

Specialty Drug Strategy:

How To Look Beyond The (High) Cost With A Five-Pillar Approach

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Expensive drugs have been a hot topic ever since these first came to market over 25 years ago. The blood formation drug, Eprex, was the first specialty-type drug to hit Canadian drug plans. It was used to treat severe anemia cases at the cost of about \$7,000 annually. At the time, this was an unprecedented hefty price tag. Next came more expensive biologic drugs that were priced at about \$20,000 annually, then cancer drugs were commercialized at the tune of \$100,000+. In recent years, we have seen drugs to treat orphan diseases costing \$300,000 or more per year on a recurring basis. In 2021, gene therapy is at our door with a \$1 million+ plus price tag.

Drug plan managers have long struggled to address the management of these high cost drugs which, on one hand, vastly improve claimants' health outcomes and provide better quality of life, but, on the other hand, were carving an ever-expanding place in group health benefits' budgets.

Employer Consideration Within Their Total Rewards Strategy

The use of specialty drugs remains low as a proportion of total drug costs, accounting for only for about one per cent of all drug claims. However, they represent a material proportion of a plan's costs at approximately 35 per cent on average and, for employees, access to specialty drug coverage represents an important feature of their health coverage. These drugs ensure that employees and their families have financial support, should the need for these high cost drugs unfortunately arise.

When addressing specialty drug coverage, an employer's drug cost containment strategy should follow a five-pillar approach coherent with their total rewards strategy.

• The Employer View

Drug plan managers may use HR and business objectives as a starting point to review drug plan design. Whether a firm's first objecti-

ve is to minimize costs, attract and retain talent, take care of employee health, or foster innovation, those objectives should be reflected in the drug benefit design philosophy.

• The Employee View

Employee perception as to the value of the health benefits program should also be considered. The current and future workforce demographic, the employee health needs, and employee culture (e.g. consumerism, solidarity, etc.) all come into play.

• The Financial View

The budget is a large component of the specialty drug question. This drug category accounts for about 35 per cent of total drug costs, raising the question of long-term sustainability since many specialty drugs treat chronic diseases, thereby incurring recurring, escalating costs. Ensuring your design aligns with an organization's long term budgets and that appropriate protections are in place (e.g., pooling) are pivotal to drug plan design.

• The Competitive view

Employers may want to keep in mind how their coverage offering fares in comparison within their industry or against organizations for which they are competing for talent.

• The Environmental View

The provincial healthcare environment is an important consideration. Many provinces offer some level of catastrophic coverage (e.g., BC Pharmacare, the Ontario Trillium Program) or universal drug programs (e.g., Cancer Care Ontario) and plan sponsors should evaluate how much they want to duplicate, transfer, or wrap around provincial coverage currently in place.

Tools to measure the qualitative aspects (such as employee perception or employee health) or to measure the financial aspects (such as the impact of changes in plan parameters) should be used to support a five-pillar approach to drug plan management. Based on those results, a strategy can then be put into place using cost containment tools available with insurers or other partners to execute on this. **BPM**

Cost Containment Tools for Specialty Drugs

Biosimilar Policy

Strategy used to favor the use of biosimilars when clinically and commercially appropriate.

Drug Monitoring Programs

Evaluate whether a new drug is deemed cost-effective prior to adding it to plan coverage.

Health Case Management

Ensuring that specialty drug claimants are being adequately supported administratively and clinically to obtain the best clinical outcomes possible and provide a positive participant experience

Pooling Arrangements

Financial tool to spread risk associated with catastrophic claims across many plan sponsors

Price Listing Agreements

Consists in negotiating manufacturer rebates to determine cost-effectiveness and coverage eligibility criteria.

Prior Authorization

To approve claims payment only if the claimant meets specific eligibility criteria. Prior authorization often includes co-ordination of benefits with the manufacturer's patient support program.

Provincial Integration

Transferring drug costs to universal provincial drug benefits programs such as Trillium by capping health plan spend per person or carving out targeted drugs.

Specialty Preferred Provider Network

Network of pharmacies specializing in dispensing specialty drugs and offering reduced mark-ups and specialized clinical counselling



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