

## **Specialty Drug Spend: Pharmacy Plan Versus Medical Plan**

### **Introduction**

Payers continue to scrutinize their specialty drug spend and wonder if they really are doing all they can to reduce costs or at least manage the utilization most effectively. The increasing number of advanced specialty therapies and better patient care/diagnosis has led to ongoing cost increases, which is ever more challenging to contain. With healthcare reform providing a greater number of people access to healthcare and prescription drug coverage, this issue will not go away. Many payers and plan managers fail to realize they have the resources to optimally manage the specialty drug spend and work through the Pharmacy Versus Medical Plan challenge.

### **Issues**

The usual suspect is when employers outsource their pharmacy benefit in a carve-out PBM arrangement. The PBM does not have visibility to the specialty drug claims paid through the medical benefit. The specialty drug cost is not as aggressively negotiated in the medical plan and/or there is no rebate returned to the payer. While this still occurs, its frequency has diminished as employee benefit consultants, benefit administrators and clinical analyst support staff have learned to account for this.

Another circumstance is when specialty drugs are administered in the patient's home. It is generally accepted patients being treated with a specialty product at home rather than in a hospital, clinic or physician's office will incur considerably less costs. However, the drug may/may not be administered under the pharmacy benefit and the cost of administering the drug is assigned to the medical benefit.

In other instances, the administration of specialty drugs becomes arbitrarily managed. As long as claim adjudicates at the correct reimbursement mark and the acquisition price of the specialty therapy aligns with system edits, it is assumed everything is being adequately monitored and economically administered. While this may seem to be a "streamlined approach", it can lead to inappropriate utilization, cost overruns and poor management of both medical and pharmacy benefit plans. Even though both plans may have been overhauled prior to a new year, it is still important to revisit them to be certain they are performing as expected.

### **Options**

#### **Cost Comparison**

Medical and pharmacy benefit plans need to be periodically aligned, compared and evaluated strictly based on particular specialty drug acquisition costs. This will confirm how much is being paid out in combined expenses for the same specialty drug administered/reimburse through two different plans. This will determine if better cost and/or utilization controls are needed for the pharmacy and/or medical benefit side.

#### **Codes and Coverages**

The same method of comparison applies to how the product is coded for specific treatments. This includes what prior authorization programs, step therapy protocols, treatment guidelines, reimbursement standards and system edits apply on the medical and pharmacy benefit sides of the plans. If the product is being used according to its indications and/or appropriate treatment guidelines as documented by the physician, additional costs through administrative review and processing may occur if excessive authorization requirements are in place. In some instances, when the details are closely examined, coverage rules in a pharmacy plan may contradict those in the medical plan. A clear care/cost advantage may be identified by having the specialty drug relegated to one of the specific plan types and open access allowed based on it being used on diagnosis codes and defined coverage rules

## **Partitioning Specialty Therapy And Medical Administrative Costs**

Specialty drug claims may be fully covered only under the pharmacy benefit to be certain they are tracked clinically/financially with arrangements in place to capture a rebate. This could result in the specialty drug being acquired at a lower cost through direct negotiation with its manufacturer.

On the medical side, nursing, blood work, and other claims tied to the administration of the specialty drug can be clearly compiled separately. By reviewing costs, codes and plan design, specialty drug utilization can be objectively and systematically evaluated and adjusted as necessary as utilization changes. Identifying when the specialty therapy claim is partitioned from its associated administrative costs does require adjunctive reporting but when they are combined in the format of a defined report profile, the compiled information per treatment will be easily assessed.

## **Point-Of-Care**

Point-of-care options should be reviewed. There may be cost savings in directing certain specialty drugs be administered only in specific care settings (home, clinic, physician's office, etc.) and not in a hospital based on clear plan rules. Exceptions can be made only with prior authorization and administer this arrangement in the same manner as a managed access program. By isolating the specialty product's administration/reimbursement, this also increases visibility to the specific adjudicated claims for the specialty therapy and administration costs rather than having them collectively buried in a deep assortment of other hospital claims.

## **Ongoing Communication**

When changes are made to the management of a specialty therapy, they need to be thoroughly communicated. If patients and caregivers are primarily made aware of a change in coverage rules by a system block, persistent issues will be generated affecting care and cost levels. Coverage decision makers have to engage/communicate with providers and patients on a level playing field in advance of changes being activated and then afterwards as new patients and clinicians become involved with the specialty product.

## **Summary**

Specialty drug cost and utilization continue to rise. With more individuals and patient types having greater access to them through healthcare reform measures, management of medical and pharmacy benefit plans needs to commensurately improve. The challenges of controlling pharmacy spend and risk management multiplies as the percentage of patients on specialty medications rises when the overall plan membership increases. Steady medical and pharmacy benefit plan maintenance through closer monitoring of utilization, plan rules and system edits will lead to better care and cost plan performance for patients and payers.