The use of generic drugs is one of the key drivers of value in the pharmacy benefit today. Both drug benefit plan sponsors and beneficiaries realize cost-savings by increasing the use of generic drugs when medically appropriate. On average, generic drugs cost 30% to 80% less than their brand-name counterparts. It is important for plan sponsors and plan beneficiaries to understand the safety and efficacy of generic drugs, as well as the potential cost-savings.

**Therapeutic Scope of Generics**

The increasing availability of generic drug therapies is slowing the rate of growth in prescription drug expenditures. For the first time since the mid-1980s, the growth in per-capita spending on prescription drugs has dropped below the percentage of growth in the US healthcare expenditures.

The average rate of increase for drug expenditures for US employers in 2008 was 4.86%, according to findings from the 2008 Pharmacy Benefit Management Institute (PBMI)’s annual drug benefit plan design survey of US employers. This growth rate represents the lowest cost increase since PBMI began conducting its annual survey in 1995. This new survey, conducted in May and June 2008, was completed by 223 employers, representing 15,137,168 members. The increasing use of generic drugs contributes to this single-digit growth in expenditures.

When purchasers and consultants discuss generic drugs, they refer to 2 different rates or metrics—generic-dispensing rate and generic substitution rate (Table 1). Generic-dispensing rate is a clear metric for tracking progress in the use of lower-cost prescription drugs. In most cases, the generic-dispensing rate is the most actionable metric to monitor improvement in generic use and the associated savings. PBMI’s 2008 study also documents continued increases in average generic-dispensing rates for US employers in retail and in mail dispensing since 2002 (Table 2). Generic-dispensing rates will continue to increase as more brand-name drugs used by ambulatory populations become available as generics.

The creation of incentives for plan members to use generic drugs is essential for a high-performing drug benefit program. Generic incentives are of increasing importance in 2008 as more branded drugs come off patent. The result is a growing range of generic drug options to treat allergies, arthritis, asthma, depression, elevated cholesterol levels, hypertension, and chronic pain.

**Education Tools for Plan Members**

Drug companies are spending billions of dollars to encourage consumers to request high-cost, brand-name drugs from their physicians. Consumers and drug benefit plan sponsors will realize reduced prescription drug costs if consumers make the choice to purchase the lowest-cost drug that is medically appropriate for their needs. Empowering consumers to make that choice is a challenge.

Complex benefit designs make it difficult for consumers to keep track of their plans’ preferred drugs and beneficiary cost-sharing, and discuss this information with their prescribing physicians. Consumers need access to up-to-the-minute information on their plans’ copayments and prescription costs to make educated, cost-effective decisions.

**Repetition**

Research has shown that people often need to see or hear a message multiple times (as many as 7) before it makes an impression. Repetition is good, as is using a variety of ways to communicate because people have different learning styles. Organizations should leverage every available opportunity to deliver messages that increase confidence in and encourage the use of generics. Messaging opportunities include:

- Direct mail targeted to high utilizers of prescription drugs

Ms Felthouse is President, Pharmacy Benefit Management Institute (PBMI), Scottsdale, AZ. She has been the lead author of PBMI’s annual Prescription Drug Benefit Cost and Plan Design Report and PBM Customer Satisfaction Report since 2001. She can be reached at dfelthouse@pbmi.com. The annual reports can be accessed at www.pbmi.com.
Consumer Resources

The following consumer-focused resources can supplement plan benefits communication efforts:

- **Consumer Reports Best Buy Drugs** is an independent, online resource that helps beneficiaries learn about generic alternatives and empowers them to discuss cost-effective options with their physicians. Beneficiaries can obtain free reports that compare the safety, efficacy, and cost of brand-name and generic drug options for 16 different medical conditions (www.crbestbuydrugs.org).

- The **Generic Pharmaceutical Association** offers consumer education on generics, including a frequently asked question-and-answer section and downloadable brochures (www.gphaonline.org/AM/Template.cfm?Section=Home).

- The **US Food and Drug Administration** (FDA) offers consumer education materials that can be downloaded, ordered in quantities, or used as resources for developing employer-specific materials. Resources available in multiple languages include print brochures, posters, articles, PowerPoint presentations, audio presentations and handouts (www.fda.gov/cder/consumerinfo/generic_all_resources.htm).

- Aligning your drug benefit plan to encourage the utilization of the lowest net cost drug that is medically appropriate for a patient will enhance the clinical and economic returns of your investment in prescription drugs.

**References**


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**Table 1** Must-Know Generic Terms

| General-Dispensing Rate: Percentage of total prescriptions filled with a generic drug | Generic Substitution Rate: Percentage of total prescriptions that could be filled with a generic drug that actually are filled with a generic drug |


**Table 2** Trends in Average Generic-Dispensing Rates

<table>
<thead>
<tr>
<th>Year</th>
<th>Average retail generic-dispensing rate, %</th>
<th>Average mail generic-dispensing rate, %</th>
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</thead>
<tbody>
<tr>
<td>2002</td>
<td>42.0</td>
<td>32.0</td>
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<tr>
<td>2003</td>
<td>44.0</td>
<td>34.0</td>
</tr>
<tr>
<td>2004</td>
<td>47.0</td>
<td>38.0</td>
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<tr>
<td>2005-2006</td>
<td>51.0</td>
<td>39.0</td>
</tr>
<tr>
<td>2007</td>
<td>54.5</td>
<td>41.7</td>
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<td>2008</td>
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