

Magellan Rx Management

Medical Pharmacy Trend Report

2013 EMPLOYER GROUP SUPPLEMENT





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Note to Our Readers

We are happy to introduce the first Employer Group Supplement to the Magellan Rx Management Medical Pharmacy Trend Report™. Specialty drugs on the medical benefit remain a key issue for all payors of health care benefits. Generally, larger organizations like health plans or state governments that aggregate many lives to provide health insurance have the resources and subsequent expertise to identify trends and allocate resources to implement solutions to manage changes in health care costs and treatments. Employers, which in most cases are ultimately responsible for the cost of health care benefits for their employees, tend to rely on these larger entities to address complex health care challenges like medical specialty drugs. When health plans do not provide adequate solutions, the employer segment, like any consumer, gets more involved with implementing its own solutions. At this point, we believe the employer segment is challenging the market to provide real solutions to the complex challenges for autoimmune diseases, cancer, multiple sclerosis and the other conditions treated with provider-administered injectable and infusible drugs paid under the medical benefit.

This is our first survey of employers and their management of medical specialty drugs and we plan to continue to build on the survey and add employer data to future editions of the Magellan Rx Management Medical Pharmacy Trend Report™. This survey consisted of 29 questions to employer groups representing 291,350 members. Not all survey responses will match industry expectations, proving this area of medical drug management is a difficult landscape and calls for more employer segment education and consultation. As a result, it is possible that some of our questions may have been misinterpreted by survey respondents, so we have enhanced our survey development process to include more specific and clarifying questions for the next edition.

Below are a few observations regarding the survey responses that are featured in this trend report. We hope you find this helpful and informative as you continue to work to provide cost-effective, high-quality medical benefits to your members or employees.

- Twenty-seven percent of employers surveyed responded yes to receiving rebates on medical pharmaceuticals, compared to 50 percent of health plans. Some health plans are passing medical rebates on to their self-insured clients, but there is a significant gap between employers and health plans receiving medical rebates, which may be related to the dynamic that exists between health plans and fully insured employer groups. In addition,

although this trend report is specific to the management of provider-administered injectable/infusible drugs paid under the medical benefit, the employer survey participants may have responded in regard to specialty drug rebates versus only medical specialty drug rebates, which would result in a higher percentage of employers responding yes to receiving medical rebates than market insight would suggest.

- Benefit design remains an opportunity, with 33 percent of respondents confirming they are using benefit design to incent the lowest cost site of service for medical drugs. Self-insured employers will have the most flexibility to implement these solutions depending on the medical carrier they choose to administer their benefits. Interestingly, 40 percent of employers responded that the physician office, receiving drugs from a specialty pharmacy, is the lowest-cost site of service. However, considering the benefits of physician class of trade and industry reimbursement and management of drug inventory, physician office buy and bill is generally regarded as the lowest-cost site of service.
- Fifty-three percent of employers reported that they do utilize prior authorization to influence site of care. This response is high compared to industry expectations for medical injectable drug site of care management. Employers may have been referring to other health care sectors (e.g., labs, scans) where site of care is managed more aggressively or perhaps interpreted the question as a prior authorization requirement for infusions administered in a specific site of care, such as the home via a home infusion provider.
- Sixty-one percent of respondents expressed interest in learning more about medical pharmacy management strategies, with 33 percent of employers confirming they are not tracking medical pharmacy drug spend (Figure 14). However, in an earlier question, the percentage of employers that indicated they not tracking medical specialty spend was even higher, at 80 percent (Figure 11). This clearly indicates that employers require and continue to ask for more support in managing this aspect of their health benefits.



Employer Group Survey Data

Figure 1 reports the percentage of employer groups receiving a rebate for injectable/infusible drugs by pharmaceutical manufacturers. When these drugs are paid on the medical benefit side, only a small proportion of employers (27 percent) are taking advantage of the rebates. See *Figure 1, Employer Groups Receiving Rebates from Drug Manufacturers for Injectable/Infusible Drugs*.

Figure 2 shows the key drivers of oncology costs as identified by employer groups. An increase in manufacturer drug prices was the predominant cost driver reported by over half of employer groups. Increases in drug utilization and pharmacogenetic testing accounted for 13 percent each. One in five employer groups did not list any of these issues, but instead identified the location of service and increasing prevalence of oncology patients as the most important drivers of oncology costs. See *Figure 2, Key Drivers of Oncology Costs*.

FIGURE 1: Employer Groups Receiving Medical Rebates

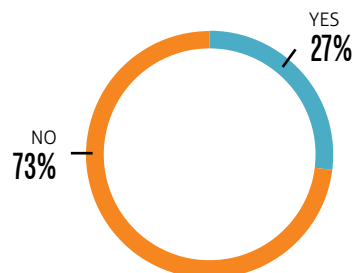
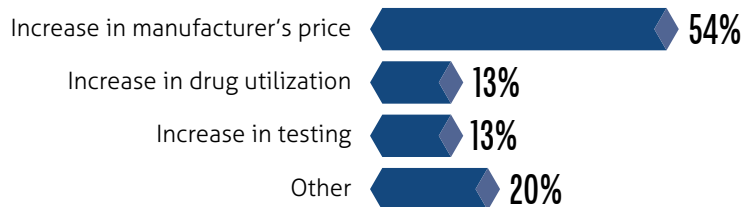


FIGURE 2. Oncology Cost Drivers

% OF EMPLOYERS



Employer groups were asked which site of care offered the lowest infusion cost under the medical benefit. The site identified most frequently was a physician office receiving medication via a specialty pharmacy (40 percent of employer groups). The patient's home was indicated by 13 percent of employers, and buy and bill in the physician office was reported by only 7 percent of employers. Interestingly, 7 percent of employer groups considered all sites equal, but most notably, nearly one-third were unsure which site had the lowest cost. See Figure 3, *Site of Care Offering the Lowest Cost Under the Medical Benefit*.

The survey found that most employers (67 percent) did not utilize benefit designs that direct patients to the lowest-cost site of care for infusion services. See Figure 4, *Medical Benefit Designed to Encourage Selection of Lower-Cost Site of Care*.

FIGURE 3: Lowest-Cost Site of Care

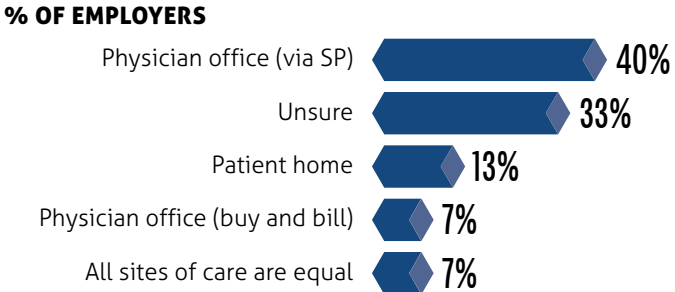


FIGURE 4: Medical Benefit Design for Lowest Cost



When specifically asked if they had a prior authorization policy to influence the site of infusion care, more than one-half of employers reported that they do utilize prior authorization to influence site of care. See Figure 5, *Employers Utilizing Prior Authorization to Influence Site of Care for Infusible Drugs*.

When asked about the copays required for injectable/infusible medications of their employees, employers indicated that a weighted average copay of nearly \$60 was collected. In 2013, 80 percent of employers required a copay for injectables. See Figure 6, *Employees Having a Copay for Medical Injectables in 2013*.

FIGURE 5: Prior Authorization to Influence Site of Care



FIGURE 6: Employee Medical Injectable Copays in 2013



In describing the predominant type of employee contributions for medical injectables/infusions, employer groups reported an equal split between coinsurance and copays (36 percent of employer respondents). The remaining 28 percent required both coinsurance and a copay. See Figure 7, *Predominant Required Employee Contributions for Medical Injectables*.

Figure 8 shows the relative cost share percentages distributed across the employer groups. Over half of employer respondents expected an increase in cost share of 15 to 20 percent, and an additional 27 percent expected greater than a 20 percent increase in 2014. Only 13 percent of employer respondents anticipated a 5 percent or less increase in 2014. See Figure 8, *Average Percentage Cost Share in 2014*.

FIGURE 7: Type of Employee Contributions

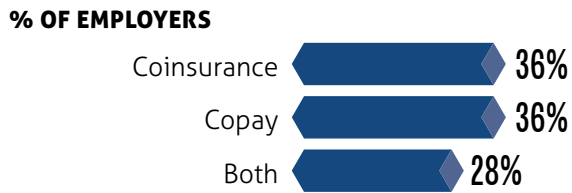


FIGURE 8: Cost Share Percentage in 2014

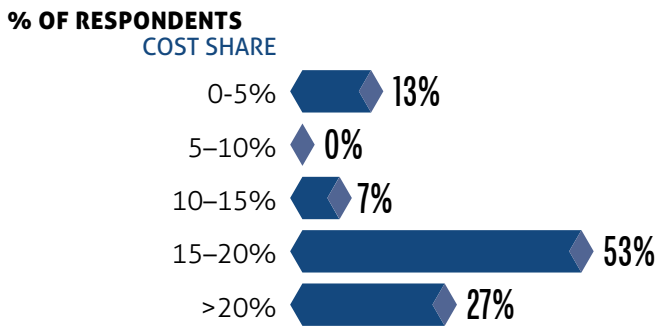
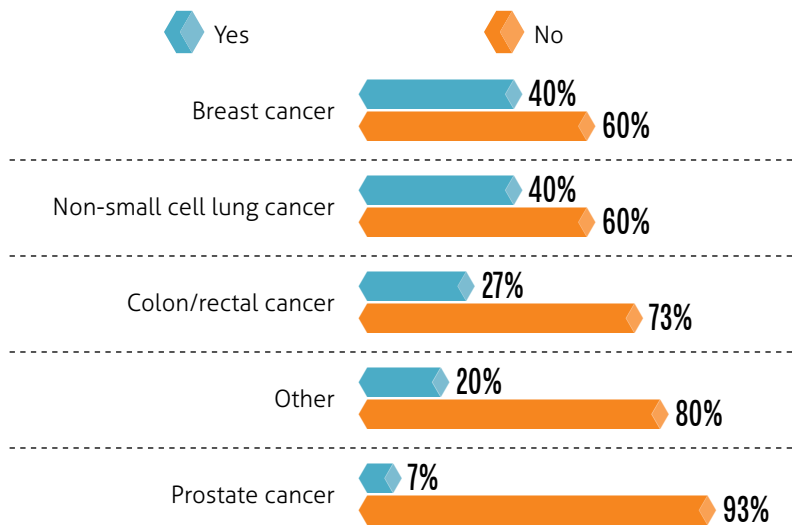


Figure 9 reports the percentages of employer groups in which compliance programs are in place for various preventive health care services. Forty percent of employers have mammography compliance programs in place. Over a quarter of employer groups reported having a colonoscopy program in place for employees and their dependents. Compliance with smoking cessation programs was reported by 40 percent of the employer groups. Only 7 percent of employers reported having a compliance program for prostate screening for employees and their dependents. See Figure 9, *Employers With Employee Compliance Programs*.

FIGURE 9: Employers With Compliance Programs



Thirteen percent of employer groups reported having an end-of-life program available for employees and their dependents, but it is generally covered as a separate benefit (87 percent). See Figure 10, *Employers Providing End-of-Life Programs for Employees*.

In the effort to both improve the quality and decrease costs of health care benefits, tracking outcomes of specialty patients is an increasingly important tool. Figure 11 compares the types of outcomes data collected by employer groups. The most commonly tracked outcome was medication adherence and persistence (47 percent). Specialty drug costs under the pharmacy benefit was the next most common (40 percent), followed by disease progression (33 percent). While 40 percent of employer groups tracked specialty spend on the pharmacy benefit, only 20 percent of employer groups tracked specialty spend on the medical benefit. See Figure 11, *Employers Tracking Outcomes for Specialty Patients*.

FIGURE 10: Employers With End-of-Life Programs

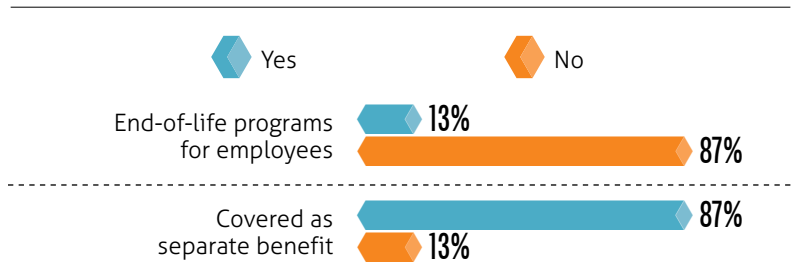


FIGURE 11: Track Outcomes for Patients

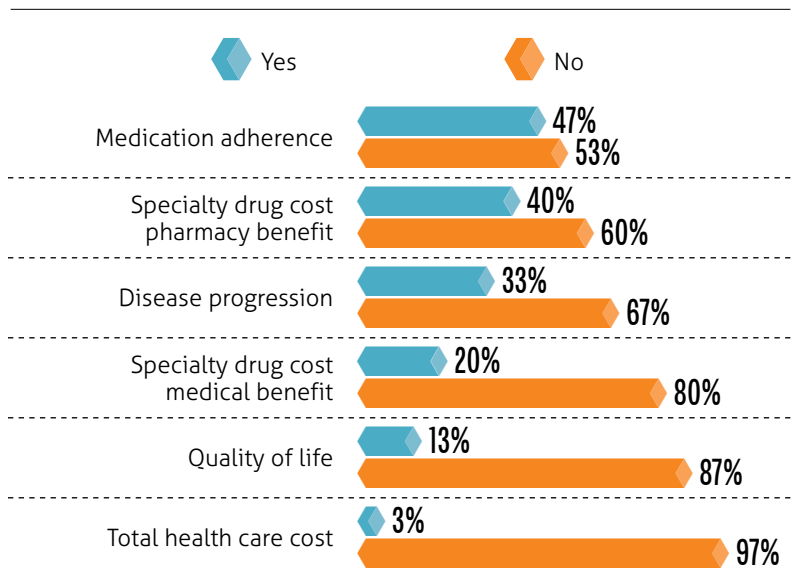


Figure 12 identified the utilization management tools that employers have in place for top spend agents. Disease management, care management and clinical edits (PA and step edits) are the most frequently utilized methods for utilization management. It is notable that a large percentage of respondents indicated that they do not have any utilization management tools in place across many of the top products. See Figure 12, *Utilization Management Tools Used by Employers*.

FIGURE 12: Utilization Management Tools

	REMICADE	RITUXAN	AVASTIN	ELOXATIN	HERCEPTIN	ALIMTA	TAXOTERE	ALOXI	ERBITUX	ZOMETA
Disease management	27%	13%	20%	13%	13%	7%	7%	13%	7%	20%
Care management	20%	20%	27%	13%	13%	13%	7%	20%	13%	20%
PA	47%	33%	40%	47%	33%	33%	27%	40%	27%	33%
Step edits	27%	13%	27%	13%	27%	7%	7%	13%	20%	13%
Clinical path	20%	7%	20%	0%	20%	0%	0%	20%	13%	13%
NCCN	13%	13%	7%	0%	20%	13%	7%	7%	7%	27%
Differential reimbursement	27%	13%	20%	13%	13%	13%	7%	13%	13%	20%
Formulary presence	20%	27%	27%	33%	20%	13%	13%	27%	13%	27%
Fail generic	20%	7%	13%	7%	7%	0%	13%	13%	0%	20%
Other	13%	7%	13%	7%	13%	13%	7%	7%	7%	27%
None	67%	60%	47%	53%	53%	53%	60%	53%	60%	73%

When asked about their interest in receiving further education, the most common topic reported by employer groups was education regarding management strategies under the medical benefit (61 percent) followed closely by benefit design (59 percent). Nearly half of the employer groups were also interested in specialty copay assistance (47 percent) and reimbursement strategies (45 percent). Topics of lesser interest include disease management (43 percent), oncology management (41 percent), vendor selection (37 percent), specialty drug pipeline (33 percent) and medication adherence (33 percent). See Figure 13, *Areas in Which Employers Are Interested in Receiving Further Education*.

Approximately two-thirds of employers surveyed indicated that they are tracking specialty pharmacy spend under the medical benefit. See Figure 14, *Vendor or PBM Tracking Specialty Pharmacy Spend on the Medical Benefit*

FIGURE 13: Interest in Further Education

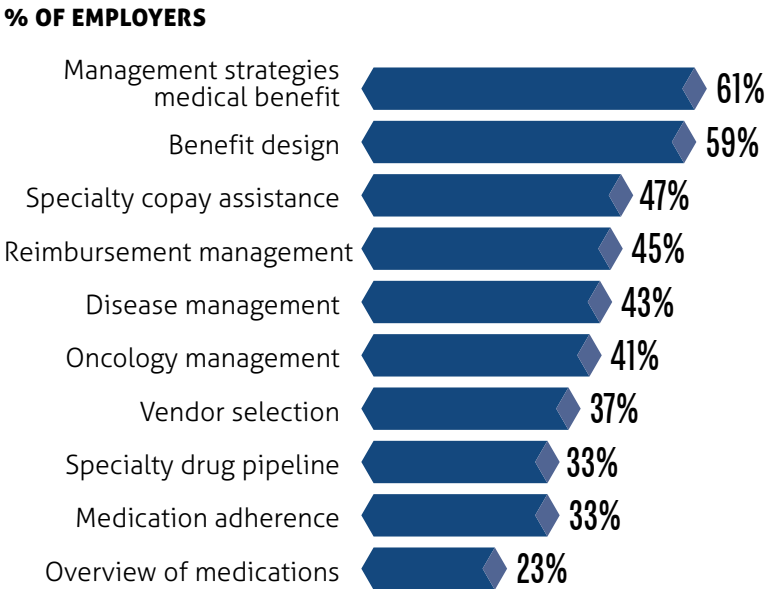


FIGURE 14: Tracking Specialty Pharmacy Spend on Medical Benefit

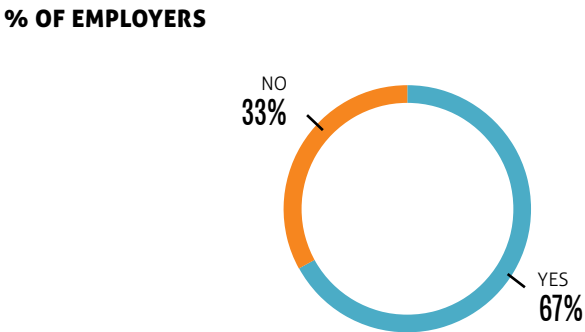


Figure 15 displays the proportion of employer groups for which specific genetic testing is provided. Human papilloma virus and genetic breast cancer variants were among the most common genetic tests available to nearly half of employer groups. A third had HER2 testing available, while approximately a quarter of employer groups had CD4 and Oncotype testing. KRAS was available as a benefit for only 20 percent of employer groups. See Figure 15, *Coverage of Genetic Testing for Specialty Drugs*.

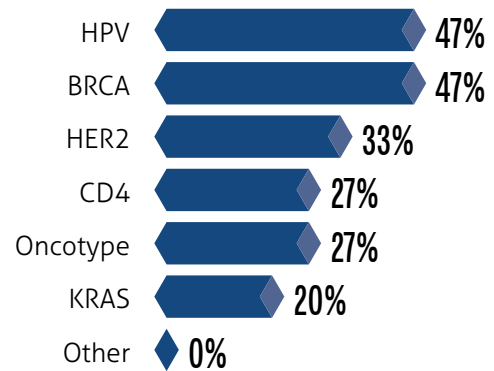
FIGURE 15: Genetic Testing**% OF EMPLOYERS**

Figure 16 displays the specialty drug trend in 2013 reported by employer groups. A negative trend was reported by 13 percent of employer groups. Another 13 percent reported an increasing trend between 1 and 10 percent, while a third of employer groups saw an increase between 11 and 20 percent. An increase of > 20 percent was reported for 8 percent of employer groups. See Figure 16, Specialty Pharmacy Drug Spend Trend in 2013.

When asked if they were satisfied with their current specialty drug spend solution, most employer groups said yes (60 percent). Alternatively, 40 percent of employers would consider a carve-out or an integrated drug solution. See Figure 17, Employer Satisfaction With Current Medical Specialty Pharmacy Solution.

FIGURE 16: Specialty Pharmacy Drug Spend Trend in 2013

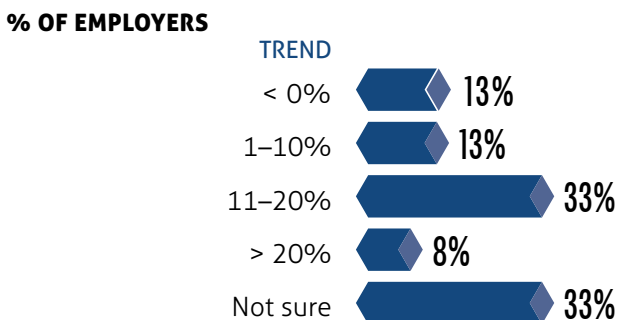
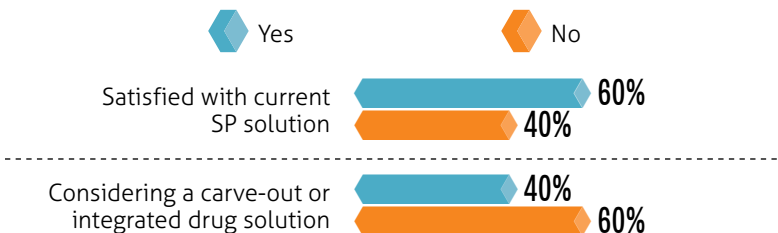


FIGURE 17: Satisfaction With Medical Specialty Pharmacy Solution



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