

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.

by | **David Morris** | *Anthem* and **Alex Palermo** | *C+R Research*

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.¹ By 2015, approximately 300 specialty drugs were available on the U.S. market, with an estimated 700 in development.²

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.³ U.S. specialty drug spending is expected to reach \$400 billion by 2020.⁴ 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 Findings⁵

- **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.

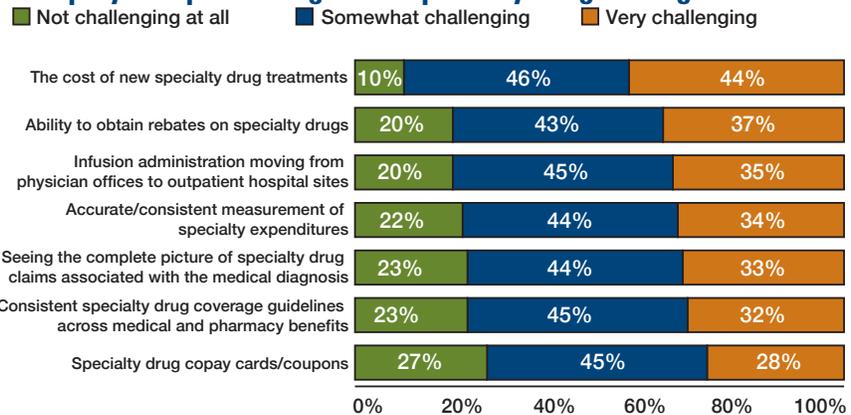
Other top-ranking challenges included the ability to obtain rebates on specialty drugs (80%) and specialty IV drugs being administered in higher cost, outpatient hospital settings (80%). (See Figure 1.)

- **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.)

FIGURE 1

Employer Top Challenges for Specialty Drug Management

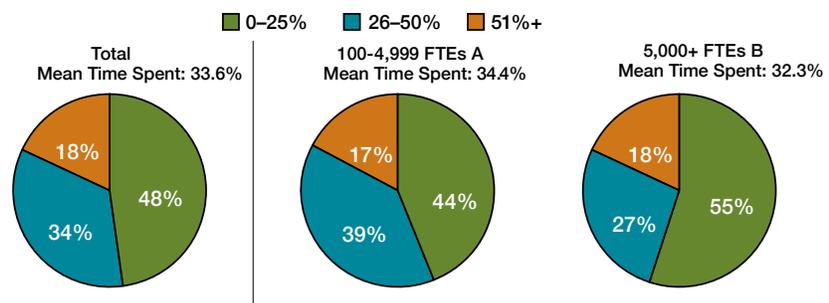


Question 15: How much of a challenge does each of the following specialty pharmacy issues pose to you and your company?

Source: Anthem Large Group Employer Survey, January 2016.

FIGURE 2

Percentage of Employer Time Spent Managing Specialty Pharmacy Benefits



Question 14: And what percentage of your time spent on managing employee health benefits are you spending on managing specialty pharmacy benefits in particular?

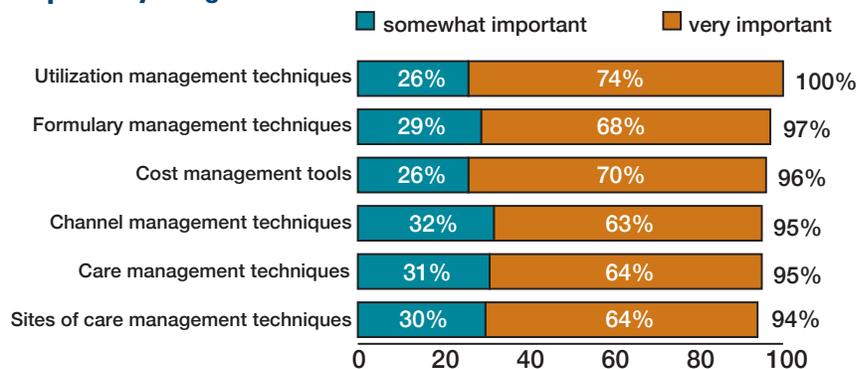
Note: Significance testing is conducted at the 95% confidence level and is noted as follows:
 A = Significantly higher than smaller employers (100-4,999)
 B = Significantly higher than larger employers (5,000+).

Source: Anthem Large Group Employer Survey, January 2016.

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

FIGURE 3

Importance of Techniques/Tools for Employers in Managing Specialty Drugs

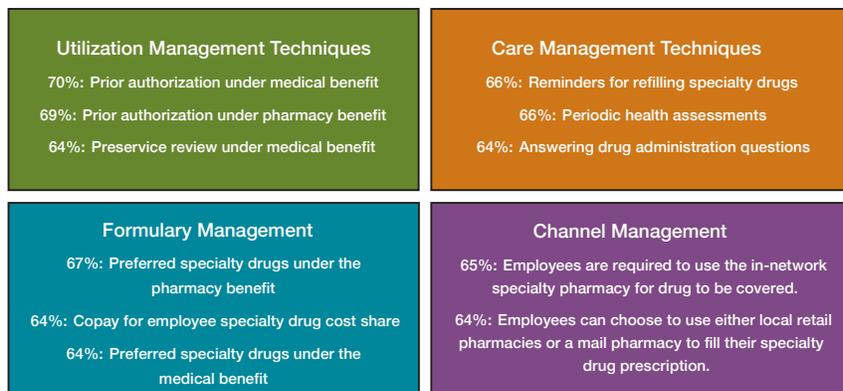


Questions 2a/3a/4a/5a/6a/7a. How important are (utilization/formulary/sites of care/channel management techniques)/(cost/care management tools) to helping your company manage specialty drugs?

Source: Anthem Large Group Employer Survey, January 2016.

FIGURE 4

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



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.

tion, and 54% said they would prefer to receive this information from their health insurance carrier. (See Figures 6 and 7.)

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

selves as very knowledgeable about specialty drug management, nearly all said they are in-

terested in additional education. More than half said they would "definitely" seek more educa-

drugs, which are covered exclusively under the pharmacy benefit, specialty drugs typically are covered under medical and pharmacy benefits.

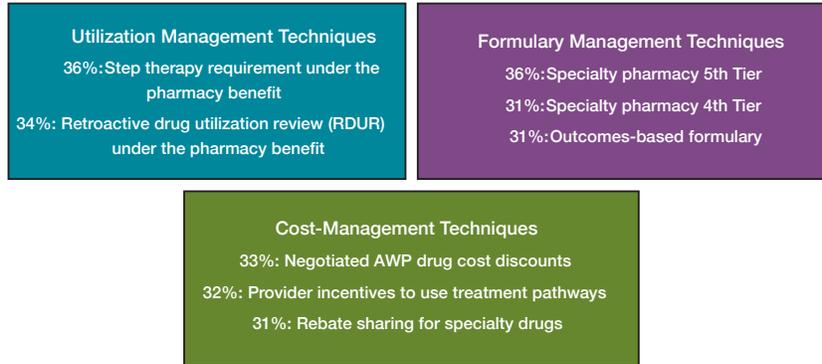
Recommendations to Consider

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

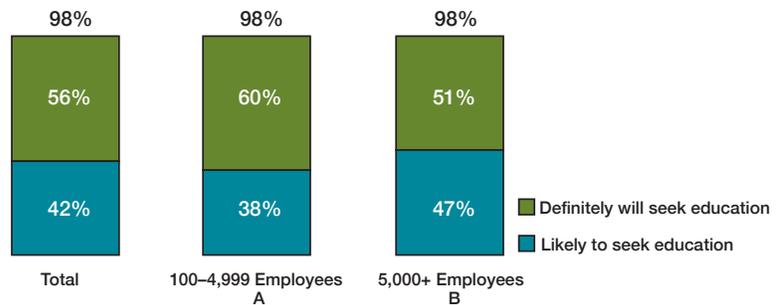
Top Specialty Pharmacy Management Techniques Employers Are Planning to Use/Percentage of Employers Planning to Use Them



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



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-

FIGURE 7

Percentage of Employers Definitely/Likely to Seek Additional Specialty Pharmacy Education

Base: Definitely/Likely to Seek Education	Total (296)	100 – 4,999 Employees A (179)	5,000+ Employees B (117)
Specialty copay assistance programs	44%	41%	48%
Reducing specialty drug waste	42	45	38
Benefit design insights and recommendations	40	39	43
Ways to manage specialty drug spending in medical and pharmacy benefits	40	37	44
Value-based physician incentive programs and treatment pathways	39	42	35
Specialty drug management strategies under the medical benefit	39	39	40
Site-of-care strategies directing patients to lower cost options	38	37	39
Specialty drug utilization management	38	34	44
Specialty drug formulary management approaches	36	35	37
Coordinated medical and pharmacy care management for employees using specialty drugs	35	30	42A
Basic overview of specialty medications and their management	32	35	27
Specialty drug pipeline	30	30	30
Exclusive or limited pharmacy networks by setting of care	29	27	32
Oncology management	26	25	27
None of these	4	2	6

Base: Definitely/likely to seek education.

Question 19: Which of the following topics would be of interest to you and your company when seeking additional education about specialty drugs?

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

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Source: Anthem Large Group Employer Survey, January 2016.

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aged when they’re only shifted between benefits.

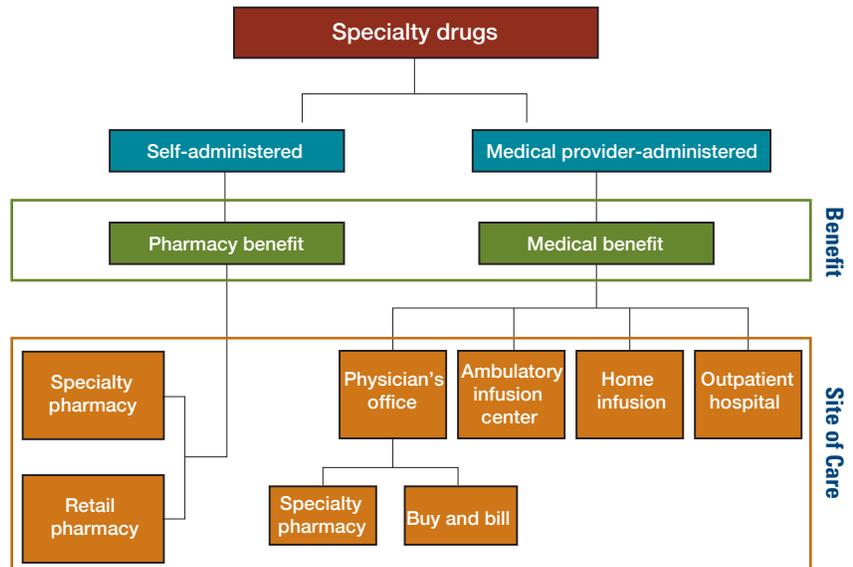
- **Make sure clinical management is the foundation of specialty drug management.** Management strategies must be clinically appropriate. Look for strategies that focus on drugs with well-documented clinical and “real-world” outcomes. A drug with a higher price tag may actually result in lower overall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

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

FIGURE 8

Interplay of Specialty Drug Coverage Under Medical and Pharmacy Benefits



help improve medication adherence. 

Endnotes

1. “The Growing Cost of Specialty Pharmacy—Is it Sustainable?” *American Journal of Managed Care*, February 18, 2013, accessed October 16, 2016 at www.ajmc.com/payer-perspectives/0213/the-growing-cost-of-specialty-pharmacy-is-it-sustainable.
2. *Fact Sheet: Specialty Drugs and Health*

Care Costs, The Pew Charitable Trusts, November 16, 2015, accessed October 16, 2016 at www.pewtrusts.org/~media/assets/2015/11/specialty-drugs-and-health-care-costs_artfinal.pdf.

3. *Ibid.*
4. PwC, *Medical Cost Trend: Behind the Numbers 2015*, June 2014; National Business Coalition on Health Action Brief: *Specialty Pharmacy*, December 2013.
5. In this study, significance testing is conducted at the 95% confidence level and is noted as follows:
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