

A Better Approach to Specialty Pharmaceuticals: Improve Health Outcomes While Managing Costs

The evolution of new medications can greatly improve the lives of employees with serious conditions — and HR professionals need to understand what these advanced, costly treatments can mean to their health care expenses. Learn a smart strategy for handling this challenge.



“Two-thirds of HR professionals classify managing pharmacy/specialty pharmacy costs as a significant challenge.”

Specialty pharmaceuticals for chronic or complex conditions, such as multiple sclerosis, rheumatoid arthritis, hepatitis and HIV/AIDs, can cost upwards of tens of thousands of dollars per treatment. While these medications are staggeringly expensive, they can also significantly improve the quality of life for your employees. Covering these medicines as part of your health benefit plan is the right thing to do.

This means employers must understand how specialty pharmaceuticals affect the bottom line and what steps they should take to manage this expense. To explore the scope of the challenge, and potential solutions for employers, Carolinas HealthCare System HEALTHWORKS commissioned Source-Media Research to survey benefit decision makers and benefit advisers. The results confirm that some HR professionals have overlooked an opportunity to develop a strategy for managing specialty pharmaceutical costs.

Learn more about the specialty pharmaceutical landscape — and the tactics for addressing this growing need.

A PRESSING NEED

In 2016, specialty drugs accounted for 40 percent of total drug spend.¹ Since then, spending on specialty pharmaceuticals has skyrocketed, making it the most cited driver of increasing medical costs.² And the upward trend continues.

“Estimates suggest that spending is forecast to increase around 17 percent annually between 2016 and 2018,” reports the National Business Group on Health. “This growth is expected to occur as existing specialty drugs gain approval for other indications and are prescribed more often, coupled with FDA approval of new therapies. All of these factors will continue to drive increased utilization.”³

With such fast-rising costs, employers will need to use aggressive and innovative strategies to provide these life-changing medications to employees.

WHY ARE SPECIALTY PHARMACEUTICALS SO EXPENSIVE?

Unlike more common non-biologic drugs formulated through chemical synthesis, specialty pharmaceuticals are often biologics that are manufactured in a living system, such as a microorganism or plant or animal cells. As very large, complex molecules or mixtures of molecules, biologics require special handling, such as refrigeration or sterile conditions for mixing doses. And since most biologic drugs are injected or infused, administering these medicines is costlier than oral medications.

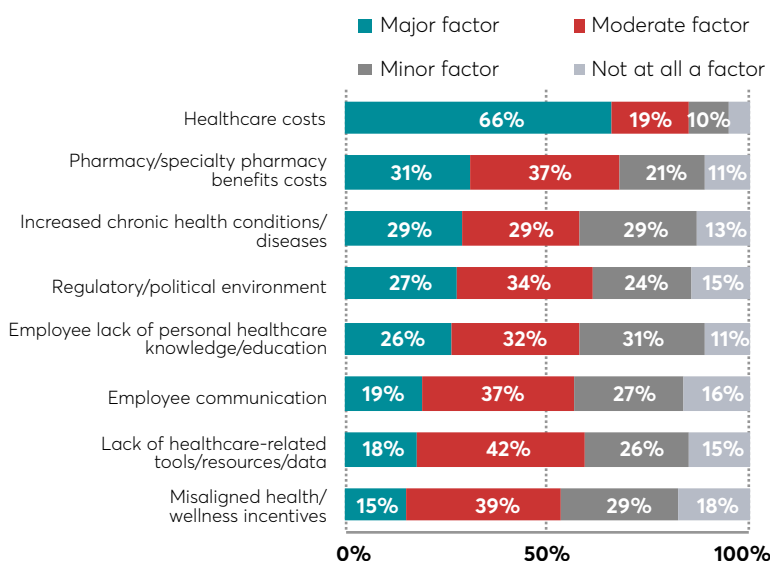
The pipeline of specialty pharmaceuticals is burgeoning. Drug manufacturers are diverting research and development dollars to this rapidly growing and profitable sector, and venture capitalists and other private investors are making significant investments. But again, the research, development and manufacturing of these drugs is more expensive than conventional drugs. And while some of these pharmaceuticals have widespread use, others are so-called orphan drugs used to treat rare diseases affecting smaller patient populations, meaning costs are spread out over a smaller number of individuals.

EMPLOYERS LOOK TO AGGRESSIVE COST MANAGEMENT STRATEGIES

Two-thirds of HR professionals responding said managing pharmacy/specialty pharmacy costs is a significant challenge — second only to controlling healthcare costs overall. With so much at stake, employers are focused on implementing a variety of strategies to improve health outcomes while minimizing the costs of specialty pharmaceuticals.

“While almost all employers have adopted common pharmacy management techniques, specialty pharmaceuticals require even more aggressive strategies to manage their staggeringly high costs.”

Figure 1. **Employers: Top contributing factors in healthcare benefits challenges**
Percent of respondents



How much of a factor is each of the following in contributing to the challenges your organization faces in offering healthcare benefits to employees? Select one for each. n=62 (Base=All respondents)

Source: Carolinas HealthCare System HEALTHWORKS Healthcare Benefit Needs Study, SourceMedia Research/
Employee Benefit News and *Employee Benefit Adviser*, August 2017

While almost all employers have adopted common pharmacy management techniques, such as prior authorization, quantity limits and step therapy for conventional pharmaceuticals, specialty pharmaceuticals require even more aggressive strategies to manage their staggeringly high costs.

According to the National Business Group on Health's *Large Employer's 2017 Health Plan Design Survey*, almost three-quarters (74 percent) of employers are implementing utilization management protocols designed specifically for these medications.⁴

The most common specialty pharmaceutical benefit management strategy employers use is taking advantage of specialty pharmacies that leverage better buying power to obtain deeper discounts from manufacturers than retail pharmacies. Specialty pharmacies can provide significant savings on high-cost medications for employees with complex diseases.

Employers are less inclined to use a separate pricing tier (38 percent) that requires employees to pay co-insurance to access specialty pharmaceuticals, likely because higher out-of-pocket costs may result in employees reducing their use of these medications.

Other less-frequent specialty pharmacy benefit management techniques include high-touch case management (35 percent), such as medication coaching and one-on-one consultations with pharmacists, and site care management (30 percent) to determine if it is more appropriate and cost-effective to administer the medication in a physician's office, at an outpatient hospital clinic, or even at the employee's home.

“Electronic health records and sophisticated data analytics give employers a way to analyze how specialty pharmaceuticals affect employee health as well as the bottom line.”

THE NEXT PHASE: DATA INTEGRATION

The above specialty pharmaceutical management techniques can result in significant cost savings, while improving employee health. An additional strategy, however, can move the lever even farther, resulting in better healthcare outcomes and lower costs.

Today, employee benefit data is often stored in silos: Pharmacy claims data is stored on a different system than medical claims data, meaning that employers lack a comprehensive employee health picture.

With the increased prevalence of electronic health records and more sophisticated data analytics, employers have access to a holistic view across all claims data and can analyze how specialty pharmaceuticals affect employee health as well as the bottom line. This comprehensive view facilitates benefit management decisions that lead to better employee health outcomes as well as lower treatment costs for all health conditions.

Such integration is particularly important for managing specialty pharmaceuticals. Employees with conditions that require specialty pharmaceuticals have complex needs that can result in costly complications if not managed properly. Integrated data can reduce unnecessary or duplicative treatments and increases the likelihood that employees will receive the correct medication at the right time.

Data aggregation can maintain confidentiality of patient data and comply with Health Insurance Portability and Accountability Act (HIPAA) regulations, yet still deliver information on employee populations that enables employers to make better decisions about managing specialty pharmaceuticals.

BETTER OUTCOMES, LOWER COSTS

For employees, access to specialty pharmaceuticals can be life-changing. For employers, a carefully designed and well-managed specialty pharmaceutical program helps reduce overall healthcare benefits costs.

And leveraging integrated data — as well as applying aggressive specialty pharmaceutical management strategies — will lead to better healthcare, and lower costs for everyone.

¹<https://www.slideshare.net/healthworks/2017-healthworks-employer-seminar-how-medication-adherence-and-specialty-drugs-impact-employer-healthcare-costs-part-2>

²Large Employers' 2017 Health Plan Design Survey, National Business Group on Health (<https://www.businessgrouphealth.org/pub/?id=c317670b-782b-cb6e-2763-670a3e8568a0>)

³Large Employers' 2017 Health Plan Design Survey, National Business Group on Health

⁴Large Employers' 2017 Health Plan Design Survey, National Business Group on Health

METHODOLOGY

In August 2017, SourceMedia Research conducted an online survey among 62 benefit decision makers and influencers at organizations with up to 1,000 employees and 49 benefit advisers of all sizes with clients in North Carolina and South Carolina, drawn from the opt-in subscriber base of *Employee Benefit News* and *Employee Benefit Adviser*.

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