



Save Money on Prescriptions

Do your drugs cost too much? Find out how to get well for less.

When ordering your prescriptions, it helps to think jeans. You could buy a designer pair for, say, \$200. But if the fit is right, \$50 Gap jeans would do just as well and cost a lot less.

Likewise, if you're a savvy shopper, you'll compare drug prices and choose the medication that fits you best and costs the least. Nobody but you will know the difference.

Generic Drugs: More Choices, Less Money

Switching to generic drugs could save you up to 80% per prescription. Thanks to a tidal wave of brand-name drugs losing patent protection -- among them popular medications such as cholesterol-reducing Zocor, antihypertensive Toprol-XL and antidepressant Zoloft -- more generics are available than ever before, and chances are your medication is among them. Kristin Begley, of benefits consultant Hewitt Associates, says that \$60 billion worth of brand-name drugs are coming off patent in the next three years.

If your medication hasn't gone generic yet, you're not out of luck. Ask your doctor if there is a similar generic drug in the same therapeutic class. The most common conditions -- high cholesterol, depression, allergies and diabetes -- all have generics available, says Ron Fontanetta, a principal at benefits-consulting firm Towers Perrin. "It's the single best way to save money."

Because generics cost less on the retail side, employers typically offer better coverage for them, too. Company plans that still use co-payments commonly charge \$10, \$20 or \$40 for prescriptions, with generics the least expensive, preferred brands (on the plan's approved, or formulary, list) in the middle and non-preferred brands the most expensive. By switching from a nonpreferred brand to a generic, you could save \$30 in a snap.

The push for transparency in health-care costs has led many employers to switch from co-pays to co-insurance, meaning that the insurer pays a percentage of a drug's cost -- typically 80% -- and you pick up the rest. Lipitor, a widely used cholesterol reducer, costs \$82 for a 30-day supply at Drugstore.com, so you'd pay \$16.40. But for a similar generic drug that costs \$28, you'd pay just \$5.60, saving you an additional 66%.

Some companies up the ante by adding extra incentives to make the switch, such as offering tiered co-insurance rates -- say, 80% for generic drugs but just 50% for brand-name medicines. Reducing the co-insurance on Lipitor from 80% to 50% makes using a generic drug even more attractive. Begley says she is starting to see "coupon" programs in which companies foot the whole bill for a few months after an employee makes the switch.

If you still need an incentive, here it is: generic drugs for \$4. Wal-Mart and its warehouse retailer, Sam's Club, started the ball rolling in 2006, offering 30-day supplies of some drugs for just \$4. The program has expanded to more than 360 medications. Rival Target has a \$4-drug program that includes 315 medications; Walgreens offers 90-day supplies of some 300 generics for \$12.99. Costco jumped on the \$4 bandwagon early on, but it dropped that approach and switched to a program of 100 pills for \$10 because of lost revenue. One regional grocery chain, Giant Eagle, now offers 400 generic drugs for \$4. Meijer, another regional chain, offers [seven common antibiotics free](#). Missing in action? Big names CVS and Rite Aid.

Prescription Benefits Can Be Ordered in Bulk

More than half the money spent on drugs today goes toward treating chronic conditions, says Steve Kaczmarek, of benefits consultant Milliman. Because you know what you'll need, unlike when the flu hits unexpectedly, you can plan ahead and save money.

Most employers offer mail-order programs through a prescription benefit manager (PBM), such as Caremark. You order a 90-day supply, instead of enough for 30 days, and not only does the provider often ship your meds free, you typically pay the equivalent of only two monthly co-pays instead of three. So for a formulary brand that runs you \$20 a month, four 90-day supplies for a year would cost \$160, versus the \$240 you'd pay at the local pharmacy.

Getting started is easy -- simply ask your doctor to write you a new prescription that specifies 90-day quantities. Then log on to the Web site of the PBM your employer uses, register, and send in your prescription and order form.

Kiplinger's doesn't recommend buying drugs from companies outside the U.S. Importing drugs from any foreign country (except in person from Canada) is illegal, as is buying drugs from Canada online. You could be sold fake, weak or tainted meds. With so many other safe and legal ways to cut your costs, it's not worth the risk.

Buy Prescriptions Pretax Via FSA and HSA Accounts

Take advantage of a flexible spending account (FSA) to cover health-related expenses that aren't paid for by insurance. Doing so not only adds more bang for your buck but also lowers your taxable income. By funneling money from your salary into an FSA, you'll lower your federal income and Social Security taxes; if your state levies income taxes, you'll lower those, too. Putting in, say, \$3,000 to pay out-of-pocket medical costs could save you more than \$1,100 (assuming the 25% federal bracket, a 5% state bracket and the 7.65% employee portion of the Social Security and Medicare taxes). Deductibles and co-pays for prescriptions -- and even the cost of over-the-counter cold medicines, antacids and pain relievers -- are eligible.

A little planning is required. You'll need to estimate your expenses for the coming year and direct your employer to withhold that amount. And although FSAs are a use-it-or-lose-it proposition for each plan year, many employers offer a grace period through mid March of the following year during which you can spend the money. Regardless of whether you underestimate your expenses and empty your FSA early,

or overestimate your costs and leave a little in your account, the tax savings make flex accounts a good deal.

Health savings accounts (HSA) are similar to FSAs, but with a few caveats. You must have a high-deductible health-insurance policy to open one, and annual contribution limits apply -- \$2,900 for individuals and \$5,800 for families in 2008. If the HSA is offered by your employer, the money goes in as pretax dollars. If you open the account on your own, your contributions will be deductible when you file your taxes.

The biggest difference between an HSA and an FSA is that the balance in an HSA may be rolled over from year to year and continue to grow tax-deferred. "It's a triple tax-free play," says Fontanetta. "It goes in tax-free, grows tax-free and comes out tax-free when used for medical expenses." Keep in mind, though, that if you use the money for nonmedical expenses before age 65, you'll be hit with a 10% penalty, in addition to paying taxes on the money. After 65, the penalty doesn't apply, but nonmedical distributions are still taxed.

Prescription Drug Resources on the Web

DestinationRx: Find a generic equivalent for your medication. Type the drug name in the search box at www.drx.com to find cost, side effects and warnings, as well as a list of generic options. By registering, you can also view pricing for your meds at local pharmacies.

Consumer Reports Best Buy Drugs: At www.crbestbuydrugs.org you'll find easy-to-read overviews of how medications work, alternatives and average retail prices. Search by drug name and see a report comparing your choices within that category of medications. Or search by condition to see which drugs are typically used to treat it, including which brands have generic alternatives and the differences among them.

Insurer Web sites: The Web site for your health provider is another source for information. [United Healthcare](#) for example, provides participants with personalized information about their plan and coverage, plus resources for shopping for meds.

PBM Web sites: Prescription benefit managers, such as [Caremark](#), [Express Scripts](#) and [Medco](#), have compiled a wealth of information about prescription drugs on their Web sites. You can research your options and price the difference between buying at a retail pharmacy or by mail.

BenefitsCheckupRx: Put together by the National Council on Aging, [BenefitsCheckupRx](#) offers personalized advice for people age 55 and older. Answer the questions about yourself, your medications and affiliations (such as whether you're retired from the military), and you'll get a list of programs for which you may qualify.

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