



Partnering to Cure Drug Costs

Challenge

When it comes to specialty drugs – which can often cost thousands of dollars – spending can quickly spiral out of control for both an employee and an employer’s total drug spend. While only a small percentage (1 percent) of employees require specialty drugs, prescription drug plans place a heavy burden on employers, often comprising up to 33 percent of the cost of prescription benefit plans.

The cost for these specialty drugs can be breathtaking. For instance, a new leukemia drug costs \$450,000 per patient. Remicade, an infusion therapy prescribed to treat Rheumatoid Arthritis and Crohn’s disease, can cost upwards of \$26,000 per year per patient.

Research by Truveris – a company that brings transparency to the prescription drug ecosystem – shows that prescription drug costs will continue to increase in the next few years, reflective of the development and emergence of new specialty drugs in the market. For instance, in 1990, only 10 specialty drugs were on the market. Today that number exceeds 300. And, as found by Mercer, between 40 and 50 new specialty drugs are

set to hit the market each year for the next five years, which could increase cumulative health-care costs by \$25 billion annually.

In addition, there are ongoing efforts to find new indications for existing drugs. Specialty drugs are being tested and found to treat more than just one condition. For instance, Taltz (ixekizumab), was indicated to treat psoriasis but recently also got approved for psoriatic arthritis. While this can be beneficial for consumers, it results in additional costs associated with these specialty drugs for employers.

As the market for specialty drugs grows, Employers are faced with the challenge of curbing rising drug costs, while also making sure their employees continue to have access to specialty drugs they need. But limiting choices through a closed formulary isn’t popular with employees or physicians. And tiered plans shift more costs to consumers. So, how can employers contain costs while simultaneously offering a robust benefits plan and coverage to their employees?



City of Manchester: A Strategy for Cost Containment

The City of Manchester wanted to tackle spending for one specialty drug called Remicade. A typical Remicade treatment regime consists of three starter infusions over a six-week period, and then maintenance injections every eight weeks.

But, depending on where the drug is administered, the price for the treatment can vary. At a hospital, the drug can cost upwards of \$10,000 per infusion. However, if the drug is administered at an infusion center, it costs a fraction of the price.

Though Remicade infusions only make up a small

percentage of the employee population's health care expenses, the drug costs on an annual basis were quickly adding up to a staggering amount. The City of Manchester has had historically rich employee benefit offerings for its more than 3,000 employees and their dependents. So, the City needed a way to get Remicade patients to switch to facilities that charged less for the same infusion drug.

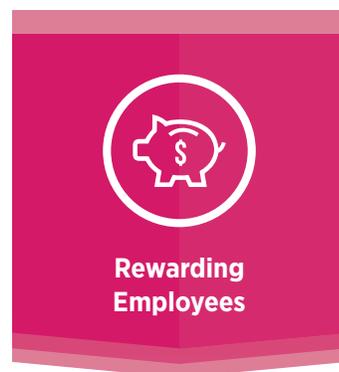
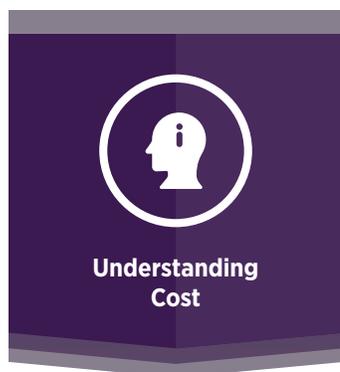
The City of Manchester worked in partnership with Anthem and Vitals SmartShopper to redirect Remicade patients to a non-hospital setting.

At the onset, there were a few key challenges:

1. There was no incentive for employees to pay attention to health care costs
2. It was hard to contain costs for specialty drugs when there weren't many options for where to get Remicade therapy in the first place.
3. There was skepticism among employees toward the city, so the city needed to build trust and engage stakeholders. The city focused on getting union reps and peer employee "ambassadors" on board to encourage employee engagement in their health care.

First, Vitals set up a network of office-based infusion centers that didn't have the overhead costs of hospitals, but could still provide convenient access to patients. Next, the City worked with Anthem's medical director to send personalized letters to any employee taking

Remicade. The letters described the cost variation for the drug in the local market and made a compelling pitch: Patients who switched to a lower-cost facility to receive the drug **would earn \$500 per infusion.**



The Results

To date, 57 percent of members who receive Remicade have converted to a lower-cost option for the therapy. For each infusion, the City saves \$6,439 on average. So far, more than half a million dollars have been saved on this one drug. The success proves that when you align incentives and provide information along with convenient access, employees will shop for specialty drugs, significantly impacting business health care spend.

But the work is not done. The City continues to work with Anthem and Vitals SmartShopper to lower the cost of specialty drugs.

Over the past four years, Vitals has expanded the number of Remicade providers from one to over 12. In addition to office-based infusions, nurse practitioners are also available to administer the drug in the comfort of an employee's home. Anthem also continues to send out letters to new Remicade patients on a quarterly basis.

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The Takeaway

It's no secret that drug spending is increasing – and will continue to grow in the coming years – but there are ways for employers to reign in the costs.



Employers will need to focus on ongoing education and communications to build trust with employees.



By using a high-touch system of case management and offering employees access to a call center or an online chat, employees can get the transparency they need around care and pricing.



Employers will need to redirect employees to receive infusion therapies in the right setting – and at the right cost.



Give employees a reason to care: employees should be incentivized and rewarded for choosing low-cost, high-quality providers, whether it's for specialty drugs as well as for other health care services.



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