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2018 Specialty Drug Trends: What Brokers Should Expect

A primary challenge for brokers in 2018 is managing specialty drug costs in their pharmacy benefit plans, particuarly as it relates to companies preparing for a Pharmacy Benefits Manager (PBM) RFP.

Rising costs of specialty drugs is not a new trend, but the burden of covering these medications has become increasingly difficult. Here are some specialty drug trends and how brokers can help lower costs using specialty drug management strategies.

Why do specialty drug costs continue to rise?

Specialty drugs treat complex medical conditions and are especially costly. While only 1% of people require these drugs, they comprise about 33% of the cost of prescription benefit plans. These already burdensome costs are expected to rise to about 50% of total prescription drug costs over the next two to three years.

All signs point to specialty drug costs continuing to rise over the next five years, with specialty medications being a major driver of cost in the marketplace for 2018 and for years to come. There's a robust pipeline of specialty drugs, which are either in development or are about to get FDA approval. Expect more products to come to market that are dramatically more expensive as compared to non-specialty drugs.

For example, several drug makers are in a race to develop the first treatment for nonalcoholic steatohepatitis (NASH), a serious consequence of "fatty liver" disease. Fatty liver disease is common – affecting 20% of the U.S. population, according to the Centers for Disease Control and Prevention. About 1 million to 3 million people could face liver failure, liver cancer and may require a transplant.

The primary risk factors for NASH are obesity and type 2 diabetes, and there is no treatment for the condition except for lifestyle changes. A new drug may be indicated for millions of people, but these wonder drugs will likely come with a high cost. It's speculated that these specialty drugs may eclipse the costs of hepatitis C drugs approved in the past few years, which had an estimated $80,000 cost per treatment.

Employers will undoubtedly face the question of ensuring employees have access to new prescription drugs while balancing costs to ensure care for all employees. Pharmaceutical research and development will continue in a quest to profit from breakthroughs on serious diseases. While this progress is welcome for your members who need treatment for their medical conditions, this means employers must come up with ways to pay for specialty drugs.

Another ongoing specialty drug trend, is the expansion of markets by pharmaceutical companies finding new indications for existing drugs. This has been happening for a while – already pharmaceutical companies are researching available drugs to find expanded indications. For example, the drug Taltz (ixekizumab) originally indicated for psoriasis has recently been approved for psoriatic arthritis. Expanding the market with currently available products is driving costs for these drugs.

Strategies for cost containment

Sometimes the extra cost of drugs can be shouldered by the employee. If a prescription costs $300, then it might be okay to have a co-insurance. But with specialty drugs, co-insurance becomes an astronomical financial burden for plan members - one that is often unrealistic.

There is some good news: brokers can help clients ensure that their pharmacy benefit managers (PBMs) are using several specialty drug management strategies to control costs. However, there is no one program that is going to solve an employer's problems. To use a baseball analogy – cost saving strategies are like base hits, rather than home runs. By using a layered approach, employers can find a way to ensure members have the best care at the lowest possible cost. Here are a few of those base-hit strategies employers should keep in mind:

1. **Require preauthorization**

   PBMs can require prior authorization to screen for members who do meet the criteria for this medication. The goal is to ensure the right drug for the right patient at the right time. Preauthorization is useful for not only new products, but any specialty drug.

2. **Use a closed formulary**

   Some PBMs and health plans are using a "closed formulary" strategy, which means some drugs are excluded from the plan. This strategy is different than an open formulary in which a member can get a prescription drug not on the preferred list by paying a higher co-pay.

   Cost savings due to rebates are a primary benefit of closed formularies. Because there are often multiple drugs available for a medical condition, the PBM has leverage to negotiate with pharmaceutical companies. For example, a PBM might decide to offer two out of five drugs in a category and then talk to pharmaceutical companies about getting additional rebates.

3. **Use limited specialty pharmacy networks.**

   Another specialty drug trend expected to continue in 2018 is narrowing the specialty pharmacy network. By driving prescriptions and members to certain pharmacies, improved discounts and enhanced rebates are often realized. In the specialty pharmacy business, often these pharmacies are PBM-owned pharmacies. What this means is that an employer's PBM is not only adjudicating the claim, but also performing the utilization management programs and dispensing the drug. Something to keep in mind is PBMs might not be motivated to act in the best interest of their client when they have a financial stake in the pharmacy. There is the possibility for cost savings leveraging this approach, however, it is vital to ensure the contractual language is in place to protect the employer.

4. **Leverage industry expertise in order to optimize your pharmacy benefit.**

   If you are an employer considering an RFP for your pharmacy benefit this year or haven't gone out to RFP in the last three years, there may be significant savings opportunity. Understanding specialty drug trends is a key to lowering prescription plan costs. Truveris has tools to help employers understand different cost lowering approaches within the specialty drug category. Get in touch with Truveris to make the most informed, objective decisions that help your members and save you money.