Specialty Medication Management Strategies for Employers
Introduction

Now more than ever, curbing the high cost of pharmacy drug benefits remains a top priority for employers. The need to better manage specialty medications as part the overall spend is one that merits careful consideration.

It’s all about finding the best efficiencies available today, and the market continues to provide innovative solutions that help specialty medications become easier to access, use and manage within your program.

In this e-book, we’ll explore the questions, realities and opportunities around specialty medication solutions. We’ll also help you determine if a unique specialty solution is the right choice for your organization, and what to look for in a consultant.

First, let’s take a look at the market and four of the most frequently asked questions.
Question #1

What are specialty medications?

Specialty medications are often derived from living organisms, or a very specific molecular process, and almost all of them lack a therapeutic or generic equivalent. The costs of specialty medications average about ten times the typical cost of a brand medication, with some costing in the hundreds of thousands of dollars per year.

Specialty medications generally require unique handling or administration and intensive patient monitoring. Traditionally, such medications treated genetic, orphan status, or limited chronic conditions such as hemophilia and multiple sclerosis.

Increasingly, though, specialty medications are used in more prevalent chronic conditions, which will continue to drive plan costs.

Specialty medications are distributed from pharmacies, physician offices and hospitals. Products distributed from the physician and hospital settings often require supervision of the administration process.
Question #2

How are specialty medications defined?

There is no official government agency or therapeutic classification of a specialty medication that is universally used in the market. It is a combination of the factors in question 1, above.

Sometimes, common chronic diseases such as rheumatoid arthritis and asthma are treated with specialty medications. Other conditions include cancer, blood disorders, infections and rare genetic diseases.

The federal government defines a rare disease (also “orphan disease”) as one that affects fewer than 200,000 people in the United States. The National Institutes of Health estimates that 6,000 rare disorders affect approximately 25 million Americans.¹

Most of these orphan diseases are serious, crippling or life-threatening disorders that pose a desperate need for therapeutic advancements.⁰
Question #3

How fast are specialty medication expenses growing?

The average cost of a specialty medication is 10 to 15 times greater than that of traditional branded medications, and continues to rise. Several products cost hundreds of thousands of dollars per year.

The rapid growth of specialty medications as a percentage of pharmacy costs is being driven by two factors:

1. The proliferation of generic versions of products is reducing the total nonspecialty medication ingredient cost, thus increasing the percent of total spend attributed to specialty medications, even when annual specialty medication utilization does not change.

2. Some of the newest products are priced exorbitantly high, at $200,000 to $300,000. The development of innovative products with limited competition spurs these prices higher.

According to the National Institutes of Health, if current trends continue, by 2030, specialty pharmacy costs will exceed $1 trillion a year and account for as much as 44 percent of a typical pharmacy plan’s total drug expenditure.iii
Question #4

How can just one member affect your entire plan?

An individual who has a rare orphan disease typically uses therapies valued at $150,000 annually.\textsuperscript{iv}

For example, treatment for a hemophilia patient with an inhibitor can cost up to $1 million a year,\textsuperscript{v} challenging the budgets of individuals, employers and health plans.

Just one such patient added to a designated population pool can impose potentially catastrophic expenses if the condition is not effectively managed.

It is important to consider reinsurance and stop-loss products that include the pharmacy expense and do not exclude coverage for treatments of these conditions under the pharmacy or medical benefit.
Healthcare reform is now reality

Here are two ways healthcare reform can impact specialty medication coverage:

- The removal of lifetime maximums for patients makes it even more critical to manage specialty costs optimally.
- The introduction of new laws that may allow the initiation of biologic (biosimilar) drugs with the potential for significant long-term savings.
Specialty medication opportunities for 2013

As the attention on specialty pharmacy continues to grow, new opportunities to enhance efficiencies are being realized.

- **More concise definitions for specialty drugs**
  Closely monitoring the list of medications defined as “specialty” in a Pharmacy Benefit Management (PBM) contract will reduce the number of items being priced under specialty terms. Specialty terms are generally less favorable versus brand and generic terms in the contract.

- **Adoption of step therapy/preferred products**
  Controlling the unnecessary use of specialty medications or higher cost products can help reduce patient risks and reduce costs of care.

- **Alignment between pharmacy and medical benefit**
  To help incent the most affordable treatment plan within the healthcare benefit for the member and the plan, coordinate the pharmacy and medical benefits. Alignment of the benefits allows the most efficient balance of channel and cost-sharing available.

- **Identifying and utilizing the optimal specialty medication distribution channels**
  Pharmacy and physician distribution offer the lowest distribution cost for these products. Hospital settings are the most expensive and should be avoided unless absolutely required.
As an employer, should you carve out specialty medications to a separate vendor?

Certain characteristics define employers best suited to find success with a carve-out specialty medication solution. They are described in the following pages.

Use these guidelines to help determine if a specialty pharmaceutical carve-out is right for you.

For smaller employers who do not match this carve-out profile, additional recommendations are available at the end of this article.
Characteristic #1

Covered lives (members) of 30,000 or more and at least a $5 million annual pharmacy and medical specialty drug spend

Self-funded employers with these characteristics can explore carving out specialty medication management from their standard PBM services. This arrangement may be in the form of a unique specialty vendor to manage the prescription plan’s specialty medications. Of more value is a vendor that can also manage some of your medical plan’s specialty medication costs.

Employers electing to carve out their traditional pharmacy benefit services from the medical benefit administration usually realize substantial savings. An added option is managing specialty medications with a carve-out vendor. Companies with fewer than 30,000 covered lives should evaluate their opportunity on a case-by-case basis.

In certain situations, employers who carve out specialty medications can save on their Average Wholesale Price (AWP) discounts and fees, versus the traditional bundled specialty/PBM arrangement. Additionally, if a specialty vendor manages the medical benefit, additional savings can be obtained in the form of vial size management, weight and dose optimization and utilization management programs. Vendors describe savings of 5 to 20 percent when the medical benefit is managed as well.

This more aggressive management structure can result in additional specialty medication savings on the pharmacy and medical plan over the life of a contract. However, savings need to be balanced against the amount of work required for the carve-out and the potential for provider and member disruption.
Characteristic #2

An effective health management program that needs to grow

If an employer is already managing their traditional pharmacy plan with aggressive formulary and utilization management programs, they likely recognize the growing pipeline of specialty drugs. Typically, pharmacy spend is **85 percent for traditional medications and 15 percent for specialty medications.** Of the specialty medications, the medical plan and pharmacy plan are sometimes equal, but there are generally slightly more costs on the medical plan.

Specialty medication utilization is expected to grow to 30 percent of all outpatient drug costs by 2015, so it is important to consider how this trend will affect future prescription plan costs. At the same time, nonspecialty medication costs are decreasing due to the generic versions of popular medications being released; this can disproportionately inflate the percent of specialty medication spend vs. total prescription spend.
Characteristic #3

Access to data

As stated above, over 50 percent of overall specialty medication spending may be on the medical side. Carving out all specialty medications from the medical side is not feasible and is not the primary intent of evaluating a carve-out specialty medication vendor. Sometimes, medical providers are able to bill less for the medication than a PBM or specialty medication vendor. Regardless, it is critical to make the carve-out decision using both medical and prescription plan costs.

It is important to realize that the best vendor offers management with real-time adjudication and medical vendor pricing, utilization management and dosing/package controls. These tools all contribute to better managed costs, reduced waste and less provider and patient disruption.
Characteristic #4

Transitional from retail to a specialty pharmacy-dispensing program

Many PBMs offer a specialty pharmacy medication dispensing service, separate or exclusive from the retail setting. This migration to a specialty setting is a first step in determining your PBM’s ability to manage provider and patient disruption with specialty medications. Exclusive specialty medication distribution should be tied to a much better discount for the specialty medication prices under the prescription benefit plan.

While the advantages may be overstated by PBMs, a specialty pharmacy is also considered a more knowledgeable resource for patients compared to most retail settings. The broader make-up of the staff allows for enhanced knowledge of the management of specialty medications and generally includes protocols and systems to manage the patient with intense follow-up and counseling required.

Employers who have taken this route demonstrate a concern for price and quality of care on behalf of their employees.
Reaping the benefits of a carve-out

When considering a specialty medication carve-out program, there are additional benefits available within the remaining prescription benefit terms. Considering a carve-out option for specialty medications takes foresight and must be evaluated well in advance of the PBM contracting process.

- Verify that your current or next contract allows for specialty medication management by vendors outside of the PBM, and understand the PBM’s financial response to this term
- Use the prescription and medical specialty medication spend as leverage for improving the overall PBM program terms
- Allow the employer/consultant to define the specialty medication list, ensuring that only appropriate medications are included as specialty.

While additional staff is not required to embark on this strategy, employers should be prepared to make a time commitment and use an outside consultant specializing in prescription benefits consulting. Considering that implementing these strategies could save a company with a $5M pharmacy spend over a few hundred thousand dollars in the first year (total amount increase in the second year and beyond), this is time well spent.

By working with an independent prescription benefit consultant that offers pharmacy specialty guidance, expertise and clinical experience, you can optimize the procurement process. The goal is to obtain an outside assessment that balances cost-containment and effective clinical and care management for your employees.
What to look for in a pharmacy benefit consultant:

- Capability of assessing specialty medication program administration, distribution and wastage checks, including the dosing, dispensing and delivery procedures.

- An understanding of vendor approaches to clinical programs and utilization management, including the management of specialty medications under the medical plan.

- Ability to recommend requirements for improved reporting within the specialty medication distribution.

- Comprehension of full assessment of disease and utilization management integration.

- Exposure to varied vendor discounts and contracts, capable of providing guidance on integrated and stand-alone specialty medication and contracts.

- Aptitude to perform a scope of work that delivers quality and cost-efficient solutions, while ensuring clinical appropriateness.

This highly specialized knowledge, paired with customized tools, can maximize pharmacy savings and help ensure confidence that pharmacy benefit plans, performance and contracts are designed and administered for the greatest effectiveness.
Not ready for a specialty medication vendor carve-out?

Follow these recommendations …

If you feel you’re not a match for a specialty medication vendor carve-out, remember you can still benefit from a sound and independent assessment of your overall PBM relationship. This will ensure that PBM services are based on sound business principles and provide a solid foundation for taking the next steps.

As an employer, you can still focus on the specialty drug spend by:

- Implementing programs that limit specialty prescriptions to a 30-day supply to prevent waste
- Creating utilization management programs that your PBM and medical carrier can support
- Applying appropriate copayments
- Reducing the specialty medication list to an appropriate set of products
- Seeking specialty rebate reimbursement or other innovative initiatives.
Good guidance can provide long-term benefits

In today’s changing healthcare environment, specialty medication management is a complex and challenging area that deserves your attention. Carve-out opportunities are helping address the growing demand for specialty pharmacy while answering the need for price containment and quality of care for your employees.

Endnotes:


