Specialty Medications

Challenges and Opportunities in 2013
The Healthcare Dollar Flow

- Employers
- Government
- Health Insurers
- Health Plans
- Pharmacy Benefits
- Specialty Health Benefits
- Hospitals
- Primary Care Physicians
- Pharmacies
- Specialists
- Patients
- Members
- Consumers

TPG - The Pharmacy Group
Improving Healthcare Performance
Key Milestones in US Healthcare

- 1973 – Federal HMO Act Enacted
- 1983 – DRG payments for hospitals
- 1993 – PBMs bought by drug companies
- 2003 – Medicare Modernization Act (Part D)
- 2013 – Affordable Care Act implemented
What Are Specialty Medications?

A subset of medications that have some or all of the following characteristics:

- Expensive (over $15,000 per year)
- Associated with complex clinical management
- Require close patient monitoring
- Produced through biotechnology mechanism
- Distributed through restricted provider network
Traditional/ Specialty Medication Facts

- Total medication spend for the United States in 2010 was about $300 billion
- Specialty medications account for 26% of total medication spend
- By 2014 specialty medications will comprise 40% of total medication spend
- About 1% of patients utilize specialty medications
What Do Payers Cover Now?

- **Medical Benefits**
  - Doctor visits
  - Hospitalization
  - Lab, X-ray, etc.

- **Pharmacy Benefits**
  - Traditional medications (pills/liquids)
  - Specialty medications (injectables/pills)

- **Not Covered**
Specialty Medication Distribution
Channels

Cost Management Challenges for both Pharmacy & Medical Benefit
This figure depicts the many physical, financial, and transactional factors that manufacturers of specialty pharmaceuticals must take into consideration when they devise channels through which products will reach patients. Though manufacturers are in control of their channels, payers can influence them.


Source: Blue Fin Group 2012
Pharmacy Benefit-Dispensing of Specialty Products

FIGURE 2
Channels leading to dispensing of specialty products under the pharmacy benefit

Solid arrows connect links in the chains through which specialty products flow from manufacturer to patient, with a dispensing pharmacist being the penultimate link. Dashed black arrows indicate “white bagging” and “brown bagging” dispensing strategies that eliminate the buy-and-bill process, through which healthcare providers are reimbursed for their drug purchases under the medical benefit. Except for the office-administered products delivered via white- or brown-bagging, all the other specialty products flowing through these channels are administered by the patient or a caregiver. Dashed red lines indicate connections between reimbursement hubs, prescribers, and pharmacies. Hired and funded by manufacturers, hubs provide numerous services for providers, payers, and patients.

Source: Pembroke Consulting 2012.
Specialty Medications

- Need to move from individual patient management to population health management
  - Appropriate use
  - Coverage policy
  - Evidence based medicine
  - Improve access
  - Patient safety
Specialty Medication Management Issues

- **Claims Administration**
  - Medical vs. pharmacy claims

- **Cost Management**
  - Physician office vs. pharmacy
  - Provider discounts (AWP, ASP, WAC)
  - Use of specialty preferred medication list

- **Utilization Management**
  - Prior authorization and tracking
The Future

“This is like Deja Vu all over again.”

Yogi Berra