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## Medicare News and Updates

Keep current with the Medicare information that matters to you.

**Medicare Coverage & Costs, Medicare Tips & Resources** | Tue, Nov 08, 2011 @ 09:00 AM

### What is a Tiered Formulary and What Does it Mean for Me?

Posted by Medicare Made Clear



A formulary is a list of drugs covered by a health plan. The purpose of a formulary is to identify medically appropriate and cost effective drug products and therapies that best serve the health interests of plan members. Formularies include both brand name and generic drugs, and plans must include choices within commonly prescribed drug categories and classes.

Each health plan determines which specific drugs it will include on its formulary. Medicare drug plan formularies must include most types of drugs used by Medicare beneficiaries. This is true for both standalone **Medicare Part D** prescription drug plans and Medicare Advantage (Medicare Part C) plans with drug coverage.

## Tiered Formularies

Many health plans, including Medicare prescription drug plans and Medicare Advantage plans with drug coverage, have tiered formularies. A tiered formulary divides drugs into groups, based primarily on cost. A plan's formulary might have three, four or even five tiers.

Each plan decides which drugs on its formulary go into which tiers. The determination is based on what the plan pays for the drug. In general, the lowest-tier drugs are the lowest cost. Plans negotiate pricing with drug companies. If a plan negotiates a lower price on a particular drug, then it can place it in a lower tier and pass the savings on to its members. Plan formularies list drugs with lower negotiated prices as “preferred” drugs.

The table below is an example of a four-tier formulary structure.

Drug Tier	Type of Drugs Included	Your Cost
Tier 1	Most generic drugs	Lowest copay
Tier 2	Most common brand name drugs  Preferred brand name drugs  Some high-cost generic drugs	Medium copay
Tier 3	Non-preferred brand name drugs	Highest copay
Tier 4  Specialty Tier	Unique or very high-cost drugs	Percentage of total drug cost, called “coinsurance”

## Why it Matters

Formularies vary. Every plan creates its own formulary structure, decides which drugs it will cover and determines which tier a drug is on. One plan may cover a drug that another doesn't. The same drugs may be on tier 2 in one plan's formulary and on tier 3 in a different plan's formulary. It's important to review the formulary, or drug list, to see whether the plan you have, or the plan you're interested in, covers your prescriptions and how much they will cost.

Formularies change. New brand name drugs become available. Generic versions of older drugs enter the market. New drug pricing is negotiated. Any of a number of things may lead a plan to add or remove a particular drug from its formulary or to move it into a different tier. Usually, plans must inform members in advance if a drug is to be removed. You can learn about other changes in the plan's formulary update documents.

Formularies have different pricing. Plan members typically pay a copay or coinsurance each time they fill a prescription. How much you pay depends on the plan you have. The same drug can be on the same formulary tier in two different plans, and still you might pay more for that drug under one plan than the other.

It's important to research and compare plans and to consider where your prescription drugs fit in each plan's formulary. It could save you money.

For more information information contact the Medicare helpline 24 hours a day, seven days a week at 1-800-MEDICARE (1-800-633-4227), TTY 1-877-486-2048. You can also contact UnitedHealthcare® Medicare Made Clear to learn more at 1-877-619-5582, TTY 711, 8 a.m. – 8 p.m. local time, seven days a week.

## Resources:

[How Medicare Drug Plans use...Formularies, and Common Coverage Rules – Medicare.gov](#)

[Things to Think About When You Compare Medicare Drug Coverage – Medicare.gov](#)

[Medicare & You 2011 – Medicare.gov](#)

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TTY 1-877-486-2048

24 hours a day, 7 days a week.

Or call your plan's customer service number.

You may also go to [Medicare.gov](https://www.Medicare.gov)

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