



# SPECIALTY DRUG UPDATE

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Specialty drug costs and innovation are garnering considerable attention. Management of these costs ranked second in a Mercer employer survey of health strategy priorities over the next five years.<sup>1</sup>



1. High-cost claims management and monitoring



2. Management of specialty pharmacy costs



3. Culture of health



4. Better advocacy, shared decision-making and care navigation for employees



5. Behavioral health strategies



6. More plan and benefit options



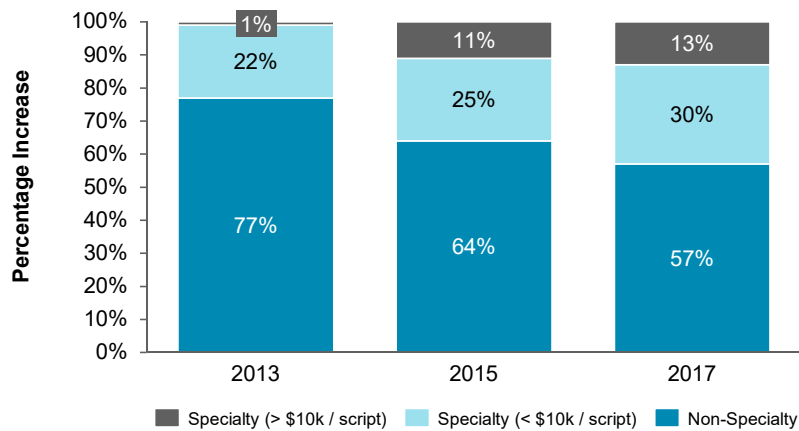
7. Healthcare affordability for low-income employees

<sup>1</sup> Source: Mercer National Survey of Employer-Sponsored Health Plans, 2019.

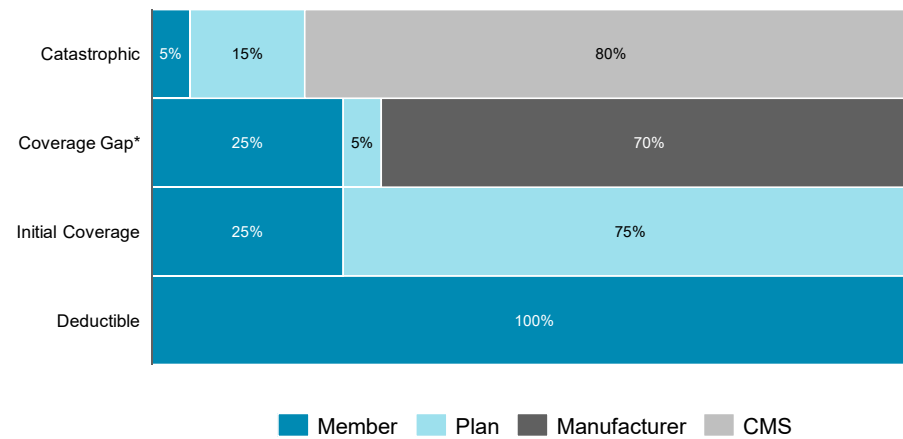
In Part D, specialty drugs have contributed to a shift in CMS funds from subsidies to federal reinsurance.

Part D plans may have increased incentives to manage specialty drugs under proposed design legislation.

**Distribution of Annual Allowed by Drug Type in Part D**

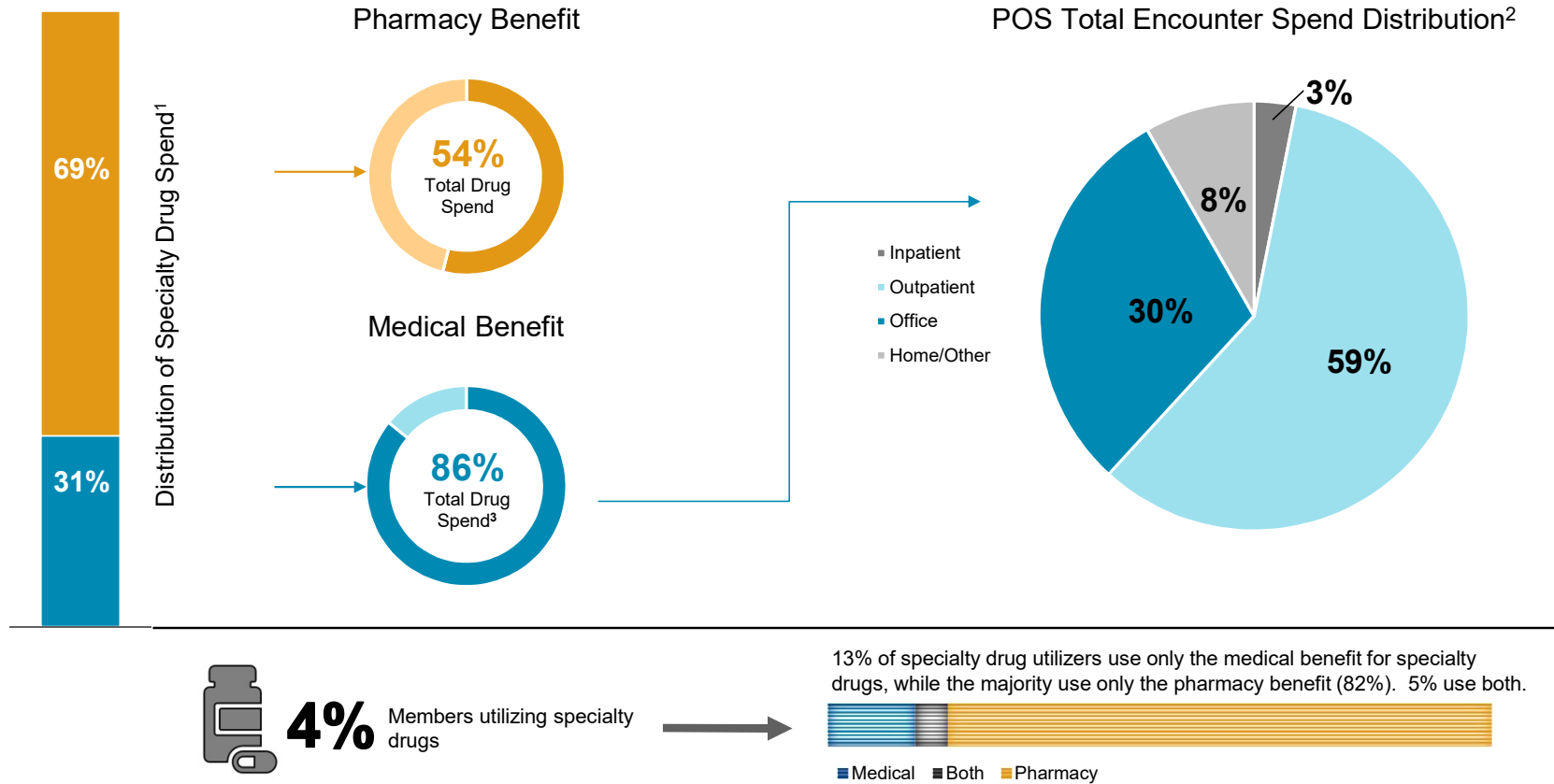


**Current Design**



<https://www.cms.gov/Medicare/Health-Plans/MedicareAdvtgSpecRateStats/Ratebooks-and-Supporting-Data.html>  
<https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/Information-on-Prescription-Drugs/MedicarePartD.html>

Specialty drugs represent a significant portion of healthcare spend.  
 Out of total healthcare spend, approximately 30% is spent on drugs.

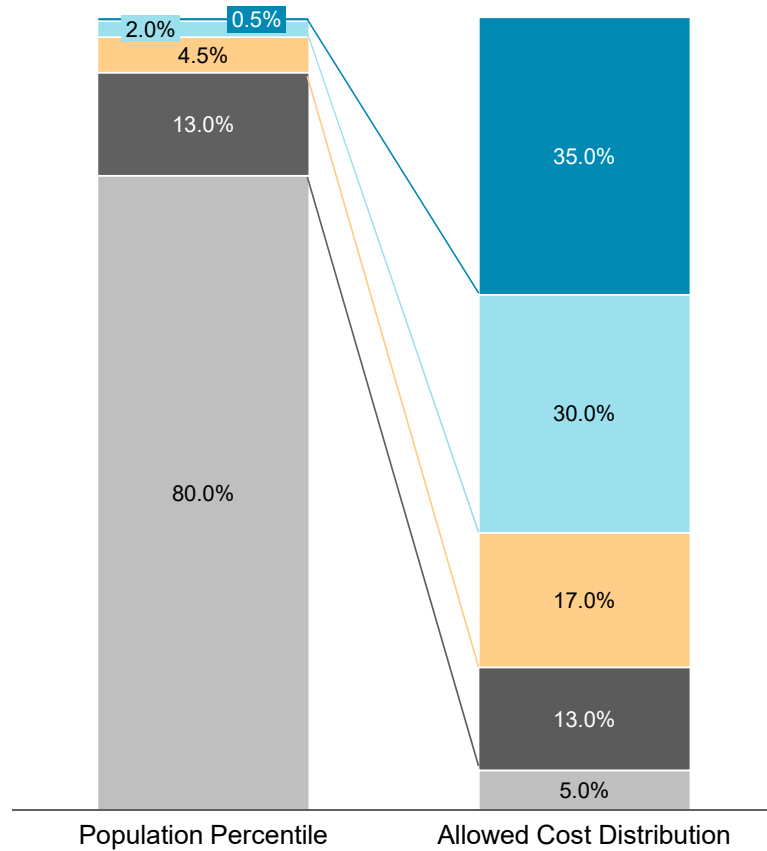


<sup>1</sup> Datasource: 2017 MarketScan data

<sup>2</sup> Encounter Spend defined by both the cost of the drug and any associated costs with visit

<sup>3</sup> Total Drug Spend defined by only the cost of the drug and no additional associated costs with visit

A very small number of members drive pharmacy costs.<sup>1,2</sup>  
 PMPY drug costs for top 0.5% are 70X greater than average.



Components of Percentiles Under Combined Benefit

Population Percent	Pharmacy PMPY <sup>3</sup>	Multiple of Average	Average Age	% Male	% Female
0.5%	\$122,103	70.4	46.6	42.5%	57.5%
0.5% - 2.5%	\$ 25,613	14.8	47.1	49.0%	51.0%
2.5% - 7%	\$ 6,382	3.7	47.0	46.3%	53.7%
7% - 20%	\$1,749	1.0	40.6	38.0%	62.0%
20% - 100%	\$122	0.1	32.2	50.0%	50.0%
<b>Total</b>	<b>\$1,735</b>	<b>1.0</b>	<b>34.2</b>	<b>48.0%</b>	<b>52.0%</b>

<sup>1</sup>Datasource: 2017 MarketScan

<sup>2</sup>Includes pharmacy costs in both the medical and pharmacy benefit; for specialty drugs in the medical benefit, includes associated encounter costs.

<sup>3</sup> Cost per member per year

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Ten drugs are responsible for more than 25% of specialty spend.<sup>1</sup>  
 Costs vary between the medical and pharmacy benefit administrations.

Drug Name	Distribution of Benefit Spend <sup>2</sup>	Proposed Indications	% of Total Specialty Drug Spend	Average Cost Under Medical Benefit <sup>3</sup> (K)	Average Cost Under Pharmacy Benefit <sup>4</sup> (K)
	medical/pharmacy				
Humira		Immunosuppressants, NEC	9%	N/A	\$5.4
Remicade		Immunosuppressants, NEC	4%	\$7.6	\$4.8
Enbrel		Immunosuppressants, NEC	3%	N/A	\$4.7
Neulasta		Hematopoietic Agents, NEC	2%	\$9.8	\$10.4
Stelara		Immunosuppressants, NEC	2%	\$14.8	\$7.4
Herceptin		Molecular Targeted Therapy	2%	\$9.6	N/A
Rituxan		Molecular Targeted Therapy	2%	\$13.5	\$9.2
Tecfidera		Biological Response Modifiers	2%	N/A	\$6.7
Copaxone		Biological Response Modifiers	2%	N/A	\$5.9
Avastin		Molecular Targeted Therapy	2%	\$5.5	N/A
Other Drugs			71%	\$6.1	\$2.3
<b>Total</b>			<b>100%</b>	<b>\$6.7</b>	<b>\$2.7</b>

<sup>1</sup> Datasource: 2017 MarketScan data

<sup>2</sup> Distribution of Benefit Spend considers only the cost of the drug for both the medical and pharmacy benefit

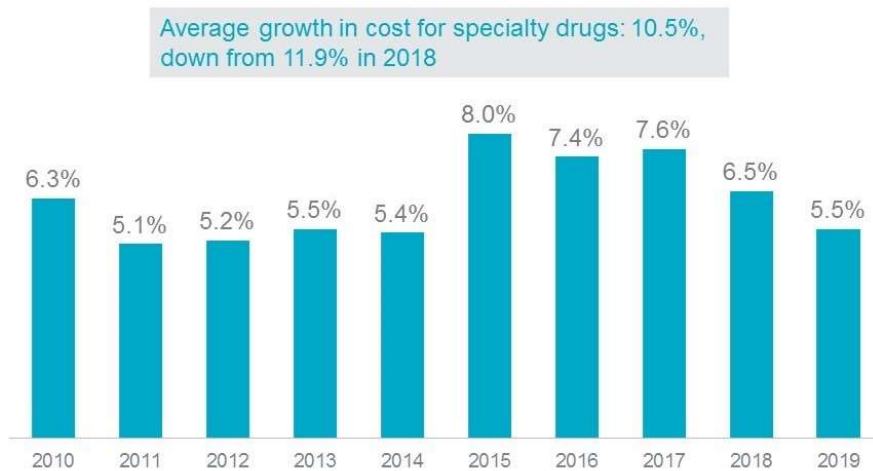
<sup>3</sup> Average Cost Under Medical Benefit is the average cost of one encounter

<sup>4</sup> Average Cost Under Pharmacy Benefit is the average cost per 30-day prescription equivalent

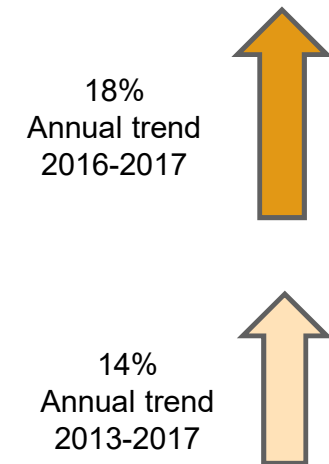
Specialty drug trends outpace non-specialty drugs on the pharmacy benefit.<sup>1</sup>  
 Pharmacy cost trends on the medical benefit were higher than those seen on the pharmacy benefit.

**PRESCRIPTION DRUG COST GROWTH SLOWS, BUT STILL OUTPACES OTHER MEDICAL SERVICES**

Average annual change in prescription drug benefit cost per employee, among employers with 500 or more employees



**Medical pharmacy benefit cost trends 2013-2017<sup>2</sup>**



<sup>1</sup> Source: *1Mercer National Survey of Employer-Sponsored Health Plans, 2019.*  
<sup>2</sup> *Magellan Rx Management Medical Pharmacy Trend Report, 2018 Ninth Edition.*



Specialty drugs costs generate a number of actuarial issues.  
There are opportunities to understand and manage these costs.



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