Prescription Drug Coverage

It is important to understand the prescription drug coverage within your insurance plan. If your plan is fully insured, prescription drug coverage is one of the essential benefits under the Affordable Care Act (ACA). Plans vary considerably as to what is covered and how the coverage is structured.

How do I know what our family's plan covers for prescription drugs?

There is a section in your insurance plan contract (also called *evidence of coverage, certificate of coverage,* or *summary plan description*) that describes drug and pharmacy benefits. To ask about your prescription benefits, call your employer's human resources office or your insurance company's customer service representative.

Will all drugs be covered under our prescription plan?

Insurance plans vary, and their prescription coverage varies as well. Most insurance plans do not completely cover all drugs. Your plan likely has different levels of coverage depending upon the drugs. Some drugs may not be covered at all (your contract may call these *exclusions*). In addition, you may pay less for drugs that you purchase at a pharmacy participating in your insurance plan's network.

Our insurance contract says there is a different amount of coverage for drugs on the insurance company's "formulary." What does this mean?

A formulary is a list of drugs and supplies covered by your plan. Each insurance plan has its own formulary. Plans use their formularies differently. Under some plans, patients have a lower copay for drugs that are on the formulary than for drugs that are not (sometimes called an *open formulary*). Under some plans, drugs that are not on the formulary are not covered at all (sometimes called a *closed formulary*).

How can I find out if a particular drug is on the formulary?

Some insurance companies provide their entire formulary to members when they join. Others give the formulary only on request. Some companies post the formulary on their website. You can always find out whether a particular drug is on the formulary by calling your insurance company's customer service representative.

What if my child's doctor says that the only drug my child can use is one that is not on the formulary?

Under some insurance plans you may be able to obtain an exception to the formulary and receive coverage for a nonformulary drug—if your child's doctor asks your plan to cover it. Your insurance plan should describe a process through which you and your doctor can request an exception to the formulary. The exception process must be available in writing and must be given to you when you ask for it.

Under Minnesota law,* members of fully insured health maintenance organization (HMO) plans have certain rights when it comes to drugs that are not on the formulary. Minnesota law says that the HMO must *promptly* approve an exception to the formulary when:

(1) the formulary drug causes an adverse reaction

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(2) the formulary drug is contraindicated

(3) the doctor who prescribed the drug shows that the drug must be dispensed as prescribed for maximum medical benefit to the patient

If the HMO grants the exception to the formulary, it may charge a copay, but no more than the approved flat-fee copay or 25 percent of the cost of the prescription.

Contact your plan's customer representative to learn what to do if your child needs a drug that is not on the formulary.

How much will we have to pay for prescription drugs that are covered?

Most insurance plans require members to make a copayment (copay) to the pharmacy when they pick up their prescription. A copay can be a flat amount (e.g., $20 for each prescription) or a percentage of the total cost of the drug (e.g., 20 percent of the prescription's cost).

Before asking a pharmacy to fill a prescription, read your insurance contract. To receive the maximum benefits from your prescription plan, it is important to know the amount and type of your coverage.

Our insurance plan says the costs are different among brand-name, generic, and therapeutic alternative prescriptions. Why?

When medications are developed, they are given a brand name and a generic name. A manufacturer is given the patent for the brand-name medication and is the only company allowed to sell the drug under that name. Brand-name medications have patent protection for a certain length of time, and are generally more expensive.

A generic medication has the same active ingredients in the same quantities as the brand-name drug, but other manufacturers produce it after the brand-name medication patent protection has run out. Competition among manufacturers can drive down the cost. The U.S. Food and Drug Administration (FDA) considers approved generic drugs to be as effective as their matching brand-name drugs. Many insurance companies want patients to use generic drugs because they cost less money. The companies usually provide more coverage for generic than for brand-name drugs. If you want a brand-name drug for your child, you may have to pay a greater share of the cost. Not all brands have generic equivalents. If you have any concerns about a specific generic product, you should discuss this with your doctor.

A therapeutic alternative medication has different chemical components but similar effects as the brand-name or generic medication, and sometimes is less expensive.

What does it mean when my doctor writes "dispense as written" or "DAW" on my prescription?

By writing "dispense as written" or "DAW" on your prescription, the doctor tells the pharmacist that your child *must* receive the exact brand-name drug prescribed. If the doctor does not write "dispense as written" or "DAW," the pharmacist may give your child the matching generic drug instead of the brand-name drug.

What is a pharmacy network?

Insurance companies create pharmacy networks by contracting with specific pharmacies to serve insurance plan members at prices that are more favorable for the insurance company. The contracted pharmacies may be called a *network pharmacy* or a *participating pharmacy*. Pharmacies that are not part of the plan may be called *non-network, out-of-network,* or *nonparticipating* pharmacies.

Why should our family use a network pharmacy instead of a non-network pharmacy?

Using a network pharmacy usually provides better benefits than using a non-network pharmacy. You may have a higher copay at non-network pharmacies. In addition, network pharmacies are usually connected to your insurance company's computer system. These pharmacies can quickly check to see if a drug is on the formulary and can submit your claim for coverage for you. At a non-network pharmacy, you may need to pay the entire price of the prescription to the pharmacy, then submit a claim to your insurance company for reimbursement.

How can I find out what pharmacies are in our plan's network?

Most insurance plans have a provider directory that lists the pharmacies in their network. Insurance companies generally furnish the provider directory to members. Also, you can call your insurance company's customer service representative to learn if a particular pharmacy is a network pharmacy.

Our plan covers some drugs only if we obtain "prior authorization" before filling the prescription. What does this mean?

Some insurance companies require you or your child's doctor to call and ask for coverage of a certain drug before your child can receive the drug. This is often called *prior authorization*. Your insurance contract names the drugs that require prior authorization and explains how to obtain it. The drugs are often very expensive or ones that may be effective only for certain diseases. If you obtain the drug before asking for prior authorization, you may not receive coverage for it.

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