

NBCH action brief

Specialty Pharmacy

Most commonly used in the treatment of chronic or life threatening conditions such as rheumatoid arthritis and cancer, specialty drugs represent the fastest growing sector of pharmacy spending today.¹ Although specialty medications currently account for only 1% of all prescriptions,² they represent about 20% of today's drug costs. Industry experts predict that by 2020, specialty drug spend will more than quadruple, reaching approximately \$402 billion a year³ and presenting tremendous cost challenges for employers. This Action Brief outlines the scope of specialty pharmacy; how health plans are addressing the issues based on data from eValue8, a resource used by purchasers to track health plan performance; and actions employers can take to better understand specialty pharmacy, engage their plans and vendors, and support their at-risk populations.

WHAT'S THE ISSUE?

THE AVERAGE SPECIALTY PRESCRIPTION COSTS \$1,776 COMPARED TO \$54 FOR A TRADITIONAL DRUG⁴

WHAT ARE SPECIALTY DRUGS?

- ▶ While definitions vary slightly, specialty drugs—most of which are also known as biologics—are generally defined by the following elements:
 - They treat complex chronic and/or life threatening conditions;
 - Have a high cost per unit (typically > \$600 per month);
 - Usually require special storage, handling, and site-of-care administration; and
 - Involve a significant degree of patient education, monitoring, and management.⁵
- ▶ In 1990, 10 specialty drugs were on the market.⁶ In 2012, over 900 specialty drugs were in development.⁷
- ▶ Physician-administered drugs are typically dispensed by specialty distributors and sent to physician offices in bulk. Once administered, the insurance company is billed under the medical benefit, making tracking more difficult as payment does not correlate with the pharmacy benefit.
- ▶ While this category of medication historically focused on injectable and infused drugs, a significant number of oral dosage forms have entered the market with the trend expected to grow.

WHY EMPLOYERS SHOULD CARE

- ▶ Specialty drugs currently account for about 17% of the average employer's overall pharmacy costs⁸ and are estimated to make up 40% of an employer's total pharmacy spend by 2020.⁹

- ▶ It is estimated that specialty spending will go from \$290 per member per year (PMPY) in 2012 up to \$845 PMPY by 2018 due to the drug class' strong pipeline and price inflation.¹⁰
- ▶ While approximately 50% of specialty drug spend occurs in the medical benefit as opposed to the pharmacy benefit,¹¹ less than one in four employers report being able to track specialty spend in the medical benefit.¹²
- ▶ According to a recent survey conducted by Midwest Business Group on Health, 78% of employer respondents had a low to moderate understanding of specialty pharmacy, and nearly 30% did not know what their specialty pharmacy cost increases had been over recent years.¹³
- ▶ In the same survey, nearly 30% indicated that their specialty plan design was focused on tiers and formularies—common to traditional pharmacy benefit strategy—as opposed to a carve out with greater emphasis on the issues unique to specialty pharmacy.¹⁴

MEASURING UP

EVALUE8 RESULTS FROM 2013 SHOW THAT PLANS ARE TAKING AN INTEGRATED APPROACH TO SPECIALTY PHARMACY TO BETTER MANAGE CARE WHILE CURBING TRADITIONALLY HIGH COSTS

- ▶ Of the plans surveyed, 95% report an increased interest in the prevalence and cost of specialty medications and biologics.
- ▶ Half of plans surveyed manage their specialty pharmacy services internally while the other half partner with a specialty pharmaceutical vendor.
- ▶ Flat fee copays are primarily used for specialty pharmaceuticals in the lower formulary tiers with an average copay of \$30.

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MEASURING UP CONTINUED

- ▶ Of the surveyed plans, costs for specialty pharmacy drugs increased by an average of 6% from 2011 to 2012, largely driven by the cost increases of office administered drugs (26%).
- ▶ Nearly all plans utilize the strategies of step therapy, quantity limits, and channel management to ensure appropriate utilization of specialty drugs. Other common strategies include requiring prior authorization (97%), utilizing reimbursement reductions (95%), and using formulary tiers or placing limits on off-label use (93%).
- ▶ Less than half (42%), however, proactively monitor member compliance through refill claims and make that information available to care managers.
- ▶ In an effort to rein in rising costs, 70% of surveyed plans manage the conditions requiring specialty drugs through integrated patient-centered care.

TAKE ACTION

Action Item #1: Get educated and ensure a better understanding of specialty pharmacy¹⁵

- ▶ Bring together an internal team of stakeholders to focus on what resources need to be collected (i.e. data) and what needs to be accomplished to support a comprehensive strategy.
- ▶ Take advantage of the free [Employer Toolkit on Specialty Pharmacy Benefits](#), offered by Midwest Business Group on Health, which is packed with information, best practices, and resources for employers to better understand the basics and economics of specialty pharmacy, effectively contract and partner with vendors, and manage at-risk populations.
- ▶ Stay current on trends in the specialty pharmacy marketplace in order to be proactive about strategies that could affect your company's bottom line.
- ▶ Develop a communications plan to help educate employees and their family members about coverage options and other support services, such as case management or required use of specialty drugs.

Action Item #2: Engage your health plan and vendors to develop expectations and an appropriate benefit design strategy¹⁶

- ▶ Require detailed and integrated medical and pharmacy drug related claim reports.
- ▶ Work with your service providers to ensure that they offer robust reporting tools to drill down into the clinical as well as

economic data across medical and pharmacy benefits.

- ▶ Work with benefits administrators to better understand the different economic impacts of specialty drugs on your business and the opportunities for design improvements to assure cost-efficient utilization by members.
- ▶ Establish value-based benefit design strategies that incorporate consumer engagement components to drive value in every dollar spent on expensive specialty drugs, including incentives for medication adherence and/or use of case management services.
- ▶ Integrate case management, step therapy, and prior authorization to help manage utilization, cost, and outcomes.
- ▶ Optimize site of administration for specialty therapies occurring in the medical benefit, (i.e., infusions). Moving from hospital settings to outpatient or home settings can result in a savings of 20% to 60% per infusion.¹⁷
- ▶ Ensure that your plan or PBM negotiates manufacturer rebates in drug classes where substitutes are available and when consistent with a lower cost strategy.¹⁸

Action Item #3: Become a leader in your community

- ▶ [Employer-based health coalitions](#) can serve as vehicles for improving workforce and community health at the local level and achieving the most value for health care expenditures. These collaborations leverage the voice and power of their employer purchaser members, often through public-private partnerships, in improving health and health care.

Endnotes

- 1 ["The Growing Cost of Specialty Pharmacy—Is it Sustainable?" American Journal of Managed Care. February 2013.](#)
- 2 ["Specialty Pharmacy." UnitedHealthcare.](#)
- 3 ["New CVS Caremark Report Projects Annual Specialty Drug Spending will Quadruple to \\$402 Billion by 2020." CVS Caremark. November 2013.](#)
- 4 [Kingsbury, K. "If you can't pay: How to get insurance to cover specialty drugs." NBC News. January 2013.](#)
- 5 ["No Single Definition for Specialty Drugs." Specialty Pharmacy 101. National Employer Initiative on Specialty Pharmacy. Midwest Business Group on Health.](#)
- 6 ["The Growing Cost of Specialty Pharmacy—Is it Sustainable?" American Journal of Managed Care. February 2013.](#)
- 7 [Kaddis, A. "Transforming Research into Action." Foundation for Managed Care Pharmacy Research Symposium. Academy of Managed Care Pharmacy. October 2012.](#)
- 8 ["The Patient-Centered Outgrowth of Specialty Pharmacy: Why Patient Management Strategies Are Critical to 21st Century Providers." URAC. 2011.](#)
- 9 [Herr, J. "Employers Becoming More Savvy About Specialty Pharmacy, but Need More Cost Controls." Midwest Business Group on Health. February 2013.](#)
- 10 ["The Growing Cost of Specialty Pharmacy—Is it Sustainable?" American Journal of Managed Care. February 2013.](#)
- 11 ["The Employer as a Key Stakeholder." Specialty Pharmacy 101. National Employer Initiative on Specialty Pharmacy. Midwest Business Group on Health.](#)
- 12 ["2013 Specialty Drug Benefit Report." Pharmacy Benefit Management Institute.](#)
- 13 ["From the Research: The Employers' Perspective." Specialty Pharmacy 101. National Employer Initiative on Specialty Pharmacy. Midwest Business Group on Health.](#)
- 14 Ibid.
- 15 ["Recommendations: Understanding the Basics." Specialty Pharmacy 101. National Employer Initiative on Specialty Pharmacy. Midwest Business Group on Health.](#)
- 16 Ibid.
- 17 [Maas, A. "Site-of-Care Optimization Can Reap Big Medical Benefit Savings." Health Business Daily. AIS Health.](#)
- 18 [Tu, H. and Samuel, D. "Limited Options to Manage Specialty Drug Spending." HSC Research Brief #22. April 2012.](#)