



Broker Bulletin

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Specialty Drug Pricing: The Next Big Wave of Challenges and Opportunities

In today's volatile healthcare environment, specialty drugs represent key opportunities and challenges for employers. The goal is to effectively manage drug spends by reducing inappropriate utilization and drug acquisition costs. In this month's Broker Bulletin, we'll examine what employers should know about specialty drugs, cost-saving tactics and PBM/RX benefit management strategies.



Inside Healthcare

With MagnaCare President
Michael Jordan

**TODAY'S TOPIC:
KEY STEPS IN EFFECTIVE
SPECIALTY DRUG
MANAGEMENT**

Specialty drugs not only benefit patients, but also serve to prevent costly procedures down the road, such as a kidney transplant. Effective management of these drugs is critical for bending the cost curve.



Specialty Drug Costs Going Through the Roof

SPECIALTY DRUG COSTS AVERAGE \$3,000 PER PATIENT PER MONTH, AND CAN REACH SEVERAL HUNDRED THOUSAND DOLLARS ANNUALLY FOR A SINGLE PATIENT.

For example:

Costs of the new hepatitis C regimens range from approximately \$85,000-\$95,000 for a 12-week treatment course, while orphan drugs for rare, chronic conditions can cost up to \$750,000 per patient per year.

Despite the sticker shock, there is growing consensus that many specialty drugs offer reasonable value.

Sources:

[Pharmacy Benefit Management Institute, 2014 SPECIALTY DRUG BENEFIT REPORT, February 4, 2014](#)

[Pharmacy Benefit Management Institute, 2015 SPECIALTY DRUG BENEFIT REPORT, March 3, 2015](#)

[Health Affairs Blog, Specialty Drugs — Cost, Impact, And Value, October 20, 2014](#)



What Are Employers' Top Two Specialty Drug Management Goals?

Reducing inappropriate utilization and lowering drug acquisition costs are the top two goals in specialty drug management. At the moment, drug acquisition costs are unlikely to reverse their upward trend, but employers can focus on:

- reducing inappropriate use
- improving adherence and compliance
- reducing variability between the pharmacy and medical plan design

Key strategies for managing specialty drugs include case management, and benefit coverage coordination for pharmacy and medical and drug utilization.

Employers should also be aware of issues surrounding product waste and cost-shifting:

- When a drug causes an adverse event or ends up being ineffective, that waste of product can be mitigated with shorter or limited fill strategies.
- Cost-shifting strategies, such as high out-of-pocket maximums, can backfire, resulting in non-adherence to drug and treatment plans.

Source:

[Midwest Business Group on Health, Employers Still Trying to Find Right Strategy for Specialty Drug Benefits According to Latest MBGH Survey, May 1, 2014](#)



Specialties Eating into the Drug-Spend Pie Chart

To battle this, 77 percent of responders to a Prescription Drug Benefit Survey use management programs, such as requiring



Specialty drugs represent around 30 percent of the total drug expense, a number that is projected to increase to 50 percent by 2017 or 2018.

prior authorization before a prescription is filled. This shows that a growing number of employers understand the importance of using controls to help manage specialty drug costs.

Source:

[Society for Human Resource Management, Employers Spend More of Health Budgets on Drugs, March 2, 2015](#)



Switching Specialty Drugs to PBM/RX Benefits Makes Sense

Employees who take specialty medications often need intensive, on going care coordination, support and monitoring. When these drugs are covered under a medical benefit, rather than the pharmacy benefit, employers risk increased cost without improved quality of care.

A survey of 91 health plans found a significant shift to the pharmacy benefit for the medications for hemophilia, respiratory syncytial virus, and, as a group, the intravenous immune-modulating medications for rheumatoid arthritis, Crohn's disease and psoriasis.

Employers should also be aware of the 340B program. Since the rule change in 2010, the Health Resources and Services Administration (HRSA) has permitted more entities to access 340B's discount pricing. This means that the number of outside contract pharmacies has jumped – offering another means for curbing specialty drug costs.

Sources:

[UnitedHealth Center for Health Reform & Modernization, The Growth of Specialty Pharmacy Managed Care, Should Specialty Drugs Be Shifted From Medical to Pharmacy Benefit?, 2015](#)
[Drug Channels, The Coming Battle Over 340B Contract Pharmacies, Feb. 14, 2013](#)



One Penn Plaza
46th Floor
New York, NY 10119