MANAGEMENT OF SPECIALTY DRUG TREND

Specialty drugs are generally considered to be high cost drugs that are used to treat complex, chronic, or rare medical conditions and that have special handling, storage, inventory, or distribution requirements. Patients receiving these drugs often require specialized education and treatment maintenance, such as complex dosing, intensive monitoring, and clinical oversight. It is no surprise that with specialty drugs like Spinraza™, used to treat spinal muscular atrophy (SMA), costing as much as $750,000 for the first year, these drugs have the potential to considerably increase pharmacy spend for a Medicaid program.

DEFINING SPECIALTY

With state definitions of "specialty" varying, a state-specific specialty percentage of overall prescription drug spend can be difficult to project without a detailed data analysis. However, Mercer estimates specialty drugs to be approximately 1/3 of overall pharmacy spend in 2017 and 2018. The 21st Century Cures Act signed into law in December 2016 provides a pathway for orphan drugs (often considered specialty drugs) to enter the market quickly and provides greater latitude for their use. In a 2017 study by EvaluatePharma, orphan drug sales are forecasted to reach around 20% of worldwide prescription drug sales by 2020. While orphan drugs have a positive lasting effect on patients with rare health conditions as well as for more common conditions such as rheumatoid arthritis and other inflammatory conditions, their market-share increase will also contribute to rising pharmacy costs.

Specialty pharmacy trends for Medicaid programs are forecasted to be up to 14%-18% for Calendar Years 2016-2017 and up to 10%-14% for Calendar Years 2017-2018. These double-digit trends require management strategies to mitigate such impacts. Reimbursement and utilization management strategies remain at the forefront to ensure that pharmacy services are provided in a clinically appropriate and cost effective manner.

Reimbursement strategies can align specialty drug reimbursement with national pricing benchmarks and other reimbursement rates to ensure appropriate payment. Utilization management strategies include adherence to Food and Drug Administration (FDA) approved dosages, diagnoses and duration of therapy for specialty drugs through prior authorization, step therapy and quantity limit programs.

PAYMENT MODELS

New payment models are emerging which can align payment for specialty drugs with valued outcomes. Determining value continues to be a challenge but is important when establishing these payment models.

Emerging value based payment strategies for specialty drugs can include the following:

- high performing pharmacy provider networks paid based on rewards and/or penalties for performance related to medication management, medication reconciliation, and adherence that drive patient health outcomes;
- contracts with manufacturers consistent with outcomes in clinical drug trials; and
- incorporation of value based purchasing requirements in managed care organization contracts and contracts with providers.

IN CONCLUSION

Specialty drug management strategies must be in place to address the potential double digit growth trends projected for specialty medications. Strategies should address both cost and utilization while ensuring provision of clinically appropriate services.