

# Generic options

How generic drugs may be the right option for your health plan **Interviewed by Dale W. Hlaves**

**T**he ever-rising cost of health care, coupled with the uncertain economy, is forcing companies across the country to look at ways to cut costs and trim health care budgets. One way for employers to find relief is through the utilization of generic prescription drugs.

According to the U.S. Food and Drug Administration (FDA), brand-name firms are responsible for the manufacture of approximately 50 percent of all generic drugs. Generic drugs are subject to the same standards as brand-name drugs, and the FDA conducts approximately 3,500 inspections a year to make sure those standards are met.

"Every generic drug is FDA-approved and has to go through a set of evaluations to ensure it is effective and safe," says Jim Repp, vice president of sales at AvMed Health Plans. "I think the fact that the FDA approval process is followed should ease concerns about whether these drugs are safe or not."

*Smart Business* spoke to Repp about how employers can educate their employees about the availability and effectiveness of generic drugs.

## How can you combat people's perception that generic drugs are somehow inferior to brand-name drugs?

At the highest level, generic drugs are subject to the same rigors as brand-name drugs. But, the way a drug works for one may not be the way it works for another, so it is an individual decision. For most people, generic drugs are just as effective as the brand-name drugs. However, there are situations where patients and/or physicians feel that a brand-name drug is more appropriate. The patient and his or her physician should have a conversation about the benefits and potential ramifications of utilizing a generic drug.

## Are people becoming more apt to consider the generic alternatives to certain types of drugs?

There are generic equivalents for a vast number of drugs, and there are some drug categories that really only have a brand-name option. You need to provide information to your employees so they understand that there are alternatives. A lot of times, patients' only knowledge of a drug is a commercial they see on the evening news.



**Jim Repp**  
Vice president, sales  
AvMed Health Plans

They don't understand that there is a generic alternative, so they go to their physician and ask for the brand-name drug, not knowing if there are lower-cost alternatives that could be just as effective.

## On average, how much can a patient save by switching to generic drugs?

From a patient standpoint, it varies by drug, benefit design and whether the patient is on a co-pay plan. A typical brand-name co-pay could be \$45, while the generic co-pay would be \$10. If an employee is on a health savings account (HSA) or a high deductible plan, he or she may have to pick up the entire cost of the brand-name prescription, which could be \$150 to \$200 a month, where the generic equivalent could be \$20 a month. So, there's a pretty wide range of savings that a patient could see from using generic drugs.

## Is there a role for employers in the brand versus generic debate?

Yes. You should make sure your employees are aware that there are a host of prescription drug options available to them. Giving your people this knowledge allows them to investigate alternatives that could lower their out-of-pocket costs, while still being just as effective.

**JIM REPP** is the vice president of sales at AvMed Health Plans. Reach him at (800) 592-8633 or Jim.Repp@avmed.org.

There are many tools available online. For example, some health plan carriers allow members to go online and search for a specific drug to see what alternatives are available based on their benefit design. Members can immediately see how much they would save with a generic alternative. Some carriers will even send out an e-mail to the patient after a prescription has been filled, so the patient can ask about a generic equivalent the next time the prescription needs to be filled.

It's a matter of educating your employees, leading them to ask their physicians appropriate questions in order to make informed decisions based on how they will be impacted economically as well as from an effectiveness standpoint.

## Do these educational efforts impact a business' bottom line?

Incentives and changes in benefit plans have a larger impact on larger employers (100 employees and up) in a more visible way. Their premiums are developed from their specific claim utilization. So a larger employer with a premium developed solely on the experience of their group has a direct one-to-one correlation to driving a lower cost alternative utilization by their employees.

Smaller employers are rated more on a pooled basis, but greater generic utilization and lower overall claim costs correlates to lower premium costs. So there is a positive effect from the employer from the standpoint of premiums, but there's also the element there from the employee.

## Many people feel that brand-name drugs are made in more modern facilities than generic drugs. Is there any truth to that?

Both brand-name and generic drug facilities must meet the same standards of manufacturing practices. The FDA does not permit drugs to be made in substandard facilities, and they conduct about 3,500 inspections a year to ensure standards are met. In fact, brand-name firms are connected to an estimated 50 percent of generic drug manufacturing, frequently making copies of their own or other brand-name drugs, and then selling them without the brand name. <<