A PHARMACY BENEFIT FORECAST FOR 2015

As 2015 approaches, what are the most important new trends you should understand related to pharmacy benefits? The Lockton Benefit Group Pharmacy Analytics Practice breaks down the issues and provides some practical advice for smart decision-making. If you have questions or concerns related to these or other pharmacy benefit issues, please contact your Lockton Account Team.

**ISSUE 1** Unexpected fees may be associated with a combined pharmacy/medical out-of-pocket maximum.

If you haven’t already made a decision about whether to use two separate out-of-pocket maximums (one for medical and one for pharmacy) or a single, combined out-of-pocket maximum, it’s time to do so. If your pharmacy benefit is carved out to a pharmacy benefit manager (PBM), keep in mind you might be paying data integration fees to your carrier, PBM, or both if you decide to maintain a single out-of-pocket (OOP) maximum for both medical and pharmacy cost sharing. Some PBMs and carriers are offering a choice between near real-time data exchange or overnight batch-data transfers. Data transfer fees can vary from $0 to thousands of dollars per month.

That’s not the only issue related to a combined OOP maximum. In 2015, many members who take specialty drugs will have a limit on their pharmacy cost share for the first time ever. For example, let’s say a plan offers 20 percent coinsurance on specialty drugs today. When an OOP maximum (either integrated with medical or stand-alone) is added, specialty drug users could reach their annual OOP maximum after as few as two or three fills.
Expect an increasing hepatitis C spend.

We saw hepatitis C and the wonder drug, Sovaldi, in the news throughout 2014. New oral hepatitis C medications are projected to cost even more than Sovaldi, which runs approximately $84,000 per treatment. The good news about all of these treatments is the cure rates are very high—90 percent or more.

Two oral hepatitis C treatments to watch for are currently under FDA review and expected to be approved in the fourth quarter of 2014. Additional treatments should be available in 2015. Some of the new treatments expand the population of patients who can be treated, while others may actually bring price competition to the class. Lockton’s Pharmacy Analytics Practice can assist you with strategies to manage your hepatitis C spend appropriately and take advantage of price competition when it becomes available. We can also conduct predictive modeling to estimate future hepatitis C costs for your plan.

A robust specialty drug pipeline exists for new breakthrough therapies.

In addition to new hepatitis C treatments, we expect new oncology medications to be released throughout 2015, with some costing an average of $10,000 per patient per month.

Two new oral therapies for idiopathic pulmonary fibrosis (IDF), a lung disorder with no cure, could run $100,000 per patient per year. These breakthrough therapies may prevent the progression of the disease, which is exciting because currently the primary treatment available for IDF is a lung transplant.

A new oral therapy for cystic fibrosis (CF) could benefit 50 percent of all CF patients. The cost of the new treatment is expected to be at least $300,000 per patient per year. This is important because Kalydeco, a treatment that was approved in 2012 to treat the underlying cause of CF, is effective in only five percent of patients.

Generic drug inflation will continue.

Throughout 2014, we have seen many generic drugs become more expensive, some exceedingly expensive with inflation rates of one thousand percent. According to a study by Drug Channels Institute, half of the generic drugs studied had an increase in acquisition cost, with a median increase of 11.8 percent from July 2013 to July 2014. Some generic inflation is due to raw material shortages. Inflation is also triggered as manufacturers enter and exit the market.

What does this mean for employers and members? Expect certain “expensive” generics to no longer be included on retail pharmacies’ low-cost drug lists. Some PBMs are even recommending moving certain generics into a higher co-pay tier. As we see generic inflation continue, it’s important to have solid generic pricing guarantees and definitions in your pharmacy benefit contract. The Lockton Benefit Group Pharmacy Analytics Practice can assist you in securing solid guarantees and contractual language.
Expect tighter controls on the use of compound drugs.

Over the last few years, we have seen dramatic increases in both the utilization and average cost of compound drugs used to treat scars, wrinkles, pain, and other conditions. While some compound drugs are medically necessary and appropriate, there are some conditions for which a noncompounded preparation is already available that may work just as well.

In 2015, we expect most PBMs and some carriers to continue taking an aggressive stance when it comes to compound drugs. For example, Express Scripts is blocking a thousand compound drug ingredients for most clients. Similarly, Catamaran has introduced a “Safe & Effective Compound Use Reassurance Effort,” offering a variety of services to assist clients with safety and cost concerns. Lockton Benefit Group’s Pharmacy Analytics Practice can help you assess the impact of any changes recommended by your PBM or carrier.

Let Lockton create a strategy that’s right for your organization.

Managing your 2015 pharmacy program will require the implementation of a broad set of strategies to address generic drugs, high-cost specialty drugs, and everything in between. The Lockton Benefit Group Pharmacy Analytics Practice can help you develop these strategies and update them throughout the year as the pharmacy landscape continues to change. For more information, please contact your Lockton Account Team.