



## Highlight from the 2014 Prescription Drug Trend Report Issued from Express Scripts Inc. (ESI)

According to the ESI 2014 Drug Trend Report issued in March 2015, the pharmacy landscape underwent a seismic change, and the budgetary impact to healthcare payers was significant. Per ESI, US prescription drug spend increased 13.1% in 2014; the largest annual increase since 2003; which was largely driven by an unprecedented 31% increase in spending on specialty medications. Utilization of traditional medications remained flat (-0.1%), while the use of specialty drugs increased 5.8%. The largest factors contributing to the increased spending, however, were the price increase for these medication categories; 6.5% for traditional and 25% for specialty. While specialty medications represent only 1% of all U.S. prescriptions, these medications represented 32% of all 2014 drug spend which is an increase from 28% in 2013. According to the report, increased inflation and utilization of Hepatitis C and Compounded Medications were the most significant accelerators of US drug spend in 2014. Excluding those two therapy classes, overall drug spend would have increased by only 6.4%.

Other noteworthy highlights include:

### Commercially Insured Trend

Overall drug spend increased 13.1% in 2014, following several years of increases below 6% (Table 1). Market forces and changes in patient behavior impacted drug expenditures in 2014, but brand drug pricing was one of the most important factors driving trend, especially for specialty medications. For the commercially insured, compounded drugs and Hepatitis C therapies were the key drivers of 2014 spend and trend. Without them, total overall trend would have been just 6.4%. For the fourth consecutive year, medications used to treat diabetes were the most expensive traditional therapy class when ranked by PMPY spend (Table 2). Additionally, the diabetes class had the largest trend with the exception of compounded drugs; which jumped to third place, largely due to a 128.2% increase in the average price for these products.

<b>Table 1. Components of trend, commercially insured: January – December 2014 compared to same period in 2013</b>				
	PMPY spend	2014 Trend		
		Utilization	Unit Cost	Total
<b>Traditional</b>	\$668.75	-0.1%	6.5%	6.4%
<b>Specialty</b>	\$311.11	5.8%	25.2%	30.9%
<b>Total overall</b>	\$979.86	-0.04%	13.2%	13.1%

Source: Express Scripts, March 2015

**Table 2. Top Traditional Therapy classes ranked by 2014 PMPY spend**

Rank		PMPY spend	2014 Trend		
			Utilization	Unit Cost	Total
1	Diabetes	\$97.68	1.7%	16.3%	18.0%
2	High blood cholesterol	\$48.73	-2.9%	-3.9%	-6.8%
3	Compounded drugs	\$46.04	0.2%	128.2%	128.4%
4	Pain/Inflammation	\$45.98	0.3%	15.7%	16.0%
5	High blood pressure/heart disease	\$36.06	-0.4%	-12.2%	-12.6%
6	Heartburn/Ulcer disease	\$33.40	-1.4%	-9.2%	-10.6%
7	Asthma	\$29.59	-3.2%	-11.6%	-14.9%
8	Attention disorders	\$27.97	3.4%	2.9%	6.3%
9	Depression	\$25.98	2.1%	-20.5%	-18.4%
10	Mental/Neurological disorders	\$24.85	-0.5%	9.6%	9.1%
	<b>Total traditional</b>	<b>\$668.75</b>	<b>-0.1%</b>	<b>6.5%</b>	<b>6.4%</b>

Source: Express Scripts, March 2015

Per member per year (PMPY) spend for the top three specialty therapy classes; inflammatory conditions, multiple sclerosis and oncology; contributed 55.9% of the spend for all specialty medications billed through the pharmacy benefit in 2014. The US spent 743% (yes 743%) more on hepatitis C medications in 2014 than it did in 2013; this therapy class was not among the top 10 specialty classes in 2013. For 2015 to 2017, the utilization of traditional medications is likely to increase but the continuing decline in overall costs related to an abundance of generics and a relative lack of brand innovators in the pipeline for the most commonly used therapy classes (aside from diabetes) will keep traditional drug spend from increasing substantially. The report suggests that although the specialty trend will slow to more sustainable levels in the next three years, it still is expected to experience fairly stable double-digit growth in 2015, 2016 and 2017. The major contributors to rising PMPY spend for specialty medications are brand inflation and the accelerating development of expensive, highly targeted therapies.

### The Prescription Price Index

Compared to the prices of generic drugs and brand drugs a year earlier, in December 2014 generic drug prices were 20% lower whereas brand prices were 15.4% higher. Price increases for several commonly used generics have contributed to a slowing of the decline in prices for generic drugs as a whole. Even so, generic medications overall continue to deliver significant savings over brand-name alternatives. From January 2008 through December 2014, a market basket of the most commonly used generic medications decreased in price by 62.9%. During that same period, a market basket of the most commonly used brand medications increased in price by 127.4%. In contrast, a market basket of commonly used household goods, as measured by the Bureau of Labor Statistics Consumer Price Index, grew only 11.2% during this same time period.

Please contact your Conner Strong & Buckelew account representative toll free at 1-877-861-3220 with any questions.



connerstrong.com



877-861-3220



news@connerstrong.com



Change My Preferences

CONNER  
STRONG &  
BUCKLEW

INSURANCE | RISK MANAGEMENT | EMPLOYEE BENEFITS



[Click here to change your email preferences or unsubscribe from all communication.](#)