

Employee Benefit News

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Extra costs tied to administering expensive specialty drugs

By Lydell C. Bridgeford

Much attention is given to the direct price of specialty drugs. But some people may not be aware of the extra costs to administer specialty drugs, which sometimes come as injections given at a doctor's office.

Employers will have to become savvier about managing the costs of administering specialty drugs, experts say.

The number of distribution channels for specialty drugs is increasing, says Dana Felthouse, president of the Pharmacy Benefit Management Institute.

"You always had hospital [patients] and outpatients administered drugs. Well, now, the outpatient drugs can be handled through a retail pharmacy, mail-order pharmacy and specialty pharmacy providers," she explains.

Moreover, PBMs have specialty pharmacy partners, and health plans are creating their own specialty pharmacy divisions.

Consequently, employers may face a challenge in determining the best way to manage the care and cost for employees to obtain their medications through the most cost-effective distribution channel.

"The employer community is going to be working on this issue for quite awhile," notes Felthouse, adding that most employers are thoughtful about employees receiving their specialty drugs.

"Employers are not ready to make drastic changes to their benefit design until they are absolutely sure that they are not going to be interrupt treatment," she explains.

Industry research projects 3% to 6% annual growth for the U.S. pharmaceutical sector, and specialty drugs are expected to increase 14% annually through 2011 because of new drugs entering the market, according to Goldman Sachs, which estimates that the nation's specialty drug spending stands at \$59 billion per year.

Separating charges

Historically, the fees associated with administering and monitoring the patient's response to specialty drugs have not been separated out from the cost of the drugs, says Ruth Ann C. Opdycke, president of TPG Healthcare Consulting LLC.

Until recently, health plans did not negotiate a separate discount on the products

like we have seen on the pharmacy benefit side. Yet many health plans are in the process of negotiating with their medical providers to separate the cost of the medication from the administration and monitoring fees, indicates Opdycke, whose Connecticut-based consulting firm specializes in pharmacy benefits.

Once it gets that accomplished, then the health plan will put a cap on what it will reimburse for the cost of the drug.

Furthermore, the health plan can take the significant financial responsibility of purchasing and stocking specialty drugs away from the medical provider by setting up an agreement with a specialty pharmacy provider, which will ship the drug to the medical provider's office just prior to the patient's scheduled infusion appointment.

The doctor or nurse administers the drug, but that provider never takes financial control or responsibility for the product, which is maintained by the health plan or the employer, if it self-insured.

In these scenarios, there has to be clear communication between the health plan, the medical provider, the pharmacy benefit manager and the specialty pharmacy vendor in terms of who purchases the drug, what the negotiated price of the drug is, who dispenses it, what the patient's copayment responsibility is and who collects the copayment, Opdycke asserts.

"These series of communications and hand-offs need to be efficient, so as not to negate the savings associated with the drug procurement discounts and more importantly, not to disrupt the patient's timely access to drug therapy."

To address the escalating costs and burgeoning number of new biologic products, some proponents argue for the introduction of a separate benefit for specialty pharmaceuticals, says Dell Mather, vice president of clinical development at Minneapolis-based Ancillary Care Management, which is an ancillary benefits management company.

"This approach would enable employers and health plans to implement a comprehensive and consistent strategy to manage specialty products, regardless of site of service or route of administration," adds Mather, whose company focuses, in part, on specialty pharmacy.

A new way

When biologics first hit the market, everybody was focused on getting great prices on the drugs, given that they were expensive. But what they forgot in the equation was that, in many cases, somebody had to administer those drugs, says Judi Grupp, founder of ActiveCare Network, which recruits clinics into its system where it negotiates specialty drug discounts and eliminates hospital

injection and infusion costs.

So far, the network includes more than 10,000 clinics, which offer weekend and evening hours.

She acknowledges, however, that if a patient receives services in a physician's office at a rate that the patient and the employer can afford, then "by all means, keep that service."

In 2007, the Houston-based employer Kinder Morgan started to use the services of ActiveCare Network. The energy company, which owns and operates pipelines that transport natural gas, crude oil and petroleum products, employs around 7,400 workers in the United States.

Kinder Morgan has a self-insured health plan, and all specialty drugs are carved out on the medical side. Kinder Morgan's goal is for ActiveCare Network to administer all of its specialty drugs. Sher Borino, senior benefits analyst at Kinder Morgan, says its PBM, Caremark, suggested that the company use the network.

She appreciates that ActiveCare Network is a turnkey system. "It was a lot of back-and-forth among me, the medical plan and the employee," she says. In some cases, employees would forget to pay the copay for the drugs because they were receiving them through the medical plan by just having a regular doctor's visit.

Not all specialty drugs require a doctor or nurse to administer them. In some cases, patients can inject the drugs by themselves at home or have a family member properly inject the drugs.