

# Sanovia Webinar Series: Understanding Specialty Pharmacy Management and Cost Control



October 6, 2010

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## Today's Speaker



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- **Kathryn Lindhorst Canaday, PharmD**
- **Chief Clinical Officer, Pharmaceutical Strategies Group**
- Dr. Canaday has more than 18 years of experience in managing pharmacy benefits with a particular emphasis on plan management from the clinical perspective, direct contracting with manufacturers, and PBM clinical operations. She joined Pharmaceutical Strategies Group from QualChoice, a large regional health plan in Cleveland, where she was Executive Director of Pharmaceutical Services for 10 years. She was responsible for the clinical and financial aspects of their pharmacy program. Prior to that, she worked at Diversified Pharmaceutical Services as the Clinical Program Manager for the United HealthCare accounts. At PSG she oversees clinical services, advises clients on clinical issues and serves as the key figure for specialty pharmacy knowledge. Dr. Canaday holds a BS and Doctor of Pharmacy degree from the St. Louis College of Pharmacy.



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## Who is PSG?

- Created to fill the unmet need of payers for advocacy and specialized expertise in purchasing PBM services and managing their drug benefit program.
- Largest independent pharmacy advisory firm in the country.
- Provide day-to-day pharmacy advisory services to more than 150 clients representing 4.5 million lives nationwide. Consult to nearly 50 million lives.
- 29 employees, including seven clinical pharmacists on staff, deployed throughout the United States.
- Proven state-of-the-art tools and methodologies.

# About Sanovia



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- **Founded by pharmacists in 2003**  
Broad experience in managed care pharmacy, specialty pharmacy, healthcare insurance and decision-technology applications
- **Products and services**  
Focused on Pharmacy UM – Improving consistency and quality of decision making while reducing administrative costs.
- **Established and growing client portfolio**  
9 Customers managing over 10 million lives





➤ **Who are we ?**

Sanovia delivers pharmacy management solutions to health plans and PBMs focused on the utilization of specialty drugs and other high cost pharmaceuticals. Sanovia's mission is to ensure that patients receive the right drug, at the right dose and at the right time.

➤ **What do we do ?**

Sanovia deploys proven solutions that allow our customers to improve the quality and consistency of clinical decisions, while reducing administrative costs. Our best-of-breed PA-Logic™ product accomplishes this by:

1. First automating the entire prior authorization process, and then
2. Embedding best practice clinical criteria directly into the workflow



# Agenda



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- Why is it important to focus on specialty pharmacy?
- Definition of specialty pharmacy
- Overview of specialty pharmacy market
- Three ways to control costs:
  - Channel management
  - Benefit design
  - Clinical programs
- Specialty pharmacy program evaluation



# Why Is It Important to Focus on Specialty Pharmacy?

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- Ever changing pharmacy environment for payers
- Specialty Rx medications in marketplace and pipeline:
  - Fastest growing component of pharmacy healthcare
  - The biologics share of the pharmaceutical market is expected to increase from 15.3% in 2005 to 25-30% in 2013
  - Annual year-over-year specialty drug average trend is 11-15%
  - Pipeline facts:
    - Over 250 drugs in biotechnology pipeline with 70% requiring administration by a healthcare professional
    - In 2010, it is expected that half of FDA approvals will be specialty drugs
    - Manufacturers are spending 25% of R&D on biologics
    - Oral medications in development for several specialty categories including rheumatoid arthritis, multiple sclerosis, hepatitis C, cancer

## Definition of Specialty Pharmacy Includes Four Features

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1. Method of administration
2. Nature of the disease being treated
3. Cost
4. Location of administration

# Specialty Pharmacy Definition Continued



- We further define specialty pharmacy drugs as having the following characteristics:
  - Commonly produced through biotechnology
  - Orphan drugs or used to treat diseases for which there are no available treatments
  - Target underlying disease pathology rather than just treating symptoms
  - Typically administered via injection or infusion, but oral and inhaled agents may also appear on the list
  - Require special handling, administration, or both
  - Have a high need for therapy management by health professionals due to a high incidence of adverse effects and compliance problems requiring monitoring and dosing adjustments
  - High cost as defined by CMS as equal to, or greater than, \$600 per month

## Specialty Pharmacy Market: Use specialty pharmacy, but which one?

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- Specialty pharmacy providers have come from the following sectors:
  - Managed care organizations
  - Retail pharmacy chains
  - Wholesale distributors
  - Home infusion companies
  - Pharmacy benefit managers
  - Mail-order pharmacies
  - Disease management companies

# Specialty Pharmacy Basic Services



Patient	Provider	Payer	Manufacturer
Toll-free, 24-hour clinical support	Compliance management	Competitive pricing	Shipping and delivery
Benefits verification	Reimbursement coordination	Reduction in wasted drug	Office reimbursement coordination
Direct home delivery	Patient education services	Dedicated payer/sales support	Patient assistance programs
Intensive member education	Coding and billing assistance	Customized programs (disease treatment management and clinical support)	REMS execution

All vendors do the basic services satisfactorily. The key is to find the exceptional programs that differentiate one from another.

“Changing the Channel: Developments in US Specialty Pharmaceutical Distribution,” *Pharmaceutical Commerce*, September 2009.

# Key Vendor Considerations for Specialty Pharmacy

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- Experience with key client base (employer, health plan, etc.)
- Location of facilities (access) and service team
- Experience and comprehensive services
  - Years in business, volume, large product portfolio for dispensing and clinical programs
- Competitive pricing, contracting flexibility, and rebates
- Coordination of programs and data with other vendors
- Dedication to member, provider, and client service
- Positioned for the future (infusion, oncology, etc.)
- Proven outcomes from clinical programs
- Robust data reporting

# Dispensing Arrangements for Specialty Pharmacy Benefit



Specialty Pharmacy Dispensing Arrangements	Percentage of Employers		
	2009	2008	2007
My PBM is exclusive supplier of specialty drugs.	30.10%	36.10%	30.80%
Our plan requires all specialty drugs (filled through our PBM contract) to be dispensed from PBM's designated specialty pharmacies.	53.80%	46.90%	51.50%
Our plan permits dispensing of specialty drugs at retail pharmacies.	28.00%	44.90%	36.70%
Our plan has established quantity limits for specialty drugs.	29.70%	29.90%	22.80%
We have restricted coverage in our medical plan to channel specialty drugs to PBM.	15.70%	18.40%	13.90%

Takeda and PBMI. 2009-2010 Prescription Drug Benefit Cost and Plan Design Report

## Three Ways to Control Costs

A blue syringe is positioned horizontally in the upper right corner of the blue header bar.

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The Sanovia logo is a circular emblem with a gold border, containing the company name and tagline.

1. Control unit price through channel management.
  2. Benefit structure.
  3. Control utilization through clinical programs.
- 
- A white pill bottle with a label is shown in the background on the right side of the slide, partially obscured by the text.

## Control Unit Price - Rx Benefit

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Channel management through retail-lock out:

- Require patients to use specialty pharmacy to get the prescription. Various ways to require use.
- PBMs will exclude coverage for specialty drugs at mail rates.
- Do analyses to ensure pricing differences between the channels.

## Control Unit Price- Medical Benefits

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- Employers should question the method their medical carriers are paying physicians for J-codes. If they are using an Average Sale Price (ASP) + 6% methodology or an AWP -15%, then moving drugs to pharmacy benefit may not yield significant savings.
  - However, savings might be found in better clinical management and appropriate use by specialty pharmacy.
- Move all self-injected drugs to go under pharmacy benefit and exclude J and S codes for self-injected drugs from medical benefit.
- Require prior authorization for non-self administered drugs under medical benefit.

## Control Unit Cost - Rebates

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- Some PBMs will offer different rebates for specialty, will usually match mail or retail offers and others do not.
- Some specialty vendors offer and others do not.
- Rebates for drugs billed under the medical benefit are available through either direct contracting or through selected vendors (typically not PBMs).
- While rebates are not available for all specialty drugs, in some well-used classes such as growth hormones, rheumatoid arthritis, or multiple sclerosis, manufacturers are providing rebates similar to those seen on the traditional drug side.

## Control Unit Costs - Contract Language Recommendations

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- Consider an exclusive arrangement for employers and non-exclusive for health plans.
- Retain final authority for exclusions and inclusions on the specialty list and channel restrictions.
- Require specialty drug claims to be included in discount guarantees.
- Contract for specific AWP discounts for each drug (i.e., do not accept a flat discount for all specialty drugs).

## Control Unit Costs - Contract Language Recommendations - continued

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- Look for hidden fees (e.g., postage, administration, prior authorization administration).
- Request rebates for Rx and medical claims.
- Reviewing and negotiating specialty contract terms annually.
- Enacting performance guarantees related to reporting and operational measures.
- Require disclosure of any or all pharmaceutical manufacturer fees

## Three Ways to Control Costs

A blue syringe is positioned horizontally in the upper right corner of the blue header bar.

**Sanovia**  
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A circular logo with a gold border containing the text 'Sanovia' in a serif font and 'PHARMACEUTICAL MANAGEMENT' in a smaller sans-serif font below it.

1. Control unit price through channel management.
  2. **Benefit structure.**
  3. Control utilization through clinical programs.
- 
- A white pill bottle with a white cap is shown in the lower right background, containing several white pills. The bottle is slightly out of focus.

## Cost Control through Benefit

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The ultimate goal should be to have the same member contribution and the same price paid for the drug no matter where it is dispensed or administered.

# Cost Control through Benefit



	Medical Benefit	Pharmacy Benefit
<b>Current</b>	<ul style="list-style-type: none"> <li>• \$20 office visit co-pay.</li> <li>• 20% coinsurance for the drug.</li> </ul>	<ul style="list-style-type: none"> <li>• Open retail network.</li> <li>• Specialty co-pay of \$80 for 90 days at mail or \$40 for 30 days at retail.</li> </ul>
<b>Proposed</b>	<ul style="list-style-type: none"> <li>• OAA specialty tier: 20% coinsurance: \$2,500 annual prescription out-of-pocket maximum.</li> <li>• Selected SAA no longer covered under the medical benefit.</li> <li>• All bills from providers required to have NDC on claim form.</li> <li>• Provider reimbursed same amount as specialty pharmacy contracted rate.</li> <li>• Provider administration fee increased to overcome provider's loss in revenue from decreased drug price.</li> </ul>	<ul style="list-style-type: none"> <li>• OAA and SAA specialty tier: 20% coinsurance: \$2,500 annual prescription out-of-pocket maximum.</li> <li>• Coverage only through exclusive specialty pharmacy at deeply discounted rates.</li> <li>• Prior authorization, dosing guidelines, quantity limits implemented.</li> <li>• 30-day supply only.</li> <li>• No provider administration fee as patient administers drug.</li> </ul>

OAA – office administered agent  
 SAA – self-administered agent

## Specialty Co-pay - High, But Not Too High



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- Researchers have tried to determine if high specialty copayments impact adherence.
  - It was found that tumor necrosis factor (TNF) inhibitor patients with copayments over \$250 were 4.6 times more likely to decline to fill the prescription than patients with a copayment of \$100 or less (Gleason P, 2008).
  - Another study found that specialty patients with co-pays over \$50 were more likely to discontinue their medication than patients with lower co-pays (Curkendall S, 2008).
  - For multiple sclerosis patients, a \$200 copayment resulted in patients not filling their prescriptions six times more than members with a \$100 or less copayment (Gleason P, 2009).

# Range of Retail Copayments by Drug Category

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Drug Category	Lowest Copayment	Median Copayment	Highest Copayment
Generic	\$0.00	\$10.00	\$50.00
Preferred Brands	\$5.00	\$25.00	\$50.00
Nonpreferred Brands	\$20.00	\$40.00	\$80.00
Brand Drugs (Preferred & Non-preferred)	\$10.00	\$30.00	\$60.00
Lifestyle Drugs	\$40.00	\$45.00	\$50.00
Specialty Drugs	\$10.00	\$50.00	\$200.00

Takeda and PBMI. 2009-2010 Prescription Drug Benefit Cost and Plan Design Report

# Summary of Ranges of Retail Coinsurance by Drug Category for All Employers



Drug Category	Amount (Percentage)			(Dollar Amount)	
	Lowest Coinsurance	Median Coinsurance	Highest Coinsurance	Lowest Minimum	Highest Maximum
Generic	0.00%	20.00%	50.00%	\$0.00	\$150.00
Preferred Brands	15.00%	25.00%	40.00%	\$0.00	\$150.00
Nonpreferred Brands	20.00%	40.00%	75.00%	\$0.00	\$500.00
Brand Drugs (Preferred & Nonpreferred)	20.00%	25.00%	50.00%	\$5.00	\$75.00
Lifestyle Drugs	25.00%	50.00%	100.00%	\$30.00	\$100.00
Specialty Drugs	20.00%	25.00%	25.00%	\$0.00	\$2,500.00

Takeda and PBMI. 2009-2010 Prescription Drug Benefit Cost and Plan Design Report

## Example of 4<sup>th</sup> Tier Specialty Benefit

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- 20% copayment for specialty drugs.
- \$150 maximum per 30-day supply.
- An annual out-of-pocket maximum of \$2,000 specifically for specialty drugs.

These levels should strike the balance between an acceptable cost sharing while maintaining a benefit that is not overly burdensome on the patient.

## Three Ways to Control Costs



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1. Control unit price through channel management.
2. Benefit structure.
3. Control utilization through clinical programs.

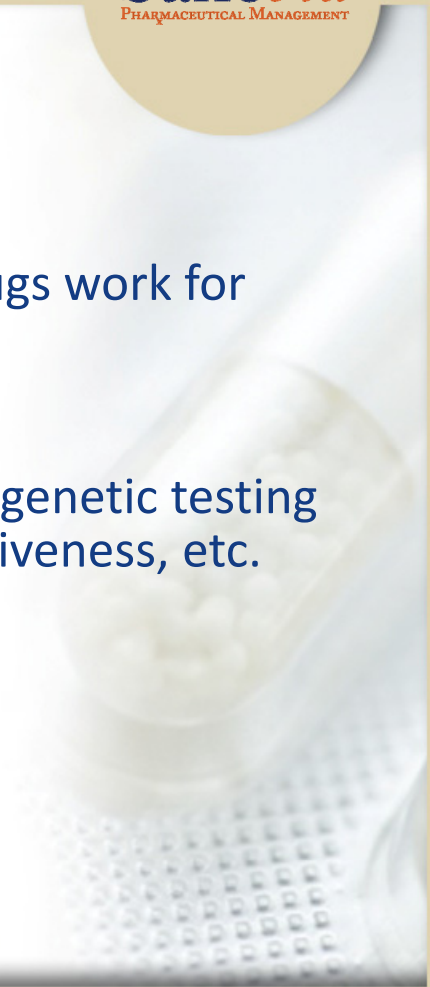
# Control Costs through Clinical Programs



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Standard clinical management programs for traditional drugs work for specialty also:

- Prior authorization
  - Diagnosis, prescriber specialty, clinical parameters, genetic testing requirements, previous therapy, measures of effectiveness, etc.
- Step therapy.
- Quantity restrictions.
- Dose consolidation and duration of therapy.



## Control Costs through Clinical Programs - continued

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- Managed formularies - anti-TNF, growth hormone, hepatitis.
- Coordination with care or disease management vendor - specialty pharmacy vendor should have in place an exchange program with the payer's case or disease management vendor to coordinate the care of the member.
- Adherence and other outcome reporting by patient and disease.

# Specialty Pharmacy Program Evaluation



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After implementation of the specialty program, evaluation of the effectiveness must be done. A few areas that can be reviewed include the following:

- Number of patients using the specialty pharmacy versus the retail or mail channel.
- Member and provider disruption and satisfaction scores.
- Savings seen by payer.
- Favorable clinical outcomes.
- Customer service and account management experience.

## Final Thoughts



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To meet the growing challenge, payers must review their programs to be assured

- comprehensive cost containment measures are in place,
- member benefits don't disadvantage one benefit, and
- clinical programs are measured for effectiveness.

Failure to do so will result in the cost of specialty drugs siphoning off a disproportionate share of the healthcare dollar.

# PSG Specialty White Paper

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PSG - Pharmaceutical Strategies Group | Welcome - Windows Internet Explorer  
http://psgconsults.com/index.html

PSG - Pharmaceutical Strategies Group | Welcome

Home | Client Tools | Employee Tools

**PSG** PHARMACEUTICAL STRATEGIES GROUP  
*Advancing and protecting our clients' interests in the pharmacy benefit marketplace for more than 15 years.*

ABOUT PSG | OUR CLIENTS | SOLUTIONS | PERSPECTIVE | RESOURCES | CASE STUDIES | CONTACT

Pharmaceutical Strategies Group assists plan sponsors and other payors in designing, implementing, and managing programs that maximize the value of pharmaceuticals in their population. The strategies employed by PSG consultants allow plan sponsors to gain immediate control over their pharmacy benefit spend, facilitate population health management, and position their program to successfully negotiate the pharmacy benefit challenges of the future.

**QUICK LINKS:**  
What Makes PSG Different  
Articles, Presentations, and Research  
Client Testimonials  
Custom RFP Development and PBM Procurement  
Pharmacy Program Diagnostic (RxDiagnosticsSM)  
Contract/Financial/Plan Compliance Review (Audit)  
Contract Development and Negotiation

**FEATURED NEWS:**  
**PSG/Sanovia Webinar: Understanding Specialty Pharmacy Management and Cost Control**  
Wednesday, October 6, 2010  
1:00 PM - 2:00 PM CDT  
**REGISTER NOW!**  
**PSG Whitepaper: Understanding Specialty Pharmacy Management and Cost Control, August 2010.**  
**PSG Survey Shows U.S. Companies Negative on Healthcare Reform, But Positive on Pharmacy Changes, November 2009.**  
**What Plan Sponsors Need To Know and Do About Upcoming Drug Pricing Changes: Webcast Recording and Presentation, September 2009.**

**COMMITMENT TO OUR CLIENTS**  
Following our most recent customer satisfaction survey, 94% of our clients rated their overall satisfaction with PSG as either "Excellent" or "Very Good," with a zero-defect rate.

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PSG Whitepaper:  
Understanding  
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Management and Cost  
Control, August 2010.

# Agenda



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Questions?

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# Thank You

- Kathryn Canaday
- [kcanaday@psgconsults.com](mailto:kcanaday@psgconsults.com)
- 972-244-8369
  
- Matt Plack
- [mplack@sanovia.com](mailto:mplack@sanovia.com)
- 610-521-2211 x 528

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