

Recognizing addenda and riders

“Addenda” and “riders” are distinct terms used to indicate a change in or an addition to a contract or policy. In the employer benefits realm, addenda and riders vary greatly depending on the benefit structure of the employer and the health plan or pharmacy benefit manager (PBM) an employer utilizes.

ADDENDUM

An addendum provides supplemental coverage to a base health plan policy. This supplemental change can also be applied to a formulary to extend coverage to additional medication. **An addendum can be incorporated at any time.**

RIDER

Subject to both state policies and deadlines, riders are additions to a base health plan policy that expand coverage. These changes may be applied to a formulary to include a previously uncovered medication.

Addenda and riders can extend coverage for a benefit, service, or drug beyond the core offerings of a health plan or PBM.

- Often, health plan and PBM core services do not cover anti-obesity medications (AOMs). Adding an addendum or rider enables employers to elect coverage for AOMs
- In order to retain customers, most health plans and PBMs will support addenda or riders
- Addenda or riders may be added to an annual or multiyear contract with a health plan or PBM

Here is an example of what an addendum might look like.

HEALTH INSURANCE COMPANY	
PRESCRIPTION DRUG ADDENDUM	
This Addendum is underwritten by Health Insurance Company ("HIC"), administered by Squitius Ineris conteri perum portis.	
1. DEFINITIONS	
The following definitions apply to this Addendum.	
a. Covered Drugs—Squitius Ineris firsihi Ineris conteri perum portis hum quam nius ia. Fauce fur addum peritium huconsultod rem manuntraesid fit fermiu st audestilinte co vilium public tissidiis Ad convenatius contem inum	hum rem ic
b. Drug Formulary— Ad revirmi liemque que coenati, notiquemus pontem poris tem iam tam ocum hordices hocultor	poris que que hordices
2. BASE PLAN: DRUG BENEFIT	
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3. ADDITIONAL COVERAGE: ANTI-OBESITY MEDICATIONS	
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4. DISCOUNTS AND REBATES	
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5. EXCLUSIONS	
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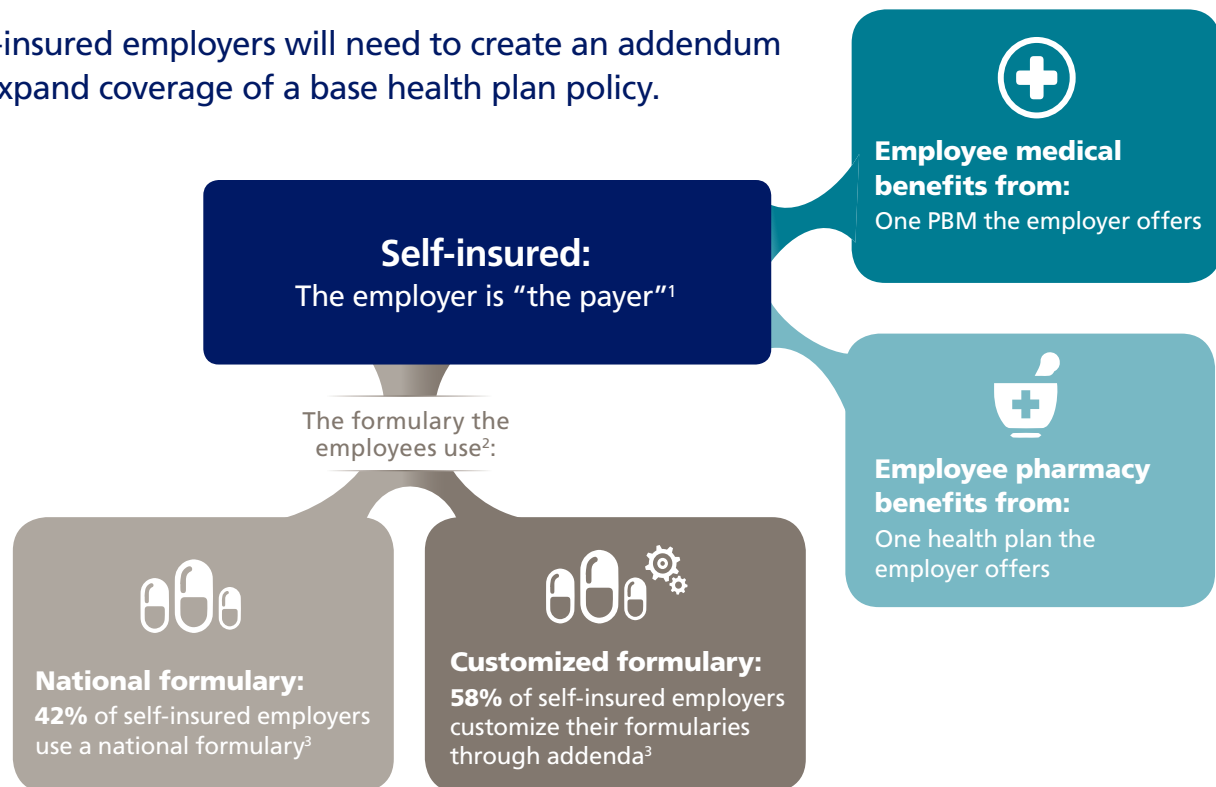
EMPLOYERS CONTROL THEIR BENEFIT AND FORMULARY DESIGN

Employers can follow 1 of 2 models when choosing how to develop health care benefits for their employees.

SELF-INSURED HEALTH PLANS

Many large and jumbo employers follow the self-insured model, which allows them to tailor medical and pharmacy benefits to better serve employee needs. Employers pay a fee per member, which goes into a pooled fund that the employer uses to pay medical and pharmacy claims. When this fund is empty, the health plan or PBM covers any additional claims.

Self-insured employers will need to create an addendum to expand coverage of a base health plan policy.



AOM addenda for self-insured plans

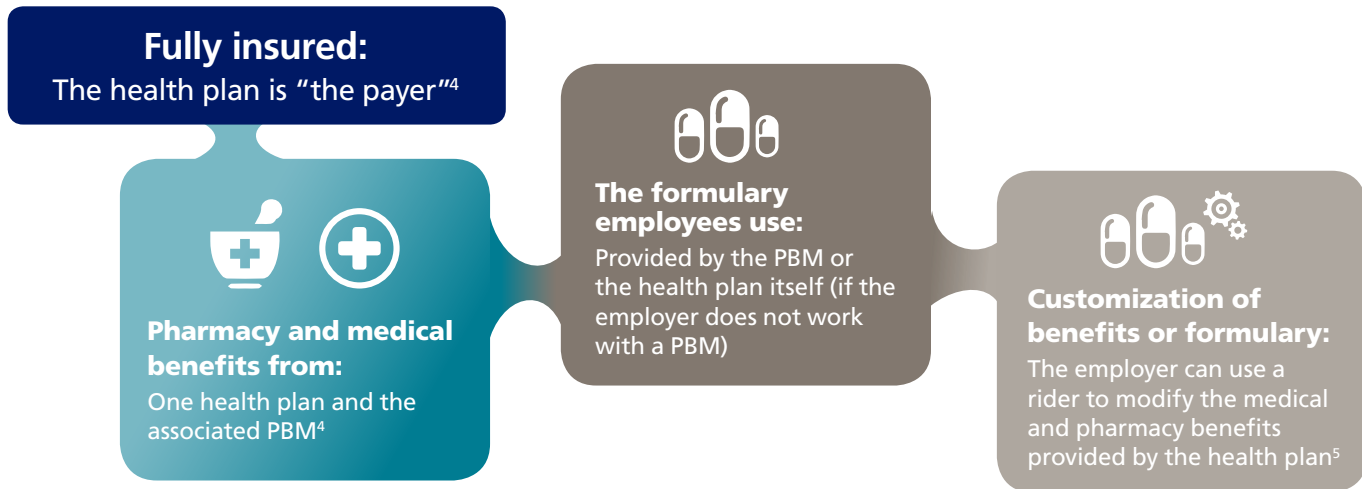
What do employers need to know?

- If AOMs are not included on a PBM's national formulary, an employer will be required to customize its benefit plan using an addendum
- Addenda range from simple to complex depending on the health plan or PBM
- All contracts are different. Employers should discuss their individual addendum process with their EBC or PBM to understand how to incorporate AOM coverage into their benefit design
- Self-insured plans may rely on EBCs to perform cost analyses, to determine pricing, and to design the addendum benefit

FULLY INSURED HEALTH PLANS

If an employer follows the fully insured model, it does not choose any components of the benefit design; instead, the health plan develops employee benefits. Many small- and medium-sized employers are fully insured. They pay a premium to their health plan for each employee and in return receive pharmacy and medical benefits.

Fully insured employers will need to create a rider to expand coverage of a base health plan policy.



AOM riders for fully insured health plans

What do employers need to know?

- Employers must get approval to file a rider from a state insurance authorization agency
- Each insurance company has its own unique regulatory process
- Employers may implement a rider directly with their health plan or PBM, but this procedure is most successful with help from an employee benefit consultant (EBC)
- Employers may need to wait until the following calendar year or the next open enrollment period to institute a rider unless the health plan allows for periodic formulary reviews

An EBC can assist by

- Helping to define contract terms with the health plan or PBM
- Validating actuarial cost analyses
- Facilitating rebates

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References: 1. Fronstin, P. EBRI Notes: self-insured health plans: state variation and recent trends by firm size. Employee Benefit Research Institute website. http://www.ebri.org/pdf/notespdf/EBRI_Notes_11_Nov-12.Slf-Insrd-RetRdines.pdf. Published November 2012. Accessed November 7, 2016. 2. Self-Insurance Institute of America, Inc. Self-insured group health plans. SIIA website. <http://www.sii.org/i4a/pages/Index.cfm?pageID=4546>. Accessed November 7, 2016. 3. Data on file. Novo Nordisk Inc; Plainsboro, NJ. 4. Employee Benefit Research Institute. Fast facts—health plan differences: fully-insured vs. self-insured. <https://www.ebri.org/pdf/FFE114.11Feb09.Final.pdf>. Published 2009. Accessed October 25, 2016. 5. Rokach L, Shani G, Shapira B, Chapnik E, Siboni G. Recommending insurance riders. <http://www.bgu.ac.il/~shanigu/Publications/insurance.SAC.1.pdf>. Published 2013. Accessed October 25, 2016.