

# Rx Cost Remedies on the Horizon

SIIA'S DRUG PRICING TASK  
FORCE BENCHMARKS  
STRATEGIES ACROSS THREE  
CRITICAL AREAS TO MOVE  
THE NEEDLE ON  
COST-CONTAINMENT



Written By Bruce Shutan

The high cost of prescription drugs, particularly specialty scripts, has long been top of mind across the self-insured community. But SIIA's Drug Pricing Task Force is poised to help allay growing concerns about managing eye-popping Rx claims.

High-cost drugs are “one of the larger claim categories that we pay as a stop-loss carrier,” reports Shaun Peterson, VP of stop loss for Voya Financial who chairs the task force and is also on SIIA's board of directors. He recalls multimillion-dollar cell and gene therapies emerging as a huge concern in 2019 when the Rx task force began to take shape. “From there,” he says, “we expanded to all drugs in excess of \$250,000 in a year” as a wider area to target.

As leader of the task force, Peterson's role is as a facilitator of industry experts who are divided into subgroups that tackle three key areas: plan documents, roles and responsibilities, and finances. They include clinicians, brokers, stop-loss carriers and TPAs, as well as claims and pharmaceutical management firms. Their mission is to produce a usable resource or tool in time for SIIA's national conference in the fall to help members effectively manage their pharmaceutical spend. Materials from all three working groups were recently merged into a single document, though it was unknown as this issue went to press exactly what form the final draft would take.

**Shaun Peterson****EYEING BEST PRACTICES**

The hope, he says, is to raise awareness around the importance of having a governing document with solid language in place that stipulates how the plan is going to be administered with specific recommendations for how it can be used to help drive better drug utilization. In terms of roles and responsibilities he notes that the goal is to clearly define what's expected of pharmacy benefit managers (PBMs), medical providers, brokers, TPAs, stop-loss carriers,

other partners and self-insured employers themselves. Finally, on the financing piece the focus is leveraging the plan document with clear roles and responsibilities for all parties to increase efficiency in the delivery of high-cost pharmaceuticals.

Drug pricing is an issue for which SIIA can advocate on behalf of its members as Congress considers legislation in this area, explains Ryan Work, SIIA's VP of government relations. But at least initially, he describes the nearly 20-member

Rx task force as a means to address industry challenges **“with or without legislation and policy changes.”**

The ultimate aim is to produce a best-practice document that can be customized to each employer's needs to maximize the efficiency of their drug spend. Work says key components may include anything from suggesting low-cost, efficacious alternatives to prescribed drugs and finding the most appropriate treatment to implementing step therapies and recommending a whole mode of different action items.

**Ryan Work****UNDERSTANDING FINANCE**

Specialty drug costs have become unsustainable – a price-tag that's escalating with more scripts in the development pipeline, according to Steve Kelly, chairman and co-founder of ELAP Services whose task force subgroup's focus is on the area of

finance. **“We think it's a clear and present danger, and how we face this as an industry is critical,”** he says.

Drugs like Spinraza and Zolgensma “knock the actuarial framework of the self-funded plans sideways,” Kelly observes. “There's no way to really build that into the cost of American health care. As these drugs and remedies become more prevalent, it's going to crowd out other areas of spending. They're incredibly effective and bring incredible promise, but they also bring unsustainable costs.”

Across several specialty drug categories, lives hang in the balance. Four or five years ago, for example, Peterson says there was no treatment for spinal muscular atrophy, which was the leading congenital cause of infant mortality. Then along came Spinraza at an estimated cost of \$350,000 a year for a maintenance dose, followed by Zolgensma at about \$2.1 million for a single dose that's theoretically curative and not requiring additional treatment.

The proliferation of specialty drugs has elevated the importance of Rx cost-containment strategies for stop-loss carriers that are trying to better manage catastrophic claims for their self-insured employers, explains Jeff Gavlick, SVP of accident and health at Tokio Marine HCC's Stop-Loss Group, whose task force subgroup's focus is on plan documents. Complicating matters is that annual and lifetime maximums were removed from health plans under the Affordable Care Act, and as a result, stop-loss carriers are bearing the brunt of any very large, and often ongoing prescription drug claims.

While there are currently fewer than 10 cell and gene therapies approved by the Food and Drug Administration, Gavlick



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cautions that the number could surpass 50 within a few years. Describing the FDA approval pipeline as “frightening,” he sees dozens of so-called orphan drugs that target medical conditions for very



Jeff Gavlick

limited populations coming to market. “There’s definitely a correlation between the cost of a drug and number of people that it is intended to treat; just basic supply and demand,” he adds.

Another category that’s bright on Rx radar screens involves drugs to treat cancer, which Gavlick says has been the No. 1 claim category among his clients for many years running.

“It’s a major focus of the provider community to cure those cases, or at least help manage the disease for a longer life expectancy for the patient,” he observes.

“But many times, it’s at the expense of the plan sponsor of a self-funded program, and we are there to help

protect them from a catastrophic claim perspective.”

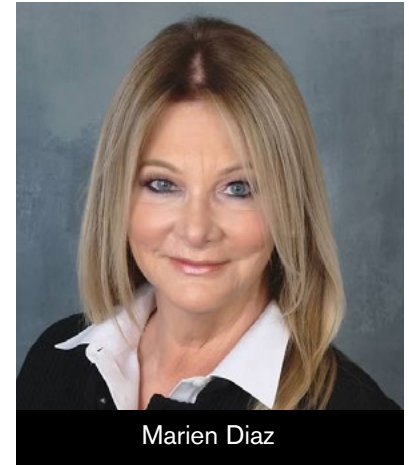
Adds Marien Diaz, VP of excess loss claims at Symetra Life Insurance Company, whose task force subgroup’s focus is on the area of roles

and responsibilities: “I think the focal point for many of us in the task force is oncology drugs. There’s

been tremendous innovation in that space.” Apart from that, she

cites two FDA-approved gene therapies in the U.S., Luxturna and Zolgensma, as significant therapies and expects many similar drugs will be brought to market in the next few years. In addition, she says Roctavian, which will be approved by the FDA in 2022, would be a very costly to treat hemophilia A patients. “While the cost is significant,” she notes, “there’s also evidence that these drugs are beneficial, and in some instances, even curative.”

The immunotherapy field, which includes the drug Kymriah, is extremely promising for cancer, and Kelly reports that “they’re being expanded from some of the broad cancers to more of the solid tumor areas... Everybody knows somebody who’s suffered with cancer. I have, myself. It’s just a matter of, how do we bring reasonable pricing to the equation.”



Marien Diaz

## THE IMPORTANCE OF PLAN DOCUMENTS

That mission to a large extent hinges on the clarity of communication. The task force identified plan documents as an area of critical importance “because it’s the central mechanism with which a plan sponsor can best control the cost and coverage of medical and prescription drug services,” according to Gavlick, comparing them to

an everyday product’s user manual. “Most claims administrators want clear and concise guidance in the plan documents,” whose

instructions help add clarity to an employer’s intent. “The clearer that plan document is, the more likely the plan sponsor is going to get the outcome they want.”

Given the rising number of high-cost drugs and medical services, he believes employee benefit brokers should encourage employers to continuously update plan documents to help avoid very large claims that go unmanaged. This also would enable TPAs to better assist their clients.

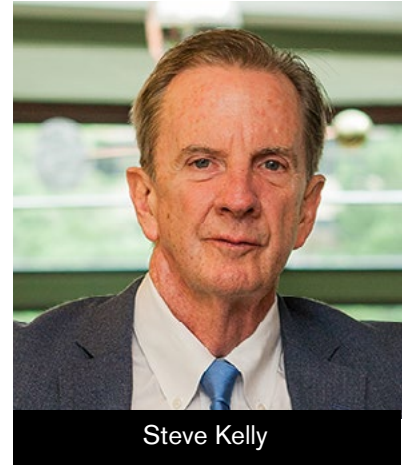
One of several Rx cost-containment strategies Gavlick recommends involves lowering the stop-loss deductible when patients are steered to the right intervention for a particular high-cost drug. Where the plan document comes into play, he says, is that it must be set up to ensure that Rx and other health care expenses are channeled to the most appropriate treatment options “in a cost-effective, safe and efficient manner.”

### DEFINING ROLES AND RESPONSIBILITIES

The secret to success in taming Rx costs is largely predicated on the power of partnerships. And while each entity must stay in its own lane of expertise or authority, they will need to intersect at some point along the road to being good stewards of a self-insured health plan’s administration.

“If everyone in the scope of what it takes to manage a self-funded plan does their part correctly, then I think you can really obtain successful results,” Diaz observes.

The task force has been highlighting the importance of communication with all the parties, with Diaz describing the plan document as the center of all communication. She says articulating clear roles and responsibilities for all involved parties will help mitigate high-cost pharmaceutical charges both from a clinical perspective and financial impact on the plan. Key concepts include step therapy, validating whether the health plan member is tolerating a costly medication well and avoiding unnecessary waste of the medication.



Steve Kelly

Apart from prior-authorization strategies, which have long been implemented to manage Rx costs, Kelly cites patient assistance programs as an emerging method through which consultants match patients who cannot afford certain specialty drugs with financial subsidies from pharmaceutical companies. While it has been effective, he says “there are some differing opinions as to whether it’s appropriate.”

Many of the leading disease states have formed associations to provide support and direction for families, he mentions, and oftentimes they work closely with

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## What Employers Really Want

or are funded by the pharmaceutical industry and have relationships with hospitals across the country. “We think that it behooves us to look as an industry into developing some dialogue with those entities,” Kelly says. “Perhaps that could lead to some more competitive pricing or case rates.”

Transparency, of course, is a chief objective for helping move the needle on opaque Rx pricing. Kelly believes progress is being made on understanding the shell game of drug rebates, pass-through agreements and spread-pricing. “We’re seeing more transparency and just pass-through PBMs where you can see what’s going on,” he says, adding that while rebates offer some relief, there are some better deals available.

Self-insured employers often don’t devote enough time to review their PBM contracts or net plan cost, Diaz cautions, while sometimes they may pursue rebates at the expense of pursuing the best possible value for their Rx plan.

While PBM rebates and passthroughs are a concern, Work says they’re not massive cost drivers. “It’s the fact that pharmaceutical companies are putting out these new drugs, and they’re \$400,000, \$500,000 a pop, and nobody knows and understands why they landed on that price, and more importantly, what the efficacy of it is,” he adds.

By recognizing that drug pricing represents a common denominator for so many of its members, Diaz says SIIA has sought to provide a best-practices model that would be easily accessible to everyone; “that it could be, in many ways, a living document,” she explains.

The bottom line is that more plans and advisers need to learn the nuts and bolts of Rx pricing. This will enable them to procure drugs in more efficient ways such as developing case rates with centers of excellence and building pathways with organizations that have experience with chronic disease states, Kelly says. ■

Bruce Shutan is a Portland, Oregon-based freelance writer who has closely covered the employee benefits industry for more than 30 years.

### **Hear More from SIIA’s Drug Pricing Task Force**

*SIIA’s upcoming National Conference will feature a live panel session where members of SIIA’s drug pricing task force will provide an update on the group’s findings and recommendations. Learn more at [www.siiaconferences.org](http://www.siiaconferences.org)*

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