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Empowering the Data Driven Organization®

6 Tips for Managing Employer Rx Costs

Prescription drug prices are projected to increase by an of average 6.3% by 2026, according to the Office of the Actuary at the Centers for Medicare & Medicaid Services (CMS). Rx prices will grow faster than any other healthcare sector costs, largely due to costlier specialty drugs.

This will help catapult total healthcare expenditures to nearly 20% of US Gross Domestic Product by 2026.

With costly projections like these, it's more important than ever to more effectively manage your Rx costs. You need to approach your benefits budget strategically. Innovu, a healthcare data analytics vendor, provides 6 tips to help you better manage your Rx costs.

Some of the approaches require the use of data analytics, which gives you insight into the health of your members and the medications they're taking. Data insight across all your programs — not just Rx — gives you a deeper understanding of cost drivers based on your population's health and utilization. You can then design the proper programs or interventions to mitigate risk and improve population health.

6 Tips to Manage Your Rx Costs

In May of 2018, the U.S. Department of Labor reported that the all items index rose 0.2%, before seasonal adjustments, over the last 12 months (CPI-U).

1. Project the impact of drug price increases.

High cost specialty drugs, such as Humira® and Enbrel®, experienced a 9.7% increase in 2018, causing allowed payments for these drugs to rise to $4,300 on average, per patient, per month. Allowed payments represent the full cost of the prescription from all payment sources, including employer and employee responsibilities.

If you're using historical utilization to project your year-end costs, include these specific price increases to calculate your total allowed payments. If you don't have specific information, use the most recently published consumer price index (CPI-U).

2. Account for new, high cost drugs in the pipeline.

New drugs are constantly under development and under FDA review. They're often more costly than what is currently being prescribed. You need to take these new drugs into account because, once available, they may be prescribed for your members to treat their chronic conditions or rare diseases. Your benefit advisor and data analytics vendor should be able to give you information on high cost drugs in the development pipeline.

Be aware that high cost medications can be billed under the pharmacy or the medical benefit. Approximately 50% of your high cost specialty medications are billed under the medical benefit, including drugs administered by a healthcare provider (typically drugs that are infused).

More importantly, the costs to administer the same drug, in the same amount, can be up to 50% less expensive if administered by providers in their offices rather than in an outpatient hospital setting. So, if you're only monitoring the utilization and management of drugs under your pharmacy benefit, you're likely missing significant costs that are affecting your overall medical and pharmacy budget.

Here are two resources that you can use:

- An **article** discusses key specialty drug trends, including cancer drugs, new competition, and orphan drugs. An orphan drug is one manufactured for the safe and effective treatment, diagnosis, or prevention of rare diseases or disorders (US Food and Drug Administration [FDA]).
- **MarketWatch** reports that a new class of drugs to treat migraines (calcitonin gene-related peptide [CGRP] inhibitors), are in development. The FDA just approved the first self-injectable drug in this new class (Aimovig™) in May 2018.
  - About 12% of Americans suffer from migraines.
  - The list price for Aimovig is $575 per month, or $6,900 annually.
  - The largest class of anti-migraine drugs used today, triptans, cost $2,500 per year.

Quantify your future risk.

When new medications come on the market, they're heavily advertised, creating consumer demand for the drugs. Physicians also endure a full-frontal attack from manufacturers to prescribe the new, more costly drugs. Both tactics mean increased costs for you.

Here are a few steps you can take to proactively address your financial exposure:

- To project the impact, you need to know which members in your population have the conditions that can be treated with the new drugs, and what medications these members are currently taking. Apply the estimated price increases to high cost brand medications or an inflationary factor to project your year-end expenditures.
- Use that same data to work with your care management team to identify all members who aren't controlled with their current therapies. Look for those:
  - Taking polypharmacy
  - With increased office, urgent care, and emergency room visits
  - With recurring admissions.
- *Prior Authorization*

  Talk to your pharmacy benefits manager (PBM) about its process for managing new FDA-approved, high cost drugs.
  - Include new drugs in your prior authorization program to ensure they're dispensed in the right quantity for the right patient condition. Any delay in implementing coverage reviews can cost you money.
  - Understand how prior authorization approval criteria may impact rebate opportunities offered by the manufacturer.
  - Identify restrictions within the prior authorization process that prohibit promoting lower cost alternatives or substantiating medical diagnoses.

3. Integrate new generics into your formulary.

Once a brand manufacturer's patent expires, other drug companies can manufacture generic copies. The manufacturers don't need to repeat clinical research to prove the safety and efficacy of the generic drug because that was already proven with the branded medication.

That, along with competition from multiple manufacturers, typically results in greater discounts on the purchase price — typically, 80-85% less than the brand counterpart. This is not always true, as some first-time generics are granted market exclusivity that keeps the price higher for a period.

Make the most of generic equivalents.

How can you be sure you're effectively integrating generic drugs into your Rx programs? You and your advisor can:

- Check the FDA's website for first-time generic drug approvals.
- Ask your PBM to provide comprehensive updates on new drug approvals.
- Verify the availability of generics and compare their prices to brand counterparts using resources like GoodRx.
- Evaluate your plan design and determine how your program manager promotes generics. Are pharmacy network discounts contingent on insurance contracts containing a provision that prohibits a pharmacist from informing customers of lower cost options?

  Note that this practice is under attack. President Trump said he will eliminate gag clauses from the Medicare drug program. If that happens, private insurers will likely follow suit.

- Understand how the new generics will be priced under your plan so you can more accurately budget your program.
  - Will the newer generics apply against the generic guarantee?
  - What formulary coverage tier will be applied to the new generics?

The FDA defines a generic drug as "a medication created to be the same as an already marketed brand-name drug in dosage form, safety, strength, route of administration, quality, performance characteristics, and intended use. These similarities help to demonstrate bioequivalence, which means that a generic medicine works in the same way and provides the same clinical benefit as its brand-name version. In other words, you can take a generic medicine as an equal substitute for its brand-name counterpart."

Drug Descriptions (Patent Expiration)

Acanya Gel (July 2018) topical treatment for acne
Adcirca (May 2018) oral specialty drug for pulmonary arterial hypertension
Ampyra (July 2018) oral tablet to help improve walking in adults with multiplesclerosis
Cialis (September 2018) prescribed to treat erectile dysfunction
Finacea (November 2018) topical drug for rosacea
Fortesta (November 2017) topical drug for low testosterone
Levitra (October 2018) oral tablets for erectile dysfunction
Lexiva (June 2018) oral medication for HIV
Lyrica (December 2018) oral medictation to treat seizures and nerve pain
Rapaflo (December 2018) oral drug to treat an enlarged prostate or BPH
Remodulin (June 2018) injectable drug (SC or IV) to treat pulmonary arterial hypertension
Sensipar (March 2018) oral tablets for secondary hyperparathyroidism in individuals receiving dialysis
Treximet (February 2018) oral drug containing 2 currently available generic drugs used to treat migraines
Vesicare (November 2018) oral tablet to treat overactive bladder

4. Ensure rebates benefit your members.

To ensure members are getting the full value of rebates, talk to your program manager (PBM) about all direct and indirect remuneration (DIR) fees. DIR fees are *additional compensation received by the program manager after the point-of-sale, that serves to change the final cost of the drug for the payer (such as rebates), or additional concessions that affect the price paid to the pharmacy for the drug* (CMS).

5. Validate the methodology your PBM uses to forecast savings.

Many vendors entice employers with savings guarantees. Choose vendors that are willing to disclose their savings methodology with your advisor and data analytics vendor. Your data analytics vendor can use your integrated claims data to validate program performance and forecast future savings.

6. Benchmark your program performance.

Use your health analytics vendor to benchmark your generic utilization regionally and nationally against other similarly sized employers to see how your costs and utilization compare. This insight can help you:

- Negotiate more favorable terms from your carrier, third party administrator, and PBM.
- Understand the health issues impacting your population.
- Uncover the root causes of those issues:
  - Use the data to implement interventions or make program design changes that target the issues to better manage all your benefits program costs.

All these tips can help you better manage your programs, but you'll get more bang for your buck using data analytics. Having an integrated view of your medical and pharmacy benefits is just the tip of the iceberg when it comes to managing employee healthcare costs. Phase two creates an integrated view of all your benefit programs, including workers' compensation, short-term and long-term disability benefits, safety, etc. You will get a 360-degree of your population health and uncover program correlations you could never see before.

"Failing to plan is planning to fail." —Alan Lakein

About Innovu

Innovu delivers secure, cloud-based data analytic solutions to self-funded and fully insured **employers**, benefit **advisors**, and **communities** (business groups on health and industry associations). By securely integrating benefits and risk data across all programs — medical, Rx, vision, dental, wellness/biometrics, workers' compensation, disability, absenteeism, safety, 401(k), etc. — we create a 360-degree view of their populations. They can use this correlative, never before seen insight to design and measure targeted benefits programs and interventions that improve member health and mitigate business risk.

Use data-driven insight to successfully manage your Rx costs.

For more information, visit www.innovu.com

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