Introduction

Industry projections indicate specialty drugs — medicines for the treatment of specific, complex diseases — will represent half of the nation’s total annual pharmacy costs by 2018. Specialty drugs represent the fastest growing segment of the drug industry. Efforts to rein in the cost of pharmaceuticals, particularly specialty drugs, will prove essential to managing the high costs associated with health care.

This alarming trend has been bolstered recently by the introduction of crippling expensive therapies for relatively prevalent diseases like Hepatitis C. While breakthrough treatments such as Sovaldi and Harvoni can provide a much-needed cure for the approximately three million Americans infected with Hepatitis C, their exorbitant price tags, at $1,000 and $1,125 per pill respectively, place an unsustainable burden on the consumer, government, health plans and the entire U.S. health care system.

Recognizing the rapid upward trajectory of pharmaceutical costs back in 2005, Independent Health established its own pharmacy benefit management (PBM) company – Pharmacy Benefit Dimensions® – to help manage and ensure quality service, efficiency and lower costs in this arena. Foreseeing sustained spikes in specialty-drug costs, Independent Health also launched Reliance Rx®, a specialty pharmacy, in 2010.

These two subsidiary corporations enable Independent Health to offer health plan employers and members superior care coordination sustained through the unique connection between the health plan, pharmacy benefit manager and specialty pharmacy.

The Unsustainable Trend

For many years, the health care industry has struggled to contain rising costs that threaten to overwhelm the system if allowed to continue growing. U.S. health care spending reached $2.9 trillion in 2013, up by 3.6 percent from 2012. Total spending is expected to have increased by 5.6 percent in 2014.

Prescription drugs rank third in U.S. health care spending, accounting for nearly 10 percent of national health care expenditures. Spending on prescription drugs is expected to have increased by 3.3 percent in 2013 to $272.1 billion, with growth expected to jump 6.8 percent in 2014. The surging costs of specialty drugs help fuel this jump.
While only representing one percent of total U.S. prescriptions in 2013, specialty drugs accounted for more than a quarter (27.7 percent) of the nation’s total pharmacy spend. From 2012 to 2020, spending on specialty drugs is expected to increase by 361 percent to $402 billion.

A Lucrative Market

The demand for better therapies in the form of specialty medicine will not abate any time soon. Data shows that by 2020, specialty drugs could make up 47 percent of total drug sales in the U.S., up from 39 percent in 2013.

Drug therapy breakthroughs have inundated the research and development pipeline with specialty drugs, and more specialty drugs than traditional drugs have been approved every year since 2010. The trend is expected to have continued 2014, with more than half of the 19 drugs approved as of July 2014 falling in the specialty category.

In 2013 these specialty medications cost, on average, 11 times more than traditional medications.

These high costs derive from several factors, including the expense associated with research and development and lack of comparable treatments. Traditionally “niche” products for the treatment of small populations, specialty drugs like medications for Hepatitis C now have the potential to treat a much larger pool of patients. Prices for specialty therapies tend to be based on avoidance of costs associated with progression of the disease. For example, Sovaldi’s $84,000-a-year cost is an offset to a $200,000 liver transplant. So whereas traditionally expensive price tags came attached to drugs that treated rare diseases – treatments for which may not be economically feasible to develop without the higher price – drug companies have now tagged high costs to treatments like Sovaldi and Harvoni, which have the potential to be prescribed to millions and threaten to overwhelm the system, resulting in higher costs to all consumers.

The drug company Gilead manufactures both Sovaldi, which it brought to market in late 2013, and Harvoni, which has just entered the market. Sovaldi recorded $2.3 billion in sales over the first three months of 2014, making it the most successful launch of a drug in history. Gilead’s second-quarter profits reached $3.66 billion, with a 56-percent net profit margin.

Fueled by these sales, U.S. spending on Hepatitis C medications is expected to have increased more than 100 percent in 2014 and at least 200 percent in both 2015 and 2016.

Consumers’ Burden

Consumers requiring specialty medications and employers providing pharmacy benefits often feel the squeeze of these unsustainable costs. Only 2.3 percent of U.S. prescriptions accounted for 30 percent of all patient prescription out-of-pocket costs. Copays greater than $60 for specialty drugs have increased by 229 percent since 2010. Plus, as more individuals move toward high-deductible health insurance plans (which now account for 41 percent of all benefits) they’re increasingly responsible for the full amount of their incurred health care costs up to a set threshold – including costs of prescription and specialty drugs.

Treatments/Solutions for High Costs

Recognizing pharmacy and overall health care reform as a collective responsibility shared by all stakeholders, Independent Health has engaged in a number of initiatives aimed at reform.
Broad Solutions

Independent Health has met with health plans across New York state and the New York Health Plan Association (HPA) to develop clinical criteria and best-practice guidelines for members with Hepatitis C to ensure breakthrough medications can be dispensed and effectively utilized by patients with active liver disease who are committed to fully complying with treatment.

Independent Health has also convened a Hepatitis C Clinical Advisory team made up of hepatologists and infectious disease specialists to get buy-in and develop best practice guidelines for prescription management, with the goal of rationalizing, not rationing, treatment.

Local Solutions – Pharmacy Benefit Dimensions

While higher level efforts to curb the staggering cost of medications like Hepatitis C treatments are essential to bringing down the overall cost of health care, Independent Health also focuses on local efforts to lower the pharmacy cost trend.

Independent Health remains the only health plan in upstate New York to offer both an in-house PBM company and specialty pharmacy. These wholly-owned subsidiaries have ultimately lowered costs for members and employers and demonstrated exemplary results in efficiency, proactive engagement with physicians and customer service.

Pharmacy Benefit Dimensions provides a high-quality, high-value pharmacy benefit service for subscribers and non-subscribers of Independent Health’s medical plans. Since its inception in 2005, Pharmacy Benefit Dimensions has steadily grown to provide services to 500,000 individuals, representing approximately 45 percent of the Western New York market and making it the 20th largest PBM for commercial business in the country.

Pharmacy Benefit Dimensions helps employer groups that self-fund their pharmacy benefits better manage those benefits and achieve optimum prescription savings and control. The company provides formulary development and management, claims processing, Drug Utilization Review (DUR), contracting and rebate management, pharmacy network management, and academic detailing and reporting for 4,000 employer groups.

Independent Health’s in-house PBM capability enables better care coordination, which helps keep costs low and increases the efficiency of pharmacy benefit management.

Beholden by shareholders, the publicly-traded pharmacy benefit managers contracted by other health plans typically must meet a 5 percent profit margin. Pharmacy Benefit Dimensions treats pharmacy management as a service, not a commodity, and in doing so focuses on smarter prescription drug utilization management and pricing, and effectively lowers employers’ overall drug spend while maximizing quality and service.

Pharmacy Benefit Dimensions’ client retention rate of more than 99 percent demonstrates its efficacy in realizing savings for employers. On average, new customers save 15 to 25 percent over their previous year’s drug spend in their first year with Pharmacy Benefit Dimensions. The PBM has a more than 90 percent satisfaction rating among members, employers and pharmacists.

Local Solutions – Reliance Rx

With a focus on positive patient outcomes, Independent Health’s specialty pharmacy, Reliance Rx, fills biologic and chemotherapeutic medications. Established in 2010, Reliance Rx helps improve patients’ care experience and lowers pharmacy costs for nearly 8,000 Independent Health members.
Reliance Rx is one of seven pharmacies in New York state accredited by URAC and has license to ship to nearly all 50 states. URAC-accreditation is becoming a standard for operational and quality performance expected by clients. URAC is an independent, nonprofit organization that promotes health care quality through its accreditation, education and measurement programs.

With an overall satisfaction rate of 99.7 percent among patients, Reliance Rx’s customized services enhance the patient and physician experience through on-time and accurate delivery of needed medications, close collaboration with physicians, and personal counseling with patients to help ensure better medication adherence and therapy management.

To the benefit of both the physician and patient, prescriptions are completed in less than 24 hours once a script is received. Urgent orders can be ready for the patient within an hour. Reliance Rx’s local presence has resulted in almost zero first-dose retail overrides and its products can be bundled together, for physician and patient convenience.

Reliance Rx contacts patients at certain points during their therapy based on their disease, medication and other unique indicators specific to the patient. Due in part to this diligence, Reliance Rx maintains a medication possession ratio (MPR) of 96 percent, well above the industry average of 80 percent. Through Reliance Rx’s Patient Adherence Program (PAP), the 4 percent of non-adherent patients are identified and provided additional outreach to ensure appropriate therapy, in part through care coordination with patients and physicians to develop a plan to improve the quality of care. Physicians can also track their patients’ adherence via a secure Web portal.

Of the 4 percent of non-adherent patients, the PAP helps convert 83 percent back to therapy.

The aligned approach and unique coordination Independent Health offers through its care management services, pharmacy benefit management services and specialty pharmacy, effectively streamline pharmaceutical operations, translating to lower costs and enabling continuity, without the disconnects that may arise with health plans that contract these services. This model ultimately results in lower costs for employers and members, better quality care, and increased satisfaction and convenience for providers.

**Effecting a Sustainable Future**

While more change must be effected to keep specialty drug prices affordable, health plans, providers, patients and all stakeholders can work to achieve lower cost trends through efforts like enhanced care coordination and effective therapy management, as offered by Pharmacy Benefit Dimensions and Reliance Rx.

In an industry beset by rapidly rising, unsustainable costs, Independent Health’s Pharmacy Benefit Dimensions and Reliance Rx can help transform health care at the local level, saving money for employers and members, and helping Western New York become a high-performing health care community.