WHITE PAPER

SPECIALTY SAVINGS

3 CRITICALLY IMPORTANT STRATEGIES TO REDUCE SPECIALTY PHARMACY SPEND FOR SELF-FUNDED EMPLOYERS AND HEALTH PLANS

THE CHALLENGE

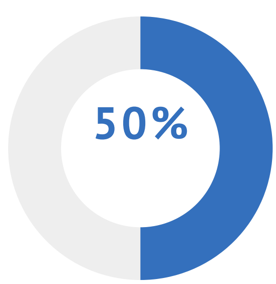
Specialty medications account for only 2.2% of prescriptions but represent 50% of national spending on drugs – about $400 billion annually as of 2020. (1)

These medications can cost tens of thousands to hundreds of thousands of dollars per treatment. No different than hospitalizations or high-cost diagnostic procedures, specialty medications require independent, objective clinical review and oversight to ensure coverage approval is supported by national guidelines and standards of care.

Entities that profit from dispensing specialty drugs should not be utilized as gatekeepers for those medications. Unfortunately, self-funded employers, union trust funds and health plans are often placed in just that position, and the outcome can be crippling with skyrocketing prescription benefit costs.

Key factors in rising specialty drug costs

- Manufacturers are investing most of their R&D dollars on specialty medications which means more high-cost drug introductions every year.
- Prescribers are four times more likely to recommend a specialty medicine than they were only a decade ago.
- Pharmacy Benefits Managers often have a strong financial incentive to authorize specialty medications



Specialty drugs now represent approximately 50% of all U.S. pharmacy spend.

[1]Medicine use and spending in the U.S. IQVIA. May 9, 2019. Accessed March 19, 2021. https:// www.iqvia.com/en/insights/the-iqvia-institute/reports/medicine-use-and-spending-in-the- us-a-review-of-2018-and-outlook-to-2023

How plan sponsors can reclaim pharmacy spend

Specialty drugs are typically used to treat debilitating and life-threatening medical conditions such as cancer, multiple sclerosis, rheumatoid arthritis, and other conditions. Employers trying to control pharmacy benefit costs often find these medications outpacing all other costs. At the same time, plan sponsors feel powerless to question or influence specialty therapy prescribing despite the astronomical prices charged by manufacturers.

As specialty drug usage and costs continue to rise, it becomes critically important for employers to implement strategies for managing those expenditures while supporting the care needs of plan enrollees. The current trajectory is unsustainable for most plan sponsors, which makes solutions to mitigate or eliminate those rising costs imperative.

Why specialty drugs represent the greatest threat to pharmacy benefit solvency:

- The number of specialty medications has grown from 15 to over 300 since 1995
- Specialty drugs cost over 50 times more than traditional drugs
- They can be medical breakthroughs for the right patients
- They can cost thousands to hundreds of thousands of dollars per treatment

[2]Medicine use and spending in the U.S. IQVIA. May 9, 2019. Accessed March 19, 2021. https:// www.iqvia.com/en/insights/the-iqvia-institute/reports/medicine-use-and-spending-in-the- us-a-review-of-2018-and-outlook-to-2023

3 KEY STRATEGIES TO MANAGE COSTS

The good news for plan sponsors? There are solutions to managing escalating specialty medication costs while still providing needed care to plan beneficiaries.

#1 Deconflict The Prior Authorization Function

PBMs and pharmaceutical manufacturers have a mutually beneficial relationship. It’s paramount that you take the below into consideration:

- To profit, manufacturers need their medications approved and dispensed by PBMs. Therefore, they offer financial payments to PBMs, hidden discounts to PBM owned specialty pharmacies and other financial incentives that can influence the PBMs prior authorization criteria and preferred drug list.
- Many PBMs approve more than 85% of prior authorizations often via automated electronic prior authorization protocols sponsored by drug manufacturers.

When motivated by conflicting profit centers, a PBM can be unwilling to truly manage a sponsors’ prescription benefit-risk. Therefore, it’s essential to disassociate profit incentives from clinical decision-making, the process of determining which therapy option is the best and most cost-effective for each patient. Just because a drug is new and expensive, and prescribed by a doctor, does not mean it is the optimal choice in all cases. There are multiple ways to de-conflict the prior authorization process. A US-Rx Care team member can assist in determining which strategy works best for any plan sponsor.

Well-managed, clinically rigorous prior authorizations for specialty medications generally result in approximately 60% approval rate with savings to plan sponsor in the range of 25%-35% on total specialty Rx spend.

#2 Manage Medications Billed Under the Medical Benefit

Employers' pharmacy spend depends not just on medications billed under the pharmacy benefit, but also those administered in care settings (like hospitals and doctors' offices). In 2019 approximately 40% of plan spend on specialty medications, was reimbursed through the medical benefit not the pharmacy benefit. And unfortunately, charges for specialty medications through the medical benefit can often run hundreds of percent above AWP (the industry standard for "list price").

- The cost of the same medication may differ widely if administered in a hospital, or doctor's office, or at home.

- In fact, plan sponsors often reimburse healthcare providers significantly more than the cost to source the medication from a pharmacy.

Avoiding waste and overcharging for high-cost medications under the medical benefit can reduce drug spending by 30 to 50% or more in most cases. US-Rx Care has decades of experience and the needed resources to ensure not only appropriate therapy choices, but appropriate reimbursement and site of care selection to prevent waste and overspending for provider administered drugs.

#3 Leverage Copay and Patient Assistance Programs

Drug manufacturers are cognizant of the high costs of specialty medications. Many provide incentive programs intended to help individuals tackle high co-pays and rising medical costs. These include:

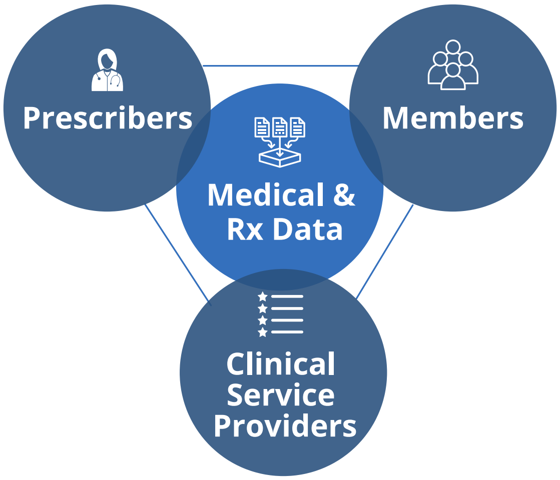
- Zero cost dispensing programs
- Charitable programs (such as premium assistance programs)
- Copay assistance and coupon programs

Plan sponsors can benefit from these manufacturer programs to lower overall acquisition costs by up to 100% on a case-by-case basis.

SAVINGS SOLUTIONS

US-Rx Care's Specialty Pharmacy Management Program

Coordination and Communication Across The Quality of Care Continuum



Specialty Rx Management Features and Benefits:

US-Rx's Specialty Rx program is designed to review all specialty pharmaceuticals. All pre-screening and prior authorization functions are performed by US-Rx Care's clinical professionals.

- Regular communication with prescribing doctors and patients
- Prevention of inappropriate and unnecessary prescribing
- Enhanced quality of care
- Clinical expertise with no conflicts of interest
- Adherence and outcomes monitoring
- Low cost per case and great return on investment

The US-Rx Care difference provides peace of mind through:

- Separation of dispensing from the benefit management and prior authorization functions
- Expert, clinical oversight by independent, fiduciary compliant clinicians to evaluate medical necessity and appropriateness
- Conformance to established guidelines and best practices, along with counseling of patients to ensure proper use and administration
- Lowest net cost sourcing whether from a pharmacy or most cost-effective site of care
- Elimination of prescriber buy and bill incentives for high-cost therapies reimbursed through the medical benefit
- Management of side effects to maximize patient adherence, particularly with self-administered medications
- Prevention of waste and over-shipping by dispensing pharmacies and strictly managed quantity limits
- Utilization of cost-effective therapies and step therapy when appropriate
- White-glove concierge service without member disruption

US-Rx Care

Discover how much your organization could save on pharmacy benefits each year with a free prescription cost analysis:

https://usrxcare.com/
mmincy@us-rxcare.com
954.592.4224