



**THE
PHIA
GROUP**

EMPOWERING PLANS

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**Specialty Drugs: Trends and Issues
Affecting Self-Funded Plans**

October 18, 2018

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Today's Speakers



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 **A Special Shout-Out!**

Special Shout-Out to Jacqueline Cole
 of


Jacqueline is an avid fan of our webinars and podcasts!
Thanks for listening!

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Faces of Phia



Matthew Painten

Marketing & Accounts Manager

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Matt has been a driving force in The Phia Group’s social media presence, especially LinkedIn, and improving webinar attendance. Matt also ensures that you have a centralized contact for anything you need at Phia, streamlining our clients’ experience!


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Overview


- Problem, Purpose, People
- Last Month’s PGC FAQs
- A Brief Political Update
- Specialty Drug Price Trends
- Cost-Containment Strategies
- Patient Assistance Programs/Co-Pay Cards
- Right to Try Legislation
- CVS Health’s New Rx Program

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Problem • Purpose • People

 **THE PROBLEM**


Health Care Costs Too Much and the Price Is Increasing; Employers Are Forced to Offset Costs onto Employees Through Higher Co-Pays and Deductibles.

THE PHIA GROUP'S PURPOSE 


To Make Health Benefits Affordable for Employers and Employees.

 **WHY IS THIS THE PHIA GROUP'S PURPOSE?**

Hard Working Americans Deserve Access to High Quality, Affordable Health Care.


WHAT DOES IT MEAN TO "EMPOWER PLANS?" 

To Help Employers Maximize Benefits, Minimize Costs, and Take Control of Their Own Plans.

HOW DO WE "EMPOWER PLANS?" 

We Start by Promoting and Educating Employers About Self-Funding. Then, We Invent and Implement Cost Containment Services While Delivering Custom Solutions to Meet Specific Client Needs.

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Last Month's PGC FAQs

- What is HIPAA's "source of injury" rule?
- Is a plan a Multiple Employer Welfare Arrangement ("MEWA")?
- What are the notice requirements involved for a Summary of Material Modification (SMM) and a Summary of Material Reduction (SMR) (i.e., plan changes)?

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The Politics of High Drug Prices



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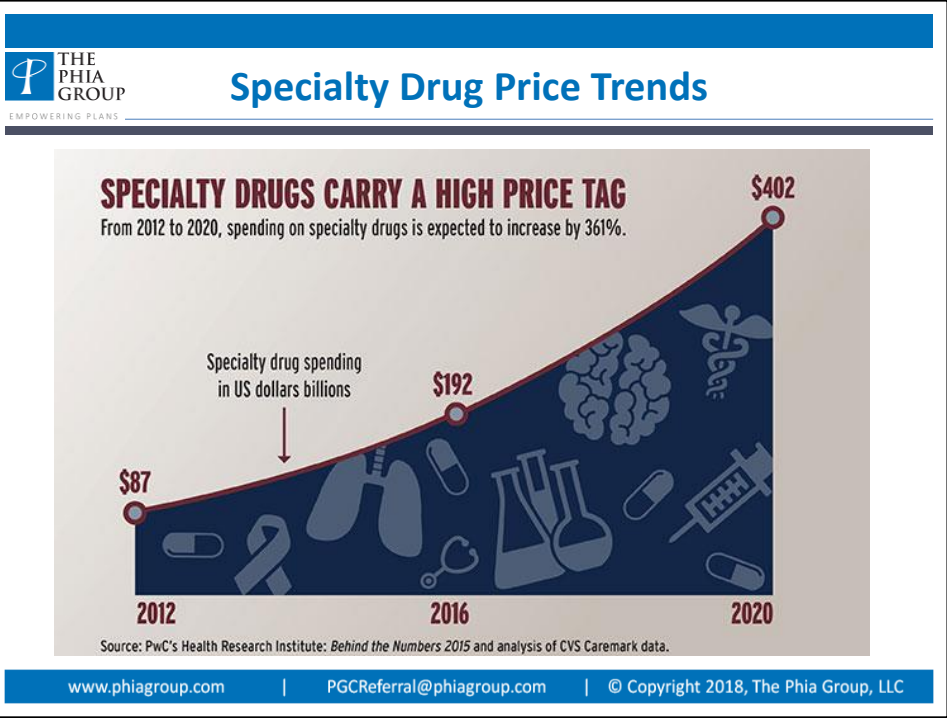


American Patients First (May 2018)

- The Plan Focuses Mostly on PBMs, Not Rx Mfgs.
 - *“The middlemen...they’re rich. They won’t be so rich anymore.”*
- Key Ideas
 - Considering **fiduciary status** for PBMs (rebates, formularies)
 - Reforming the secretive rebate system
 - Ban pharmacist **“gag rule”**
 - Potential requirement for Rx mfgs. to disclose list prices in TV ads (**update 10/15/2018**)
 - Considering crackdown on drug co-pay discount cards



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Specialty Drug Price Trends

- Specialty Drugs Expected to Account for 50% of total U.S. drug spend by 2020
 - Only 1-2% of Americans Use Them
- 61% of employers report that managing specialty drug costs is their #1 priority when it comes to specialty drug benefits.
- In the next 15 years, the cost to employers of providing healthcare benefits is expected to exceed wages largely due to specialty drugs
- And for members using specialty drugs, the average annual cost of a single specialty drug already exceeds wages

Category	Value
AVERAGE TREATMENT	\$52,486
MEDIAN WAGE	\$48,665

The average annual cost of treatment with a single specialty drug was \$52,486 in 2015.¹

Median wage in 2016 was \$48,665,² and median household income in 2016 was \$57,617.³

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Cost-Containment Strategies

- Excluding Specialty Drugs from the Plan Design
- What are the risks?
- Preventive Drug Coverage Requirement
- Discrimination Concerns
 - Treatment vs. Disease
- Timing of the Plan Change
- Notice Requirements and Impact on “Minimal Value”



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Cost-Containment Strategies

- Importing Specialty Drugs from Abroad (Medical Tourism)
 - Is It Legal?
 - Is It Safe?
- Law on Importing Drugs
 - FDA's Enforcement Discretion Policy
- Plan Exclusions: The Plan Must Allow It!
- Manufacturing & Safety Standards
- Provider Liability Laws
 - Victims of Medical Malpractice



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Cost-Containment Strategies

- Carve-outs for specialty or other high-cost drugs
 - Generic only?
- Vendor programs to help reduce costs or avoid needless spend
 - Manufacturer assistance (more on that later)
- Promoting use of lower-cost drugs



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Cost-Containment Strategies

- Specialty “tiers” and member incentives (or disincentives)
- Pharmacogenomics:
 - Pharmaco(logy) + genom(e): effect of genes on drug responses
- General health and wellness programs

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Patient Assistance Programs

- Manufacturer's Coupons/Co-Pay Cards
- What Are They?
 - A Few Examples...
- Do They incentivize EEs to choose specialty Rx even when cheaper generics are available?
- Many Plans Are Not Counting Assistance Amounts Toward Patient's OOPM
 - Regulations Appear to Indicate That Is Illegal



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Right to Try Legislation



- This law allows terminally ill patients with physician approval to request access to experimental drugs which have completed Phase I clinical trials
- Protects mfgs. and physicians from liability from such use
- Allows mfgs. To bill patients for the cost of the drugs
- The law DOES NOT require a mfg. to provide any drug or require any payer/insurer to cover any drug or side effect

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Right to Try Legislation



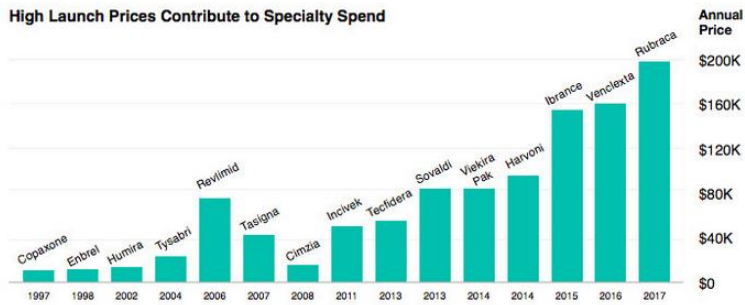
- Why Consider Covering These Drugs?
 - Consider a terminally ill patient taking a regimen of approved drugs that the plan HAS to cover at or close to 100% of the cost. An E&I drug accelerates healing, so the amount of covered treatment could be limited, leading to savings
- Recommendations for Covering These Drugs
 - Review covered benefits section and add a benefit for drugs obtained via RTT by an eligible individual
 - Review the schedule of benefits
 - Discuss this with your UR management company to investigate the clinical aspects
 - **Discuss with Stop Loss**

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CVS Health's New Rx Program

High Launch Prices Contribute to Specialty Spend



~\$145K average annual price of the last three approved oral oncology drugs

Sources: CVS Specialty analysis of Medispan data. Annual drug costs based on average wholesale price (AWP) accessed December 2017. CVS Specialty Analytics. Drug launch cost based on wholesale acquisition cost (WAC) launch pricing accessed Spring 2018.

CVS Health

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CVS Health's New Rx Program

- Allow self-funded health plans to exclude coverage for certain drugs if the list price is too high
- If drug tops \$100,000 per quality-adjusted life year—the measure of disease burden that is often used in economic evaluations of medical interventions
 - Exception for “breakthrough therapies”
 - Dep’t of Veterans Affairs has started a similar program
- Policy could help impact drug pricing, which is left completely up to mfgs. with respect to new products.



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CVS Health's New Rx Program

- Self-funded plans can control total cost of benefits
- Patients could see their treatment options fall and limited access to certain drugs
- Critics are calling the cutoff point arbitrary and “too much too soon”
 - For example, should patients not have access to medicines with a price of \$101,000?
- This program is a reaction to the push to control costs that has swept through Washington

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