RxBenefits®

Specialty Carve-Out Disaster Brings Client Back to RxBenefits in 2 Months

It's no secret that specialty medication costs have been rising. They now account for over 50% of the total pharmacy spend incurred by most employer plans even though they make up less than 2% of prescription utilization. While these medications are promoting and preserving a higher quality of life for patients, the price tag can be a heavy burden for self-insured employer plans.

Due to the economic forces at play, an effort has developed that encourages carving-out specialty medications administered by a third-party vendor or excluding specialty medication from the plan altogether. Many of the third-party vendors administrating the specialty carve-out provision claim that multiple funding sources exist, including various needs-based funding, to cover member costs. There would be minimal to no member impact with no operational concerns. These third-party vendors say that carving-out specialty medications from the total pharmacy benefit is a win-win situation for everyone.

The Challenge

After being presented with the idea of carving-out specialty medications by a third-party specialty carve-out vendor, a 2,500-member white-collar industry client with approximately $3.5 million in annual pharmacy spend proceeded to implement this approach. The RxBenefits Account Management Team provided guidance against the strategy, citing that:

- **Needs-based funding is not guaranteed.** Needs-based funding requires income verification, and in certain white-collar industries, many members may fall beyond the maximum income thresholds, especially when many specialty utilizers are, on average, more seasoned employees in higher level positions. If the member cannot secure funding, the plan or the member may be left picking up a large, unexpected bill or need a special override of coverage to "carve back in" to the pharmacy benefit. This process, while possible, can be complex.

- **Some specialty medications may not be included.** Many specialty carve-out programs address fewer than 300 – mostly brand – medications. These programs omit over 1,300 specialty medications, generic and brand, from being covered by the benefit or the carve-out vendor management process. The client would either need to create a dual benefit – one to address medications on the third party listing and another to address the third party listing – or not cover out-of-scope specialty medications, which would negatively impact members.

- **Fees, lost contract value, and lack of clinical review visibility may negate savings and lead to increased utilization.** Removing a segment of medications impacts contract underwriting provisions and changes the terms of the contract. The fees incurred are based on gross savings achieved which may be based on gross costs, not based on what the plan is currently paying net of rebates. Finally, clinical oversight ensures that access is granted when medically necessarily. In a carve-out scenario, who is the gatekeeper? If the third party, there is a financial incentive for approval and should be considered. Therefore, between incurred fees, contract value impact, and potential increased utilization, the client may not see the predicted savings.

The client ultimately decided to carve-out specialty medications via a third-party vendor at the beginning of their plan year, against RxBenefits' advice.

Third-Party Vendor Results

Shortly after carving-out their specialty medication to the third-party vendor, the client experienced severe member and service disruption, including:

- It was unclear to members who they should contact for specialty medications when issues arose at the point-of-sale, creating confusion.
- Many impacted members were unable to secure funding due to exceeding income thresholds for accessing needs-based funding, which required 'carving back in.'
- A drastic increase in manual overrides occurred in the PBM claims payment system to 'carve back in' the specialty medications without clinical oversight and without the benefit of a contract guarantee on discounts and rebates.

Unfortunately, by requiring overrides for medication coverage, the client covered almost half of the specialty utilizers, meaning that savings were not what was predicted.

Our Results

Due to these compounding issues, the client moved quickly to reincorporate their specialty benefit back into their total RxBenefits' pharmacy benefit after only **two months**. To the client, the excessive member disruption with little to no financial gain did not reflect their goals and objectives surrounding their pharmacy benefit coverage. It was clear that their previously experienced full prescription benefit coverage under RxBenefits was the best option. Additionally, after only one quarter, RxBenefits' Specialty PMPM matched the client's carved out specialty PMPM.

2 Months before returning to RxBenefits due to comprehensive service issues

Almost **HALF** of specialty utilizers required coverage by RxBenefits via manual override

Client's RxBenefits specialty PMPM **MATCHED** specialty carve-out PMPM within 1 quarter

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