



benefitNEWS

## Specialty Medications on the Rise

According to a report from the Pharmacy Benefit Management Institute, employers and plan sponsors need to pay very careful attention to the **low utilization, but enormous costs of specialty drugs**. The survey included 291 U.S. employers, health plans, and other plan sponsors. Approximately 70.4 million lives were represented across employer and health plan respondents. According to the study, while specialty medications are only used by a small percentage of the population (1% to 5%), spending for specialty drugs has grown between 15% and 20% for the last several years and accounted for 21% of U.S. drug expenditures in 2009. Growth in specialty spending is expected to continue to outpace non-specialty spending for several reasons:

- A high percentage of newly approved drugs will be specialty.
- Expensive manufacturing processes continue to push prices higher.
- Continued limited competition within therapy classes will correspond with less price competition.

### Employers - Top Specialty Management Goals for 2012:

- 59% reducing drug acquisition costs
- 58% reducing inappropriate utilization

### Health Plans - Top Specialty Management Goals for 2012

- 35% reducing drug acquisition costs (likely a reflection of aggressive price management strategies for specialty drugs implemented in previous years)
- 70% reducing inappropriate utilization

Total healthcare costs and specialty drug costs were the most important reported outcomes across health plans and employers. More clinically-oriented outcomes, including medication adherence, disease progression, and quality-of-life, were much less frequently identified as the most important outcome for both employers and for health plans.

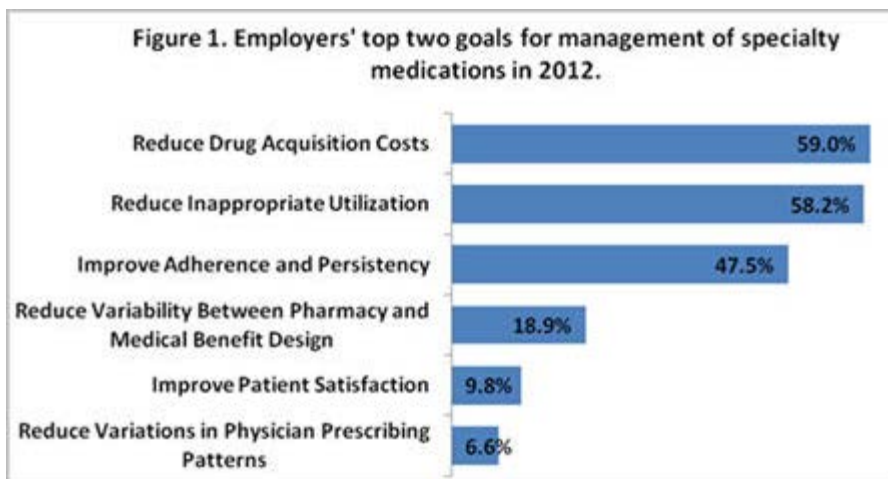
While total healthcare costs is a critical outcome to follow, a significant percentage of plan sponsors (i.e., 24% of employers and 32% of health plans) do not have the ability to track total healthcare costs for specialty patients through their pharmacy benefit manager (PBM) or other vendor. A similar percentage of plan sponsors do not have the ability to track medication adherence for their specialty patients. The greatest gap, however, is the plan sponsor's ability to track specialty drug spend covered under the medical benefit.

Less than 20% of health plans and employers are currently provided with reporting from their PBM or other healthcare vendor on specialty utilization occurring on the medical side. Given that plan sponsors identified specialty drug costs as one of their two most important outcomes for specialty management and that 50% or more of the specialty spend can sit on the medical side, this gap represents a critical area of opportunity.

The survey indicates that health plans were more likely than employers to adopt specialty pharmacy management strategies.

- More than 90% of health plans use prior authorization for specialty drugs covered under the pharmacy benefit.
- Prior authorization under the pharmacy benefit is the most common management strategy for specialty drugs among employers (83%).
- 83% of employers also use clinical care management programs, often through their specialty pharmacy vendor.

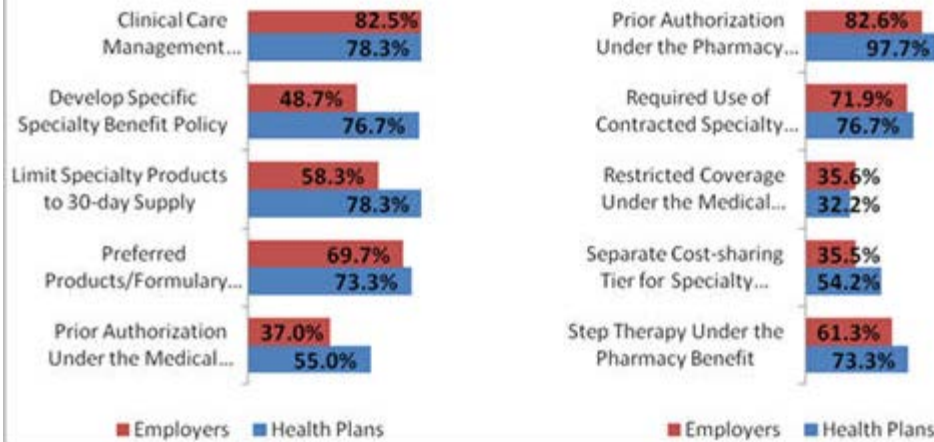
The two least frequently used specialty medication strategies for both employers and health plans remain 1) restricted coverage under the medical benefit and 2) the use of a separate cost-sharing tier. However, we expect the use of these strategies to grow rapidly over the next several years.



Both health plans and employers are more likely to use flat copays for specialty drugs covered under the pharmacy benefit than for specialty drugs covered under the medical benefits.

- 49% of employers use flat copays under pharmacy
- 17% use copays for coverage under the medical benefit
- Under the medical benefit, the most common specialty cost-share design is no-cost sharing, reported by 29% of employers.
- For health plans there is variability in the cost-sharing design under both the pharmacy and medical benefit. 33% of health plans said that reducing variability between the pharmacy and medical benefit was a top priority for 2012.

**Figure 2. Use of various specialty medication management strategies by employers and health plans in 2012**



The average specialty pharmacy copay in retail was \$84 in 2011, significantly higher than the average copay for other brand drugs. Given these figures, it is not surprising that 28% of employer and 43% of health plan respondents believe that specialty copays are a barrier to care.

For help in evaluating your pharmacy strategy, contact your Conner Strong & Buckelew account representative.



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