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5 TIPS TO KEEP EMPLOYEE PHARMACY PLAN COSTS DOWN AMID RAPIDLY RISING DRUG PRICES

BY WILLIAM KIMMEL



Skyrocketing healthcare costs are weighing on companies and employees more than ever before.

So much so that Federal Reserve Chair Jerome Powell recently called attention¹ to the exorbitantly high state of healthcare spending in the U.S. during his testimony in front of the Senate Banking Committee on Feb. 26, 2019. By the numbers, total health care spending² in the U.S. grew 3.9 percent in 2017 to roughly \$3.5 trillion. This represents approximately 17.9 percent of U.S. GDP, which Powell said is much higher than the global average.

The total cost to businesses is also on the rise. The National Business Group on Health (NBGH) estimates that the gross annual health benefit cost per employee is expected to reach approximately \$15,000 nationally in 2019³, a five percent increase from 2018.

A significant portion of these benefits cost increases stem from the rising prices of pharmaceutical drugs, with specialty pharmacy costs representing⁴ the second-largest driver of these cost hikes. According to a recent NBGH survey of large employers, nearly every respondent indicated they believe the pharmaceutical supply chain needs to change.

Rising pharmaceutical prices are even attracting the attention of Congress. Seven executives from pharmaceutical behemoths were grilled⁵ by the Senate Finance Committee during a February 2019 hearing about the growing prices of their drugs.

As overhauling the pharmaceutical drug industry will likely take years, employers are searching for other ways to keep their employee pharmaceutical costs down. The best way to do so is to work with a benefits advisor, like Conner Strong & Buckelew, to navigate this evolving landscape and find solutions that benefit both the employee and employer.

Here are our top five tips companies can utilize to keep pharmacy plan costs down in today's high-priced environment:

¹ <https://sports.yahoo.com/america-health-care-system-unsustainable-171558952.html>

² <https://www.cms.gov/research-statistics-data-and-systems/statistics-trends-and-reports/nationalhealthexpenddata/nationalhealthacountshistorical.html>

³ <https://www.connerstrong.com/blog/insights-detail/group-benefit-plan-costs-to-reach-nearly-15000-per-employee-in-2019/>

⁴ <https://www.connerstrong.com/wp-content/uploads/2019/01/Macro-EB-Headlines-on-Cost-Issues-1-2019.pdf>

⁵ <https://www.npr.org/sections/health-shots/2019/02/26/698136259/pharmaceutical-company-ceos-face-grilling-in-senate-over-high-drug-prices>

1 CHANNELING

Ensuring drugs are being placed at the right site of care can dramatically impact the end price of treatment. For instance, hospitals are known to charge much higher⁶ prices for aspirin and other household drugs when administered in the hospital setting. When drugs are administered at home, they're typically much less expensive. Hospital at home programs, which are more commonplace in other countries and enable patients to receive acute care at home, have been shown to reduce the total cost of care by as much as 30 percent⁷ in some cases. Benefits advisors can make recommendations on where and how employees receive the same drugs or treatment but in a less expensive setting.

2 MAXIMIZING PBM AGREEMENTS

Leveraging a third-party administrator of prescription-drug programs like a pharmacy benefits manager (PBM) can be an effective way to keep pharmaceutical costs down.

But not all PBMs are created equal, and language written into a company's PBM service agreement could be holding the business back from further savings.

These contracts are typically riddled with jargon and can be extremely difficult for the average benefits decisionmaker to digest and understand. An outside perspective that's well versed in the pharmacy landscape and contract language is able to prove a more nuanced set of eyes. Benefits advisors conduct intensive reviews of these contracts and associated performance guarantees, both in pricing and qualitative performance. From there, they can negotiate better rates for the company and drive even greater pharmaceutical cost savings.

⁶ <https://khn.org/news/observational-care/>

⁷ <https://www.commonwealthfund.org/publications/newsletter-article/hospital-home-programs-improve-outcomes-lower-costs-face-resistance>



3 UTILIZATION MANAGEMENT

Utilization management programs have been proven to ensure employees take their medication as intended. For certain drugs prone to overuse or over-prescription, doctors and pharmacists will develop special rules that restrict how and when health insurance plans kick in to provide coverage. The rules are designed to keep employees from overusing costly medications and incentivize them to seek out lower-cost drugs, when available, that work just as well medically. Utilization management programs are a great way to align interests and ensure spending under the healthcare plan is allocated in an optimal way.

4 OPIOID PREVENTION & MANAGEMENT

Opioid abuse in the U.S. has ballooned into a nationwide epidemic, and employers are far from immune⁸ from the ramifications. Opioid abusers in the workplace tack on an additional \$8,600 per year⁹ in healthcare expenses.

All in all, opioid misuse is costing employers more than \$12 billion per year¹⁰.

However, only 30 percent of employers restrict¹¹ opioid prescriptions under their health plans, according to a recent survey. On top of that, only 21 percent have programs in place to help manage the use of prescription opioids. By working with their benefits advisor, employers can keep opioid-related pharmaceutical costs down by limiting the quantity of drugs available on initial opioid prescriptions while also expanding coverage for physical therapy and other pain management alternatives.

⁸ <https://www.connerstrong.com/blog/insights-detail/guide-how-employers-can-help-combat-the-opioid-epidemic-insurance/>

⁹ <https://www.bloomberg.com/news/articles/2017-09-20/overdosing-on-the-job-opioid-crisis-spills-into-the-workplace>

¹⁰ <https://www.bna.com/opioid-addiction-work-n57982085155/>

¹¹ <https://www.shrm.org/resourcesandtools/hr-topics/benefits/pages/steps-to-address-opioid-crisis.aspx>

5

CLAIMS COUNSELING

Benefits advisors also serve as claims counselors for employers navigating their healthcare plans. Large claims related to pharmaceutical expenses or specialty drugs can be complex and difficult to understand and process. Some employees leave money on the table by filing incorrectly or failing to recognize rebate programs that can save money. Nonadherence is also a massive problem facing patients across the country.

Approximately two-thirds of patients do not take medications as prescribed and more than 20 percent of new prescriptions go unfilled. This nonadherence is leading to nearly \$290 billion¹² in additional healthcare spend.

Benefits advisors with dedicated counseling teams can help review claims and oversee patient behavior to ensure businesses and employees are taking full advantage of the benefits their health plan offers.

¹²<https://static1.squarespace.com/static/589912df1b10e39bd04eb3ab/t/58afb8dcd482e9191f5dc458/1487911132845/med-synch-talking-points.pdf>





LEVERAGING THE RIGHT EXPERTISE

By utilizing these five tips, employers can mitigate the impact of rising pharmaceutical costs on their bottom line while producing better outcomes for their employees. However, given the complexity of the benefits and pharmaceutical landscape, many companies may not know where to start.

Our staff at Conner Strong & Buckelew has been helping employers keep pharmaceutical costs down for decades. Reach out to us today to learn more about how we can leverage this experience as a benefits advisor to help your business.

To learn more about Conner Strong's Pharmacy Benefit Management services, visit:

connerstrong.com



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