Pharmacy Challenges

How Employers Are Looking at Specialty Pharmacy Today

The cost and complexity of specialty medications are keeping employers and plan administrators up at night. A 2016 survey found that large group employers (100+ full-time employees) struggle with specialty drug trend and cost management, using a variety of unconnected tools and techniques. This article outlines employer challenges and suggests a medical/pharmacy integration paradigm as a successful model for controlling costs and improving health outcomes.

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Specialty drugs unquestionably have changed the landscape of health care. These drugs offer improved quality of life and the possibility of cure status for diseases that may have had no effective treatment as recently as ten years ago. In 1990, there were ten injectable drugs on the market that met the generalized definition of a specialty drug. By 2015, approximately 300 specialty drugs were available on the U.S. market, with an estimated 700 in development.

These life-changing medications come with a substantial price tag. A chronic condition that will continue over an employee’s lifetime can generate a specialty drug treatment cost of over $100,000 per year. U.S. specialty drug spending is expected to reach $400 billion by 2020. With these kinds of costs and benefits in mind, benefit management professionals are wrestling with the question: What can employers do to effectively cover specialty drugs and manage their costs?

Anthem-affiliated health plans and a number of other organizations are working to provide consultative information and education to employer groups/benefits professionals about specialty drugs and drug coverage. Toward this end, Anthem-affiliated health plans worked with C+R Research to better understand employer interests and practices related to specialty pharmacy management. An online survey of 303 large group employers (100+ full-time employees (FTEs)) in 14 states was conducted from December 29, 2015 through January 6, 2016. For purposes of the survey, respondents were given this definition: Specialty pharmacy focuses on high-cost, high-touch medication therapy for patients with complex disease states. Medications dispensed by specialty pharmacies include oral, injected and infused, cutting-edge biologic products.

Key Findings

- Employers are challenged by many aspects of specialty pharmacy, but the cost of new specialty drug treatments is the most concerning. Of those surveyed, the cost of new specialty drug treatments was rated as the most challenging issue companies are facing. Ninety percent rated the cost of specialty drugs as “somewhat challenging” (46%) or “very challenging” (44%). Sixty-one percent of respondents reported that specialty drug spending had increased since the previous benefit year. On average, specialty drugs constituted 35% of respondents’ overall pharmacy costs.
Other top-ranking challenges included the ability to obtain rebates on specialty drugs (80%) and specialty IV drugs being administered in higher cost, outpatient hospital settings (80%). (See Figure 1.)

- **Employers are also challenged by the amount of time they spend managing specialty drug benefits.** Roughly one-third of the time employers spend managing employee health benefits is focused specifically on specialty pharmacy. Employers with 100-4,999 FTEs spend slightly more time, on average, compared to those with 5,000+ FTEs. (See Figure 2.)

- **Employers are experimenting with a variety of ways to control specialty drug trend and spending; there is no “one-size-fits-all” approach.** Respondents were asked to rate the importance of various specialty drug management techniques and tools for their organizations. Depending on the category, 95-100% of those surveyed rated all management techniques and tools as somewhat or very important to their organizations. No single management technique or pattern of use rose to the top as the “silver bullet” employers are implementing to handle specialty drug use and cost.

Utilization management (programs that help prevent possible unnecessary or inappropriate drug therapy and guide patients and prescribers to clinically appropriate, cost-effective medication choices) was rated important by 100% of those surveyed; 74% rated it very important. (See Figures 3, 4 and 5.)

- **Employers seek information about specialty medications for themselves and employees.** Although over 70% of those who took the survey classified them-
pharmacy challenges

Summary

- Employers are concerned with the rising costs of specialty drugs, and they’re taking preventive measures to try to manage them.

- Employers plan to use more approaches in the future than they use today.

- Though employers are trying different methods, many aren’t using more tightly managed benefit strategies. These generate savings but may limit employees’ covered drug choices or pharmacy choices. It’s worth noting that tight management strategies, such as a closed specialty pharmacy network or coverage of only preferred specialty medications, are growing in industry adoption.

- Finally, and perhaps most importantly, the research showed that, while employers are adopting individual tools and techniques, employers as a whole have not adopted a unified strategy for managing specialty drug costs. Analyses done by Anthem and other organizations have found integrated medical and pharmacy benefits can result in improved health outcomes and better cost management across both benefits. This integration is key because, unlike traditional, nonspecialty techniques, employers as a very knowledgeable about specialty drug management, nearly all said they are interested in additional education. More than half said they would “definitely” seek more education, and 54% said they would prefer to receive this information from their health insurance carrier. (See Figures 6 and 7.)

FIGURE 3

Importance of Techniques/Tools for Employers in Managing Specialty Drugs

<table>
<thead>
<tr>
<th>Techniques/Tools</th>
<th>Somewhat Important</th>
<th>Very Important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utilization management techniques</td>
<td>26%</td>
<td>74%</td>
</tr>
<tr>
<td>Formulary management techniques</td>
<td>29%</td>
<td>68%</td>
</tr>
<tr>
<td>Cost management tools</td>
<td>26%</td>
<td>70%</td>
</tr>
<tr>
<td>Channel management techniques</td>
<td>32%</td>
<td>63%</td>
</tr>
<tr>
<td>Care management techniques</td>
<td>31%</td>
<td>64%</td>
</tr>
<tr>
<td>Sites of care management techniques</td>
<td>30%</td>
<td>64%</td>
</tr>
</tbody>
</table>

Questions 2a/3a/4a/5a/6a/7a. How important are (utilization/formulary/sites of care/channel management techniques)/(cost/care management tools) to helping your company manage specialty drugs?

Source: Anthem Large Group Employer Survey, January 2016.

FIGURE 4

Top Specialty Pharmacy Management Techniques Employers Are Currently Using/Percentage of Employers Using Them

<table>
<thead>
<tr>
<th>Utilization Management Techniques</th>
<th>70%: Prior authorization under medical benefit</th>
<th>69%: Prior authorization under pharmacy benefit</th>
<th>64%: Preservice review under medical benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formulary Management</td>
<td>67%: Preferred specialty drugs under the pharmacy benefit</td>
<td>64%: Copay for employee specialty drug cost share</td>
<td>64%: Preferred specialty drugs under the medical benefit</td>
</tr>
<tr>
<td>Care Management Techniques</td>
<td>66%: Reminders for refilling specialty drugs</td>
<td>66%: Periodic health assessments</td>
<td>64%: Answering drug administration questions</td>
</tr>
<tr>
<td>Channel Management</td>
<td>65%: Employees are required to use the in-network specialty pharmacy for drug to be covered.</td>
<td>64%: Employees can choose to use either local retail pharmacies or a mail pharmacy to fill their specialty drug prescription.</td>
<td></td>
</tr>
</tbody>
</table>

Base: Large group employers (N=303).

Note: Three-point scale where 1=Not using and don’t plan to use at all and 3=Currently using.

Questions 2–7. Are you currently using or planning to use any of the following techniques to help manage specialty drugs?

Source: Anthem Large Group Employer Survey, January 2016.
drugs, which are covered exclusively under the pharmacy benefit, specialty drugs typically are covered under medical and pharmacy benefits.

**Recommendations to Consider**

Although the survey did not identify a consistent pattern of specialty pharmacy management strategies employers are pursuing, there are concepts included in an integrated, multifaceted approach that employers should consider:

- **Understand the interplay of specialty drug coverage under medical and pharmacy benefits.** The type of drug, how it’s administered, where it’s administered and where the prescription is filled all impact the drug’s cost and coverage. Employers that want to play an active role in specialty drug management should be well-educated on the basics.

- **Consider offering an integrated specialty pharmacy management solution.** Specialty drug coverage, administration, site of care, care management and costs don’t exist in silos. All these elements impact the health outcomes and total cost associated with each drug. An integrated approach includes all the “levers” available across medical and pharmacy benefits to help ensure employees get the right drug, at the right time, in the right place, under the right benefit.

**FIGURE 5**

Top Specialty Pharmacy Management Techniques Employers Are Planning to Use/Percentage of Employers Planning to Use Them

<table>
<thead>
<tr>
<th>Utilization Management Techniques</th>
<th>Formulary Management Techniques</th>
</tr>
</thead>
<tbody>
<tr>
<td>36%: Step therapy requirement under the pharmacy benefit</td>
<td>36%: Specialty pharmacy 6th Tier</td>
</tr>
<tr>
<td>34%: Retrospective drug utilization review (RDUR) under the pharmacy benefit</td>
<td>31%: Specialty pharmacy 4th Tier</td>
</tr>
<tr>
<td>Cost-Management Techniques</td>
<td>31%: Outcomes-based formulary</td>
</tr>
<tr>
<td>33%: Negotiated AWP drug cost discounts</td>
<td></td>
</tr>
<tr>
<td>32%: Provider incentives to use treatment pathways</td>
<td></td>
</tr>
<tr>
<td>31%: Rebate sharing for specialty drugs</td>
<td></td>
</tr>
</tbody>
</table>

Base: Large group employers (N=303).

*Note:* Three-point scale where 1=Not using and don’t plan to use at all and 3=Currently using.

Questions 2-7: Are you currently using or planning to use any of the following techniques to help manage specialty drugs?

**Source:** Anthem Large Group Employer Survey, January 2016.

**FIGURE 6**

Employer Interest in Seeking Additional Education on Specialty Drugs

![Graph showing interest in seeking education by employee size.]

Base: Large group employers

*Note:* Four-point scale where 1=Definitely will not seek education and 4=Definitely will seek education.

Question 18: How likely are you and your company to seek additional education about specialty drugs?

*Note:* Significance testing is conducted at the 95% confidence level and is noted as follows:

A = Significantly higher than smaller employers (100-4,999)
B = Significantly higher than larger employers (5,000+)

**Source:** Anthem Large Group Employer Survey, January 2016.

- **Be sure reporting for the medical benefit and the pharmacy benefit are complete and coordinated.** Employers can make uninformed decisions without comprehensive, consistent specialty drug reporting across both benefits. Costs aren’t well-man-
pharmacy challenges

- Make sure clinical management is the foundation of specialty drug management. Management strategies must be clinically appropriate. Look for strategies that focus on drugs with well-documented clinical and “real-world” outcomes. A drug with a higher price tag may actually result in lower overall costs because it provides better health results (e.g., fewer emerg-
gency room visits, fewer inpatient admissions, etc.).

- Evaluate clinically appropriate, cost-effective specialty drug channels and sites of care. After looking at a drug’s clinical considerations, evaluate the costs/benefits of where the specialty drug is administered (e.g., doctor’s office, home infusion, hospital outpatient clinic, etc.) and where the prescription is filled (such as a retail, mail-order or specialty pharmacy). A variety of methods can be used to direct employees and prescribers to lower cost pharmacies and sites of care that are clinically appropriate.

- Include care management in a comprehensive management strategy. Care management programs are especially important for employees living with complex, chronic health conditions treated by specialty medications. Care management can take the form of outreach from health plan case managers or care management specialists from a specialty pharmacy. Resources like these work with employees to help improve medication adherence.

Endnotes

3. Ibid.
5. In this study, significance testing is conducted at the 95% confidence level and is noted as follows:
   A = Significantly higher than smaller employers (100-4,999) and B = Significantly higher than larger employers (5,000+).