

CVS tacks tobacco payment to prescription network

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In this Sept. 3, 2014 file photo, an inflatable cigarette and ashtray are displayed in New York to announce the CVS Health's decision to stop selling cigarettes at its stores. CVS Health, the nation's second-largest drugstore chain, is developing a new tobacco-free pharmacy network for clients of its Caremark pharmacy benefits management business. (AP Photo/Seth Wenig, File)

First, CVS Health pulled tobacco from its store shelves. Now, it plans to make some customers think twice about filling prescriptions at other stores that sell smokes.

The nation's second-largest drugstore chain is developing a new tobacco-free pharmacy network that it will offer as a choice to employers and other clients of its Caremark pharmacy benefits management business. Employers, insurers and unions hire pharmacy benefits managers, or PBMs, to run their prescription drug coverage.

The new CVS network will slap an extra co-payment on patients who fill their prescriptions at stores that sell tobacco. That payment won't apply to prescriptions filled at stores in the tobacco-free network, which would include CVS and Target or other stores that don't sell tobacco. Target Corp. quit selling tobacco in 1996.

The network, which starts next year, comes as companies continue to seek ways to control health care costs that have been growing faster than inflation for years. They've added wellness programs to help workers become healthier by losing weight or quitting smoking. They've also trying to rein in spending by making workers pay a greater share of the cost of their care at doctor's offices and pharmacies.

CVS spokeswoman Carolyn Castel said her company developed the new PBM network after several customers asked for it. The company's prescription drug networks cover about 65 million people as the nation's second-largest PBM, but the tobacco-free option will only be used by the PBM customers that choose it. Castel said it's too early to say how many PBM clients will sign up for such a plan.

"It's not across the board," she said, adding that the size of the extra co-payment would vary according to client.

A relatively small number of benefits providers will likely try the new option, said Adam J. Fein, president of the business research firm Pembroke Consulting.

More PBMs in recent years have started offering networks that have different co-payments depending on pharmacy costs or quality measurements. But a tobacco focus is untested and no one knows whether it will have any impact on smoking rates. Plus, companies try to avoid being too disruptive with changes to the benefits they offer.

Even so, Fein called the network a "worthwhile experiment" because smoking-related illnesses are at the root of a lot of health care costs.

CVS first started taking on tobacco in February, when it announced that it would remove cigarettes, cigars and other like products from its more than 7,700 drugstores nationally to help sharpen its focus on health. It completed that task in September when it also announced that it would change its name to CVS Health from CVS Caremark.

Drugstore chains, grocers and big retailers like Target have delved deeper into customer health in recent years, in part to serve the aging baby boom generation and the millions of uninsured people who are expected to gain coverage under the federal health care overhaul. They've been adding walk-in clinics to their stores, expanding the care they provide, and putting more health care products on their shelves.

CVS Health rivals Walgreen Co. and Rite Aid Corp. still sell tobacco in their drugstores. The new pharmacy benefits network, which was first reported by the Wall Street Journal, could steer patients away from the competition for CVS. But Fein said he doesn't see that as an anti-trust concern or anything that creates an unfair competitive advantage.

"No one is forcing an employer to set up a plan that eliminates

pharmacies that sell tobacco. It's just an option," said Fein, who also writes a blog on pharmaceutical economics called Drug Channels.

Shares of CVS Health climbed \$1.17 to \$82.65 in afternoon trading Tuesday and have advanced about 25 percent since the company initially announced its split with tobacco in February. That more than doubles the rise of the Standard & Poor's 500 index over the same span.

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