



The Especially High Costs of Specialty Drugs

This content was originally prepared for the members of an RPA pool client.

Introduction

Did you know that about **50%** of pharmacy spend comes from specialty medications? This is projected to reach **60%** in 2021—a huge percentage of the average health plan budget. That's why it's important to implement cost containment strategies. Otherwise, things could get worse—much worse.

The impact of specialty medication spending

- Since 2000, the number of market-approved specialty drugs has increased by 580%.
- The percentage of special users continues to increase. In 2019, utilization was 13.6%—a figure that stood at 1% only 10 years ago.
- Sixty-eight percent of total specialty spend is represented by just three specialty categories: inflammatory disorders, oncology and multiple sclerosis.

Major financial impact of single medications

Spending tens or hundreds of thousands of dollars on specialty drugs is not at all uncommon for organizations. For example, Zolgensma is a gene therapy for children with a rare autoimmune disease, and treatment costs more than \$2 million per patient.

Although there's no way to totally eliminate these high costs, there are a few ways you can help manage their impact on your organization.

Clinical management

Clinical management refers to actively monitoring and managing costs and utilization. This can't happen without access to your data, so compiling detailed claims information is essential, and there are a number of data warehouse systems and resources available.

Once you have access, you can start drilling down to define specific cost drivers and take action, including the following.

- **Implement prior authorization (PA):** Evaluating the need for certain products and services before you pay for them can help you save on costs. Prior authorization also ensures that individuals meet certain clinical criteria before costly treatments or medications are approved.
- **Regularly review and monitor your plan's list of covered medications (drug formulary):** It's important to frequently review this list to make sure it's designed with both health outcomes and cost-consciousness in mind.
- **Consider carving out your pharmacy benefit from your medical benefits:** If you bundle medical and pharmacy with the same carrier, it can be harder to isolate and address pharmacy-related factors driving your costs.

Site of care management

Where specialty drugs are administered could be a huge factor in your plan spend. Here's a real example: An employee was receiving medication infusions in an outpatient hospital setting at a cost of \$195,000 per year. When that employee switched to an infusion center instead, the cost dropped to \$60,000 annually, saving \$135,000 a year for the same medication.

If you're insuring thousands of individuals, you can imagine how quickly these kinds of savings add up. On top of that, changing the site of care often means out-of-pocket savings for employees and their families, too.

Plan design management

Finally, establishing proper plan design strategies—and monitoring your plans annually—is also important. Sample strategies might include:

- Applying a higher copay or coinsurance for specialty medications
- Limiting specialty medications to a 30-day supply to help reduce waste and ensure appropriate use
- Considering formulary exclusions for nonessential and excessively costly drugs

Specialty medications are lifesaving for many, but can come at a steep cost for employers, and partnering with experts in defining the right programs at appropriate cost structures can help your organization thrive.

► **For more information on Risk Program Administrators, please contact us at info@riskprogramadministrators.com.**

Sources: 2019 PBMI Report; 2020 PSG Specialty Trend Report

© 2021 Arthur J. Gallagher & Co. All rights reserved. Risk Program Administrators is an operating unit of Arthur J. Gallagher Risk Management Services, Inc., a subsidiary of Arthur J. Gallagher & Co. Insurance brokerage and related services to be provided by Arthur J. Gallagher Risk Management Services, Inc. (License No. 0D69293) and/or its affiliate Arthur J. Gallagher & Co. Insurance Brokers of California, Inc. (License No. 0726293).

GGB40131