

## Managed Care Terminology

TERM NAME	DEFINITION
AWP (Average Wholesale Price)	The average price of a given drug.
Brand-Name Drug	Drugs protected by a patent and manufactured by a specific drug company.
Closed Formulary	Provides coverage only for drugs that are included on a prescription drug list or formulary.
Co-Insurance	The member pays a percentage of the discounted cost of a prescription drug instead of a co-pay.
Co-Pay Plans	Two-tier co-pays distinguish between generic and brand drugs. Three-tier co-pays distinguish between generic, preferred-brand, and nonpreferred-brand drugs. Four-tier co-pays distinguish between generic, preferred-brand, and nonpreferred-brand drugs, as well as a fourth-tier classification for specific drugs.
DAW (Dispense as Written)	No generic substitution is allowed.
Deductible	A fixed dollar amount that a member pays out-of-pocket each year for covered prescription drugs and related supplies before pharmacy benefits are payable by the plan.
Dispensing Fee	The fee a pharmacy charges to cover the cost of filling a prescription.
DUR (Drug Utilization Review)	A clinical management program where the PDP requires prior authorization for certain drugs (i.e., when there is an age limitation on a drug or a drug is only covered for a specific sex).
Formulary	The list of drugs covered by prescription drug providers.
Generic Drug	A drug that has the same active ingredients, strength, and dosage form as its brand-name counterpart. Generic drugs are sold under the chemical or scientific name for the drug instead of the manufacturer's brand name.
Greater of Co-Pay or Co-Insurance Plans	A plan structure wherein the member pays either the co-insurance (the prescription cost multiplied by the co-insurance) or the co-pay (the minimum co-pay stated), whichever is greater.
Maintenance Drugs	Drugs that are taken on a routine or ongoing basis to prevent or treat chronic or long-term health conditions; or other medications specified by the member's prescription drug provider.
Mandatory Mail-Order Programs	Requires certain maintenance medications to be obtained through the mail after a specified number of refills are obtained at a retail pharmacy.
Maximum Paid by Plan or Annual Maximum	The total amount a plan will pay for all covered prescription drugs incurred for the year. Once the maximum is reached, the member is responsible for paying the full cost of prescription drugs.
Member	Any person belonging to a PDP or health/pharmacy insurance plan.
MSB (Multi-Source Brand)	Brand-name drugs that have generic equivalents because they are no longer under patent protection.

Drugs)	
NDC (National Drug Code)	An 11-digit code that identifies prescription drugs by labeler, specific product, and package size.
Nonformulary	Signifies a drug that is not generally covered by the PDP. These drugs may be approved via prior authorization.
Off-Label Drug Use	Use that is not approved by the Food and Drug Administration (FDA).
Open Formulary	Covers most generic and brand-name (formulary and nonformulary) medications, subject to pharmacy plan provisions such as out-of-pocket costs and/or prior authorization and exclusions.
OTC	Over-the-counter.
Out-of-Network	A pharmacy or provider that does not have a contract with a PDP.
Override	To allow a drug to be covered when the pharmacy system will not accept the claim.
PDP	Prescription Drug Provider.
Policyholder	The individual or company that purchases and carries the insurance policy.
Prior Authorization (PA)	Provides coverage for a drug when it is either not standardly covered or must meet specific criteria to be covered (eg., quantity limits, step therapy).
Provider	A medical professional (i.e., a doctor).
SSB (Single-Source Brand Drugs)	Brand-name drugs that are under patent protection and therefore do not have generic equivalents.
Step Therapy	A clinical program that requires an alternative drug to be tried before or in combination with the drug in question.
TrOOP (True Out-of-Pocket)	The total amount a member will pay out-of-pocket each year for pharmacy deductibles, co-pays, and co-insurance. Once the pharmacy out-of-pocket maximum is reached, the plan pays 100% of eligible expenses for all covered prescription drugs and related supplies for the remainder of the year.