Specialty Drugs

Four ways to promote safe and cost-effective use for employees

Introduction
Specialty prescription drugs, typically high-cost biotech medications for treating complex and chronic conditions, are overtaking drug spend for many organizations. While these drugs are currently used by less than 1 percent of the population, they account for about 30 percent of pharmacy and medical drug spend, according to recent discussions at the Academy of Managed Care Pharmacy meeting. A 10,000-employee health care organization could soon expect about $4 million in annual specialty costs, or $408 per member per year (PMPY). And industry projections indicate specialty drug costs will increase as much as 15 percent to 25 percent in 2016 alone.

While specialty medications offer substantial clinical advancements that can improve patient outcomes, the financial implications for health plans and insureds are significant. For example, specialty medications for one patient insured through a children's hospital health plan cost $1.3 million annually—about 20 percent of the hospital's total drug spend and 5 percent of the total plan claims (medical and pharmacy benefits combined).

Specialty drugs increasingly have the potential to affect much larger populations. For example, Praluent and Repatha, two injectable treatments for patients with a rare form of hypercholesterolemia, may lower cholesterol by up to 70 percent and reduce the risk of cardiovascular events by approximately 50 percent. According the the New England Journal of Medicine, if a small percentage of Americans ages 40 to 64 with high cholesterol levels were eligible for specialty medication, annual insurance premiums would increase $124 per person. This kind of change could threaten the sustainability of pharmacy benefits.

What your team should do now to manage specialty drug use
Specialty drugs are investments that should lead to better health outcomes and improved employee productivity. However, employers need strategies to balance efficacy, safety and cost of these treatments for the people they insure. Here are four things your team can do to proactively manage specialty drug use:

1. **Routinely monitor drug utilization trends for your insured population.**
   Children's Hospital Association members who participate in the Claims and Health Analytics Resource Tool (CHART) receive a monthly high-cost drug spend report and quarterly utilization trends for specialty pharmacy in both the pharmacy and medical benefit. The data from 14 children's hospitals show specialty drug spend increased from 26 percent in 2013, to 29 percent in 2014 and up to 34 percent in 2015.

2. **Manage utilization through preferred drug lists and evidence-based guidelines.**
   According to a December 2015 article in Drug Channels, all of the top six pharmacy benefit management (PBM) programs are narrowing their formularies with preferred drugs and some specialty medication exclusions. CVS, the association’s PBM partner, suggested members could save about $20 PMPY using evidence-based guidelines, preferred products and utilization management controls. Organizations can narrow coverage by selecting medications with the best overall efficacy, safety and costs to save money.
Effective patient management and member satisfaction are also critical. Even though specialty drugs hold the promise of improved health for many, changing treatment options creates many questions and concerns for both employers and those they insure. Patients requiring specialty medications may need extensive support and guidance depending on the conditions being treated.

3. **Leverage preferred specialty pharmacy networks to achieve deeper discounts.**
   While CVS, ESI and Walgreens own more than 50 percent of the specialty drug distribution available to plan sponsors, many new specialty pharmacies have emerged with varying service and discount models. Association members have access to a preferred CVS specialty pharmacy network that is expected to save 10 percent of $1.3 billion in gross drug spend over the next three years.

4. **Engage your employees in understanding their benefits and costs.**
   Employees need to know the benefits and costs of specialty drug use, including their financial responsibilities. High deductible health plan (HDHP) benefits, specialty drug tiers, and medical benefit cost sharing for specialty drugs are on the rise and require enhanced employee education. The association notes many of its members have transitioned to HDHPs and some are considering new, fourth tier pharmacy benefits for specialty medications.

Going forward, effective management of specialty drug use will require enhanced collaboration among an employer’s finance and human resource teams. The association plans to assist those efforts with ongoing knowledge exchange, benchmarking and contracted vendor relationships.

**The impact of specialty drugs on children’s hospitals as employers**

| Among a group of 15 children’s hospitals, the aggregate specialty drug spend increased $30 million over three years. Source: CHA PBM data, 2012 to 2015 |
| High-priced specialty drugs are increasingly common. For example, Gilead Pharmaceuticals’ Hepatitis C medication launched at $1,000+ per pill. Source: The New York Times, April 30, 2015 |
| Manufacturers are bringing 200+ new drug entities to market, with one in three focused on cancer treatment. Source: Drug Store News, Nov. 18, 2015 |
| The Food and Drug Administration’s “breakthrough drug” designation expedites the approval of many specialty drugs. Source: Academy of Managed Care Pharmacy, 2015 |

**Learn More**
If you have questions about the emergence of specialty drugs or how you can be proactive in supporting appropriate use and cost, contact the Children’s Hospital Association’s Insurance Services Team. Our experts can help identify additional resources or other members who can help answer your questions. We’ve recently completed evaluations of several patient engagement and other specialized vendors, and we would be glad to discuss the results with you. Just send an email to insuranceservices@childrenshospitals.org or call 913-262-1436.

**References**
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