Specialty Drugs are Forecasted to be 50 Percent of All Drug Expenditures in 2018

Background

- Specialty drugs include biologics and other drugs that require special handling, are typically injected, and are more expensive than traditional small molecule drugs. Biologics are either medical or pharmaceutical, specialty drugs were historically associated with serious medical conditions such as hemophilia. More recently, specialty drugs have become less expensive treatment of less common chronic conditions such as rheumatoid arthritis and multiple sclerosis.

- In 2010, specialty drugs comprised 5 percent of claims but 12 percent of all pharmacy benefit expenditures across Prime Therapeutics’ commercial 12 million member book of business. Average pre-prescription cost was $5,156 and total paid per capita increased 5 percent from 2010.

- During 2012, Prime Therapeutics’ commercial book of business included 8.8 million members filled with a generic drug (generic utilization rate [GUR]) was 77.4 percent. The average total paid per 30-day supply generic drug was $5.46.

- Specialty drugs are generally not available in generics, and the increase in generics for conditions not treated with specialty drugs (e.g., depression, hypertension and hyperlipidemia) has made specialty drugs an increasingly important driver of costs.

- A 2011 report on specialty pharmacy predicted specialty drugs would account for 40 percent of all drug spend by 2017.

- With the GUR approaching 50 percent, current and future specialty new drug approvals, and increasing specialty drug price increases, the need for payers to control specialty drug expenditures remains a critical issue.

Methods

- Using Prime Therapeutics’ integrated medical and pharmacy database with complete data from 2010 to present is predicted to be a $3.8 billion commercially insured members, the data was queried to identify specialty drug spend and non-specialty expenditures.

- Specialty drugs were defined as all drugs on the Prime Therapeutics pharmacy benefit management list and most medical benefit processed drugs if not captured in the complete exclusion of vaccines and diagnostics. All claims not classified as specialty were defined as non-specialty.

- Drug expenditures are defined as pharmacy benefit total paid plus plan member paid and medical benefit total allows (plan paid and member paid). All claims with a third party payer were excluded.

- For 2Q2010, the quarterly proportion of specialty drug expenditures out of the total drug expenditures from bitter 2010 through 2012 was calculated.

- To obtain the expenditure trend, the specialty and non-specialty initial per member per month (PMPM) percentage increase to expenditures using your average year quarter metered was calculated from 2Q2010 to 2Q2012.

- The forecast was calculated from the combined specialty medical and pharmacy benefit and the non-speciality 2.5-year historical rates.

- Pharmacy and medical benefits specialty drug expenditures

- To obtain specialty and non-specialty drug expenditures, integrated pharmacy and medical data from 3.8 million commercially insured members were queried from October 1, 2011 through September 30, 2012 (12 months).

- Total 2012 expenditures for the top 10 drugs were calculated separately with the pharmacy benefit and the medical benefit care common procedure coding system (HCPCS) drug code in (Table 1). The average annual double digit price increases for these drugs were ranked as a percent of expenditures and reported.

- Specialty drugs were placed into the following categories: autoimmune/inflammatory, multiple sclerosis, human immunodeficiency virus and immunosuppressants, oral cancer, antineoplastics, antidepressants, antipsychotics, immunoglobulins and other serums, growth hormone, marrow and stem cell disorders, anti-infectives, hypertension, diabetes, pulmonary hypertension, osteoporosis, and musculoskeletal for each category, the aggregate expenditures from the pharmacy and medical benefits are reported.

- Members were removed due to being continuously enrolled.

Results

- October 1, 2011 through September 30, 2012 (2Q pharmacy and medical benefits specialty drug expenditures)

- The average monthly members was 8,800,053.

- Total medical and pharmacy benefit drug expenditures were $87.98 PMPM (Table 1).

- Specialty $55.61 PMPM (71.3%)

- Non-specialty $32.37 PMPM (38.7%)

- Pharmacy benefit specialty $5.27 PMPM (6%) of $22.37 PMPM

- Prescription benefit specialty $11.77 PMPM (52.6%) of $22.37 PMPM

- The top two pharmacy specialty drugs adalimumab (Humira®) and etanercept (Enbrel®) accounted for a combined 23.3 percent of specialty pharmacy benefit expenditures. Both drugs were in the autoimmune category (Table 2).

- The highest expenditure medical specialty HCPSC drug code was aflibercept (Eylea®) of $25.79 PMPM, in the autoimmune category, representing 0.1 percent of all medical benefit drug expenditures (Table 3).

- The autoimmune category was the highest expenditure category accounting for more than $600 million in expenditures (3% of all specialty drug expenditures) (Figure 2).

- The specialty cancer category had the top five medical benefit specialty drugs account for 0.3 percent of all medical benefit specialty drug expenditures (Table 3).

- Specialty $5.27 PMPM (6%) of $87.98 PMPM

- National average cost approximately $2.6 billion (4.8% of pharmacy plus medical specialty benefit expenditures)

Pharmacy and medical benefits specialty drug expenditure forecast

- For 2Q through 2Q2012, non-specialty drug spend increased at a trend rate of 4.5 percent per quarter (Figure 1). The forecasted rate of change for 2013 was 4.5 percent.

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- Members were removed due to being continuously enrolled.

- Pharmacy and medical specialty drug expenditures as a percent of total drug spend. forecasted to be above 5% in 2014 (Table 2).

Conclusions

- Currently approximately 90% of prescription drugs are filled with a generic drug at a cost of less than $20. In the coming years, new generics drug market will be affected by entry of new biologics into the marketplace.

- Due to the increase of generics, continued pharmaceutical-manufacturer annual double digit price increases, increasing utilization, and future pipeline of new specialty drugs, forecast for future pharmacy benefit specialty drug expenditures can be no less than per year more than earlier projected (Table 1) due to specialty and non-specialty specialty drug expenditures.

- Health insurers will need to increase their vigilance of specialty drugs and focus on four management opportunities: evidence-based care, clinical and quality management, and the patient classification and contracting of the future.

Limitations

- Data from a commercially insured population pooled across various regions and states could not be generalized to the pharmacy benefit specialty spend, due to the wide variation in specialty specific analysis was performed and plan level variations have been excluded from analysis.

- Specialty drugs were defined as all drugs on the Prime Therapeutics pharmacy benefit specialty drug management list and most medical benefit processed drugs e.g., (e.g., vaccines) if not captured in the complete exclusion of vaccines and diagnostics. Other definitions of specialty drugs will likely yield different results and projections for future.

- Forecasting expenditures is speculative. Forecasting is highly dependent upon forecasted trends that have largely been influenced by pharmaceutical manufacturing price inflations. Currently, specialty drug price inflations have been as much as 40% since 2007 and most recently as 10% since 2012. Additionally, future pharmaceutical manufacturers德尔 are from an annual specialty drug price increase of more than 5%.

References

- Data from Prime Therapeutics LLC. Internal Data.

- With Adalimumab, the following were published up in the U.S. National Cancer Institute:“Factors Affecting Drug Use on Prescription Specialty Drugs: Medicare’s Experience with Eylea®.” The Medicare and Medicaid Services.


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