

# Specialty Medications



## Challenges and Opportunities in 2013

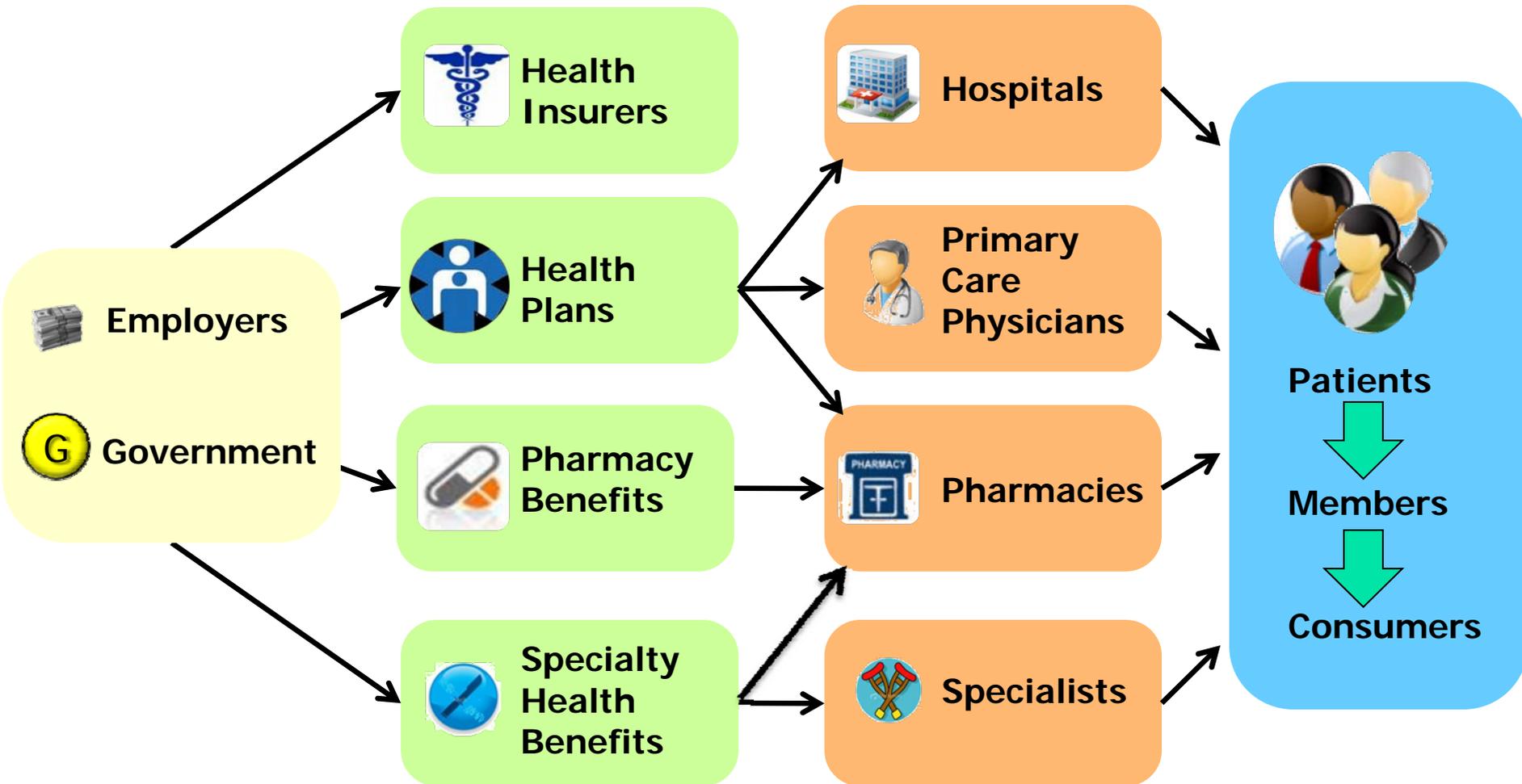


TPG

**The Pharmacy Group**

Improving Healthcare Performance

# The Healthcare Dollar Flow





# 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



TPG

**The Pharmacy Group**

Improving Healthcare Performance

# 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

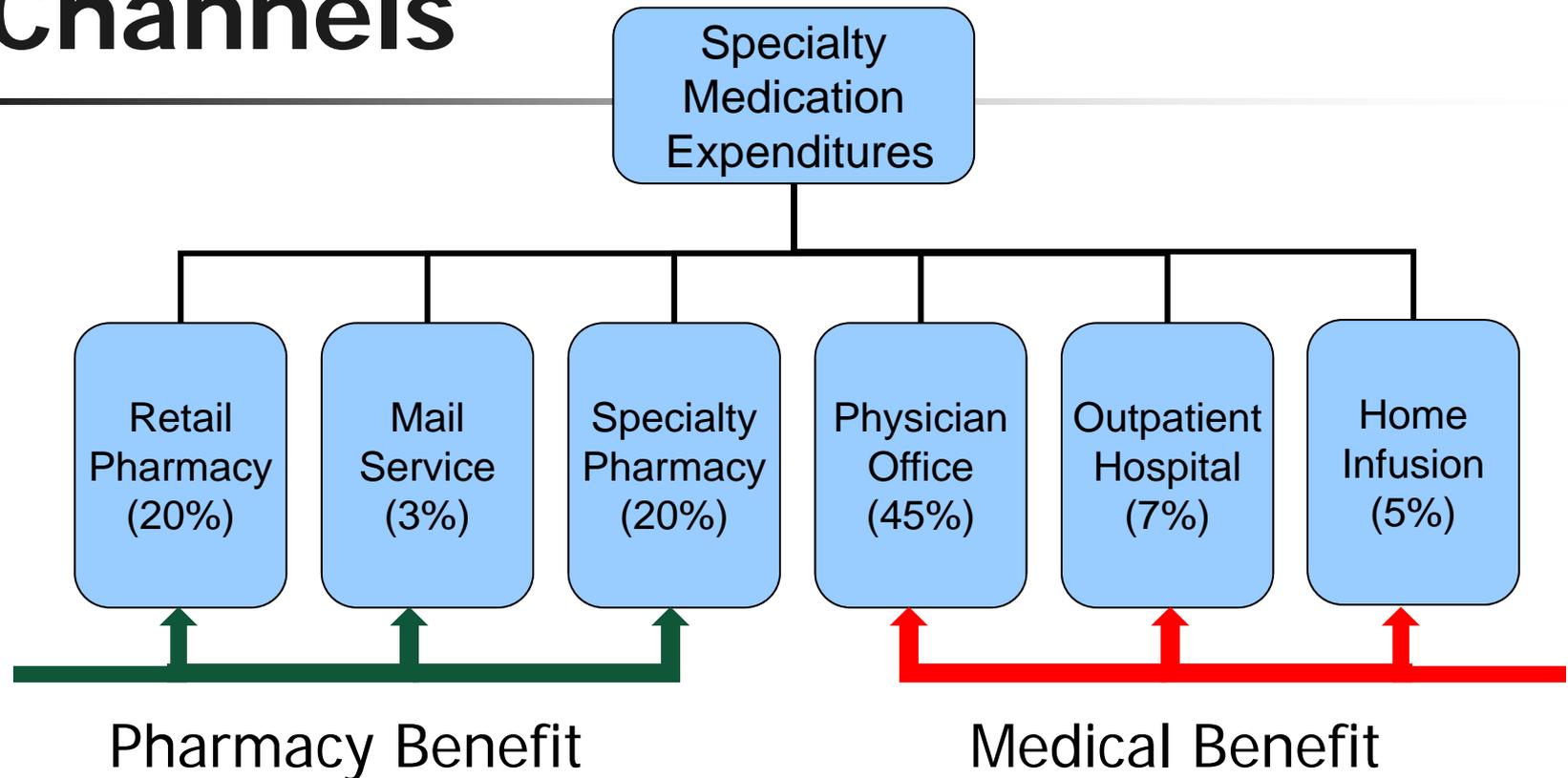
- Traditional medications (pills/liquids)
- Specialty medications (injectables/pills)



## ■ Not Covered



# Specialty Medication Distribution Channels



**Cost Management Challenges for both Pharmacy & Medical Benefit**



# Prescriber-Payer Matrix

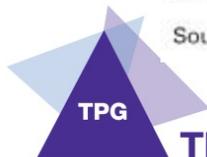
**FIGURE 1**  
The prescriber-payer matrix

Patient								
Prescriber								
Service providers	Logistics				Patient services			
Dispensers	Retail pharmacy	Mail order pharmacy	Specialty pharmacy provider	Long-term care	Hospital	VA/DoD	Infusion therapy provider	Clinic/office
Influencers	Group purchasing organization							
Distributors	Wholesaler	Specialty pharmacy	Warehousing retail chain	Warehousing hospital chain	Manufacturer direct			
Controllers	Health plan		Pharmacy benefits manager	Employer		Staff model		
Payers	Commercial	Medicare	Medicaid	VA/DoD	Employers	Patients		
Regulators	HHS	OIG	CMS	FTC	SEC	FDA	States	
Manufacturer								

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.

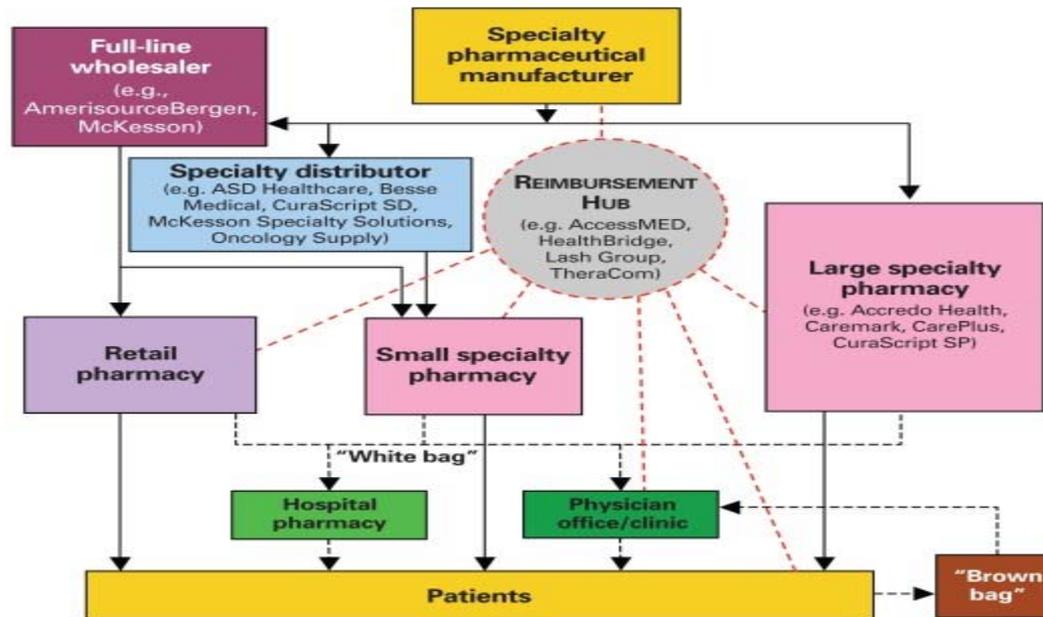
CMS=Center for Medicare & Medicaid Services, DoD=Department of Defense, FDA=U.S. Food and Drug Administration, FTC=Federal Trade Commission, HHS=Department of Health and Human Services, OIG=Office of the Inspector General, SEC=Securities and Exchange Commission, VA=Department of Veterans Affairs.

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

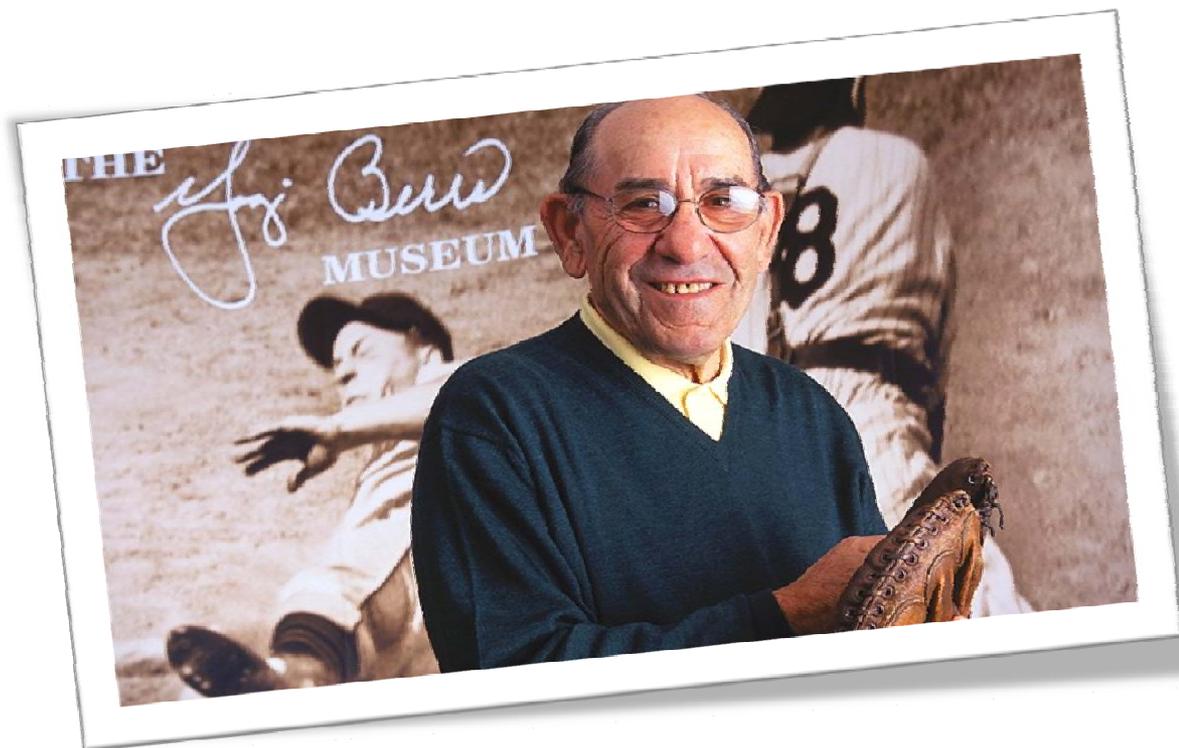


# The Future

---

“This is like Deja Vu all over again.”

Yogi Berra



**The Pharmacy Group**  
Improving Healthcare Performance