

Exclusions, Prior Authorization, and Step Therapy: Payer Responses to Manufacturer Strategies

Presented by:

Sharon Glave Frazee, PhD MPH
Vice President of Research & Education

Jane Lutz, Executive Director

sPCMA Business Forum
March 9, 2017



PBMI Offers the Industry:

- 22 years of thought leadership, education, and research on pharmacy benefit management
- Industry's only membership organization exclusively dedicated to helping healthcare purchasers maximize the value of drug benefit plans
- Unmatched payer drug benefit and plan design trend data
- Annual Drug Benefit Conference
- Online educational/research resources



Benefit Design Report



Pharmacy Trends in ACOs



Specialty Drug Benefits Report



PBM Customer Satisfaction Report

Many Shared Goals But Many Strategies are at Odds with what Payers Want



Employers Top 2 Goals for Managing Specialty Drugs

51%



Management of specialty drug cost trend was the number one goal of respondents

13%



Reduction of inappropriate utilization was the second most important goal

Specialty Drug Trend Under the Pharmacy Benefit Varies Greatly

FIGURE 11. PMPM Gross Cost Trend for Specialty Drugs Covered Under the Pharmacy Benefit

Base: Respondents who cover specialty medications under the pharmacy benefit and whose PBM/vendor tracks their specialty drug spend. No statistically significant differences between years.

2013 - 2014 Trend (n=303)



2014 - 2015 Trend (n=261)



- Less than 0% / negative
- 0% / flat
- 1% - 10%
- 11% - 20%
- 21% - 30%
- Greater than 30%
- Not sure

46% of respondents reported 2015 pharmacy benefit trend between 11% and 25%

High Prices are a Problem but Not the Only One....

Not a problem at all

A very big problem



The cost of new specialty drug treatments



Changes in manufacturer prices for existing specialty medications

Challenges to Formulary Design

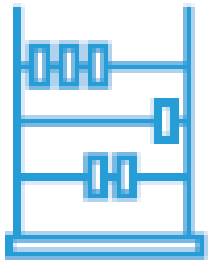


Manufacturer Tactics that Challenge Drug Formularies Create Push-back

- Copay Assistance Programs
- Free Drug Programs
- Patient Assistance Programs
- Drug Service Hubs



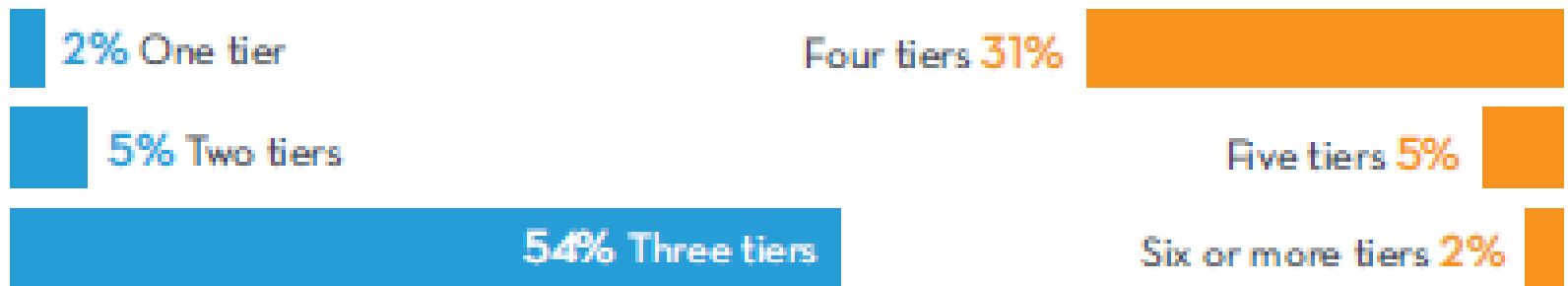
Rising Costs Lead to Changes in Benefit Design



Deductibles in the pharmacy benefit are much more common and use continues to grow. They are most often shared with the medical deductible.

38% of employers have a pharmacy deductible, either specific to the drug benefit or combined with the medical benefit (up from 36% last year).

Facing this challenge leads to **CHANGE** with plan designs being more complex than ever



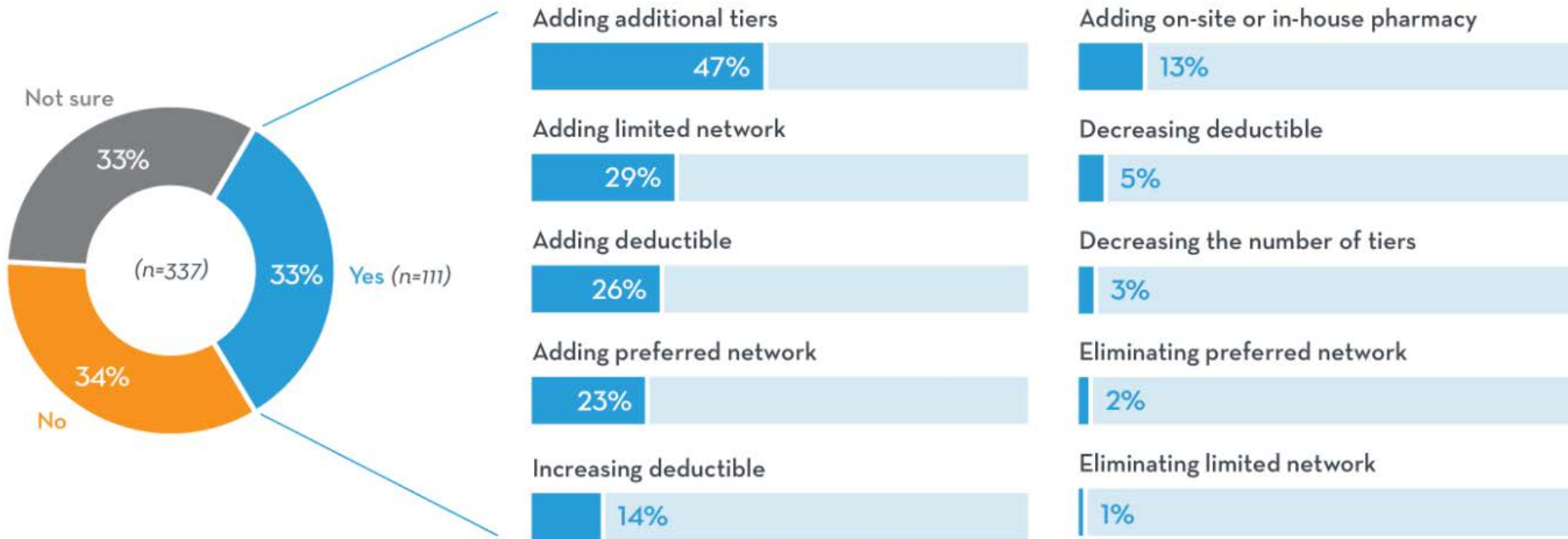
Plans with four or more tiers continue to grow.

The Future of Cost Sharing

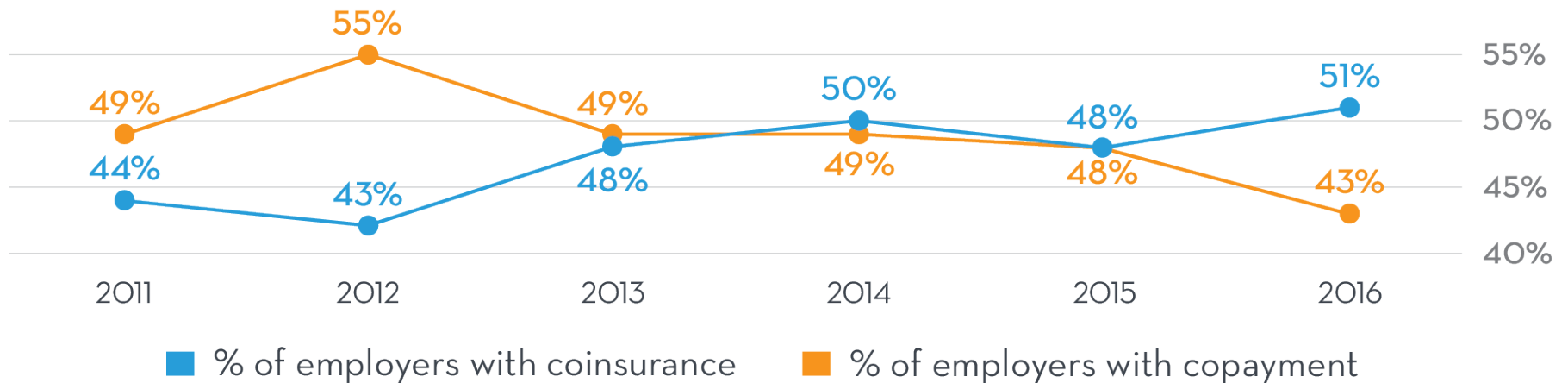
New Q

FIGURE 22. Cost-Sharing Changes

Base: Respondents considering changes to cost sharing. Multiple responses allowed.



Use of Coinsurance Cost-Sharing Designs Now Exceed Those with Copayments Under the Pharmacy Benefit



Cost-Sharing Implications

Specialty Drug Cost-Sharing in 2016

\$83
pharmacy
benefit

Average
patient
copayments

\$80
medical
benefit

38%
pharmacy
benefit

Average
coinsurance

37%
medical
benefit

Specialty Drug Cost-Sharing in 2015

\$76
pharmacy
benefit

Average patient
copayments

\$67
medical
benefit

29%
pharmacy
benefit

Average
coinsurance

32%
medical
benefit

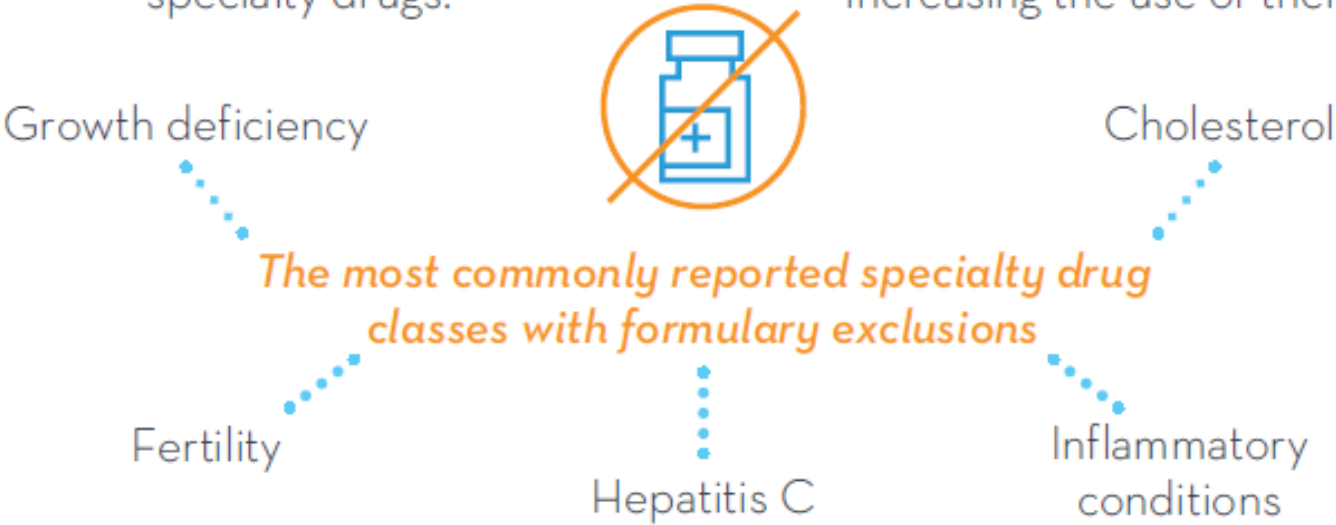
Cost Pressures Lead Employers To Make Hard Decisions



More than half of employers had formulary exclusions for specialty drugs.



More than one-third were considering implementing or increasing the use of them.

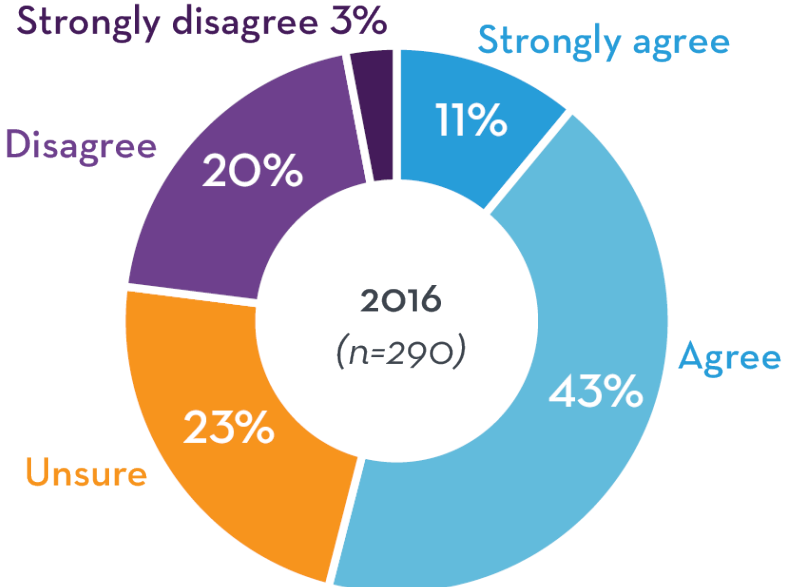
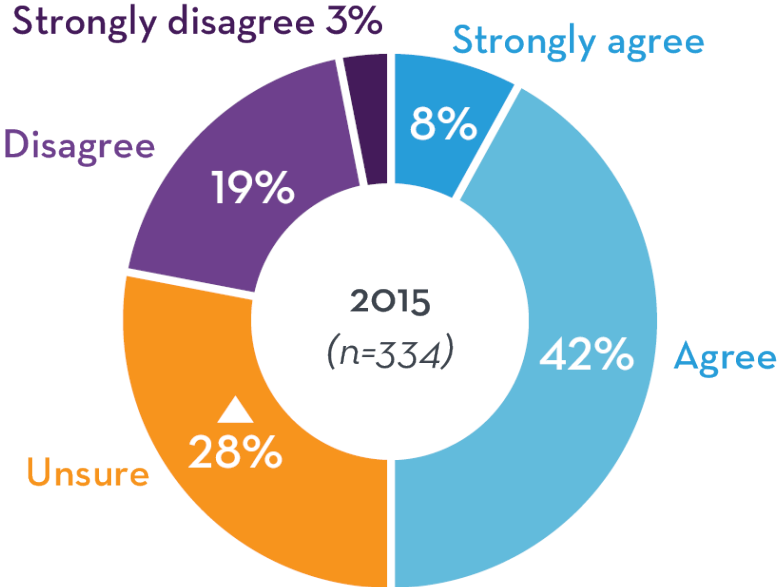


Formulary Exclusions are Seen as Generally Effective

FIGURE 22. Level of Agreement that Formulary Exclusions Are an Effective Way to Manage Specialty Trend

Base: Respondents who cover specialty drugs under the pharmacy benefit.

▲ = Significantly higher than comparison year.

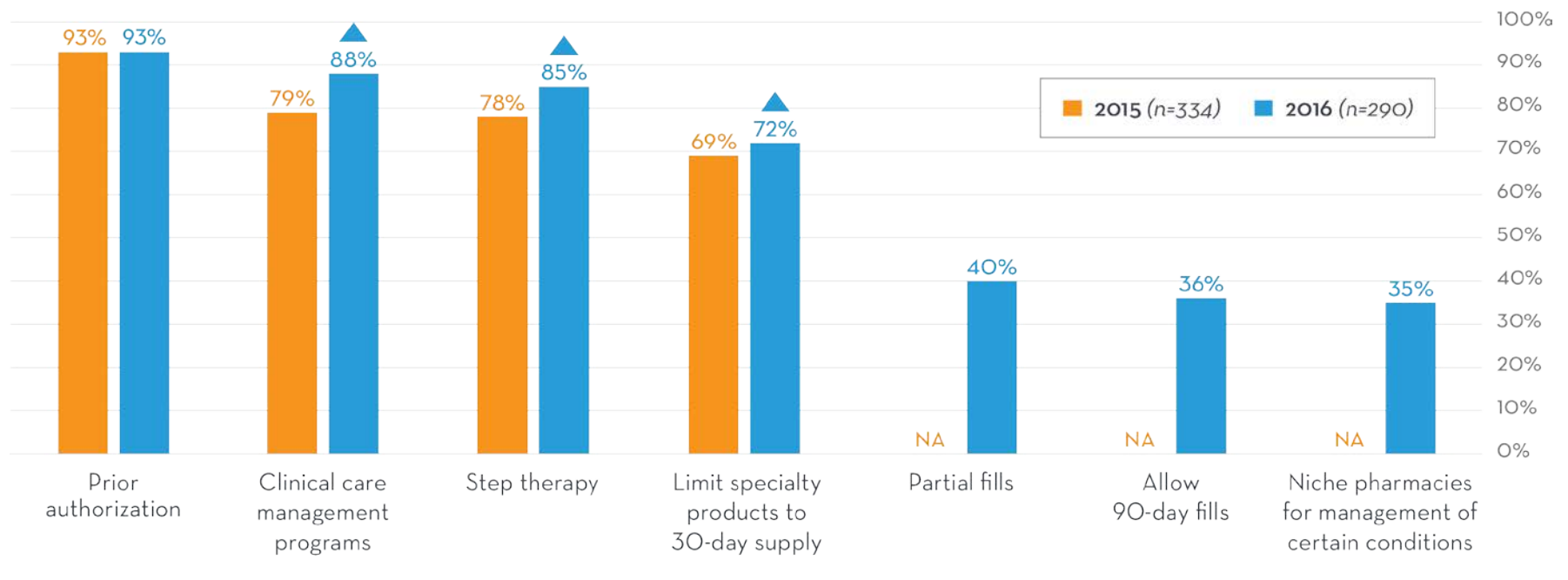


Specialty Clinical Utilization Management Programs Under the Pharmacy Benefit

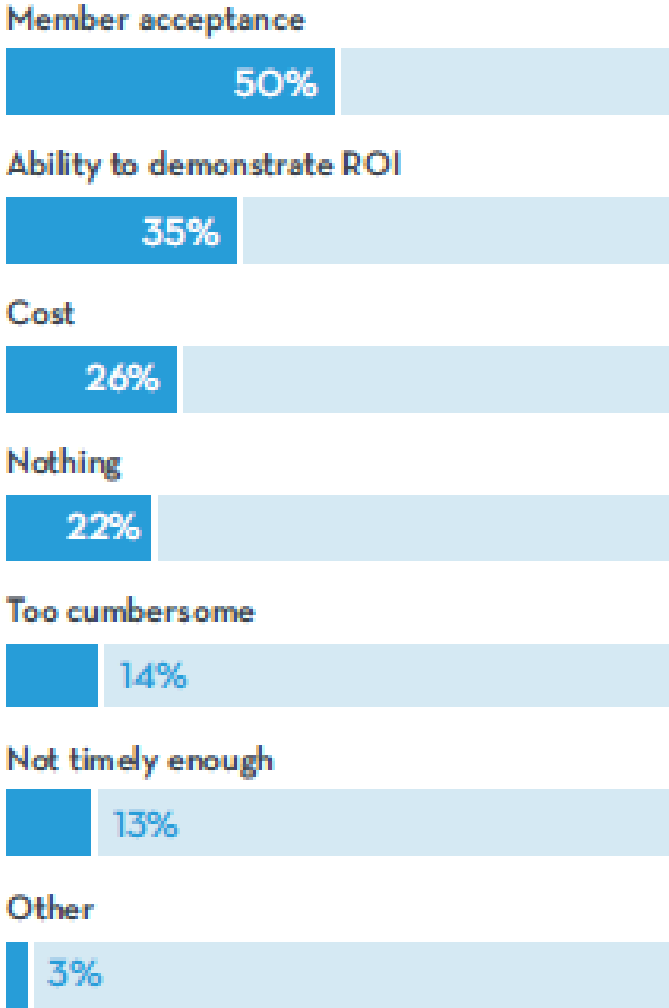
FIGURE 27. Specialty Clinical Utilization Management Strategies Used in the Pharmacy Benefit

Base: Respondents who cover specialty medications under the pharmacy benefit. ▲ = Significantly higher than comparison year. NA = not asked.

Rev.
Q



Barriers to Clinical and Utilization Tools



Government Controls on Manufacturer Pricing?

>60% of employers favor or strongly favor government controls on manufacturer pricing of specialty drugs.

*“Government controls rarely work.”
(Somewhat oppose)*

*“I don’t like government interfering with capitalism but I support setting pricing controls that still provide a reasonable amount of profit.”
(Somewhat favor)*

*“It is in the public’s interest to have cost controls that are similar (or better than Medicare/Medicaid.”
(Strongly favor)*

*“Not a fan of price controls in any industry. Free markets should drive.”
(Strongly oppose)*

FIGURE 53. View on Government Controls on Manufacturer Pricing of Specialty Drugs

(n=298)

New
Q



Payers Face the Challenge of Unsustainable Drug Costs



More than one-quarter of employers responding indicated that their specialty drug benefits were part of a high deductible plan.



Because drug benefits tend to be used much more frequently than medical benefits, the first place many members have to meet their deductible is at the retail or specialty pharmacy.



Coinsurance for expensive specialty drugs can be more than the average consumer can afford.

Cost-Sharing for Specialty Drugs

Implications for members – high deductible plans and coinsurance cost-sharing help keep insurance premiums lower but can have a disproportionate impact on members using specialty medications.

Key Takeaways

- Specialty drug trend is a key challenge for payers
- High prices are problematic but making this worse are tactics that undermine drug formularies put in place – and both increase drug trend for payers
- Drug plan design changes are a direct result of rising trend
 - **38%** currently have a pharmacy deductible and the number is growing
 - **51%** coinsurance drug plan designs now exceed copay designs
 - **54%** currently have formulary exclusions for specialty drugs
 - **38%** are considering implementing or increasing the use of formulary exclusions
 - **93%** have prior authorization programs in place for specialty drugs
- Pharmaceutical manufacturers have the opportunity to be part of the solution by aligning with PBMs and payers

Thank You

Sharon Glave Frazee, Vice President of Research & Education
sfrazee@pbmi.com

Jane Lutz, Executive Director
jlutz@pbmi.com

Pharmacy Benefit Management Institute
5360 Legacy Drive
Building 3, Suite 230
Plano, TX 75024

480.730.0814

