Contractual Incentives: A Threat to Evidence-Based Medicine?

To the Editor:

In the supplement for the May 2005 issue of *JMCP*, Drs. Kleinke, Malone, and Urick review the origin of evidence-based medicine, its implications for access to care for patients, and how use of medical evidence applies to the formulary decision-making process.¹ The articles by Drs. Kleinke and Malone seem to encapsulate one of the key ethical dilemmas of optimizing patient care in the managed care setting. That is, within the constraints of limited health care resources, how do health systems balance the ever expanding needs of individuals with the resource needs of an entire population?

Formularies derived from the best available medical evidence can facilitate this balance by promoting more efficient selection and use of pharmaceuticals. There is, however, a feature of the formulary decision-making process that warrants recognition to the extent it can undermine the medical evidence and recommendations of Pharmacy & Therapeutic (P&T) committees. This is the contractual arrangement process between pharmacy benefit managers (PBMs) and pharmaceutical manufacturers.

As acknowledged by Dr. Urick, nonclinical features such as the "business value" of a product may also enter the formulary decision-making process. This value is generally created through "preferred" pricing based on a promise for formulary status, proportion of market share, or other factors. The incentive may take the form of a value-added service or rebate paid to the PBM by the product manufacturer and is intended to motivate the PBM to promote a particular product either through tier placement or within a tier via promotions such as a "performance drug list."

In addition to potentially conflicting with the recommendations of P&T committees, it is unknown to what extent the revenue generated from rebates is passed along to plan sponsors. For example, preferred formulary positioning of a less cost-effective drug (higher cost not justified by greater clinical benefit—such as esomeprazole versus omeprazole) could be argued for only if the following two conditions were met: (1) the rebate generated from use of the more costly product results in a lower net cost than the alternative and (2) the savings generated by the rebate were passed along to the plan's sponsor in the form of lower premiums.

Clearly, contractual arrangements have the potential to create incentives that may conflict with what the medical evidence would dictate as the most appropriate selection and use of pharmaceuticals. Without greater scrutiny and transparency of these arrangements, one can only wonder if, and how often, recommendations of P&T committees are overstepped by the hidden incentives within a contract.

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DISCLOSURES

The author discloses no potential bias or conflict of interest relating to this letter.

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1. Kleinke JD, Malone DC, Urick P. Shift toward evidence-based medicine: the role of community-based guidelines. *J Manag Care Pharm*. 2005;11(4)(suppl):S1-S24.

The Academy of Managed Care Pharmacy's Concepts in Managed Care Pharmacy: Prior Authorization and the Formulary Exception Process

To the Editor:

Terms and concepts used in the managed care setting can be confusing for nonpharmacists to decipher. For instance, plan members may understand what a formulary is, but they may not understand exactly why formularies are used or how formulary decisions are made. To help bridge this communication gap, the Academy of Managed Care Pharmacy (AMCP) has fostered the development of a series of concept papers that explain managed care pharmacy terms and phrases in plain English, describing clearly and concisely how these concepts are implemented in the managed care setting. Each one of the 11 concept series papers was carefully written by members of the AMCP Professional Practice Committee and then reviewed by AMCP staff and members of the Board of Directors to ensure that its content agrees with the Academy's mission.

Following is a copy of the latest addition to the series, "Prior Authorization and the Formulary Exception Process." All 11 papers in the series are available on the AMCP Web site at www.amcp.org under the "Professional Resources" section and may be downloaded and reproduced. Other topics include: Pharmaceutical Care, Disease State Management, Formulary Management, Outcomes Research, Drug Use Evaluation, Pharmacists' Cognitive Services, Electronic Prescription Record, Medication Stockpiling, Patient Confidentiality, and Medication Errors.

The Professional Practice Committee hopes that readers will find these papers useful in assisting employees and providing services to health plan members.

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