Specialty drugs and biologics are driving up costs

A primary challenge for employers going into 2019 is managing specialty drug costs in their pharmacy benefit plans. Rising costs of specialty drugs is not a new trend, but the burden of covering these medications has become increasingly difficult.

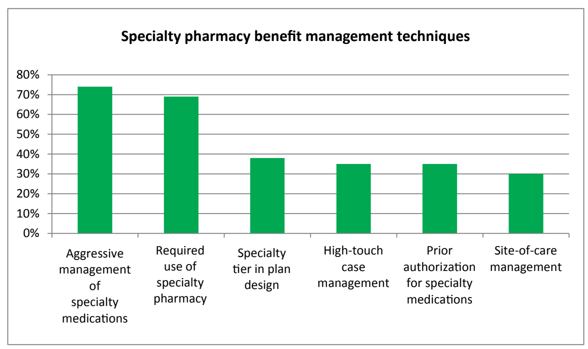
Employers must juggle their desire to provide valuable drug benefits to employees and their families with cost-management strategies. This is more difficult than ever in a marketplace where specialty drug prices continue to soar with no end in sight.

Specialty drugs are expected to account for half of total U.S. drug spend by 2020 even though only 1% to 2% of Americans use them, according to the 2018 Pharmacy Benefit Management Institute (PBMI) *Trends in Specialty Drug Benefits* report. It's not surprising that 61% of employers in the PBMI report say that managing specialty drug costs is their number one priority when it comes to specialty drug benefits.

In addition to specialty drugs, the increased use of biologics is increasing costs for employers. Used to treat many serious and life-threatening diseases, biologics have become a mainstay in the treatment of cancer and autoimmune conditions. While biologics can be life-saving, they are also very expensive. While less than 2% of Americans use biologics, they represent 40% of total spending on prescription drugs, according to a July 2018 statement by the U.S. Food and Drug Administration (FDA).

How are employers combating rising prescription costs?

Employers are making difficult choices about cost-sharing and plan design. In its 2017 study *Policy Recommendations to Promote Sustainable, Affordable Pricing for Specialty Pharmaceuticals*, the National Business Group on Health (NBGH) reported that tactics such as site-of-care management, specialty tiers, pharmacy price transparency programs and requiring the use of specialty pharmacies are becoming more widespread.



Source: NBGH report

There's no single solution which allows employers to take full control of pharmacy benefit costs. Best practices call for give-and-take between employers and employees.

- **Encourage use of biosimilars.** Biosimilars are biologics similar in structure and function to existing FDA-approved medications. Biosimilars should not be viewed as generic drugs, but rather an alternative form

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of brand medications that would usually be categorized as “specialty.” They can provide greater access to treatment options for patients, increasing competition and potentially lowering costs.

While the precise competitive dynamics of the biosimilar market are still evolving, employers can maximize the opportunity for cost reduction that biosimilars may represent. Effective plan design can help reduce the cost of these prescriptions, including low- or zero-dollar copay tiers for lower-cost biosimilars, or very high tiers for non-preferred reference brands. Manufacturers of biologic brands use copay coupons and other tools to minimize patients’ out-of-pocket costs. This encourages brand loyalty while discouraging the use of biosimilars. Effective plan design can mitigate this impact.

- **Utilization management.** According to the NBGH report, 74% of employers are implementing clinical utilization management tools to balance cost management with member access while providing a quality drug benefit for all of their members. This strategy involves putting more aggressive rules into place to govern the use of high-cost specialty drugs. Two of the most effective forms of utilization management are step therapy and prior authorization programs. These popular methods help restrict specialty drug use, but they are being outpaced by the increase in unit cost.
- **Specialty pharmacy.** While most employers recognize that required use of a preferred pharmacy for specialty drugs can reduce expenses, they may not be aware of the additional value it can provide. Many of these pharmacies provide financial assistance to members and can ensure that plan participants are enrolled in the proper copay programs. They can also provide further education about the product, monitor adherence, manage side effects and coordinate home delivery.
- **Specialty drug tier.** The specialty drug tier helps steer spending toward more economical drug options. Implementing a specialty drug tier is a highly effective and underutilized strategy to control pharmacy benefit costs. Surprisingly, only 38% of NBGH survey respondents said they were employing a specialty drug tier, even though this strategy helps to directly combat the rising unit cost of these medications. This strategy can also help combat marketing campaigns from specialty drug manufacturers encouraging consumers to choose expensive brand drugs over generics and other more affordable brands in the same therapeutic class.
- **Imposing limits on first-fill medications.** Often a medication is prescribed without knowing if it will work for the patient. Limiting the amount of medication that can be administered the first time a prescription is filled may help reduce the waste that results when a medication does not work and must be changed quickly.

With a robust pipeline of specialty drugs in development or pending FDA approval, employers should expect more products to come to market that are dramatically more expensive compared to non-specialty drugs. Next to hospitalization and doctor costs, prescriptions already take up the highest percentage of employer healthcare costs. And with the influx of specialty drugs, that percentage is only going to increase. By offering employees a plan that provides alternatives to specialty and biologic medications, steers usage to non-specialty drugs and has an established specialty pharmacy, employers can help mitigate the impact specialty drugs have on their bottom line.

For more information, contact us.

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