Data-Driven Clinical

Reducing Prescription Drug Costs and Improving Member Health

by | **Mark Campbell, Pharm.D.**

As prescription drug costs continue to rise, benefit plans may find opportunities for savings through clinical management strategies informed by data analysis.

Management:

In early 2020, 85% of self-funded employers[1] cited rising drug costs as a considerable concern, with pharmacy spending increasing 4.8% on average annually.[2] The drug pipeline was packed with innovative brand and specialty drugs offering potential treatment breakthroughs, but the high costs associated with those drugs affected the ability of patients to access those treatments. In fact, one in five people reported they could not afford the cost of their medications.[3] Then COVID-19 wreaked havoc.

Employee safety concerns, virtualizing the workforce, furloughs and everything else took priority for human resources (HR) leaders. Most employers lost an entire year addressing cost concerns while the pharmaceutical industry moved full speed ahead. Prescription drug costs continued (and continue) to rise, with pharmacy spending now exceeding 20% of the typical company's health care costs.[4]

Where do we go from here? The economic downturn is putting considerable pressure on benefits budgets, and one thing is certain: Plans can't afford to ignore rising prescription drug costs any longer. By focusing on prescription drug benefits, plans may identify cost-savings opportunities for the plan and members, reduce wasteful spending on inappropriate medication use and ensure clinically appropriate and safe medication therapy for plan members.

takeaways

- Prescription drug prices increased by about 5.1% on average in 2021.
- Issues that plan sponsors should be aware of this year include new indications for existing specialty drugs, a new treatment for hereditary angioedema (HAE) and new gene therapies for hemophilia.
- Implementing a clinical utilization management strategy as part of a pharmacy benefits plan can help identify areas of waste, reduce unnecessary plan costs, and potentially enhance value and safety for plan members.
- Claims data can show what conditions, drug classes and specific medications are driving costs within the plan. An analysis of the data can also show how many members could be impacted based on certain plan design, clinical program and formulary decisions.
- To build a clinical utilization management strategy, plans should review the clinical appropriateness of medications being taken by plan members, optimize the drug formulary and dosing, and align rebates with appropriate utilization.

Prescription Drug Cost Drivers

Drug price increases are common, usually occurring at the beginning of the year and midyear. The size of the price increases in 2021 is not out of line with previous years, at an average of about 5.1%.[5] What is alarming is the higher number of drugs targeted for price hikes and the fact that the increases are not related to any new clinical innovations. Rather, several of the largest increases apply to some of the most commonly prescribed medications on the market.

Perhaps the more concerning cost driver is new drugs coming to the market, specifically specialty drugs designed to treat complex or rare conditions. Just 20 years ago, specialty drugs weren't much to talk about. Now, the reality for most employers is that specialty drugs account for 50% to 60% of pharmacy benefits costs[6] despite being used by just 1% to 2% of members. Often having just one member who is taking a specialty drug can cause a drastic shift in plan costs.

With more than 8,000 drugs in development, new drug launches will reach historically high levels over the next several years. There are several drug classes with notable products in the pipeline for 2021-2022: oncology, hematology, immunology, inflammatory diseases and genetic disorders. These new medicines will address significant unmet therapy needs across various disease states, including cancer, autoimmune conditions, and metabolic and nervous system disorders. Some of the top prescription drug issues to look for this year include the following.

- **New indications for existing drugs:** This area of the drug pipeline is often not looked at closely enough when it is, in fact, very worthy of attention. Consider, for example, the drug Rinvoq®, which is currently approved for rheumatoid arthritis and costs an average of $5,500 per month. Rinvoq is pending Food and Drug Administration (FDA) approval for moderate-to-severe active psoriasis and atopic dermatitis. If approved, there is potential for enormous financial impact. For atopic dermatitis—a condition that affects about 7% of the U.S. adult population—Rinvoq would offer a new preventive treatment option compared with the less expensive therapies on the market that are acute in nature.
- **New treatment for hereditary angioedema (HAE):** HAE is a disorder characterized by recurrent episodes of severe swelling commonly located on limbs, the face, airways and the intestinal tract. Haegarda®, Takhyzro® and Ruconest® are taken routinely to pre-

vent attacks, while Firazyr® is used for acute attacks on an as-needed basis. Orladeyo® is a new-to-market oral medication approved for HAE treatment in late 2020. It will be available at a somewhat lower price point than existing self-injectable or infusion products, potentially 10% to 15% less expensive than the existing HAE drugs on the market today. As a result, it is expected to capture 20% to 30% of the market share for HAE treatments in 2021.[7] This category also may see new market entrants from other existing drugs receiving FDA approval.

- **New gene therapies for hemophilia:** Many gene manipulation therapies are centered around *CAR-T therapies,* which take products from the human body, modify them and infuse them to treat a complex condition. Currently, only two pure gene therapy players are in the market—Luxturna® and Zolgensma®—but their long-term efficacy is unknown because there are no long-term studies available. As a result of high costs and lack of long-term evidence of efficacy, many pharmacy benefit managers (PBMs) exclude gene therapy products from their formularies, and many employers exclude them from their plans. Two new products in the pipeline for treating hemophilia A and hemophilia B are unlikely to get introduced this year, but so far both utilize only a single infusion and could deliver up to five to seven years or more of efficacy. These drugs have a potentially strong return on investment (ROI), but affordability concerns have not been addressed yet, such as methods to pay either up-front, over time or through reinsurance/stop loss.

Impact on Employers and Members

As the pandemic continues to impact business operations, HR managers find themselves precariously balancing competing directives. Legitimate budget constraints and financial pressures warrant lowering the cost of benefits, but real human concerns dictate doing the right thing by employees. Benefits leaders may mistakenly believe that lowering pharmacy benefits costs means lowering coverage, in effect reducing the benefit and creating member disruption. However, plans may have other options to improve the performance and affordability of a prescription drug benefit.

The pharmacy benefit system can be confusing for plan sponsors to navigate. Pharmacy benefits contracts frequently contain confusing language and include terms that may not be in the best interest of the group and its members, such as aggregate instead of client-level pricing and rebate guarantees, inconsistent brand and generic definitions, or specialty drug rebate exclusions. Because of this, plan sponsors may end up in suboptimally managed pharmacy benefits arrangements that can result in overspending and wasting money on unnecessary medications. In fact, in the author's experience, it's not uncommon for plan sponsors to be overpaying by at least 14% a year due to contract misalignments alone. On top of that, clinical oversight inefficiencies can cost the typical plan another 7% to 10% per year.[8]

Data-Driven Strategies to Manage Prescription Drug Costs

Implementing a clinical utilization management strategy as part of a pharmacy benefits plan can help identify areas of waste, reduce unnecessary plan costs, and potentially enhance value and safety for plan members. Designing a benefit that is tailored to meet plan goals and address the specific needs of an employee population begins with conducting a thorough analysis of utilization data.

By looking at a year's worth of pharmacy claims data, plans can gain an understanding of what conditions, drug classes and specific medications are driving costs within the plan. An analysis can also show how many members could be impacted based on certain plan design, clinical program and formulary decisions. An important part of the 2020 plan performance analysis should include deciphering how the plan was impacted by COVID-19–related trends and how much of that is likely to become part of the group's new normal. For example, groups that experienced member fluctuations in 2020 could see higher per member per month (PMPM) pharmacy benefits costs. In addition, with people sheltering in place for much of the year, there was a significant reduction in acute prescriptions for temporary ailments and an increase in prescriptions for chronic conditions as well as a shift from 30-day to 90-day prescription fills and increased mail-order utilization.

Whatever a plan decides following a data analysis, ongoing clinical program management is critical to ensure the appropriateness and necessity of prescription drug treatments as the plan year unfolds. Following are five components of an effective utilization management strategy that manages cost increases, optimizes therapy and reduces waste.

1. Review Clinical Appropriateness

Plans should implement a process to review high-cost pharmacy claims data, independent of the PBM, to ensure that members meet the FDA-approved criteria for receiving medications. Sometimes a thorough review of the member's health records can show that an alternative therapy is warranted despite the prescriber's best intentions. Plans should consider working with an independent reviewer, which will allow them to evaluate each claim separate from any bias the PBM may have as a pharmacy owner.

2. Optimize the Drug Formulary

Due to drug manufacturer advertising and drug education occurring in provider offices through sales representatives, it's very common for patients to be prescribed expensive medications that have low clinical value. These expensive drugs may wind up on PBM formularies because of a rebate relationship between the PBM and the manufacturer, not necessarily because the medication is the most cost-effective treatment alternative for a specific condition. Plans should enact regular formulary reviews and updates every six months to ensure that all medications are clinically and financially responsible. This may include excluding from coverage any high-cost medications that offer no added clinical value when lower cost alternatives exist on the market. Members would still have access to the medications they need but at a lower cost for the plan and for them.

3. Improve Dosing

Clinical programs are perhaps most valuable in instances where members are receiving an inappropriate dose of a drug due to error because these interventions prevent patient harm and can result in significant plan savings. In addition, some high-cost specialty medications are *parity priced,* which means that four individual 1mg tablets can cost four times more than just one 4mg tablet of the drug. Switching the member's dosing can save several thousand—or even hundreds of thousands—of dollars over 12 months of therapy. Conducting a retrospective claims data review or adding a prospective prior authorization review are effective strategies to help flag and rectify these issues.

4. Maintain Regular Member Touch Points

Member conditions can change and so can their response to therapy. This consideration is especially important for managing weight-based medications, where a slight drop in weight could alter dosing significantly. Establishing a communication plan between the payer and provider/member to manage each case and make medication adjustments as needed can drastically alter the member's quality of life and lower plan costs. Those monthly savings could be used to reduce member premiums or reinvest in employee wellness initiatives.

5. Align Rebates With Appropriate Utilization

A plan's unique drug utilization mix is an important factor when assessing the clinical and contract value of their pharmacy benefits arrangement. However, a common mistake is for plan sponsors to focus solely on contract terms, specifically rebate guarantees, without consideration for their unique prescription drug utilization data. Receiving a rebate on a medication that should not have been paid for in the first place, i.e., unnecessary drug utilization, leads to a net increase in plan cost and essentially cancels out any savings generated from rebate dollars. Because rebates can offset up to 25% of specialty brand medication spending and more than 50% of nonspecialty brand medication spend, plan sponsors may want to focus on maximizing their rebate yield by eliminating wasteful spending and decreasing pharmacy costs through clearly defined contract terms and comprehensive clinical oversight.

Looking Forward With Confidence

It's a given that the cost of prescription drugs is not likely to decline any time soon. By incorporating a clinical utilization management strategy into pharmacy benefits plans, plans can improve the health and safety of participants while saving money for the plan. This point is worth repeating: Increasing the cost-effectiveness of the pharmacy benefit does not have to equate to a reduced employee benefit.

Consider this real situation that occurred with an employee of a midsize food and beverage company who was prescribed an injectable orphan drug, Somatuline®, at 120mg per week at the cost of $312,000 per year. An independent drug review of the company's claims data found that the recommended dose of Somatuline was 120mg per month, not per week. A specialist from the clinical team reviewing the case reached out to the prescriber to alert them of the situation, and the prescriber adjusted the dose to one syringe per month instead of four. This change improved the patient's quality of life and reduced the cost from $312,000 to $101,000 per year—a significant percentage of the company's annual pharmacy spend of $880,000. Opportunities like this exist in abundance.

As things begin to normalize from the COVID-19 pandemic, plans may find a significant opportunity to discover lasting savings opportunities through a meticulous analysis of their pharmacy benefits contract and prescription drug claims data. By using data-driven clinical oversight strategies tailored specifically to a plan's risk areas, plan sponsors can improve their pharmacy benefit plans and do right by their employees.

bio

Mark Campbell, Pharm.D., joined RxBenefits, a pharmacy benefits optimizer (PBO), in 2017 and serves as vice president of clinical solutions. As a seasoned health care executive and pharmacist, Campbell has deep expertise in all aspects of the pharmacy benefit management industry. Prior to joining RxBenefits, Campbell held executive positions as president and CEO of Innoviant Prescription Benefits, vice president of Prescription Solutions and president of Health Information Designs. Campbell holds a doctor of pharmacy degree from the University of Tennessee and completed board-certified residency in geriatrics at the Veteran's Administration of Memphis.

Endnotes

1. See www.businessgrouphealth.org/who-we-are/newsroom/press-releases/large-employers-double-down-on-efforts-to-stem-rising-us.
2. See https://pubmed.ncbi.nlm.nih.gov/32412055.
3. See https://news.gallup.com/poll/268094/millions-lost-someone-couldn-afford-treatment.aspx.
4. https://www.oecd-ilibrary.org/social-issues-migration-health/health-at-a-glance-2015/pharmaceutical-spending-trends-and-future-challenges_health_glance-2015-5-en;jsessionid=2rkFMGraRhd3BomfPjo8x5Om.ip-10-240-5-153.
5. See www.goodrx.com/blog/january-drug-price-hikes-2021.
6. See www.rxbenefits.com/ebooks/definitive-guide-to-optimizing-pharmacy-benefits.
7. See www.linkedin.com/pulse/biocryst-pharmaceuticals-nasdaq-bcrx-embarrassment-riches-beardsley/?articleId=6696826661222006784.
8. Based on an analysis of RxBenefits clients, 2020.

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