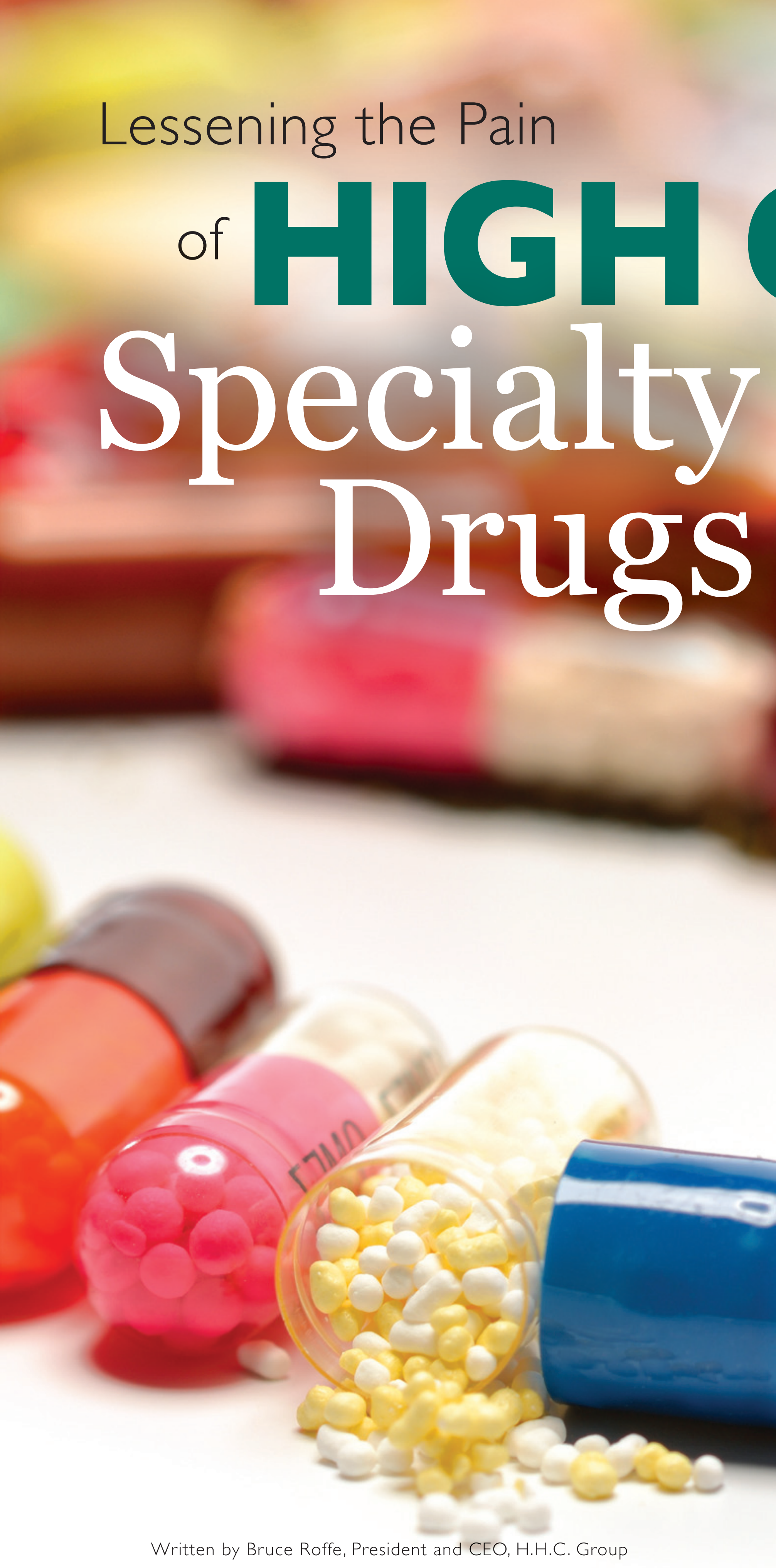
Lessening the Pain of HIGH COST Specialty Drugs



Written by Bruce Roffe, President and CEO, H.H.C. Group

Specialty drugs made up less than 1% of all written prescriptions in 2014, yet they accounted for 32% of total drug expenditures (according to research by Express Scripts[1]). The expense of these medications is a liability for Medicare, private insurance and the self-insured alike, one that threatens the healthcare system. Putting a few solutions in place now can help lessen the impact these expensive drugs have on your bottom line.

What are Specialty Drugs?

Specialty drugs are medications to treat chronic, rare, or complex conditions like multiple sclerosis, hepatitis C or certain cancers. Unlike traditional therapies, specialty drugs are novel; they rarely have a generic counterpart or other medication option that provides an identical result. Their therapeutic effects can be astounding. The treatment for hepatitis C, for example, is a de facto cure for the disease and new cancer therapies are extending the lives of patients.

At one time, these medications were not very common, but there is evidence to show that they will be prescribed more in the future. For example, in its 2014 Drug Trend Report, Express Scripts (the largest benefit management organization in the U.S.) noted that new PCSK9 inhibitors for high blood cholesterol could eventually cost the health system as much as $100 billion per year.[2]

Why do Specialty Drugs Cost so Much?

All medications, not just specialty drugs, are becoming more expensive. Even generic drugs have seen price increases because each time an old medication is re-patented, the price of the medication seems to rise. In the case of these new, novel therapies, the most common explanation for their high price tag is that the medications are expensive to develop and approve. Pharmaceutical companies explain that they have a responsibility to create a profit for both their investors and to continue funding future medication development. While this is no doubt true, there is much debate about the validity of pricing for all medications and there has been a call for greater transparency from pharmaceutical companies about how prices are set. Such a move would require a large reform of the system. Until that takes place, expect prices to continue to go up.

How are Specialty Drugs Impacting Healthcare Costs?

It would be hard to underestimate the financial impact these drugs have now and will continue to have in the future. The AARP Public Policy Institute issued a report in 2015 stating the average annual price of specialty drug therapy was 18 times higher than brand name prescription drugs and 189 times higher than the average annual cost of generic medication. The report showed the average costs for one specialty medication was $53,000 a year in 2013 – greater than the median U.S. household income ($52,250)[3] and far outpacing the average Social Security retirement benefit. The devastating implications for individuals and payers are clear.

According to Express Scripts' research, the new hepatitis C therapy accounted for more than half of the increase in overall specialty medication spending, which is not surprising given its price tag of $84,000 for a course of treatment. Yet, even when the data was adjusted to remove costly compound medications and the new hepatitis C drug, the year-over-year increase in per capita drug spending was still over six percent.[4]

The number of people taking specialty drugs is increasing, too. The same study showed that the number of Americans taking at least $100,000 worth of medication a year tripled between 2013 and 2014. Usage and costs appear to be increasing exponentially, which means it is critical to find solutions to manage the financial burden of these medications.

Solution at the Source

Perhaps the best place to begin controlling medication costs is at the source: the prescribing physician or pharmacist. These trained professionals are the best points of information for drug therapy. Either individual can review the prescription and determine if it is really the best medication for that patient at that time. The doctor or pharmacist can participate in a thoughtful conversation about the health value the patient can expect in the context of other factors including cost, side effects, quality of life and life expectancy. New drugs are generally priced higher *because* they are new, like a new shirt would be more expensive than last season's fashion. Just because a medication is new does not guarantee a dramatic improvement in one's condition any more than a new shirt will keep one any warmer than an old one. A pharmacist or doctor has the breadth of knowledge to look at the entire formulary and find the best solution for the patient's health and pocketbook.

Utilization Management Techniques

Another solution to managing skyrocketing costs is to manage the way drugs are utilized through techniques like "step therapy." In step therapy, a patient can be given a lower cost drug first to see if it has therapeutic benefit before jumping directly to the high-cost specialty drug. Another way to guide utilization is through dosage management wherein a patient is given a small amount of a medication rather than a full course. Then, if the treatment proves ineffective, a full, expensive course of treatment does not go to waste.

Leverage Technology

We've all heard the saying "there's an app for that," and pharmacy is no exception. While many of these specialty drugs are unique and therefore cannot be replaced with a brand name or generic alternative, price discrepancies across geography and pharmacies do exist. Apps like Prescription Saver[5] and GoodRx[6] allow a patient to use their mobile phone to track down the best price for their prescription.

The rise of technology has created a gigantic storehouse of statistical information related to prescription use and general health that can play a role in bringing down prescription costs. Predictive analytics is the process of mining deep wells of data to identify trends and forecast probability. If we apply this predictive modeling to prescriptions, a clearer picture can emerge of how drug therapies interact with certain conditions and how likely a medication is to succeed or fail based on the patient and the disease state. This, in turn, means the provider and the payer can make a choice about the best course of drug therapy that is informed by concrete data.

Work Efficiently with PBMs

The pharmacy benefits manager (PBM) must be a partner in the process of price control and reduction. It is the PBM that sets the formulary – the medications in a certain category that will be stocked and accessible to the insured – and manages it to best effect. Depending on one's industry, there are medications that might be appropriate to have within the formulary to best address the needs of the prospective patients. Self-insured payers need to communicate with their PBM to ensure that the formulary is being well managed and customized to meet the new demands of specialty drugs.

PBMs can do even more to manage costly medication. They have contracts with national retail pharmacies and can thus negotiate for the greatest discounts on medications. Discounts can be achieved through PBMs by managing the uses of mail order prescriptions, too. Prescriptions by mail often come with added discounts and, as an additional benefit, can often improve medication adherence. It pays to review the practices of one's PBM to ensure it is doing all it can to keep costs down. PBM's have access to plenty of their own electronic data regarding prescriptions and usage within the plan, so make sure they are effectively reporting data to you, the payer.

Conclusion

As healthcare continues to move toward more innovative and personalized approaches to care, specialty drugs will become the norm, not the exception. The skyrocketing cost of these medications is already part of the national debate. A long-term solution to this problem will need to balance profitability for the pharmaceutical company to fund their continued innovation with common sense protections against price gouging, more transparency in pharmaceutical pricing and a larger discussion about the true value these medications provide to the patient. Until then, the self-insured industry must continue to apply innovative solutions so patients can receive appropriate care at a price that won't drive the payer to the poorhouse. ■

Dr. Bruce Roffe is a Pharmacist and President and CEO of HHC Group, a National Cost Containment Firm that services many self-insured employers throughout the United States located in Gaithersburg, Maryland. At one time, he was Assistant Director of Hospital Pharmacy at Detroit Receiving Hospital and University Health Center and was also an Adjunct Assistant Professor of Hospital Pharmacy at Wayne State University, College of Pharmacy and Health Sciences, Detroit, Michigan. He may be reached at broffe@hhcgroup.com.

References

[1]Express Scripts "Super Spending: U.S. Trends in High-Costs Medication Use," May 2015

[2]The Express Scripts Lab, "The 2014 Drug Trend Report," March 2015

[3]AARP Public Policy Institute PRIME Institute at the University of Minnesota), "Rx Price Watch Report: Trends in Retail Prices of Specialty Prescription Drugs Widely Used by Older Americans, 2006-2013," by Leigh Purvis and Dr. Stephen Schondelmeyer, November 2015.

[4]Express Scripts "Super Spending: U.S. Trends in High-Costs Medication Use," May 2015

[5]itunes.apple.com/us/app/prescription-saver/id503944589?mt=8

[6]www.goodrx.com