

# Protect yourself from rising pharmacy costs

When it comes to prescription drugs, we're living in an unprecedented time of growth and discovery. New drugs to treat common conditions are coming to market. Diseases that once came with poor prognoses are now being treated—and even cured—with new drug therapies. But these life-saving, life-changing treatments often come with an extremely high price tag, and many employers are wrestling with the financial burden of these advances.

## Pharmacy touches almost every employee

- Employees use pharmacy benefits 3X more than medical<sup>1</sup>
- 75% of doctor visits involve drug therapy<sup>2</sup>

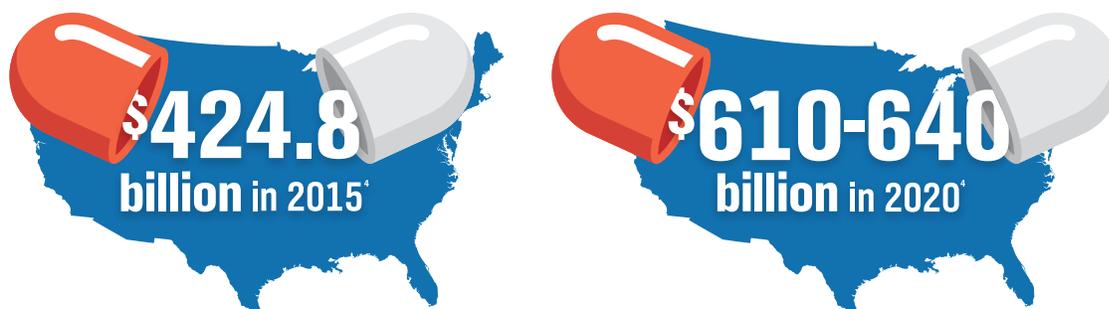
## What can you do?

Investigate all the cost management tools available in your pharmacy benefit: look for programs that promote the use of generic drugs; encourage preferred brand-name drugs; review compound drug claims for all ingredients; use prior authorization, step therapy, quantity limits and dose optimization to guide appropriate use.

## What's driving these cost increases?

Many new medications coming to market are replacements for older, lower-cost therapies. Common disorders like high cholesterol and asthma may now be treated with biologics, a growing and much more costly alternative to previously available options. As new therapies have come to market, we're also seeing price increases for existing drugs in the same drug category. For example, the 14% cost increase in the multiple sclerosis drug category in 2014 was driven by double-digit price increases for the existing top volume drugs, as well as by the approval of one new, expensive oral MS drug.<sup>3</sup> Finally, we're at a generic patent cliff, with fewer brand-name drugs losing their patent protection each year. Historically, lower cost generics have helped offset pharmacy cost increases.

## New opportunities for care—and costs



- Total U.S. spending on medications reached \$424.8 billion in 2015, up 12.2% from 2014. This is forecasted to reach \$610-640 billion in 2020.<sup>4</sup>
- More than 50% of spending growth in 2015 was from brands that had been available for less than 24 months.<sup>4</sup>

## What can you do?

- Decide your priorities. Is giving employees the widest choice of drugs covered or the most in-network local pharmacies your focus? Is your primary concern about managing costs? Your goals should guide your pharmacy benefit choices.
- If cost is a concern, look for a pharmacy plan that offers a focused retail network. A focused network has fewer pharmacies in exchange for possible bigger savings.
- Another idea is to offer your employees a focused drug list featuring preferred drugs that are clinically effective and cost less. A focused drug list also excludes drugs that have over-the-counter or lower-cost alternatives.

# Astronomical growth in specialty drugs

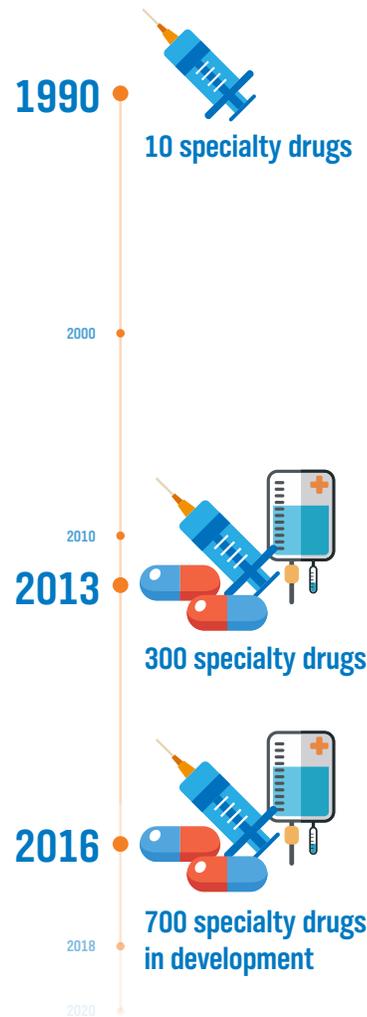
Specialty drugs are a major cost driver. In 1990, there were only 10 specialty drugs and they were prescribed for a very small percentage of patients. But the landscape has rapidly changed. By 2013, there were approximately 300 specialty drugs on the market. Nearly 700 specialty drugs are in development.<sup>5</sup>

One of the biggest challenges with specialty drugs is that they're oral, injected and infused medications. It's important to have integrated medical and pharmacy strategies to direct drug administration and coverage to the site of care and benefit that is clinically appropriate, cost effective, and least abrasive for patients and doctors.

## The value of managing site of care for provider-administered specialty drugs

Average cost per claim of an infused drug commonly used to treat Crohn's Disease, rheumatoid arthritis, plaque psoriasis and other conditions:<sup>6</sup>

Site of care	Average cost per claim
Doctor's office.....	\$4,382
Home.....	\$4,847
Hospital outpatient.....	\$9,100



## What can you do?

- Look for pharmacy and medical benefits that work together to ensure that strategies are in place to drive specialty drugs to the most appropriate benefit and site of care.
- Ask your plan representative if specialty drug prior authorization, quantity limits and dose optimization requirements are being used. If not, you could be missing out on important tools to manage specialty drug costs.
- Consider using a drug list design that has a one or more tiers for specialty drugs.
- Find out if your pharmacy benefit includes a specialty pharmacy or specialty pharmacy network. If so, specialty drugs may cost less through a specialty pharmacy than at a local drug store.
- Make sure employees are getting their specialty drugs at lower-cost sites of care.

## Employee behavior makes a difference

Nearly 75 percent of adults are 'non-adherent' in one or more ways, such as not filling a new prescription or taking less than the dose recommended by the physician.<sup>7</sup> This lack of adherence results in \$330 billion in preventable medical complications each year.<sup>8</sup> If medical and pharmacy plans don't talk to each other, there are missed opportunities to address these gaps in care, improve medication adherence and drive employee engagement.

### Adherence is crucial



- **10%** of all hospital admissions are due to not taking medications as directed.<sup>9</sup>



- **125,000** Americans die each year as a result of non-adherence.<sup>9</sup>

### What can you do?

- Talk to your health plan representative about integrating pharmacy and medical for better management of spend and better care for your employees.
- Make sure your health plan contacts employees when they haven't filled a prescription, gotten a needed lab test or could save money by switching medications.
- Specialty pharmacies and home delivery pharmacies have been shown to increase medication adherence.<sup>10</sup> Find out if these are included in your pharmacy plan.

We're in the midst of an exhilarating time in health care, when there's a new major breakthrough in drug therapy almost every week. With these great advances—and major expenses—come increased opportunities to design a plan for your employees that balances cost and access while offering them the support they need for better health.

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