Just the Facts: Prescription Drug Utilization Management

Utilization management is a collection of treatment review and cost reduction techniques used by health insurers and health plans. Health plans frequently employ utilization management techniques in their prescription drug benefit, particularly for high-cost specialty medications. Because many cancer drugs are placed on specialty tiers, cancer patients may have to fulfill utilization management requirements before accessing prescription medications. Common utilization management techniques for prescription drugs include prior authorization, step therapy, quantity limits, and mandatory generic substitution.

Prior authorization

Prior authorization, sometimes called preauthorization or prior approval, requires the doctor or patient to get permission from the health plan before receiving coverage for a prescription drug. Generally, health plans use prior authorization to ensure that a prescription drug is "medically necessary" and consistent with best-practices or medical guidelines for the patient's condition. Many plans require prior authorization for all or nearly all high-cost specialty medications.

Step therapy

Step therapy requires patients to try a lower-cost medication for a period of time before gaining coverage for a higher-cost medication. This process is also sometimes called "fail first," because it requires the patient and physician to prove that a lower-cost medication is ineffective before a higher-cost medication will be covered. Step therapy is not used frequently for anti-cancer medications currently, but it is more commonly used for pain medications.

Quantity limits

Health plans often specify a limit on the total quantity of a given prescription drug that can be dispensed at one time. For example, plans may limit patients to a 30-day supply of a particular medication per month. This type of limit is not usually a significant barrier for patient access. More frequently, these limits are used to ensure that a patient is not prescribed a quantity of medication that exceeds best practices or medical guidelines.

Mandatory Generic Substitution

In some health plans, if a patient chooses a brand-name drug when a generic equivalent is available, the patient must pay the difference in cost between the generic and brand-name drug in addition to the regular cost-sharing for the brand-name drug. This utilization management technique is designed to strongly encourage the use of generic medications when available. When a plan implements mandatory generic substitution, it typically applies the policy to its entire formulary, not to specific drugs.