SPECIALTY DRUGS: CONFRONTING THE RISING PRICE OF PROGRESS

WHAT CAN YOU DO WHEN MANAGING PRESCRIPTION COSTS IS AS COMPLICATED AS THE SPECIALTY CONDITIONS THEY TREAT?

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Specialty drugs are expensive. A broad set of medicines for chronic or life-threatening diseases, they are often capable of providing an unprecedented quality of life. But while company health plan members may pay only a fraction of the price out of their own pockets, employers know that offering these drugs is an ever-costlier obligation.

At Script Care, we administer pharmacy benefits for millions of lives, and we see the dramatic impact of specialty drug costs on employer plans every day. For example, a small group adding just one person with a rare autoimmune disorder could see its total pharmacy costs double. Situations like these are precisely why our clients look to us for help.

As recently as 2000, it was rare for specialty drugs to exceed 10% of a plan's total cost. By 2010, 10% was the norm. In 2014, an article in the journal Health Affairs reported 15% annual growth in US specialty drug spending, which was "expected to account for approximately half ($235 billion) of total annual pharmacy spending by 2018."[1] By 2015 we were already seeing specialty account for up to 40% of pharmacy costs for some Script Care plans.

In a sense, skyrocketing prices are a symptom of scientific success. Specialty drugs help people with rheumatoid arthritis go to work and live without pain. Patients with severe multiple sclerosis, who would otherwise require numerous hospitalizations, can now enjoy a better quality of life.

In 2014, Scientific American reported on a hepatitis C treatment that cured over 90% of patients. The article's headline was revealing: "We Now Have the Cure for Hepatitis C, but Can We Afford It?"[2] Today, the treatment applies to four different variants of the virus, including the one that is most common in the US.

Other specialty drugs offer breakthroughs for conditions that never had a drug before, meaning there are more people who can be treated. 25 million people in the US have a rare "orphan" disease. Their drug treatments can cost $300,000 per year.

Meanwhile, doctors today can diagnose conditions like multiple sclerosis far earlier than once was possible. This is good news for patients and families, but it also adds years of high drug costs to an employer's pharmacy plan.

There is no legal limit to what manufacturers can charge for these drugs, and high prices encourage the development of more specialty products. Of the 22 novel drugs the FDA approved in 2016, nine were for orphan diseases.[3]

As specialty drug costs continue to challenge employers, we at Script Care challenge ourselves to help control these costs. Our tactics include ensuring proper treatment, creating specialty drug formularies, implementing smarter co-pays, and limiting a member's day supply per prescription fill.

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Solution 1: Proper Treatment: At Script Care, our top priority is to have the right drug matching the right diagnosis for the right person at the right cost. Non-alignment can bring tremendous cost. Script Care once identified a third party laboratory error that could have cost a client $100,000 in unnecessary medication for one of their employees. It shows why we work so hard to avoid mistakes.

Solution 2: Specialty Drug Formularies: Formularies are lists of preferred drugs covered by our plans. Taking advantage of increased competition in the specialty drug market, we choose drugs for our formularies that give our members the best value.

For example, there are ten drugs available for rheumatoid arthritis, with three more in the pipeline. This allows us the flexibility to select effective treatment at a lower cost. There are formulary alternatives to every non-formulary specialty drug a member might be prescribed.

Solution 3: Smarter Co-Pays: To stay competitive and ease the burden on consumers, specialty drug makers often offer co-pay assistance. If tracked improperly, this can strain the obligation on employer plans.

For example, imagine a $1,000 copay on a plan with a $7,000 out-of-pocket maximum. A member might pay only $5 per month with co-pay assistance. If the plan does not account for the assistance, it will record member "payments" of $1,000 per month.

The member will thus meet plan's out of pocket maximum after 7 months, forcing the plan to cover 100% of the member's remaining costs for the year. In reality, of course, the member has only paid $35.

Our copay assistance accumulator tracks a member's actual out-of-pocket costs, ensuring that both members and employers contribute their fair share. Meanwhile, manufacturer co-pay assistance for the member continues as usual.

Solution 4: Limiting Day Supply: We limit our specialty medications to a 30-day supply. If we sent a 90-day supply of a specialty medication and the member had an adverse reaction after just a few weeks of treatment, we would waste the remaining medication.

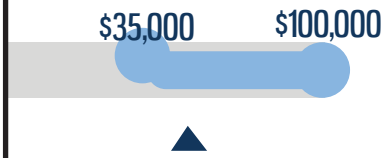
Preparing For the Changes Ahead

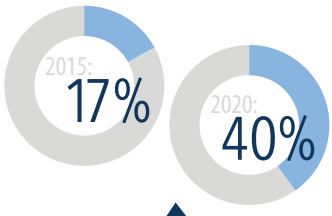
2017 is a year of political change and policy uncertainty, especially for the healthcare sector. Alterations to the Affordable Care Act could change our current assumptions about drug prices, and we are closely monitoring legislative and regulatory developments.

In an industry with competing interests and complex incentives, our loyalty remains to our customers and the members they serve with their plans. Regardless of politics or price, Script Care will work tirelessly to keep costs reasonable and get people the treatment that they need.

Scott Holtmyer is the Director of Clinical Services at Script Care.

Are Specialty Cost Affecting Your Bottom Line?





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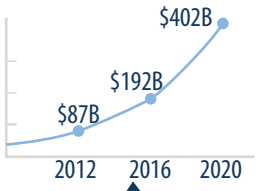

Avg. Treatment Costs

Annual costs start at $35,000 and, oftentimes, exceed $100,000.

Employer Spend

Specialty drugs will make up nearly half of employer prescription costs by 2020.

Health Care Expenses

Members with specialty conditions are 10x higher than for other members.

Growing Trend

US spending on specialty drugs is projected to more than double by 2020.

Luckily, we are here to help.

SCRIPT CARE, LTD.

WE ARE *your specialty expert.*

[1] HEALTH AFFAIRS , SPECIALTY MEDICATIONS: TRADITIONAL AND NOVEL TOOLS CAN ADDRESS RISING SPENDING ON THESE COSTLY DRUGS (October 2014).
[2] SCIENTIFIC AMERICAN, WE NOW HAVE THE CURE FOR HEPATITIS C, BUT CAN WE AFFORD IT? (September 2014).
[3] U.S. FOOD AND DRUG ADMINISTRATION, 2016 NOVEL DRUGS SUMMARY (January 2017).