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How Medicare Plans Use Pharmacies, Formularies, & Common Coverage Rules

Each Medicare plan must give at least a standard level of coverage set by Medicare. Medicare plans can vary on pharmacies they use, prescription drugs they cover, and how much they charge. Plans design their prescription drug coverage using different methods, like:

- Network pharmacies
- List of covered prescription drugs (formulary)
- Coverage rules

In this fact sheet, the term “Medicare plans” includes both Medicare Prescription Drug Plans and Medicare Advantage Plans with prescription drug coverage.

Network pharmacies

Medicare plans have contracts with pharmacies that are part of the plan’s “network.” If you go to a pharmacy that **isn’t** in your plan’s network, your plan might not cover your drugs. Along with retail pharmacies, your plan’s network might include preferred pharmacies, a mail-order program, or an option for retail pharmacies to supply a 2- or 3-month supply.

- **Preferred pharmacies**

If your plan has preferred pharmacies, you may save money by using them. Your prescription drug costs (like a copayment or coinsurance) may be less at a preferred pharmacy because it has agreed with your plan to charge less.

- **Mail-order programs**

Some plans may offer a mail-order program that allows you to get up to a 3-month supply of your covered prescription drugs sent directly to your home. This may be a cost-effective and convenient way to fill prescriptions you take regularly.

- **2- or 3-month retail pharmacy programs**

Some retail pharmacies may also offer a 2- or 3-month supply of covered prescription drugs.

List of covered prescription drugs (formulary)

Most Medicare plans have their own list of covered drugs, called a formulary. Plans cover both generic and brand-name prescription drugs. The formulary includes at least 2 drugs in the most commonly prescribed categories and classes. This helps make sure that people with different medical conditions can get the prescription drugs they need.

All Medicare plans generally must cover at least 2 drugs per prescription drug category, but plans can choose which specific drugs they cover. Plans are required to cover almost all drugs within these protected classes: antipsychotics, antidepressants, anticonvulsants, immunosuppressants, cancer drugs, and HIV/AIDS drugs.

The formulary might not include your specific drug. However, in most cases, a similar drug should be available. If you or your prescriber (your doctor or other health care provider who's legally allowed to write prescriptions) believes none of the drugs on your plan's formulary will work for your condition, you can ask for an exception. **See page 7 for more information on filing for an exception.**

A Medicare plan can make some changes to its drug list during the year if it follows guidelines set by Medicare. Your plan may change its drug list during the year because drug therapies change, new prescription drugs are released, or new medical information becomes available.

Plans may immediately remove drugs from their formularies after the Food and Drug Administration (FDA) considers them unsafe or if their manufacturer removes them from the market. Plans meeting certain requirements also can immediately remove brand-name drugs from their formularies and replace them with new generic drugs, or they can change the cost, the coverage rules, or both, for brand-name drugs when adding new generic drugs. If you're currently taking any of these drugs, you'll get information about the specific changes made afterwards.

For other changes involving a drug you're currently taking that will affect you during the year, your plan must do one of these:

- Give you written notice at least **30 days** before the date the change becomes effective; or
- At the time you request a refill, provide written notice of the change and at least a **month's supply** under the same plan rules as before the change.

You may need to change the drug you use or pay more for it. You can also ask for an exception (see page 7).

All Medicare plans have negotiated to get lower prices for the drugs on their drug lists, so using those drugs will generally save you money. If you use a drug that isn't on your plan's drug list, you'll have to pay full price, instead of a copayment or coinsurance, unless you qualify for a formulary exception. Also, using generic drugs instead of brand-name drugs may save you money.

List of covered prescription drugs (formulary) (continued)

- **Generic drugs**

The FDA says generic drugs are copies of brand-name drugs and are the same as those brand-name drugs in dosage form, safety, strength, route of administration, quality, performance characteristics, and intended use.

Generic drugs use the same active ingredients as brand-name drugs. Generic drug makers must prove to the FDA that their product works the same way as the brand-name prescription drug. In some cases, there may not be a generic drug the same as the brand-name drug you take, but there may be another generic drug that will work as well for you. Talk to your doctor or other prescriber.

- **Tiers**

To lower costs, many plans place drugs into different “tiers” on their formularies. Each plan can divide its tiers in different ways. Each tier costs a different amount. Generally, a drug in a lower tier will cost you less than a drug in a higher tier.

Example of a drug plan’s tiers

- **Tier 1**—Most generic prescription drugs. Lowest copayment.
- **Tier 2**—Preferred, brand-name prescription drugs. Medium copayment.
- **Tier 3**—Non-preferred, brand-name prescription drugs. Higher copayment.
- **Specialty tier**—Very high cost prescription drugs. Highest copayment or coinsurance.

In some cases, if your drug is in a higher (more expensive) tier and your prescriber thinks you need that drug instead of a similar drug on a lower tier, you can file an exception and ask your plan for a lower copayment. See page 7 for more information on filing for an exception.

Remember, this is only an example—your plan’s tiers may be different.

Coverage rules

Plans may have coverage rules to make sure certain prescription drugs are used correctly and only when medically necessary. These rules may include prior authorization, step therapy, and quantity limits as described below and on page 5.

- **Prior authorization**

You may need drugs that require prior authorization. This means before the plan will cover a particular drug, you must show the plan you meet certain criteria for you to have that particular drug. Plans also do this to be sure these drugs are used correctly. Contact your plan about its prior authorization requirements, and talk with your prescriber.

Plans may also use prior authorization when they cover a medication for certain medical conditions, but not all medical conditions for which a drug is approved. When this occurs, plans will likely have alternative medications on their drug list for the other medical conditions for which the drug can be prescribed.

However, if your prescriber believes it's medically necessary for you to be on that particular drug even though you don't meet the prior authorization criteria, you or your prescriber can contact the plan to request an exception. Your prescriber must give a statement supporting the request. If the request is approved, the plan will cover the particular drug, even if you didn't get prior authorization for the drug.

- **Step therapy**

Step therapy is a type of coverage rule. In most cases, you must first try a certain, less-expensive drug on the plan's formulary that's been proven effective for most people with your condition before you can move up a "step" to a more expensive drug. For instance, some plans may require you first try a generic drug (if available), then a less expensive brand-name drug on their drug list before you can get a similar, more expensive, brand-name drug.

However, if your prescriber believes that because of your medical condition it's medically necessary for you to be on a more expensive step therapy drug without trying the less expensive drug first, you or your prescriber can contact the plan to request an exception.

Your prescriber can also request an exception if they believe you'll have adverse health effects if you take the less expensive drug, or if your prescriber believes the less expensive drug would be less effective. Your prescriber must give a statement supporting the request. If the request is approved, the plan will cover the more expensive drug, even if you didn't try the less expensive drug first. See page 7 for more information on filing for an exception.

Coverage rules (continued)

Example of step therapy

Step 1—Dr. Smith wants to prescribe an ACE inhibitor to treat Mr. Mason’s heart failure. There’s more than one type of ACE inhibitor. Some of the drugs Dr. Smith considers prescribing are higher-cost ACE inhibitors that Mr. Mason’s plan covers. The plan rules require Mr. Mason to use a lower-cost drug first. For most people, the lower-cost drug works as well as the higher-cost drug.

Step 2—If Mr. Mason takes the lower-cost drug but has side effects or limited improvement, Dr. Smith can provide that information to the plan to request approval to cover a higher-cost drug that Dr. Smith wants to prescribe. If the plan approves Mr. Mason’s exception request, his Medicare plan will then move up a “step” to cover the requested higher-cost drug.

• Quantity limits

For safety and cost reasons, plans may limit the amount of prescription drugs they cover over a certain period of time. For example, most people prescribed heartburn medication take 1 tablet per day for 4 weeks. Therefore, a plan may cover only an initial 30-day supply of the heartburn medication.

If your prescriber believes that, because of your medical condition, a quantity limit isn’t medically appropriate (like if your doctor believes you need a higher dosage of 2 tablets per day), you or your prescriber can contact the plan to ask for an exception.

• Opioid pain medication safety checks

Safety reviews at the pharmacy

When you fill a prescription at the pharmacy, Medicare plans and pharmacists routinely check to make sure the prescription is correct, that there are no interactions, and that the medication is appropriate for you. They also conduct safety reviews to monitor the safe use of opioids and other frequently abused medications. These reviews are especially important if you have more than one doctor who prescribes these drugs. In some cases, the Medicare plan or pharmacist may need to first talk to your doctor before the prescription can be filled.

Your plan or pharmacist may do a safety review when you fill a prescription if you:

- Take potentially unsafe opioid amounts as determined by the plan or pharmacist.
- Take opioids with benzodiazepines like alprazolam (Xanax®), diazepam (Valium®), and clonazepam (Klonopin®).
- Are taking opioids for the first time—you may be limited to an initial 7-day supply or less.

Coverage rules (continued)

If your pharmacy can't fill your prescription as written, the pharmacist will give you a notice explaining how you or your doctor can call or write to your plan to ask for a coverage decision, including an exception to a plan rule. If your health requires it, you can ask the plan for a fast coverage decision. You may also ask your plan for a decision before you go to the pharmacy, so you'll know if your plan will cover the medication. Visit [Medicare.gov/medicare-prescription-drug-coverage-appeals](https://www.Medicare.gov/medicare-prescription-drug-coverage-appeals) to learn how to ask for an exception.

Drug management programs

All Medicare plans have a drug management program in place to help you use these opioids and benzodiazepines safely. If your opioid use could be unsafe, your plan will contact the doctors who prescribed them for you to make sure they're medically necessary and you're using them appropriately. For example, your plan might do this if you're getting opioid prescriptions from multiple doctors or pharmacies, or if you had a recent overdose from opioids.

If your Medicare plan decides your use of prescription opioids and benzodiazepines may not be safe, the plan will send you a letter in advance. This letter will tell you if the plan will limit coverage of these drugs for you, or if you'll be required to get the prescriptions for these drugs only from a doctor or pharmacy that you select.

Before your Medicare plan places you in its drug management program, it will notify you by letter, and you'll be able to tell the plan which doctors or pharmacies you prefer to use. You and your doctor can appeal if you disagree with your plan's decision or think the plan made a mistake.

Note: The opioid safety reviews at the pharmacy and drug management programs generally don't apply if you have cancer or sickle cell disease, are getting palliative or end-of-life care, are in hospice, or live in a long-term care facility.

What if my plan won't cover a prescription drug I need?

If you belong to a Medicare plan, you have the right to:

- Get a written explanation (called a “coverage determination”) from your Medicare plan if your plan won't cover or pay for a certain prescription drug you need, or if you're asked to pay a higher share of the cost.
- Ask your Medicare plan for an exception (which is a type of coverage determination). If you file for an exception, your doctor or other prescriber must give your plan a supporting statement that explains the medical reason for the request (like why similar drugs covered by your plan won't work or may be harmful to you). You can ask for an exception if:
 - You think your plan should cover a drug that's not on its drug list because the other treatment options on your plan's drug list won't work for you.
 - Your doctor or other prescriber believes you can't meet one of your plan's coverage rules, like prior authorization, step therapy, or quantity or dosage limits.
 - You think your plan should charge a lower amount for a drug you're taking on a higher-cost drug tier because the other treatment options in your plan's lower-cost drug tier(s) won't work for you.

You or your prescriber must ask your plan for a coverage determination. If your network pharmacy can't fill a prescription as written, the pharmacist will give or show you a notice that explains how to contact your Medicare plan so you can make your request.

A standard request for a coverage determination (including an exception) should be made in writing (unless your plan accepts requests by phone). You or your prescriber can also call or write your plan for an expedited (fast) request.

If you disagree with your Medicare plan's coverage determination or exception decision, you have the right to appeal the decision. Your plan's written decision will explain how to file an appeal. You should read this decision carefully, and call your plan if you have questions. For more information on Medicare appeal rights, visit [Medicare.gov/claims-appeals/how-do-i-file-an-appeal](https://www.medicare.gov/claims-appeals/how-do-i-file-an-appeal). You can also call 1-800-MEDICARE (1-800-633-4227). TTY users can call 1-877-486-2048.

Where can I go for more information?

- Contact your Medicare plan. The contact information is in your member materials or on your membership card.
- Read the “Medicare & You” handbook. It includes information about Medicare drug plans in your area. You can view or print the handbook at [Medicare.gov/medicare-and-you](https://www.Medicare.gov/medicare-and-you).
- Visit the Medicare Plan Finder at [Medicare.gov/plan-compare](https://www.Medicare.gov/plan-compare). The Medicare Plan Finder allows you to search for and compare coverage options available in your area.
- Read the “Your Guide to Medicare Drug Coverage” booklet. You can view or print the booklet at [Medicare.gov/publications](https://www.Medicare.gov/publications).
- Call your State Health Insurance Assistance Program (SHIP). Visit [shiphelp.org](https://www.shiphelp.org) or call 1-800-MEDICARE for the phone number of your SHIP.
- Call 1-800-MEDICARE (1-800-633-4227). TTY users can call 1-877-486-2048.

You have the right to get Medicare information in an accessible format, like large print, braille, or audio. You also have the right to file a complaint if you feel you’ve been discriminated against. Visit [Medicare.gov/about-us/nondiscrimination/accessibility-nondiscrimination.html](https://www.Medicare.gov/about-us/nondiscrimination/accessibility-nondiscrimination.html), or call 1-800-MEDICARE (1-800-633-4227) for more information. TTY users can call 1-877-486-2048.

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