

# Formation of Health Plan Policy

Hailey Brenner, Eric Chevrette

Health plans decide what kind of procedures, therapies, devices, or pharmaceutical drugs they are going to cover for their members. It is their job to look at new and evolving forms of treatment and make decisions that determine their usage. In order to look at all of these options, health plans often divide into two teams, the pharmaceutical team and the medical team. These teams are often made up of committees that help make decisions.

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## The Pharmaceutical Team:

This team reviews established and proposed policies in regards to medications. Drugs have a long approval time and so the pharmaceutical teams may be watching a drug for years before deciding on a policy for it.

## The Medical Team:

This team handles other categories of care such as technologies or therapies. The medical team has groups such as technical assessment or new technology committees because of frequent advancements. The FDA weighs in only on the safety of new medical devices, but not the efficacy of them.

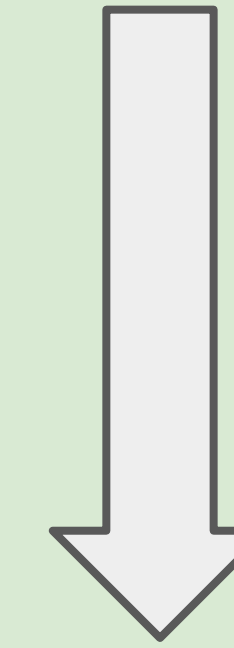
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In order to decide whether or not the plan would like to establish a policy on something, a committee asks four sets of questions.

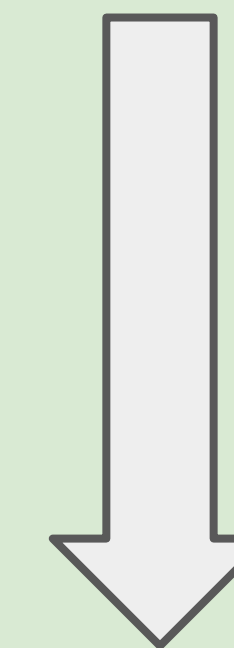
### 1. Is It Efficacious?

The first question set that the committees think about is this, “Is what is being proposed efficacious? Is there significant clinical improvement over some existing drug or treatment? Does it contribute something?” When considering these questions, health plan committees gather published information. Members specifically look at the sample size, number of studies done, peer reviews, and the journals that the evidence is published in.

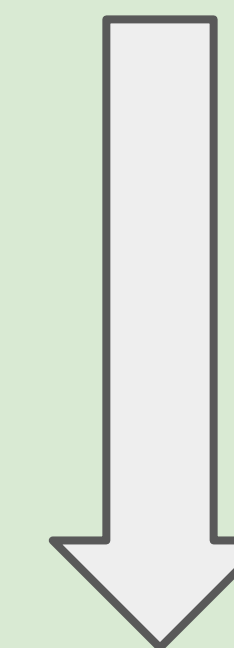
**Is It Efficacious?**



**Is It Safe?**



**Is Safety And Effectiveness Balanced?**



**Is It Cost Effective?**

Insurance companies often subscribe to agencies that can pull all relevant studies and rank the sources for the companies. These agencies also find literature on safety profiles. The higher the quality of the evidence, the more comfortable they are understanding how efficacious something is.

### 2. Is It Safe?

The next question these committees ask is, “Is it as safe, or better, than the current treatment?” They go through the same process researching evidence to decide the safety of a device, therapy, drug, etc.

### 3. Is Safety And Effectiveness Balanced?

The third question is, “How does its effectiveness and safety balance out?”. For example, a new drug may be more effective for a certain type of illness, but the side effects could potentially be more detrimental than those of the current drug being used to treat that illness. Likewise, companies must consider what is already being used and compare both the safety and efficacy of the new product to the current, standard one. This balance is why two drugs with the same indications may not have the same insurance coverage.

### 4. Is It Cost Effective?

Finally, these committees will consider cost effectiveness. You may think this would come first but it is the last step of the process. After health plans have generally discussed the efficacy, safety, and cost effectiveness, they will often discuss it with affiliated health plans. They may look at another health plan’s policies and ask if they have had to modify its coverage or have learned anything from their existing plan. This attempts to avoid installing a policy that will later be removed due to poor performance financially or otherwise. We hope that these committees take the efficacy and safety into account more than anything, but overall, these companies are a business and cost effectiveness is a relevant topic they must discuss.