charging a 20% co-pay effective January 1, 1996. However, enrollees utilizing the mail order option have no co-payment.

While I appreciate the necessity to balance the federal budget, I would advocate that a fairer and more equitable approach be taken. If federal employees participating in the affected plan must begin to make co-payments to participating pharmacies, extend the same co-payment requirement to mail order services too.

By not adopting this standard requirement, many small, rural pharmacists throughout the country are placed at a competitive disadvantage. Many of these same pharmacies are already absorbing federal and state cutbacks. Placing them in such a disadvantaged position will cause more and more rural pharmacies to close their doors. This will result in reduced access to quality, affordable health care in rural areas and contribute to their decline. I can't imagine that you support such a policy. I would appreciate your efforts to correct this change in benefits. Thank you for your thoughtful consideration.

Sincerely,
Mike Jaros

Mike Jaros
State Representative



E X E C U T I V E O F F I C E O F T H E P R E S I D E N T

24-Apr-1996 12:52pm

TO: Jennifer L. Klein
TO: Christopher C. Jennings

FROM: Marilyn Yager
 Office of Public Liaison

SUBJECT: opm/hhs meeting with nacds/nard

I talked with Jack Ebeler regarding hte meeting on monday. He said that the case the drug stores made was too conceptual and need to be verified by actuaries. OPM agreed to set up a meeting with NACDS with the OPM actuaries.

However, Jack bigger concern is that should we consider any change in the contract (at least not with a transition) that retirees would be upset that they had been enticed to use mail order with the no copay draw, and then the next year told there would now be a copay. Jack thinkgs we would be attacked for "bait and switching."

I have not yet talked to NACDS to find out their view of the meeting.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
ASSISTANT SECRETARY FOR PLANNING AND EVALUATION
OFFICE OF HEALTH POLICY



PHONE: (202) 690-6870 FAX: (202) 401-7321

Date:

From: Jack Ebeler
Walt Francis

To: Marilyn Yeager

cc: Chris Jennings
Jennifer Klein

Phone: (202) 690-
(202) 690-6870

Phone: Nancy Ann Min

FAX: (202) 401-7321

Fax:

Number of Pages (Including Cover): _____

Comments: Brief background that we discussed
on Mail order Pharmacy

April 15, 1996

Walt Francis
690-8291
HHS/ASPE

FEHBP Prescription Drug Coverage and the Blue Cross Mail Order Program

For a number of years, most fee-for-service plans in the FEHBP have offered discount mail order pharmacy programs to enrollees, in addition to the option of using local pharmacies. For 1996, twelve of the sixteen fee-for-service plan options include a mail order benefit. (In the D.C. area, one in five HMOs also offers such a benefit.)

All fee-for-service plans also offer special cost-sharing for enrollees for whom Medicare is the primary payer (this is true for almost all persons over 65 who have retired since 1984; some older annuitants do not have Medicare coverage, however). Both deductibles and coinsurance for hospital and physician benefits are waived in all cases.

Prescription drug benefits are more complex. Two plans that are popular with seniors, American Postal Workers Union (APWU) and National Association of Letter Carriers (NALC), waive both deductible and coinsurance for both mail order and retail pharmacy when Medicare Part B is primary and a network pharmacy is used. These plans are open to all seniors, and their costs for premium and unreimbursed expense are as good as any others.

Two other popular plans, Blue Cross Standard Option and Government Employees Hospital Association (GEHA), waive all charges for mail order drugs but require some cost-sharing for retail pharmacy purchases. For retail purchases, both plans drop the deductible, but do require coinsurance (for Blue Cross, 20%).

Other plans present still other choices. The Mail Handlers High Option, for example, has better than average dental benefits but offers no waiver of its prescription drug deductible or coinsurance for Medicare enrollees.

Recent controversy has arisen not over the general structure of pharmacy options, but because until 1996 Blue Cross waived its drug deductible and coinsurance for **both** mail order and retail purchase by Medicare enrollees. For 1996, **Blue Cross dropped 100% reimbursement for purchases at retail pharmacies**, in order to contain its premium costs.

Benefit reductions (and increases) are not unusual in the FEHBP, as plans attempt to contain costs and attract enrollees through the combined package of benefits, copayments, and premium. Many such changes are disruptive of established patient and provider relationships. Most of the fee-for-service plans, for example, have established major incentives to use "preferred" providers. This particular Blue Cross change, however, was unusually controversial because it disrupted established patterns of usage for many persons who had never used mail order before and because so many retail providers were disadvantaged. Blue Cross executives are understood to have instituted the change only with great reluctance.

The preferential treatment of mail order prescriptions has indeed had effects. So many seniors started using mail order that the Blue Cross mail outlets were swamped in January and February.

The Office of Personnel Management (OPM) told Blue Cross that the ensuing delays were unacceptable. By the end of February, delays were reduced and Blue Cross claimed that virtually all prescriptions were being dispensed and mailed within five days.

In the FEHBP program, OPM insists that plans cover both broad categories of expense (hospital, doctor, drug) and some specific procedures (childhood immunizations). OPM also puts substantial pressure on all plans to keep premiums down. By law, any premium increase for Blue Cross and four other plans raises the government's contribution for the entire program and OPM scrutinizes these plan's costs especially closely. OPM does not, however, seek to dictate the particular levels of coverage or the precise deductibles or coinsurance levels set by the plans. These specific decisions are left to plan discretion, subject to OPM actuarial review.

In this instance, Blue Cross is reported to have estimated that the effects of the reduced benefit for retail pharmacy by Medicare participating enrollees (who constitute about half of the Blue Cross enrollment) would be to reduce its family premium cost by about \$12 a month, or over \$140 a year. Without this premium reduction Blue Cross would have experienced a significant competitive disadvantage (the APWU plan, for example, already has a family premium \$200 lower than that of Blue Cross, and the cost difference might have risen to well over \$300). There would also have been significant effects on the overall FEHBP budget--possibly approaching \$100 million a year in increased cost to the government under the statutory formula--if the Blue Cross premium had risen this much.

Clearly, this change has been disruptive to seniors and to established provider relationships. It has been costly to retail pharmacists. It may or may not have saved the estimated \$12 a month. It would certainly be reasonable, and arguably necessary in its fiduciary role, for OPM to review the estimated and actual savings of this change, in relation to other possible benefit and cost sharing changes, in negotiations over the 1997 contract.

TEL: 703-549-3001
FAX: 703-549-0771

NACDS

LAURA C. FOGT, M.H.S.
DIRECTOR, FEDERAL GOVERNMENT AFFAIRS

NATIONAL ASSOCIATION OF CHAIN DRUG STORES
413 N. LEE STREET, P.O. BOX 1417-D49, ALEXANDRIA, VA 22313-1480

To: Jennifer
From: Marilyn

FAX TRANSMITTAL SHEET

U. S. OFFICE OF PERSONNEL MANAGEMENT
RETIREMENT AND INSURANCE SERVICE
1900 E STREET, N.W., ROOM 4A10
WASHINGTON, D.C. 20415

Telephone (202) 606-0600

Number of Pages 4
(Including Cover Sheet)

TO: Marilyn Yeager

DATE: 4/15/96

Telephone Number _____

Fax Number _____

FROM: Ed Flynn

DATE: _____

Telephone Number 606-0600

Fax Number _____

COMMENTS:

letter to John Mica from Jim King
re drug benefit changes



OFFICE OF THE DIRECTOR

UNITED STATES
OFFICE OF PERSONNEL MANAGEMENT
WASHINGTON, DC 20415-0001

APR 10 1996

Honorable John L. Mica
Chairman, Subcommittee
on Civil Service
U. S. House of Representatives
Washington, DC 20515-6143

Dear Chairman Mica:

Thank you for your letter of February 13, 1996, regarding the Blue Cross and Blue Shield Service Benefit Plan's 1996 drug benefit changes under the Federal Employees Health Benefits (FEHB) Program. The following information is provided as you requested.

Question 1. OPFM estimates that the 20 percent copayment change will save the FEHB Program \$200 million dollars. Is this savings figure for 1996? How was this savings figure calculated? What percent of these savings is attributed to lower drug prices as a result of using mail order vs. increased out-of-pocket copayments by enrollees?

Answer. The prescription drug benefit change is expected to save about \$200 million in 1996. This figure was determined by analyzing recent prescription drug utilization and projecting modified drug purchase patterns stemming from the 1996 benefit changes.

The combined effect of copayments and a slight decrease in utilization of retail pharmacies is expected to account for savings of approximately \$125 million, or 62.5 percent of the total. In addition, use of the Mail Order Program is expected to account for savings of approximately \$75 million, or 37.5 percent of the total. These savings come from the lower drug costs that result from the significant volume discounts National Rx Services was able to obtain from drug manufacturers, and because wherever possible, the Mail Order Program will dispense generic, rather than brand name, drugs.

Question 2. How did this copayment change transpire? Did OPFM ask for the mail order copayment change or did Blue Cross/Blue Shield propose the change?

Answer. BC/BS proposed the change in their drug benefit. Drug costs are a significant and increasing part of the Plan's total benefit payout. Plan data indicated that 61 percent of total costs for prescription drugs were incurred by members with Medicare Part B. More importantly, these members used the more cost effective mail order delivery system only 10 percent of the time compared to an 80 percent usage rate among the non-Medicare population. BC/BS was thus able to demonstrate that without incentives for increased use of the Mail Order Program among the Medicare population, the overall Standard Option premiums would increase by \$5.42 per month for self coverage and by \$12.03 for family.

Question 3. What other cost savings measures in the drug program were considered by OPM in addition to this change? Were any of them implemented, and if not, why?

Answer. Initially, BC/BS proposed even broader changes in their drug benefit: extending drug coinsurance to Medicare-enrollees in the High Option, and increasing the coinsurance paid at retail pharmacies among all Standard Option enrollees. In view of the disproportionate premium paid by Medicare enrollees under High Option, we rejected any change to it. We also rejected the general increase in the drug coinsurance in the Standard Option because the data cited in answer #2 indicated that sufficient cost reductions could be attained by simply extending existing coinsurance provisions to the Medicare enrollees.

Question 4. There are some early reports that Merck/Medco is unable to fill all the prescriptions that are being sent to its mail order operation. Is OPM receiving any of these reports? If so, how is this situation being handled? Before OPM agreed to this contract change, did the agency ascertain the ability of Merck/Medco to handle a possibly significant increase in prescription volume at its mail order operation?

Answer. Prior to the January 1, 1996, effective date of the benefit change, Medco projected a significant but somewhat gradual increase in the Mail Order Program during the year and staffed itself accordingly. We had extensive discussions with the Blues prior to implementation, and OPM officials went on-site to evaluate first-hand Medco's capacity planning. Both Blue Cross/Blue Shield and MEDCO felt their planning for this change was adequate.

Unfortunately, the Carrier's projections fell short of the massive and immediate increase in volume. Letters and calls from customers alerted us early in January to the fact that Medco was having difficulty meeting the service standards in the Service Benefit Plan brochure. Throughout January, we received weekly updates on volume and service problems being experienced by the Mail Order Program, and we insisted that the Mail Order Program's service problems be resolved by the beginning of February.

Blue Cross and Blue Shield, in conjunction with Medco, responded by developing an aggressive operational strategy to meet the Plan's service standards and their members' expectations. By the end of the first week of February, they had (1) hired additional pharmacists, (2) increased their capacity to receive telephoned and faxed prescriptions, (3) increased the number of sites at which prescriptions could be filled, (4) increased the number of telephone representatives so individual problems could be solved quickly, (5) put a system in place to notify members if their prescriptions could not be filled within the service standard timeframes, (6) devised a way to waive coinsurance and deductibles for emergency 21-day prescriptions at Preferred retail pharmacies if it appeared that the Mail Order Program could not meet the service standard timeframes, and (7) expedited delivery of late prescriptions by using overnight mail at no charge to members.

Honorable John L. Mica

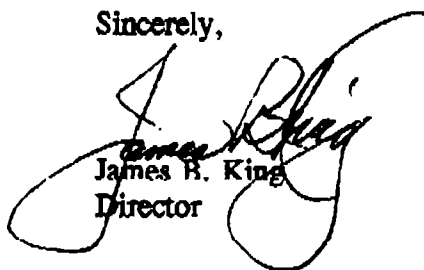
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The Carrier is continuing to provide us with weekly status reports on Mail Order Program service, and I am pleased to inform you that the Service Benefit Plan's service standards are now being met. You may be sure that we will keep monitoring the program to ensure that they continue to be met.

Given the 10 percent usage rate before the 1996 benefit changes, the Mail Order Drug Program will be new to the vast majority of BC/BS' Medicare enrollees. Change always generates some amount of concern and unease. Unfortunately, this concern was needlessly underscored by the difficulties experienced in January. Nonetheless, we remain convinced that our Medicare customers will ultimately give the Mail Order Program the same high marks (4.8 on scale of 1 to 5 with 5 being Very Satisfied) that the program has received from past users. We also believe that the 1996 benefit changes, decided in the context of balancing costs against benefit provisions, were in the interest of all BC/BS enrollees. That is why we agreed to adopt them.

I hope this has answered your questions. If you have others, please let me know.

Sincerely,



James B. King
Director

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ONE HUNDRED FOURTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT

2157 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC 20515-6143

February 13, 1996

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MAJORITY—(202) 225-6074
MINORITY—(202) 225-6081

500

RIS
L. M.

The Honorable James B. King
Director
Office of Personnel Management
1900 E Street, N.W.
Washington, D.C. 20415

Dear Director King:

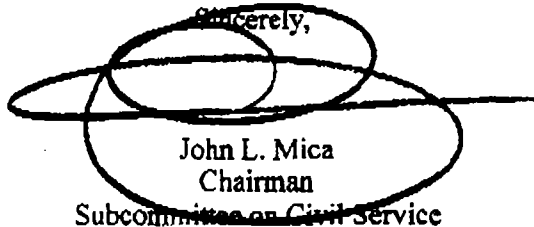
I am writing to apprise you of my concern, as Chairman of the Subcommittee on Civil Service about the continuing controversy associated with the Blue Cross and Blue Shield prescription drug benefit implemented for 1996 in the Federal Employee Health Benefits (FEHB) program.

As you may know, I have asked the General Accounting Office (GAO) to review the Blue Cross and Blue Shield FEHB prescription drug benefit and to address questions of timeliness and availability of products and services, and examine cost-saving aspects of the program. I am interested in supplementing this information with your specific response to the following questions.

1. OPM estimates that the 20 percent co-payment change will save the (FEHB) program \$200 million dollars. Is this savings figure for 1996? How was this savings figure calculated? What percent of these savings are attributed to lower drug prices as a result of using mail order vs. increased out-of-pocket co payments by enrollees?
2. How did this co-payment change transpire? Did OPM ask for the mail order co-payment change or did Blue Cross/Blue Shield propose the change?
3. What other cost savings measures in the drug program were considered by OPM in addition to this change? Were any of them implemented, and if not, why?
4. There are some early reports that Merck/Medco is unable to fill all the prescriptions that are being sent to its mail order operation. Is OPM receiving any of these reports? If so, how is this situation being handled? Before OPM agreed to this contract change, did the agency ascertain the ability of Merck/Medco to handle a possibly significant increase in prescription volume at its mail order operation?

Your prompt response would be greatly appreciated.

Sincerely,



John L. Mica
Chairman
Subcommittee on Civil Service



GEORGE WATT
Vice President of Managed Care

Revco D.S., Inc.
1925 Enterprise Parkway, Twinsburg, OH 44087
(216) 487-1000 Ext.3260 Fax: (216) 487-5070



GEORGE WATT
Vice President of Managed Care

Revco D.S., Inc.
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COST ANALYSIS

3/13/96

Federal Employees Prescription Health Benefits Program

Assumptions:						
Brand AWP - Store	\$ 40.00					
Generic AWP - Store	\$ 12.50					
Brand AWP - Mail Order	\$ 120.00					
Generic AWP - Mail Order	\$ 37.50					
Mail/Store Ratio	3					
Brand Discount - Store	13.00%					
Generic Discount - Store	55.00%					
Brand Dispensing Fee - Store	\$ 2.50					
Generic Dispensing Fee - Store	\$ 2.50					
Brand Discount - Mail	20.00%					
Generic Discount - Mail	55.00%					
Brand Dispensing Fee - Mail	\$ -					
Generic Dispensing Fee - Mail	\$ 2.00					
Copay Store Rx's	20.00%					
Copay Mail Rx's	0.00%					
Generic Substitution Rate	25.00%					
Cost Per Rx						
	Store	Store	Store	Mail	Mail	Mail
	Brand	Generic	Wt. Avg.	Brand	Generic	Wt. Avg.
AWP	\$ 40.00	\$ 12.50		\$ 120.00	\$ 37.50	
1 Minus the Discount	87.00%	45.00%		80.00%	45.00%	
Ingredient Cost	\$ 34.80	\$ 5.63		\$ 96.00	\$ 16.88	
Dispensing Fee	\$ 2.50	\$ 2.50		\$ -	\$ 2.00	
Cost per Rx	\$ 37.30	\$ 8.13		\$ 96.00	\$ 18.88	
Mail/Store Ratio	3	3		NA	NA	
Adjusted Cost per Rx	\$ 111.90	\$ 24.38		\$ 96.00	\$ 18.88	
Dispensing Rate	75.00%	25.00%		75.00%	25.00%	
Wt Avg Cost per Rx - before copay			\$ 90.02			\$ 76.72
Copay Contribution			20%			0%
Copay			\$ 18.00			\$ -
Net Cost to Government			\$ 72.02			\$ 76.72
Net Loss to Government for Each Mail Order Rx			\$ 4.70	6.53%		

COST ANALYSIS

3/13/96

Federal Employees Prescription Health Benefits Program

Assumptions:						
Brand AWP - Store	\$ 40.00					
Generic AWP - Store	\$ 12.50					
Brand AWP - Mail Order	\$ 120.00					
Generic AWP - Mail Order	\$ 37.50					
Mail/Store Ratio	3					
Brand Discount - Store	15.00%					
Generic Discount - Store	55.00%					
Brand Dispensing Fee - Store	\$ 2.75					
Generic Dispensing Fee - Store	\$ 2.75					
Brand Discount - Mail	20.00%					
Generic Discount - Mail	55.00%					
Brand Dispensing Fee - Mail	\$ -					
Generic Dispensing Fee - Mail	\$ 2.00					
Copay Store Rx's	20.00%					
Copay Mail Rx's	0.00%					
Generic Substitution Rate	25.00%					
Cost Per Rx						
	Store	Store	Store	Mail	Mail	Mail
	Brand	Generic	Wt. Avg.	Brand	Generic	Wt. Avg.
AWP	\$ 40.00	\$ 12.50		\$ 120.00	\$ 37.50	
1 Minus the Discount	85.00%	45.00%		80.00%	45.00%	
Ingredient Cost	\$ 34.00	\$ 5.63		\$ 96.00	\$ 16.88	
Dispensing Fee	\$ 2.75	\$ 2.75		\$ -	\$ 2.00	
Cost per Rx	\$ 36.75	\$ 8.38		\$ 96.00	\$ 18.88	
Mail/Store Ratio	3	3		NA	NA	
Adjusted Cost per Rx	\$ 110.25	\$ 25.13		\$ 96.00	\$ 18.88	
Dispensing Rate	75.00%	25.00%		75.00%	25.00%	
Wt Avg Cost per Rx - before copay			\$ 88.97			\$ 76.72
Copay Contribution			20%			0%
Copay			\$ 17.79			\$ -
Net Cost to Government			\$ 71.18			\$ 76.72
Net Loss to Government for Each Mail Order Rx			\$ 5.54	7.79%		

COST ANALYSIS

3/13/96

Federal Employees Prescription Health Benefits Program

Assumptions:						
Brand AWP - Store	\$ 40.00					
Generic AWP - Store	\$ 12.50					
Brand AWP - Mail Order	\$ 120.00					
Generic AWP - Mail Order	\$ 37.50					
Mail/Store Ratio	3					
Brand Discount - Store	15.00%					
Generic Discount - Store	55.00%					
Brand Dispensing Fee - Store	\$ 2.75					
Generic Dispensing Fee - Store	\$ 2.75					
Brand Discount - Mail	26.15%					
Generic Discount - Mail	55.00%					
Brand Dispensing Fee - Mail	\$ -					
Generic Dispensing Fee - Mail	\$ 2.00					
Copay Store Rx's	20.00%					
Copay Mail Rx's	0.00%					
Generic Substitution Rate	25.00%					
Cost Per Rx						
	Store	Store	Store	Mail	Mail	Mail
	Brand	Generic	Wt. Avg.	Brand	Generic	Wt. Avg.
AWP	\$ 40.00	\$ 12.50		\$ 120.00	\$ 37.50	
1 Minus the Discount	85.00%	45.00%		73.85%	45.00%	
Ingredient Cost	\$ 34.00	\$ 5.63		\$ 88.62	\$ 16.88	
Dispensing Fee	\$ 2.75	\$ 2.75		\$ -	\$ 2.00	
Cost per Rx	\$ 36.75	\$ 8.38		\$ 88.62	\$ 18.88	
Mail/Store Ratio	3	3		NA	NA	
Adjusted Cost per Rx	\$ 110.25	\$ 25.13		\$ 88.62	\$ 18.88	
Dispensing Rate	75.00%	25.00%		75.00%	25.00%	
Wt Avg Cost per Rx - before copay			\$ 88.97			\$ 71.18
Copay Contribution			20%			0%
Copay			\$ 17.79			\$ -
Net Cost to Government			\$ 71.18			\$ 71.18
Net Loss to Government for Each Mail Order Rx			\$ 0.01	0.01%		

**EXPENDITURE COMPONENTS AND COST CONTAINMENT RATIOS
OF THE FEHBP BC/BS PRESCRIPTION DRUG PROGRAM**
(prepared by NACDS, based on data reported by BC/BS, May 1995)

Total Drug Program Expenditures:	\$1.2 billion
Total Retail (66%)	\$800 million
Total Mail Order (33%)	\$400 million
Total Retail Component	\$800 million
Manufacturers Component (75%)	\$600 million
Pharmacy Component (25%)	\$200 million
Total Mail Order Component	\$400 million
Manufacturers Component (75%)	\$300 million
Pharmacy Component (25%)	\$100 million
Total Manufacturers Component	\$900 million
Assume 3:1 brand:generic expenditure distribution	
Brand Expenditures	\$675 million
Generic Expenditures	\$225 million
Total Pharmacy Component	\$300 million

Cost Containment Ratios

1. Manufacturers Rebates/Percentage of Total Program Expenditures

Medicaid:	19.5% average
BC/BS FEHBP (actual):	5.8% average
BC/BS FEHBP (estimated):	

Percent of Drug Category Receiving Rebate	Percent Rebate	Total Savings (millions)
100% Brand (\$675 million)	15%	\$101
100% Generic (\$225 million)	11%	\$ 25
50% Brand (\$338 million)	10%	\$ 34
50% Generics (\$113 million)	5%	\$ 6

Drug Manufacturer Rebates

Total brand name (??) discounts: 21% or \$69 million in savings/\$1.2 billion total program = 5.8%.

Total brand name savings/total brand name expenditures:
(includes discounts, PA and BTB substitution)
\$78 million/\$675 million total brand = 12%

Generic discounts: \$23 million/\$225 million total generic expenditures: 10%

2. Pharmacy Cost Containment/Percentage of Total Pharmacy Component

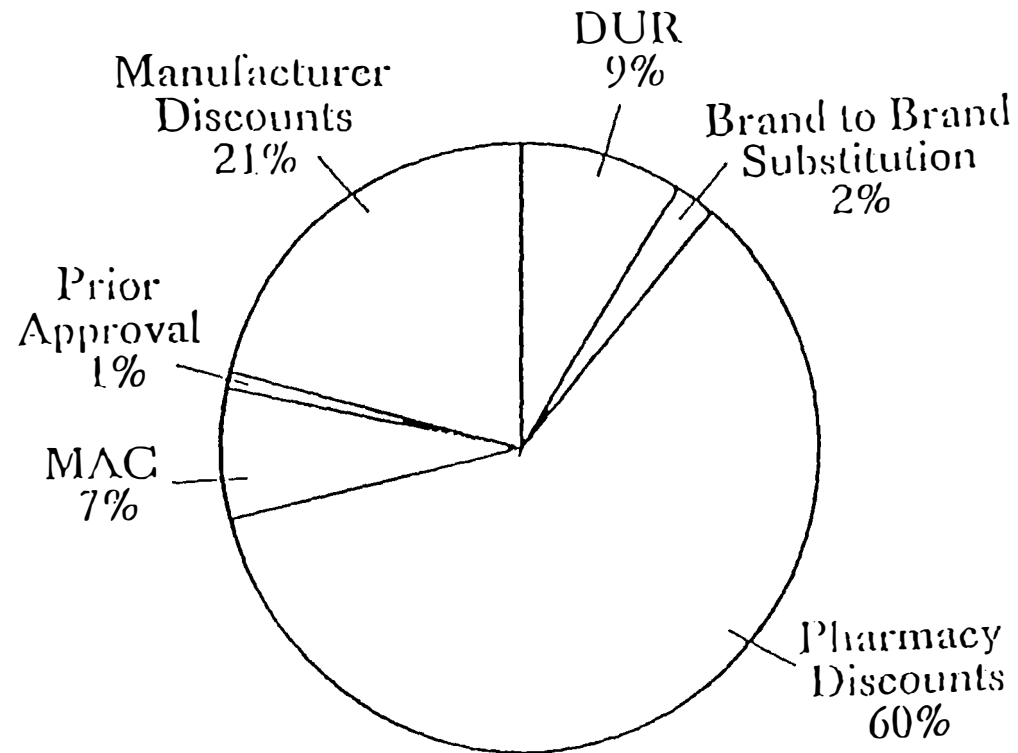
\$196 million pharmacy discounts/\$327 total savings:
60 percent total savings from pharmacy

\$196 million pharmacy discounts/\$300 million total pharmacy component:
65 percent of total pharmacy component are reduced

Summary of Cost Containment as a Percentage of (Total Expend), Incurred Expenditures, Savings:

Brand Name Drugs (56%):	12%, 21%
Generic Drugs:(10%)	10%, 7%
Pharmacy Discounts:(25%)	65%, 60%

Savings to the FEHBP Program as Reported by Blue Cross and Blue Shield



\$327 Million

Source: Blue Cross and Blue Shield Association, Presentation at May 12, 1995, National Health Policy Forum, Washington, D.C.



United States
**Office of
Personnel Management**

Office of Congressional Relations
Washington, DC 20415-0001

March 18, 1996

Jennifer Klein
Special Assistant to the President
Office of Management and Budget
New Executive Office Building
17th St. and Pennsylvania Avenue, N.W.
Washington, DC 20500

Dear Ms. *Jennifer* Klein:

Per our meeting on March 7, attached is the information you requested on Blue Cross/Blue Shield. If you have any questions or comments please feel free to contact me at 606-1300.

It was a pleasure meeting with you and I look forward to working with you in the future.

Sincerely

Cynthia
Cynthia Brock-Smith
Director

Q. The retail pharmacists estimate that they are losing \$600 million in revenue as a result of the Blue Cross and Blue Shield (BC/BS) benefit change. What is your estimate?

A. We do not know how the retail pharmacists arrived at their estimate. However, based on our projections, a \$600 million loss is virtually impossible. We estimated that in the absence of the benefit change, total retail pharmacy expenditures by the BC/BS Standard Option Medicare Part B population would have been \$656 million in 1996. Therefore, for retail pharmacists to sustain a \$600 million loss, the affected group would have to stop using retail pharmacies virtually entirely.

Q. How is the \$200 million savings distributed among the various components such as coinsurance, shift to mail order, and discounts in the mail order drug price?

A. Of the projected \$200 million savings from the benefit change, we estimated that \$91.5 million would come from previously waived coinsurance payments. Although the source of revenue would shift from the plan to the enrollee, the retail pharmacists would not lose that amount.] ?

We calculated a total savings of \$52.4 million as a result of anticipated increased volume discounts on both the new mail order business and the existing mail order business because the discount applies across-the-board. Before the change in benefits, mail order drugs for Medicare annuitants were estimated to cost \$164 million. We assumed that an additional \$164 million of drugs previously purchased from retail pharmacies would be purchased through mail order under the new benefit structure. We applied a factor of 16 percent to the projected total volume to calculate the estimated savings.

We also estimated that \$19.7 million of the savings will result from 20 percent of the prescriptions transferred to mail order being dispensed as generics where they would have been dispensed as brand name drugs by the retail pharmacies.

Finally, \$34.4 million was projected as a result of reduced utilization, i.e. prescriptions for shorter periods, not filled or not written.

Q. What part of the \$200 million savings was due to discounts to Medco on drugs from manufacturers?

A. While we estimated savings from a volume discount, we have no information on what portion of that discount comes from discounts Medco gets from drug manufacturers. Our estimates are based on the price we pay for a drug as it is charged against the contract. We do not attempt to analyze the components of that price. Like other large purchasers, our

policy is to hold our prime contractor, the carrier, accountable for reliably providing quality health care coverage to our employees at a reasonable price.

Q. Are there measures in addition to the mail order program that OPM could employ to yield additional savings with respect to prescription drugs?

A. While the mail order service will dispense a generic drug automatically if available unless the prescription specifies that the brand name product is required, retail pharmacists typically dispense the generic product only if the patient agrees. Of course, the patient has an incentive to select the generic because he or she will be paying the coinsurance on a smaller amount. However, since many patients still do request brand name products, savings might be achieved by mandating that only generics be dispensed unless instructed otherwise by the physician. While we have no firm data on potential savings from mandating that generic products be dispensed if available in all cases unless the physician specifies otherwise, we would guess that savings of between \$30 million and \$40 million might be achieved.

Another option might be to impose a copayment on the FEHB/Medicare population in BC/BS when they use the mail order program. We estimate a potential savings of \$37 million from that option.

Q. What would be the increase in premium for 1997 if you reverted to the 1995 benefit?

A. Without the benefit change, the 1996 monthly premium would have increased by \$5.42 per month for a Self Only contract and \$12.03 per month for a Self and Family contract. Given the trend in drug price increases, we anticipate that the premium would have to be increased by 15 percent more in 1997. The result would be a \$6.22 increase for a Self Only contract and a \$13.83 increase for a Self and Family contract.

What was it w/ benefit change?

]

Federal Employees Health Benefits Program

Blue Cross Blue Shield Prescription Drug Benefit Changes for 1996

**Prepared by the Office of Insurance Programs
United States Office of Personnel Management, March 6, 1996
Tel. (202) 606-0727**

Status of FEP Mail Order Performance by Medco as of 3/5/96

According to the 1996 Blue Cross and Blue Shield brochure, enrollees should expect that:

- 1) Orders received by phone or fax will be processed within two business days, but you should allow approximately one week for delivery.
- 2) Mail orders should allow approximately two weeks for delivery.

For the scripts processed at all facilities (Tampa I, Tampa II, Texas and New Jersey) on 3/5/96.

96.7% of those received by phone or fax were processed in 2 days and sent by regular mail to the subscriber.

99.3% of those received by mail were processed in 7 days and sent by regular mail to the subscriber.

FEP MAIL SERVICE OPERATIONAL UPDATE SUMMARY - 3/6/96

Since 1/1/96, the mail service pharmacy dispensed approximately 1.7 prescriptions. Since implementation of the cost share waiver, 25,000 retail prescriptions, 1.5%, have been dispensed.

Operations	Week of 2/26	Projections 3/4
Receipts	176,000	180,000
Dispensed	210,000	180,000
Phone/fax % in 2 days	97%	97%
Mail % in 7 days	99%	99+%
On Hand Inventory/Day	1/2 day	1/2 day
Customer Service		
Call Volume	81,500	80,000
% in 20 seconds	92%	92%
% Blockage	0%	0%
% Abandoned	0.5%	0.5%
Cost Share Waiver		
Waivers (Users)	4,500	2,500
% of Mail Service Users	5%	4%
Proactive Adjustments (Y-T-D)	7,500	NA
% of Rx's Dispensed (Y-T-D)	0.4%	NA

Special Operational Strategy to Address FEP Mail Service Performance Problems

Rxs processed by the FEP Mail Service vendor that may not meet member expectations (Operational 2/7/96)

- The Mail Service vendor will (1) transmit a daily file to the Retail Pharmacy Program vendor identifying covered members whose Rxs may not arrive as expected and (2) send an overnight letter to these individuals explaining that their Rx may not arrive as expected and that they may obtain an emergency Rx at their Preferred network retail pharmacy without coinsurance
- The Retail Pharmacy Program vendor will update their files to waive coinsurance for 14 days from the date of the letter for the members identified by the Mail Service vendor
- When applicable, member may have to pay for Rx at Preferred network pharmacy if deductible is not met (non Med B only)
- The Retail Pharmacy Program vendor will automatically issue reimbursement checks up to deductible amount for all claims incurred during this 14 day window, member does not have to file claim

Real time waiver of coinsurance by the Retail Pharmacy Program vendor (Operational 2/8/96)

The Retail Pharmacy Program vendor will update a member's file to waive coinsurance on line/real time based on a verbal statement by the member that they are waiting for their Mail Service Rx and an emergency supply is needed (member will be told to wait 4 hours)

Retroactive adjustments at the Retail Pharmacy Program vendor (Operational 2/8/96)

- The Retail Pharmacy Program vendor will reimburse member's coinsurance from POS transaction on file based on a verbal statement by the member that a Rx was obtained while waiting for the Mail Service (i.e., member does not have to file claim)
- The Retail Pharmacy Program vendor will process hard copy claims for coinsurance reimbursement if sent by member

Retroactive deductible reimbursement at the Retail Pharmacy Program vendor (Operational 2/16/96)

- The Retail Pharmacy Program vendor will reimburse member's deductible from POS transaction on file based on a verbal statement by the member that a Rx was obtained while waiting for the Mail Service (i.e., member does not have to file claim)

- **The Retail Pharmacy Program vendor will process hard copy claims for deductible reimbursement**

Med B members residing in Nursing Homes will have coinsurance waived if a Long Term Care network pharmacy is used (Operational for individual cases 2/8/96; systematic 2/28/96) or if a Preferred network pharmacy is used (Operational - to be determined)

- **The Retail Pharmacy Program vendor will update members file to waive coinsurance if member has Med B and is being served by a pharmacy identified as a Long Term Care network pharmacy**
- **The Retail Pharmacy Program vendor will send a letter to those members identified above explaining the benefit change the week beginning 2/26/96**
- **Procedures will be developed to update members file to waive coinsurance if member is residing in a nursing home, has Med B and is being served by a Preferred network pharmacy**

Med B members residing in Nursing Homes will have coinsurance level returned to the 1995 benefit levels if a non-Preferred pharmacy is used (Operational - to be determined)

- **The Retail Pharmacy Program vendor and the FEP Operations Center will make the necessary system changes to return coinsurance to the 1995 benefit levels**

Med B members residing in Nursing Homes will have 1996 out of pocket coinsurance payments adjusted retroactively to 1995 benefit levels as necessary (Operational - to be determined)

- **The Retail Pharmacy Program vendor will make the necessary system changes to adjust 1996 claims that will retroactively return coinsurance to the 1995 benefit levels**



United States
**Office of
Personnel Management**

Washington, D.C. 20415

JAN 31 1996

In Reply Refer To:

Your Reference:

Mr. Alan P. Spielman
Senior Vice President
Government Programs
Blue Cross and Blue Shield Association
1310 G Street, N.W., Suite 800
Washington, DC 20005

Alan -
Dear Mr. Spielman:

This letter is prompted by our extreme disappointment in the level of customer service that is now being provided under your mail order prescription drug program. As you know, OPM agreed with your proposal to modify prescription drug benefits in 1996 to provide greater incentives for use of the mail order benefit in lieu of retail pharmacy services. An increase in the demand for mail order services was not only predictable but was the expected and desired outcome. While you did estimate increases in demand, they fell short of the actual increases that have occurred. The fact that you are not yet positioned to handle the resultant demand is unacceptable and must be remedied immediately.

Please provide us without delay the specifics of how you intend to address this situation. We will be visiting your primary dispensing sites in Florida and New Jersey tomorrow, February 1, 1996, to personally assess the level of customer service being provided. I understand representatives from the FEP Director's Office will accompany us on these visits.

This situation must be remedied not later than Friday, February 2, 1996. In addition, a general announcement of your proposed solutions should be made immediately with individual communication to our enrollees to follow. Until such time that you meet the contractual customer service standards, we will need to know what steps you intend to take to mitigate any costs incurred by customers who may turn to local retail pharmacies because your mail order prescription drug program could not meet their reasonable expectations for service, or who may already have done so.

In a related area, we have recently become aware and are concerned about the absence of individual dosage service, including bubble packaging, for mail order customers whose care givers are accustomed to this service or may require it, forcing the customer to use less cost effective retail pharmacy services. Had we foreseen or been made aware of this lapse, we would have requested individual dosage service or the continued waiver of co-pays for our Medicare covered customers who require this service. It should be added as soon as the present

Mr. Alan P. Spielman

2

overall delivery problems are remedied. In the interim, we anticipate your immediate development of a method to waive the coinsurance for those individuals who require individual dosage packaging and must therefore utilize retail pharmacies.

We cannot overemphasize the critical nature of this problem and our concern over its prompt resolution. This situation has received the highest level of attention within this Agency, and we are prepared to act as necessary to protect the interests of our customers. I trust you share in our desire to rectify this situation immediately.

Sincerely,

A handwritten signature in black ink, appearing to read "W. E. Flynn, III". The signature is written in a cursive style with a large, prominent initial "W".

William E. Flynn, III
Associate Director
for Retirement and Insurance

Prescription Drug Benefits *continued*

By mail

If your doctor orders more than a 21-day supply of covered drugs or supplies, up to a 90-day supply, you may order your prescription or refill by mail from the Mail Service Prescription Drug Program. National Rx Services will fill your prescription. All drugs and supplies listed on the previous page are covered under this Program except for those that must be administered by physicians in a clinical setting.

You pay an \$8 copayment under **High Option** and a \$12 copayment under **Standard Option** for each prescription drug, supply, or refill you purchase through the Mail Service Program.

Waiver

When Medicare Part B is the primary payer, and you use the Mail Service Prescription Drug Program, your copayment is waived after you supply proof of your enrollment in Part B directly to National Rx Services (see page 39).

To claim benefits

The Plan will send you information on the Mail Service Prescription Drug Program. To use the Program:

- 1) Complete the initial mail order form.
- 2) Enclose your prescription and copayment.
- 3) Mail your order to National Rx Services, P.O. Box 30491, Tampa, FL 33630.
- 4) Allow approximately two weeks for delivery.

Alternatively, your physician may call in your initial prescription at 1-800/262-7890. You will be billed later for the copayment. After that, you may then call the same number to order your refill, and either charge your copayment to your credit card or have it billed to you later. Orders will be processed within two business days, but you should allow approximately one week for delivery.

Prior approval

Certain prescription drugs and supplies may require prior approval before they will be covered under this Plan. Call 1-800/624-5060 to obtain an updated list of prescription drugs and supplies that require prior approval. Once prior approval has been obtained, you may take advantage of electronic claims processing at Preferred pharmacies, have claims paid for drugs and supplies purchased from Non-preferred pharmacies, or have drugs and supplies dispensed by the Mail Service Program.

Retail Pharmacy Program

The Retail Pharmacy Program will request the medical evidence needed to make its coverage determination. Drugs and supplies that require prior approval also require 1) payment in full at time of purchase (including Preferred pharmacies) and 2) the member's submission of the expense(s) on a claim form. Preferred pharmacies will not file these expenses for you.

Mail Service Program

National Rx Services will screen all prescription drugs prior to dispensing. If the drug or supply requires prior approval, your prescription will not be filled until prior approval has been obtained. The prescription will be returned to you along with a Prior Approval Request form and a letter explaining the program and procedures.

Drugs from other sources

Prescription drugs and certain supplies not purchased from a retail pharmacy or through the Mail Service Program are covered at Other Medical Benefits levels when billed for by an outpatient facility or a physician (see pages 22 and 23), or Additional Benefits levels when billed for by a covered home health care agency (see page 27) or home hospice agency (see page 28). When hospitalized, drugs and supplies are covered under Inpatient Hospital Benefits (see page 12) or Maternity Benefits (see page 18).

Purchasing drugs when you are overseas

Claims for covered prescription drugs and supplies purchased outside of the United States and Puerto Rico should be submitted on an Overseas Claim Form and sent to the Overseas Claims Section address listed on page 34. Prescription drugs requiring constant refrigeration cannot be shipped to APO/FPO boxes by the Mail Service Prescription Drug Program.

Coordinating with other drug coverage

When you use a Preferred retail pharmacy and this Plan is the primary payer, you must call the Service Benefit Plan Retail Pharmacy Program at 1-800/624-5060 to request a statement of benefits for other coverage purposes.

Prescription Drug Benefits *continued*

By mail

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Coordinating with other drug coverage

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BACKGROUND INFORMATION ON PRESCRIPTION BENEFIT CHANGES

- **Historical Prescription Benefit Changes**

Standard Option

**1992: Calendar year deductible - \$250; no separate prescription deductible.
25% of UCR coinsurance for enrollees for retail prescriptions.
\$10 copay for mail order prescriptions.**

When Medicare Part B coverage is primary - calendar year deductible waived.

25% coinsurance for retail prescriptions waived.

\$10 copay for mail order prescriptions waived.

**1993: Preferred Retail Pharmacy Program implemented.
\$50 prescription deductible initiated.
20% coinsurance of Preferred Provider Allowance (PPA) for enrollees who used a Preferred Retail Pharmacy and 40% coinsurance of billed charges for enrollees who used non-preferred pharmacies.
Paper claims must be submitted to get reimbursement for prescriptions filled at a retail pharmacy.
\$12 copay for mail order prescriptions.**

When Medicare Part B coverage is primary - prescription deductible waived.

20% coinsurance for Preferred Retail Pharmacy prescriptions and 40% coinsurance for non-preferred pharmacy prescriptions waived.

\$12 copay for mail order prescriptions waived.

**1994: On-line, point of service, Preferred Retail Pharmacy Program Network implemented; paper claims only necessary when a non-preferred pharmacy used.
\$50 prescription deductible .
20% coinsurance of Preferred Provider Allowance (PPA) for enrollees who used a Preferred Retail Pharmacy and 40% coinsurance of billed charges for enrollees who used non-preferred pharmacies.
\$12 copay for mail order prescriptions.**

**When Medicare Part B coverage is primary - prescription deductible waived.
Coinsurance was waived when enrollees used a Preferred Retail Pharmacy but a 20% coinsurance of billed charges was applied when enrollees used a non-preferred pharmacy.**

\$12 mail order copay waived.

1995: Same benefit as 1994.

1996: \$50 prescription deductible.

20% coinsurance of PPA for enrollees who use a Preferred Retail Pharmacy and 40% coinsurance of billed charges for enrollees who use non-preferred pharmacies.

\$12 copay for mail order prescriptions.

When Medicare Part B coverage is primary - prescription deductible is waived.

20% coinsurance when a Preferred Retail Pharmacy is not waived and 40% coinsurance when a non-preferred pharmacy is used is not waived.

\$12 copay for mail order prescriptions is waived.

- **Actuarial and Statistical Background**

The latest trends for the prescription benefit has been a 20% increase for each year.

In 1994: 21% (\$1.2 billion) of the total BC/BS health plan costs were for prescription drugs. 61% of the total BC/BS plan pharmacy costs were incurred by enrollees with Medicare Part B;

13% of the BC/BS non-Medicare enrollees' health plan costs were for prescription drugs;

and, 45% of the BC/BS Medicare population's health plan costs were for prescription drugs.

Without a cost sharing mechanism, there is no incentive to use the prescription benefit judiciously. For example, in 1994, Standard Option enrollees over 65 covered under a Self Only contract with Medicare Part B had an average of 23.2 prescriptions filled. This group has the deductible and coinsurance waived. Those Standard Option enrollees over 65 covered under a Self Only contract without Medicare Part B had an average of 14.9 prescriptions filled. This group pays the prescription deductible and the coinsurance. When all cost sharing is waived, utilization increases.

Before 1993 and before the advent of the on-line Retail Pharmacy Program, it was easier for an enrollee to use the Mail Order Program than to file claims for reimbursement for prescriptions purchased at a retail pharmacy. After the implementation of the on-line Preferred Retail Pharmacy Network in 1994, it became easier to use a retail pharmacy than the Mail Order Program. Without any cost sharing mechanism, there was no incentive for

the retirees who are covered under Medicare Part B to use the Mail Order Program. Enrollees not covered by Medicare Part B continued to be incentivised to use Mail Order and did.

	Non-Medicare (Actives and Retirees)	Medicare Part B Covered
Pre 1993 Prescription Cost Mix	Retail - 33% of RX costs Mail Order - 67% of RX costs	Retail - 67% of RX costs Mail Order - 33% of RX costs
1994 Cost Mix	Retail - 50% of RX costs Mail Order - 50% of RX costs	Retail - 80% of RX costs Mail Order - 20% of RX costs
1994 Number of Prescriptions	Retail - 20% of RX's filled Mail Order - 80% of RX's filled	Retail - 90% of RX's filled Mail Order - 10% of RX's filled

- **Projected Savings**

For 1996, the BC/BS Plan will realize an 18% savings on each prescription filled through the Mail Order Program rather than through retail pharmacies.

The BC/BS Plan will save approximately \$200 million in 1996 due to the change in the prescription benefit.

Without the prescription benefit change, the 1996 biweekly premium for Standard Option would have cost an additional \$2.50 per Self Only contract and \$5.55 per Self and Family contract.

CUSTOMER SATISFACTION

- **1994**

The Mail Order Program filled 5,216,029 prescriptions for Federal enrollees. The Retail Pharmacy Program filled 28,958,840 prescriptions.

The Gallup Customer Service Satisfaction Survey results, on a scale of 1 to 5 with 5 being very satisfied, were:

Mail Order Program = 4.8

Retail Pharmacy Program = 4.6

- **Mail Order Turnaround Standards**

If the prescription is phoned in - 97% are to be filled and put in the mail within 2 business days.

If the prescription is mailed in - 99% are to be filled and put in the mail within 5 business days.

- **Current (October 1995) Performance for the Mail Order Program Turnaround**

Phoned in prescriptions - 96.9% filled within two business days.

Mail in prescriptions - 99% filled within 5 business days.

RETIREES' CONCERNS ABOUT MAIL ORDER PRESCRIPTIONS

- **Extended turn-around time for urgently-needed prescriptions**

When a physician calls in an initial prescription or the enrollee or physician calls in a refill, the prescription order will be processed usually within two business days and delivered within one week. If the enrollee needs to begin using the medication immediately, the physician can write a prescription for one week's supply that could be filled at the retail pharmacy to tide the enrollee over until the Mail Order prescription is delivered.

Mail Order Turnaround Standards

If the prescription is phoned in - 97% are to be filled and put in the mail within 2 business days.

If the prescription is received by mail - 99% are to be filled and put in the mail within 5 business days.

- **Loss of mailed items or theft of prescriptions from mailboxes**

The prescription packages will be as safe as any other mail that the enrollee receives. There is nothing on the package to indicate that the contents are prescription medicines. The return address on the package simply states "National".

Certain controlled drugs (i.e., Ritalin, morphine derivatives) are shipped via Federal Express or U.P.S. and require a signed receipt for delivery.

In the event that a drug is lost or stolen, a replacement drug will be sent to the patient without charge.

- **Inability to obtain brand-name drugs or substitution of generics by the Mail Order Program pharmacists**

With regard to generic substitutions, the Mail Order Program works the same as the Retail Pharmacy Program. By submitting a prescription to the Mail Order Program or to the retail pharmacy, the enrollee is authorizing them to substitute a Federally approved generic equivalent, if available, unless the enrollee or the physician specifically requests a name brand. Generic substitution has been a part of the BC/BS prescription benefit for many years. The physician may ensure that a generic substitution is not made by writing "DAW" (Dispense as Written) on the prescription and the enrollee

may advise the pharmacist that a generic substitution is not acceptable.

- **Loss of confidence in safety measures, since a local pharmacist knows the individual's complete prescription history and usage**

In the Mail Order Program a computerized "patient profile" is maintained on each individual which includes drug history and refill activity. This profile is integrated with prescription history supplied by the Retail Pharmacy Program containing information on prescription drugs purchased from retail pharmacies. Concurrent utilization review is performed each time a prescription is filled to see if there would be any conflict with known allergies or any adverse drug to drug interactions.

It is not always the case that an enrollee would use the same pharmacy to fill all his/her prescriptions. Many enrollees use whatever pharmacy is most convenient at the time that they're having the prescription filled.

- **Mail Order Pharmacies are not regulated**

The Mail Order Pharmacies are subject to the same degree of regulation and scrutiny as a retail pharmacy. The Mail Order Pharmacies are licensed and regulated by the states in which they operate and comply with all applicable state and federal regulations. The pharmacists working at these pharmacies are licensed by their respective states just as retail pharmacists are licensed.

- **If a Retail Pharmacy is used, the coinsurance will be very high**

Based on 1994 information, the average enrollee coinsurance amount for brand-name prescription drugs purchased at a Preferred network retail pharmacy is about \$6.30. The average enrollee coinsurance amount for generic drugs is about \$2.00 when a Preferred network pharmacy is used.

MERCK/MEDCO MERGER

Per the GAO Report, "Pharmacy Benefit Managers - Early Results on Ventures With Drug Manufacturers"

- In November, 1993, Merck & Co., Inc. purchased Medco Containment Services, Inc.
 - In January 1994, Merck and Medco formed the Merck-Medco U.S. Managed Care Division. This entity marketed both Merck products and Medco services to health plan sponsors. The Merck unit was transferred back to Merck's Human Health Division in October 1994.
 - In early 1995, Merck formally adopted a policy under which Medco operates independently of Merck.
 - The Federal Trade Commission will continue to monitor ventures between drug manufacturers and Pharmacy Benefit Managers (PBMs), such as Medco, to ensure that the PBMs maintain competitive processes that allow manufacturers, other than their partners, to compete for inclusion and low-cost designation for their drugs on the PBMs formularies.
- * The BC/BS contract with Medco requires written authorization on a product by product basis by BC/BS before Medco may perform any Interventions (product substitution) other than Interventions involving generic drugs.

RETAIL PHARMACY DRUG BENEFIT

PLAN NAME		NON-MEDICARE		MEDICARE PART-B (PRIMARY)	
		PREFERRED	NONPREFERRED	PREFERRED	NONPREFERRED
BCBS High Option Standard Option	Open	15% PPA/\$50 ded 20% PPA/\$50 ded	35% billed charge/\$50 ded 40% billed charge/\$50 ded	Ded/15% PPA waived Ded waived, 20% PPA	35% billed charge/\$50 ded Ded waived, 40 bill charge
Alliance	Open	Both: \$200 ded, \$10 copay per 30 day supply and 2 refills; Copay increases to 50% R&C for 3 or more refills Pay charges in excess of PPA		Ded waived, \$10 copay per 30 day supply and 2 refills; copay increases to %50 R&C for 3 or more refills	
APWU	Open	\$25 ded/person, \$50/family charges Copay 15% of drug charges	Same ded, copay 30% drug	Coinsurance and deductible waived.	
GEHA	Open	1st & 2nd RX \$15/brand name \$5/generic, 3rd+ RX > \$15 or 50% R&C/brand name, > \$5 or 50% R&C/generic	Same copays Pay charges in excess of PPA	Waive copay initial RX and first refill	No copay waiver
Mail Handlers High Option Standard Option	Open	Both options, Chemotherapy & related drugs only: 5% copay 25% of R&C charge \$300 ded per person - pays 75% of actual charges \$600 ded per person - pays 70% actual charges		No waiver of ded or coinsurance, except for chemotherapy drugs	
NALC	Open	\$25 ded/self \$50/family 20% of charges	\$25 ded/self \$50/family 40% of charges	Ded/coinsurance waived	Ded waived but not coinsurance
Postmasters High Option Standard Option	Open	Deductible \$275 for both Copay 20% discounted cost Copayment \$10 generic, \$20 brand name	Copay 20% eligible charge	Coinsurance and ded waived Waives \$250 of \$300 ded Copays 25%	Same Coinsurance not waived
Association	Closed	Copay waived for all prescriptions		Copay waived for all prescriptions	
BACE	Closed	\$50/Self and \$100/Self & Family ded, \$10 copay		\$50/Self and \$100/Self & Family ded, \$10 copay	
Foreign Service	Closed	\$200 ded, 20% reasonable & customary charges		\$200 Ded and 20% R&C charges waived	
NAPUS	Closed	Copay \$4 generic, \$12 brand name 30 day supply, up to 2 refills	Same copays Pay charges in excess of PPA	No copay waiver	
Panama	Closed	\$400 ded, 50% reasonable & customary charges		\$400 ded, 50% reasonable & customary charges	
Rural	Closed	\$250 ded, 25% reasonable & customary charges		\$250 ded, 25% reasonable & customary charges	
SAMBA	Closed	\$12 copayment		\$12 copayment	
SSEHA	Closed	\$5 generic, \$12 Brand name		\$5 generic, \$12 brand name	

MAIL ORDER DRUG BENEFIT

PLAN NAME		NON-MEDICARE	MEDICARE PART-B (PRIMARY)
BCBS High Option Standard Option	Open	\$8 copayment \$12 copayment	Copayment waived Copayment waived
Alliance	Open	\$200 ded; \$14 copay for brand name, \$7 copay for generics	Ded waived; \$14 copay for name brand; \$7 copay for generics
APWU	Open	15% R&C copay for brand name; no copay for generics	Copayment waived
GEHA	Open	\$20 copay for name brand; \$5 copay for generics	Copayment waived when Medicare A & B primary
Mail Handlers High Option Standard Option	Open	None	None
NALC	Open	\$12 copay per Rx up to 90 day supply, no deductible	Deductible & Copayment waived
Postmasters High Option Standard Option	Open	\$5 generic, \$12 brand name \$10 generic, \$20 brand name	Copayment not waived
Association	Closed	Copayment waived	Copayment waived
BACE	Closed	\$10 copay	Copayment waived
Foreign Service	Closed	\$5 copay	Copayment waived
NAPUS	Closed	\$4 Generic, \$12 brand name	No copay waiver
Panama	Closed	None	None
Rural	Closed	\$15 copay on brand name; \$10 copay on generics	\$5 copay on brand name; \$2 copay on generics
SAMBA	Closed	\$8 copayment	\$8 copayment
SSEHA	Closed	\$5 generic, \$12 brand name	Copayment waived