

## **Formulary Management**

Formulary management is an integrated patient care process enabling physicians, pharmacists, and other health care professionals to work together to promote clinically sound, cost-effective medication therapy and positive therapeutic outcomes. Effective use of formularies can minimize overall medical costs, improve patient access to more affordable care, and provide patients an improved quality of life.

### **What Is a Formulary?**

A drug formulary is a continually updated list of drugs that represents the current clinical judgment of providers who are experts in the diagnosis and treatment of disease. To establish the list, health plans and prescription benefit managers (PBMs) evaluate medications using current evidence-based medicine, and the judgment of physicians, pharmacists and other experts in the diagnosis and treatment of disease and preservation of health. The primary purpose of the formulary is to encourage patients and prescribers to choose safe, effective, and affordable medications.

### **How Are Formularies Developed?**

In most health plans, formularies are developed by a pharmacy and therapeutics (P&T) committee composed of primary care and specialty physicians, pharmacists, and other health care professionals. P&T committee members are required to reveal and appropriately handle any conflicts of interest. Some managed care organizations choose to keep the identity of P&T members confidential so that undue outside influence is avoided.

P&T committees evaluate all available evidence in clinical and medical literature to select the best medications for different patients' diseases and conditions, along with relevant information on the use of medications by patients, FDA-approved prescribing information and safety data, current therapeutic use guidelines, and health care provider recommendations. The research by the health plan's clinical affairs staff and the experts on the P&T committee allow the P&T committee to make decisions that:

- Set forth the best ways to procure, dispense, and administer drugs to encourage appropriate utilization;
- Assist health care professionals by recommending prescribing guidelines and promoting clinical information to bring high-quality, affordable care to patients; and
- Allow physicians and patients to access non-formulary drugs where medically necessary and/or likely to create the best outcome through the health plan's/PBM's prior authorization process.

### **What Are the Benefits of Formularies?**

Formularies provide many benefits to patients, prescribers, and pharmacies. Some of the most important ones include:

- Ensuring safe and effective medicines:
  - Only the most effective and safest products are used.
  - Medications have been evaluated systematically.
  - Physicians develop greater experience prescribing the affordable, effective drugs.

- Providing pharmaceutical therapy at lower cost:
  - Ineffective, high-cost drugs will generally not be prescribed.
  - Use of the most effective drugs leads to fewer visits, improved outcomes, and lower cost.
  - Patients experience lower out-of-pocket costs and convenient availability of drugs.
  - Pharmacies can reap economies of scale stocking the most cost-effective drugs.