

San Francisco Health Service System Health Service Board

Specialty Pharmacy—Historical Perspective

April 13, 2017

Specialty Medication

What is a Specialty Medication?

- Biologics that treat complex and chronic conditions
- High cost (averaging \$3,000 a month or more)
- Complex routes of administration such as infusion or injection
- Special handling/complex manufacturing
- Possible side effects that require clinical management

What are the issues?

- Specialty medication is used by 2-3% of the population currently, but expected to expand with aging and usage for new indications
- Costs are increasing 25% a year and expected to exceed 50% of total pharmacy spend
- Manufacturers are maximizing the price of the medications due to the cost and complexity of manufacturing them
- Due to lack of biosimilar alternatives, price inflation is expected to continue

Specialty Medication Management

Employer Strategies to Manage Spend

- Reduce inappropriate utilization
- Implement a preferred formulary for specialty medications
- Administer medication in the most appropriate setting (i.e. home, office, outpatient hospital)
- Manage specialty spend between pharmacy and medical benefits
- Create a specialty copay tier
- Implement a partial fill option on initial prescription by modifying the copays or coinsurance

Clinical Strategies to Manage Specialty Medications

- Develop consistent prescribing guidelines for physicians
- Implement step therapy before prescribing a specialty medication
- Require prior authorization
- Increase persistence and adherence through clinical management by pharmacists

Costly New Specialty Drugs Drive Increased Pharmacy Spend

Express Scripts Drug Trend by Therapy Class: 2011 – 2015

Category	2011	2012	2013	2014	2015
Specialty Drug	17.1%	18.4%	14.1%	30.9%	17.8%
Non-Specialty Drug	0.1%	-1.5%	2.4%	6.4%	-0.1%
Total Pharmacy	2.7%	2.7%	5.4%	13.1%	5.2%

In 2013, the approval by the Food & Drug Administration (FDA) of two treatments for Cystic Fibrosis, followed closely by the approval of the first daily treatment for chronic Hepatitis C, set in motion the rapid increase of specialty pharmacy costs.

Two additional Hepatitis C medication regimens were approved later in the same year. As a result, the specialty trend spiked in 2014.

Source: *Express Scripts 2015 Drug Trend Report and Year in Review*
Available at <http://lab.express-scripts.com/lab/drug-trend-report>

Trend Forecast for Key Therapy Classes

2016 Rank	Type	Therapy Class	2017	2018	2019
1	S	Inflammatory Conditions	29.7%	32.1%	31.7%
2	T	Diabetes	20.5%	19.3%	18.2%
3	S	Oncology	22.1%	22.0%	20.5%
4	S	Multiple Sclerosis	10.3%	10.0%	10.0%
5	T	Pain/Inflammation	3.6%	3.0%	2.5%
6	S	HIV	19.4%	19.4%	20.7%

S = Specialty Drug

T = Traditional Non-Specialty Drug

The expense for these medications frequently utilized by the HSS population is expected to increase yearly based on the increasing medication cost and increasing demand by the HSS' aging population.

Source: Express Scripts 2016 Drug Trend Report (page 29)

Available at <http://lab.express-scripts.com/lab/drug-trend-report>

Summary

- Work closely with HSS' vendors to prepare for the impact of specialty medications on pharmacy expenses, which is expected to approach 50% of future costs (excluding medication expenses reimbursed as a medical expense):
 - ▶ Develop cost-sharing strategies
 - ▶ Add incentives for persistence and adherence to medications when medically appropriate
 - ▶ Narrow the list of in-network pharmacies for the distribution of medications
 - ▶ Implement more limited formularies
- Develop strategies to negate the impact of pharmaceutical manufacturer coupons that are targeted to reduce or eliminate member cost-sharing (see UnitedHealthcare language regarding coupons: *UnitedHealthcare may not permit certain coupons or offers from pharmaceutical manufacturers to reduce your Copayment and/or Coinsurance or apply to your Annual Drug Deductible.*)