Glossary

Term	Definition
Administrative Expenses/Costs	Business expenses associated with general administration, agents/brokers fees and commissions, direct sales salaries, workforce salaries and benefits, loss adjustment expenses, cost containment expenses, and community benefit expenditures.
Allowed Dollar Amount	Total payments made under the policy to health care providers on behalf of covered members, including payments made by issuers and member cost sharing.
Annual Plan Spending	Total payments made under the policy to health care providers on behalf of covered members and include payments made by issuers and member cost sharing = Allowed Dollar Amount.
Biological Product	Biological products are regulated by the Food and Drug Administration (FDA) and are used to diagnose, prevent, treat, and cure diseases and medical conditions. Biological products are a diverse category of products and are generally large, complex molecules. These products may be produced through biotechnology in a living system.
Biosimilar Product	A biosimilar is a biological product that is highly similar to and has no clinically meaningful differences from an existing FDA-approved reference product. Treat this as Generic, unless the plan- or insurer-negotiated monthly cost exceeds the threshold for a Specialty Drug.
Brand Name Drug	Medications protected by patents that grant their makers exclusive marketing rights for several years. When patents expire, other manufacturers can sell generic copies at lower prices.
Dispensed at Pharmacy	Dispensed at a plan pharmacy, network pharmacy, or mail order pharmacy for outpatient use.
Formulary	List of drugs used to treat patients in a drug benefit plan. Products listed on a formulary are covered for reimbursement at varying levels.
Generic Drug	A generic drug is a medication created to be the same as an already marketed brand name drug in dosage, form, safety, strength, route of administration, quality, performance characteristics, and intended use. These similarities help to demonstrate bioequivalence, which means that a generic medicine works in the same way and provides the same clinical benefit as its brand name version. In other words, you can take a generic medicine as an equal substitute for its brand name counterpart.
Interchangeable Product	An interchangeable product is a biosimilar product that meets additional requirements outlined by the Biologics Price Competition and Innovation Act.
Mail Order	Licensed pharmacy established to dispense maintenance medications for chronic use in quantities greater than normally purchased at a retail pharmacy. The mail order pharmacy usually uses highly automated equipment so that non-pharmacists perform many routine tasks. As a result, mail order can typically dispense medication at a lower cost per prescription.
National Drug Code (NDC)	Numeric system to identify drug products in the United States. A drug's NDC number is often expressed using a 3-segment-number where the first segment identifies the manufacturer, the second identifies the product and strength, and the last identifies the package size and type. If the NDC on the package label is less than 11 digits, then add a leading zero to the appropriate segment to create a 5-4-2 segment number. Example. Label Configuration Add leading zero, Remove hyphens 4-4-2 (xxxx-xxxx-xx) **0**xxxxxxxxxx (5-4-2) 5-3-2 (xxxxx-xxx-xx) xxxxx**0**xxxxx (5-4-2) 5-4-1 (xxxxx-xxxx-x) xxxxxxxxx**0**x (5-4-2)
Number of Prescriptions (# of Prescriptions)	30-day supply is treated as a unit. The range is as follows: - Between 1- to 30-day supply is 1 unit - Between 31- to 60-day supply is 2 units - More than 60-day supply will be 3 units.
Paid Plan Claim (Paid Plan Cost)	Allowed Dollar Amount minus the member cost-sharing amount = Incurred Costs. (If this Term is related to drug cost only, excludes Manufacturer Rebate).
Paid Dollar Amount	Allowed Dollar Amount minus the member cost-sharing amount = Incurred Costs. (If this Term is related to drug cost only, excludes Manufacturer Rebate).
Pharmacy Benefits Carve-In	Management of the drug benefit is included with the management of the medical benefit, using a single entity and contract to administer both benefits. Carve-Out: Management of the drug benefit is separate from the management of the medical benefit, using two different entities or two separate contracts to administer the benefits.
Pharmacy Benefit Manager (PBM)	Organization dedicated to administering prescription benefit management services to employers, health plans, third-party administrators, union groups, and other plan sponsors. A full-service PBM maintains eligibility, adjudicates prescription claims, provides clinical services and customer support, contracts and manages pharmacy networks, and provides management reports.
Prescription Drug	"Prescription drug" or "drug" means a self-administered drug approved by the FDA for sale to the public through retail or mail order pharmacies that requires a prescription and is not provided for use on an inpatient basis or administered in a clinical setting or by a licensed health care provider. The term includes: (i) disposable devices that are medically necessary for the administration of a covered prescription drug, such as spacers and inhalers for the administration of aerosol outpatient prescription drugs; (ii) syringes for self-injectable prescription drugs that are not dispensed in pre-filled syringes; (iii) drugs, devices, and FDA-approved products covered under the prescription drug benefit of the product pursuant to sections 1367.002 and 1367.25 of the Health and Safety Code, including any such over-the-counter drugs, devices, and FDA-approved products; and (iv) at the option of the health care service plan, any vaccines or other health benefits covered under the prescription drug benefit of the product.
Reference Product	A reference product is the single biological product, already approved by FDA, against which a proposed biosimilar product is compared. A reference product is approved based on, among other things, a full complement of safety and effectiveness data. Treat this as Brand Name or Brand Name Specialty.
Retail	Medications are purchased at a retail pharmacy.
Specialty Drug	A drug with a plan- or insurer-negotiated monthly cost prior to rebate that exceeds the threshold for a specialty drug under the Medicare Part D program (Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (Public Law 108-173)). For example, in 2019, the threshold amount is $670 for a one-month supply.