

Specialty Pharmaceuticals Service

Current Trends in Employers' Management of Specialty Pharmaceuticals

Employers struggle to balance access to specialty therapies with rising drug costs. Some employers are not familiar with specialty pharmacy benefit design or advanced utilization management techniques. HIRC's new report, *Employers' Management of Specialty Pharmaceuticals*, addresses the following questions:

- Which specialty drug categories are employers most concerned with?
- How involved are employers in management of specialty medications?
- What benefits are employers receiving from specialty pharmacy providers?
- Which utilization management initiatives are employers currently implementing, and how will this evolve?
- How are employers balancing employee cost-sharing with rising costs?

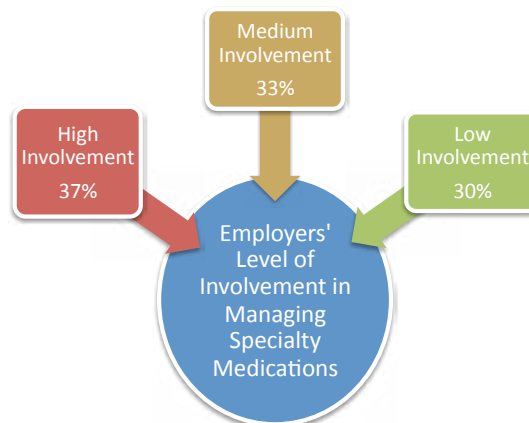
Key Finding

Employers are avidly embracing traditional utilization management tactics to ensure appropriate use of high cost specialty medications.

Additionally, this report contains valuable implications and recommendations for pharmaceutical companies seeking to best position their products with payers.

Over one-third of employers surveyed are actively managing specialty drugs

HIRC research finds that a select group of employers [37%] are taking an active role in managing utilization of, and access to, specialty pharmaceutical medications. Employers that are actively involved in managing cost and utilization of specialty medications report higher use of almost all management tactics. They are more likely to:



- Mandate specialty pharmacy use for patients
- Use a preferred product list
- Implement step therapies
- Require pharmacy deductibles

It is notable that most employers implement a specialty pharmacy UM tactic based on the recommendation of their PBM or independent health benefits consultant.

Employers' use of utilization management for specialty drugs is escalating

While employers continue to rely primarily on prior authorization, more employers are implementing coinsurance to keep up with rising cost of expensive specialty medications. Coinsurance use increased markedly from 2011 to 2012.

Five most common utilization management tactics employers are using to manage specialty drugs:

1. Prior authorization
2. Coinsurance
3. Step therapy
4. Mandatory specialty pharmacy [patients]
5. Preferred product list

While many employers have implemented coinsurance for at least a portion of their employees, those without a cap worry that coinsurance could be devastating to employees with serious illnesses. Further, due to the high cost of specialty medications, some employers view coinsurance as less effective in controlling specialty drug costs than other options.

The significant increase in utilization management tactics among employers underscores the critical importance of ensuring patient access to medications. A few pharmaceutical firms are working primarily with coalitions to increase awareness of specialty pharmaceutical management across a broad spectrum of disease areas. These firms include:

- Abbott
- Johnson & Johnson
- Genentech
- Merck
- Teva

For additional insights into management controls, cost-sharing tactics, and key implications for pharmaceutical manufacturers, please see the complete report, *Employers' Trends in Specialty Pharmaceuticals*.

Research Methodology and Report Availability

In January 2012, HIRC surveyed 64 large employers and 12 health care coalitions through a combination of online surveys and follow-up telephone interviews. These large employers manage over one million benefit eligible employees and all have greater than 5,000 active employees.

The *Employers' Trends in Specialty Pharmaceuticals* report is part of the *Specialty Pharmaceuticals Service*, and is now available to subscribers at www.hirc.com.

The Specialty Pharmaceuticals Service assesses commercial health plans' cost and utilization management strategies for specialty medications across eleven key disease categories. Insights, analyses and recommendations for brand and customer strategies and tactics are included, as well as ratings of leading manufacturers providing specialty product support.

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