Midwest Business Group on Health

Managing Specialty Pharmacy: Benefit Plan Design and Other Key Elements

April 17, 2014
Midwest Business Group on Health  
*Celebrating 34 Years of Advancing Value in Health Benefits Management*

- Founded in 1980 as a 501(c) (3) not-for-profit employer coalition by a group of large Midwest employers
- Members consist of over 120 large self-insured public and private employers – Boeing, Ford, Kraft, OfficeMax, Procter & Gamble, State of Illinois
- Members are represented by senior human resources/health benefits professionals
- Members annually spend more than $4 billion on health care for over 4 million lives
- Founding member of the National Business Coalition on Health
What Employers Need to Know...

...To Better Manage Specialty Pharmacy

National Employer Initiative on Specialty Pharmacy
National Employer Initiative on Specialty Pharmacy

**Work Stream 1**
- Identify market need in understanding the employer perspective and claims experience. *Completed*

**Work Stream 2**
- Research innovative value-based benefit design coverage approaches and develop website/tools to support employer management. *Almost Completed*

**Work Stream 3**
- Develop and implement pilot demonstration projects in the employer market that test and evaluate the effectiveness of innovative value-based benefit design coverage approaches. *In-Process*

**Work Stream 4**
- Initiative management; evaluation and reporting of pilot demonstration projects and development of consumer communications strategy. *In-Process*

**Work Stream 5**
- Continue pilot management, evaluation and reporting of pilot demonstration projects; measurement of consumer communications strategy; development of employer turn-key resources; and educational outreach to key stakeholders. *In-Process*
National Employer Initiative on Specialty Pharmacy

- Employer Advisory Council
- Annual Employer Surveys on Specialty Pharmacy
- Online Employer Toolkit – www.specialtyrxtoolkit.com
  - **Section I:** Understand the specialty pharmacy landscape, emerging issues and related stakeholders
  - **Section II:** Address key challenges and identify innovative approaches to benefit plan design and vendor contracting
  - **Section III:** Support at-risk population through communications and resources
- Multi-stakeholder Meetings
- Employer Demonstration Pilots – 6 Options
  - Partner with 6 sister-coalitions
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Online Employer Toolkit

www.specialtyrxtoolkit.com
National Employer Initiative on Specialty Pharmacy

Specialty Pharmacy 101  Managing Specialty Benefits  Supporting At-Risk Populations

Click for Employer Journey in Pharmacy Benefits

Employer Toolkit

With the significant growth of specialty pharmacy, employers must seek effective solutions to manage increasing pharmacy and medical plan costs. This toolkit will help employers to:

* Address key challenges in managing specialty pharmacy benefits and provide tools for the C-suite
* Identify innovative approaches to benefit plan design and service partner contracting
* Support at-risk population through communications and resources

In the News

- 09/26/2013  Health Law Policies that Offer Low Premiums C...
- 09/14/2013  How to Manage Pharmacy Benefit Plans in a Rap...
- 09/12/2013  Current Trends in Specialty Drug Utilization...
Specialty Pharmacy 101

Advances in biotechnology have led to the development of new medical therapies for a variety of diseases. Among these advances is a classification of medications called specialty drugs, which include biologics. Specialty drugs are used to treat both life-threatening diseases and complex chronic conditions that previously had no therapeutic options available. Many of these agents have complicated dosing regimens and serious adverse events requiring extensive monitoring and administration procedures to assure safe and effective clinical outcomes.

While specialty drugs are quite effective in decreasing the debilitating effects of diseases, their costs are significantly higher than traditional drugs and some are effective only for individuals with specific genetic markers. As payers of the majority of employee prescription drug costs, it is imperative for employers to gain an understanding of this growing trend. Future preservation of an employer’s ability to provide and fund prescription drug benefits will depend on appropriate systems being in place (e.g., proper utilization and preventing waste).

Important Facts

- Specialty drug costs are expected to represent 21% of all pharmacy plan drug spending by 2013 and as much as 40% of pharmacy plan drug spending by the end of 2020.
- Nearly 50% of all drugs in late-stage development today are in the specialty drug category.
- Currently, there are over 800 biologics already approved by the U.S. Food and Drug Administration.
- 25% of the drugs that are now in the manufacturing pipeline are considered specialty drugs.
- 70% of the drug cost trend in pharmacy benefits is potentially attributed to the rising cost of specialty drugs for employers.
- Approximately 50%-60% of specialty drugs are represented by the oncology category.
- Current regulation is under review by the FDA to develop a procedure for the safe and efficient manufacture of the generic equivalents of some biologic products.
Managing Specialty Benefits

With more specialty drugs coming down the pipeline and faster drug approvals, employers are beginning to understand the need to identify and implement robust management strategies for specialty pharmacy that support the health and productivity of their workforce and positively impact the bottom line.

The first section of this employer toolkit was designed to walk you through Specialty Pharmacy 101, which includes the basics of the specialty pharmacy environment and provides a foundation to help you get started managing this challenging benefit. In this section, you will better understand the role of employer as plan sponsor – from benefit plan design to vendor contracting. You will also learn from leading employers what challenges they have learned to navigate and emerging innovations that are helping them build a roadmap to successful management of specialty pharmacy benefits.

The specialty pharmacy field is quickly evolving - this toolkit will help to prepare you to better manage costs, utilization and patient outcomes.

View Glossary of Terms
Tools & Resources

Selected Resources (Section 2)

Glossary of Terms for the Specialty Pharmacy Environment

2012 EMD Serono Specialty Disease, 8th Edition

2013 PBMI Specialty Drug Benefit Report

2014 PSG Understanding SP Management and Cost Control Report

2014 NCCN Cancer Collaborative with NBGH

This section is currently under construction. Scheduled release Q4 2013

Employers will gain access to a variety of tools and resources that support their efforts in managing the benefit design and communication efforts to their covered population for specialty pharmacy.
Articles

How to Manage Pharmacy Benefit Plans in a Rapidly Changing Pharmaceutical Landscape
Submitted on August 14, 2013
Pharmacy benefits plans in the employer marketplace have the potential to play an important role in positively affecting the health and well-being of their plan participants. Designed and used appropriately, pharmacy benefits can provide cost-effective and efficient treatment. In addition, these plans can help reduce absenteeism and, in turn, improve worker productivity. If not managed appropriately, they can represent a constantly growing drain on employer financial resources that undermines the return on investment of an employer’s entire health-care benefits program.
Read More

Current Trends in Specialty Drug Utilization and Management
Submitted on July 4, 2013
Specialty pharmaceuticals are continuing to play an increasingly large role in managed care plan budgets and are certainly deserving of the increased payer attention they are receiving, according to Medical Pharmacy & Oncology Trend Report, from ICORE Healthcare—a subsidiary of Magellan Pharmacy Solutions, looks specifically at the medical benefit, under which almost half of all specialty pharmaceutical costs are currently managed and paid.
Read More

U.S. Specialty Drug Spending to Jump 67% by 2015
Submitted on May 9, 2013
U.S. spending on specialty prescription drugs — those used to treat chronic, complex diseases such as cancer, multiple sclerosis and rheumatoid arthritis — is projected to increase 67% by the end of 2015, according to a forecast released today by Express Scripts. As we see what’s on the horizon, it’s time for employers and health plans to act so they can continue to offer an affordable pharmacy benefit for their members. New specialty treatments are making a real difference in the lives of patients, but the very high cost of these drugs creates difficult decisions for plan sponsors on which...
Read More

4 Payer Trends to Control Specialty Pharmacy Costs
Submitted on May 1, 2013
Escalating specialty pharmacy (SP) costs, together with a mixed picture on long term effectiveness and problems of adherence, will make it necessary for insurers to rely more heavily on traditional managed care methods to control costs. While it is widely recognized that specialty pharmacy is a considerable and rapidly growing health plan expense, it is worthwhile highlighting current experience by reviewing recent national statistics. According to the Medco 2011 Drug Trend Report: (1) For calendar year 2010, SP drug spending was 16.3 percent of plan costs but was responsible for 70.1 percent...
Read More

The Growing Cost of Specialty Pharmacy - Is it Sustainable?
Submitted on February 18, 2013
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National Employer Pilots
National Coalition/Employer Pilots

- Employers’ Health Coalition – Arkansas
- Employers Health Coalition – Ohio
- Florida Healthcare Coalition – Florida
- Healthcare 21 – Tennessee
- Mid-America Coalition on Health Care – Kansas City
- Midwest Business Group on Health - Midwest
Employer Pilots

- Employer Pilots – 2014
  - Share outcomes and accomplishments
  - Identify employer best practices
  - Share employer innovation
  - Understand PBM/HP role and opportunities

- Employer Opportunities – 2014/15

- Turn-key employer resources available to all employers based on pilot initiative
  - Available late 2014 to early 2015
- Research and pilot updates provided via employer online toolkit
Employer Pilot Areas

1. Ensuring High-Quality Case/Care Management and Coordination with Medical and Pharmacy Plan Vendors
2. Improving Treatment Adherence
3. Using Value-Based Benefit Design: Higher Value Medications At Lower Cost Share (*e.g. lowest cost for best outcome*)
4. Incentivizing Patients to Use Specialty Pharmacy
5. Using Limited Fill Supply Plan Design Options (*e.g. 7-10 day first fill on new prescription*)
6. Using Step-Therapy Strategy to Improve Clinical Outcomes and Medication Compliance

*Consumer Communications Initiative will be included with each pilot*
Employer Survey Highlights - 2013

• **Employer understanding of what are biologic drugs and specialty pharmacy are is growing by small increments**

• **Senior leadership’s level of understanding has increased as well**

• **Employer involvement in managing pharmacy or medical benefit specialty pharmaceuticals continues to be low**
  
  – Employers continue to concentrate more on medical benefits than pharmacy benefits – *and even less on specialty pharmacy benefits*

  – Employers also continue to rely on PBMs and health plans to manage the benefit – *reinforcing the need to empower them with knowledge and information*
Employer Survey Highlights - 2013

- **PBM**s continue to be the dominant pharmacy benefits vendor used by employers at 72%

- Employer knowledge of what costs are being paid through the medical benefit seems to be getting better

- Employer knowledge of what cost increases they are experiencing has stayed about the same but continues to be low
Employer Survey Highlights - 2013

- Top business goals cited by respondents include:
  1. Reducing drug acquisition costs
  2. Reducing inappropriate utilization
  3. Improving adherence/compliance
  4. Reducing variability between pharmacy and medical plan designs
  5. Improving productivity

With no industry changes in sight to reduce drug acquisition costs, this project will focus on the things employers can control.
Employer Survey Highlights - 2013

• There is a heavy focus on employers using cost shifting as a way to manage costs, such as:
  – Use of multiple drug tiers and coinsurance
  – Traditional plan design strategies that don’t work well in the specialty drug environment

Some of the cost shifting may be due to the increase in CDHP and HDHP plans, but this type of cost shifting can set up barriers for patients and lead to non-adherence to drug and other treatment plans
Employer Survey Highlights - 2013

- When respondents were asked the effectiveness of strategies to:
  - Manage costs – Top rated included:
    - Incorporation of wellness strategies across the continuum of patient care
    - Alternative drug delivery channels for access and/or distribution
    - Coordinated information on disease therapies
  - Improve drug use – Top rated included:
    - Protocols used for prior approval
    - Pharmacy networks
    - Utilization management
Employer Survey Highlights - 2013

- Respondents indicate employee maximum out-of-pocket (OOP) costs per Rx fill:
  - 25% - More than $2,000
  - 22% - $100 - $500
  - 21% - $50 - $100

This is a significant increase for OOP costs from last year where only 6% of respondents had costs over $2,000
Employer Survey Highlights - 2013

• *More employers are requiring employees use a specialty pharmacy* – 75%

• *More are incentivizing them for using a specialty pharmacy one* – 73%

• *Prior authorization and preferred products/formulary for some drugs continues to rank high*

However, there are minimal or no incentives offered for lower cost site-of-care options such as home-based infusion and employer onsite clinics, although the majority of employers (83%) do not offer onsite clinics.
Employer Survey Highlights - 2013

• Use of limited fill supply continues to stay near the bottom of the employer list of tactics utilized, yet respondents using it indicated it as effective (39%) or somewhat effective (29%).

Because this strategy is designed to avoid product waste by using shorter initial fills (primarily) due to adverse events we will work to improve recognition of this as a key recommendation

• For the third consecutive year, case management leads the list of tactics used to manage specialty pharmacy followed by: Benefits coverage coordination for pharmacy and medical; Drug utilization and Step therapy.
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Impacts to Employers
More impacts to employers

• One in three adults will be diagnosed with a critical illness or cancer – *this is expected to jump by double digits in the future – as it has for the past several years*

• Health plans will continue to evolve their business model to become more of a service provider to employers and providers as opposed to taking risk
  
  – *Their customers will include individuals purchasing health benefits through health exchanges as well as through self-funded plan sponsors*

• Coverage of drug therapies and claim information sharing will become more of the focal point with plan sponsors as well as providers who own the risk
PwC predicts an evolving landscape with...

- Newer forms of payer contracts that will tie reimbursement to outcomes, quality and cost reduction shifting financial risk to the provider
  
  – and the patient

- Individual physician compensation and incentives being driven by performance metrics, which is meant to change their behavior in decision-making as well as determining value

  – prevention and appropriate utilization will become part of the cost formula instead of the volume-driven reimbursement process that is currently in place

(commentary by MBGH)
PwC predicts an evolving landscape with...

- Shift of financial risk driven to the provider – new aggregate “super providers” forming through consolidation, acquisition and affiliation of individual providers, large group practices and sites of care

- The delivery of care becoming “corporate” with standardized treatment protocols and centralized decision over choice of therapies spanning the coordinated care continuum – hospital to other sites of care in the community and at home

- Health care delivery becoming localized with each geographic area of the country operating differently based on the interaction across the key local stakeholders
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Benefit Plan Design
Evolving Pharmacy Benefit Strategies

1st Generation
- Mid-to-late 90's
  - 2-tier cost control strategy (generics/name brands)
  - Use of closed/limited formularies

2nd Generation
- 1999 to 2002
  - 3-tier added (non-preferred name brands)
  - Increased differentials between tiers
  - Cost shifting includes increased co-pays
  - Experimentation with additional tiers for certain drugs, including specialty drugs

3rd Generation
- 2003 to 2004
  - Focus on co-pays (approaches include flat percentage for cost and increasing cost per tier)
  - Utilization management and spending limits for high cost categories
  - Focus on Step-Edit Therapy, requiring trial of low cost drugs first
  - Prior Authorization introduced for selected categories

4th Generation
- 2005 to 2006
  - 4-tier co-pays, mixed dollar and percentage structures introduced
  - Mandatory mail order and use of specialty pharmacies
  - Mandatory generics and defined contribution
  - Employer collective purchasing

5th Generation
- 2007 to 2010
  - Experimentation with value-based benefit design structures
  - Reduced co-pays for select chronic drug therapies
Key Benefit Plan Design Elements

• Identify those with high-cost chronic conditions who have poor drug adherence and PBM/vendor programs to improve compliance

• Include clinical coverage rules, such as prior authorization and step therapy to ensure appropriate utilization (e.g. to conditions such as MS and RA)

• Ensure case/care management is coordinated or integrated

• Establish coverage requirements that eliminate redundancy and conflicts across medical and pharmacy benefits

  – *e.g. high out-of-pocket costs for oral medication in the pharmacy plan can motivate the patient to seek treatment in the medical plan, thus increasing total plan sponsor cost*
Key Benefit Plan Design Elements

- **Conduct aggressive negotiation** of financial and non-financial contract terms with the PBM to capitalize on today’s buyer’s market

- **Include proactive clinical management programs** to ensure optimal pricing, appropriate use and avoidance of high-cost hospitalizations

- **Integrate drug channel management strategies** that ensures specialty drugs are dispensed through the most cost-effective and efficient pharmacy delivery channel — *retail, mail order or specialty pharmacy*

- **Offer employee benefit communication materials** delivered in coordination with specific date from company as plan sponsor
Key Benefit Plan Design Elements

- **Determine where data falls** – under the pharmacy benefit and/or the medical benefit

**Pharmacy Benefit**
- Drugs intended to be self-administered
  - Subcutaneous injectables
  - Oral medications

**Medical Benefit**
- Drugs administered by a health care professional
  - Infusion
  - Most MI injections
  - Some subcutaneous drugs
  - Intra-articular drugs
Challenges of reimbursing through Medical vs. Pharmacy benefit

- With over 50% of spend occurring in the medical benefit it is difficult for employers to track and manage costs
- PBMs may not have access to data reports on what costs are running through the medical plan making analysis of costs and utilization a challenge
- Variations in drug classes and condition categories and route of administration determines whether medical or pharmacy benefit covers the drug:
  - Pharmacy – Typically covers self-administered oral, injectable and inhaled
  - Medical – Typically covers injected or infused by doctor’s office, hospital out patient center, free-standing infusion center or mobile infusion at home
Challenges of reimbursing through Medical vs. Pharmacy benefit

While the overall proportion of specialty drug spend under the medical and pharmacy benefits is roughly equivalent, wide variations in spend exist within particular drug classes and conditions.

<table>
<thead>
<tr>
<th>Top categories under the pharmacy benefit</th>
<th>Top categories under the medical benefit</th>
<th>Top categories under both the pharmacy and medical benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multiple sclerosis, orals and injectables</td>
<td>Rheumatoid arthritis/ Crohn’s disease, IV</td>
<td>Various cancers</td>
</tr>
<tr>
<td>Rheumatoid arthritis/ Crohn’s disease, injectables</td>
<td>Immune globulin, IV and injectables</td>
<td>Hereditary angioedema</td>
</tr>
<tr>
<td>Oncology, orals</td>
<td>Multiple sclerosis, IV</td>
<td>Lysosomal storage diseases</td>
</tr>
<tr>
<td>Pulmonary arterial hypertension, orals and inhaled</td>
<td>Lysosomal storage diseases, IV</td>
<td>Multiple sclerosis</td>
</tr>
<tr>
<td>Hepatitis C, injectables</td>
<td>Respiratory syncytial virus, injectables</td>
<td>Psoriasis</td>
</tr>
<tr>
<td>Growth hormone disorders, injectables</td>
<td>Pulmonary arterial hypertension, IV</td>
<td>Pulmonary arterial hypertension</td>
</tr>
<tr>
<td>Lysosomal storage diseases, orals</td>
<td>Hemophilia factor, IV</td>
<td>Rheumatoid arthritis/Crohn’s disease</td>
</tr>
</tbody>
</table>

Source: CVS Caremark’s 2012 Insights Report
Understanding utilization and costs under the Medical and Pharmacy benefit

<table>
<thead>
<tr>
<th>Top Specialty Drug Categories</th>
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<th>Top Specialty Drug Categories</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under the Pharmacy benefit</td>
<td>Under the Medical benefit</td>
<td>Under both the Pharmacy and Medical benefit</td>
</tr>
<tr>
<td>Multiple sclerosis, orals and injectables</td>
<td>Rheumatoid arthritis/ Crohn's disease, IV</td>
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<td>Rheumatoid arthritis/Crohn's disease</td>
</tr>
</tbody>
</table>

Source: CVS Caremark’s 2012 Insights Report
Cost Sharing: Medical vs. Pharmacy Parity

Figure 25: Specialty Cost Sharing Structure

- Under the Pharmacy Benefit:
  - 2012 (n=306): 11% Copay, 55% Coinsurance, 25% Other
  - 2011 (n=122): 12% Copay, 49% Coinsurance, 25% Other

- Under the Medical Benefit:
  - 2012 (n=306): 4% Copay, 4% Coinsurance, 26% Other
  - 2011 (n=122): 2% Copay, 6% Coinsurance, 28% Other

Source: PBMI 2013 Survey
## Use of cost sharing strategies by benefit

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Medical</th>
<th>Pharmacy</th>
<th>Medical &amp; Pharm</th>
<th>Don’t use</th>
<th>Don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traditional pharm design w/ 2-3 tiers and copays</td>
<td>17%</td>
<td>63%</td>
<td>20%</td>
<td>17%</td>
<td>0%</td>
</tr>
<tr>
<td>Traditional pharm design with 2-3 tiers and coinsurance</td>
<td>11%</td>
<td>50%</td>
<td>13%</td>
<td>37%</td>
<td>3%</td>
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<tr>
<td>Additional specialty tiers w/ copay</td>
<td>5%</td>
<td>35%</td>
<td>13%</td>
<td>60%</td>
<td>0%</td>
</tr>
<tr>
<td>Additional specialty tiers w/ coinsurance</td>
<td>3%</td>
<td>22%</td>
<td>3%</td>
<td>72%</td>
<td>3%</td>
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<tr>
<td>Coinsurance w/ min copay</td>
<td>3%</td>
<td>34%</td>
<td>9%</td>
<td>60%</td>
<td>0%</td>
</tr>
<tr>
<td>Coinsurance w/ max copay</td>
<td>3%</td>
<td>39%</td>
<td>8%</td>
<td>56%</td>
<td>0%</td>
</tr>
<tr>
<td>Coinsurance w/ max annual out of pocket</td>
<td>16%</td>
<td>32%</td>
<td>14%</td>
<td>51%</td>
<td>0%</td>
</tr>
<tr>
<td>No tiers, no copays, no coinsurance</td>
<td>6%</td>
<td>0%</td>
<td>0%</td>
<td>91%</td>
<td>3%</td>
</tr>
</tbody>
</table>
Key Benefit Plan Design Elements

• Assess a drug tiering strategy for the medical benefit
  • With some specialty drugs falling under the medical benefit, employers should assess the value of a tiering strategy to help manage costs

• Determine options and utilization for sites of care
  • When trying to evaluate or assess plan design outcomes, it is important to qualify drug use by site of care to determine if other factors are impacting plan design performance
Specialty pharmacy coverage based on Site of Care

- Employer onsite clinic:
  - Covered under medical benefit: 10%
  - Covered under pharmacy benefit: 85%
  - Incentive provided: 3%
  - Not offered: 2%

- Private clinic/free-standing center:
  - Covered under medical benefit: 60%
  - Covered under pharmacy benefit: 15%
  - Incentive provided: 25%

- Outpatient hospital:
  - Covered under medical benefit: 85%
  - Covered under pharmacy benefit: 5%
  - Incentive provided: 10%

- Physician office:
  - Covered under medical benefit: 87%
  - Covered under pharmacy benefit: 3%
  - Incentive provided: 10%

- Home-based infusion care:
  - Covered under medical benefit: 45%
  - Covered under pharmacy benefit: 25%
  - Incentive provided: 3%
  - Not offered: 30%
Key Benefit Plan Design Elements

- Implement a comprehensive utilization control strategy
  - Site of care prior authorization
  - Dose and quantity edits
  - Prior authorization
  - Step therapy
- Manage Provider Reimbursement
  - Hospital-owned practices have increased over the past year so it is important to link physician practices with their parent organization to effectively evaluate plan design outcomes and determine more consistent reimbursement practices
Components of specialty pharmacy design

- Required use of specialty pharmacy: 75%
- Prior authorization for pharmacy claims approval: 68%
- Preferred products/formulary for some drugs: 67%
- Patient support and case/care management: 64%
- Step therapy edits for claims approval: 62%
- Strategic contracting for better cost management: 48%
- Special distribution requirements: 41%
- Prior authorization for medical claims approval: 31%
- Restricted coverage under the medical benefit: 18%
Effectiveness of cost management strategies

- Alternative drug delivery channels for access and/or distribution
  - 4% Highly Effective
  - 27% Effective
  - 17% Somewhat Effective
  - 37% Not Effective
  - 15% Not currently use
  - 9% Don’t know

- Alternative risk financing and actuarial design
  - 8% Highly Effective
  - 5% Effective
  - 63% Somewhat Effective
  - 24% Not Effective

- Reinsurance or stop-loss policy
  - 3% Highly Effective
  - 5% Effective
  - 21% Somewhat Effective
  - 15% Not Effective
  - 43% Not currently use

- Increase employee risk sharing
  - 11% Highly Effective
  - 32% Effective
  - 15% Somewhat Effective
  - 32% Not Effective
  - 10% Not currently use

- Direct manufacturer contracting
  - 10% Highly Effective
  - 10% Effective
  - 59% Somewhat Effective
  - 12% Not Effective
Effectiveness of cost management strategies

- Incorporation of wellness strategies across the continuum of patient care:
  - Highly Effective: 22%
  - Effective: 39%
  - Somewhat Effective: 12%
  - Not Effective: 12%
  - Don't currently use: 15%
  - Don't know: 5%

- Coordinated information on disease therapies:
  - Highly Effective: 38%
  - Effective: 17%
  - Somewhat Effective: 25%
  - Not Effective: 20%
  - Don't currently use: 38%
  - Don't know: 17%

- Defined contracting terms and coverage for claims reimbursement:
  - Highly Effective: 32%
  - Effective: 10%
  - Somewhat Effective: 38%
  - Not Effective: 20%
  - Don't currently use: 34%
  - Don't know: 15%

- Exclusive or limited networks by setting of care:
  - Highly Effective: 36%
  - Effective: 15%
  - Somewhat Effective: 34%
  - Not Effective: 10%
  - Don't currently use: 36%
  - Don't know: 15%
## Effectiveness of strategies to improve specialty drug use

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Very Effective</th>
<th>Effective</th>
<th>Somewhat Effective</th>
<th>Not Effective</th>
<th>Have not done</th>
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<tbody>
<tr>
<td>Drug cost comparison</td>
<td>5%</td>
<td>20%</td>
<td>36%</td>
<td>8%</td>
<td>31%</td>
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<tr>
<td>Cost share incentive</td>
<td>2%</td>
<td>21%</td>
<td>27%</td>
<td>13%</td>
<td>37%</td>
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<tr>
<td>Pharmacy networks</td>
<td>8%</td>
<td>36%</td>
<td>38%</td>
<td>3%</td>
<td>15%</td>
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<tr>
<td>Protocols used for prior approval</td>
<td>5%</td>
<td>54%</td>
<td>24%</td>
<td>7%</td>
<td>10%</td>
</tr>
<tr>
<td>Day’s supply/limitations messaging</td>
<td>5%</td>
<td>37%</td>
<td>34%</td>
<td>7%</td>
<td>17%</td>
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<tr>
<td>Formulary explanation</td>
<td>0%</td>
<td>30%</td>
<td>33%</td>
<td>20%</td>
<td>17%</td>
</tr>
<tr>
<td>Utilization management</td>
<td>2%</td>
<td>41%</td>
<td>46%</td>
<td>2%</td>
<td>9%</td>
</tr>
<tr>
<td>Benefits coverage options</td>
<td>2%</td>
<td>24%</td>
<td>37%</td>
<td>2%</td>
<td>35%</td>
</tr>
<tr>
<td>Mailing/phone messages</td>
<td>0%</td>
<td>10%</td>
<td>37%</td>
<td>20%</td>
<td>33%</td>
</tr>
</tbody>
</table>
## Actions required for patient to receive incentive

<table>
<thead>
<tr>
<th>Action</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Using a specialty pharmacy</td>
<td>71%</td>
</tr>
<tr>
<td>Participating in case/disease management</td>
<td>27%</td>
</tr>
<tr>
<td>Complying to medical therapy program</td>
<td>24%</td>
</tr>
<tr>
<td>Demonstrating compliance with medications</td>
<td>20%</td>
</tr>
<tr>
<td>Receiving higher value medications at a lower cost share</td>
<td>12%</td>
</tr>
</tbody>
</table>
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Working with PBMs
What you should expect from your PBM programs

• Full transparency in contract
• Partial first fill for specialty drugs, like oncology
• Proactive clinical care management from specialty pharmacy vendors
• Integrated case management from PBMs/health plans
• Collaborative care pathways and data exchange across vendors and their networks
What you should expect from your PBM programs

• **Medical and Pharmacy Benefit** – Related financial implications of the benefit design should be spelled out to include at least the following **minimum** elements:
  
  • Cost of the drug by the unit/dose size and by the source of dispensing (e.g. retail versus mail order)
  
  • Drug reimbursement to the pharmacy related to the cost of the drug itself, plus the cost of dispensing to the patient in accordance with state or federal requirements
  
  • Approach to patient cost sharing that will offset the final employer cost of care required to treat the patient’s medical condition
  
  • Address uneven out-of-pocket costs to the patient which creates barriers to successful treatment and increases the total cost of care paid by the employer through the medical and pharmacy benefit
Recommendations: PBMs & Specialty Pharmacy

• **Expect a full transparency contract:**
  – All drug costs at net to vendor
  – Audit friendly terms
  – Rebates flow through to plan sponsor
  – All fees and services identified with related cost or cost structure

• **Partial first fill for specialty drugs, like oncology:**
  – Due to the high likelihood of discontinuation, specialty drugs are filled in a small quantity at the first prescription fill and the is patient monitored for side effects before committing to a standard prescription fill of 30 days or longer
Recommendations: PBMs & Specialty Pharmacy

• Integrated case management from PBMs/health plans:
  – Providing holistic case management as part of service offerings for clients. This aids in coordination of clinical care, settings of care, drug and care safety as well as triage across different primary or specialty care clinical providers.

• Collaborative care pathways and data exchange across vendors and their networks:
  – Approach has expanded from hospital and medical group entities in order to optimize patient care outcomes while minimizing confusion in care coverage.
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Recommendations
Recommendations

• Stay up-to-date on specialty pharmacy trends and their potential impact on your company’s benefit plans and covered population.

• Use knowledgeable benefits advisors and service providers who understand specialty pharmacy market trends, your company challenges and needs and your employee population (e.g. demographics, health status and risk factors).

• Fully understand existing plan design elements and ensure you have the necessary components in place (e.g. value-based benefits and incentives) to impact costs and patient outcomes.

• Integrate consumer engagement strategies to ensure adherence to treatment, compliance with medication and support an employee’s ability to effectively navigate the health care system.
Recommendations

• Integrate high-quality case management, step therapy and prior authorization to help manage utilization, cost and related outcomes

• Set service provider objectives and expectations for the management of your specialty pharmacy benefits by:
  – Working closely with them to identify trends early and develop an appropriate action plan
  – Knowing what’s new in their specialty pharmacy benefit offerings and making sure they include innovative design strategies that are appropriate for your population’s needs
  – Ensuring they have robust reporting tools to drill down into the data, with reports that can integrate medical and pharmacy data
Recommendations

• Set service provider objectives and expectations for the management of your specialty pharmacy benefits by: (cont.)
  – Reviewing their current patient care guidelines and protocols to ensure they support effective cost management strategies - sharing these clinical resources with your employees can improve personal health accountability and engagement
  – Requiring collaboration and transparency among your service providers so they can more effectively share your data and related strategies to support your goals
  – Obtaining detailed and integrated medical and pharmacy drug related claim reports showing total company-paid medical and prescription drug costs for specialty drugs, diagnostics and devices
Thank you!

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MBGH Employer Toolkits:  
• Employer Communications Toolkit on Benefits Literacy/Consumerism  
  www.mbgh.org/ctk  
• National Employer Initiative on Specialty Pharmacy  
  www.specialtyrxtoolkit.com