

Trend Management



Whether we're buying a pair of shoes, a car, or a dishwasher, as good consumers we make buying decisions based on the answers to two questions:

- What is the cost?
- Does the quality and value of the item justify its cost?

When it comes to buying health care, however, employers typically ask only the cost question, expressed as, "What are your discounts?" Although discounts are important, they should never be the only factor when examining a TPA/carrier partner. To get the true picture, employers must ask the second question too—examining the issues of quality and overall patient management as they relate to network discounts. This line of thinking is the heart of *trend management*.

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Specialty Pharmacy — Facts, Trends, Solutions

There is a new challenge facing health care today: the impact of costs associated with treating people living with chronic, complex diseases. Here is what you need to know to understand how specialty pharmacy will affect your organization and your members—and how MedCost Benefit Services' partnership with Catalyst Rx can help your organization control its costs.

What Are Specialty Drugs?

Often based on genetic research, biotech drugs—also called "specialty drugs"—are derived from organisms rather than chemicals. These specialty drugs, usually injectable products, attack disease in new ways. Many work on a cellular level, interfering with specific processes to actually alter the course of the disease, rather than providing symptomatic relief.

In addition, a drug product could also be classified as a specialty drug because it is expensive or in limited distribution, or because it requires a complex route of administration (infusion or injection), special storage and handling, strict compliance requirements, or extra patient support.



Why Be Concerned About Specialty Drugs?

Specialty medications are a significant contributor to increasing health care costs and are currently experiencing larger cost trends than any other area of medical care. The per-patient/per-year cost of specialty medications is now estimated at an astounding \$10,000 to \$250,000¹—some therapies even cost more than \$1 million. It is easy to see how a small patient population (1 percent to 5 percent) requiring specialty treatment could account for up to 50 percent of a plan's medical cost.²

Growth in the specialty pharmacy sector is projected to escalate as new drugs become available. To date, there are more than 100 specialty drugs available, 371 specialty drugs in the approval pipeline, and an additional 1,000 in development.³ Until recently, specialty drugs targeted only rare conditions affecting smaller patient populations. However, the new blockbuster specialty medications will

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Trend management can be simply illustrated by comparing the two actual networks in the chart below. Network A offers strong utilization management and a weaker discount. Network B has weaker utilization management, but offers a better discount. For those asking only the “what does it cost” question the obvious choice is Network B. A trend management perspective, however, looks carefully at the important role each network’s patient management programs play.

Network B averages 136 inpatient claims per 1,000 employees, while Network A averages 125 claims per 1,000 employees. These numbers are important because they reveal how well a network manages its patient population, dramatically affecting savings and potentially offsetting the promised discount.

As you can see, the difference between Network A and Network B is only \$20!

Nationally, 15% of the population spends 81% of all health care dollars. Managing that 15% of the population well,

then, is obviously as important as managing cost per visit—because a well-managed population means that certain costs will actually be avoided altogether. It follows that *a network that manages disease states well and provides proactive interventions to prevent costly clinical events, is the better, wiser buy.*

Managing Trend: The MBS Approach

MBS takes a three-pronged approach to trend management. Our goal is to help employers control their health care costs by:

1. Managing patients
2. Managing provider relationships
3. Managing the most costly diseases found in the employee population.

This three-pronged approach pursues the most cost-effective options, not just the best network discount.

For more information about MBS’ trend management solutions, contact Mike Cornwell at **(800) 217-5097**.

Network A

Spending Category	Claims/1000	Billed/Claim	Allowed/Claim	Discount	Allowed/EE/Year
Inpatient	125	\$14,495	\$10,871	25%	\$1,359
Outpatient	1,250	\$1,245	\$934	25%	\$1,167
Specialist	5,900	\$355	\$231	35%	\$1,361
Primary Care Physician	4,610	\$136	\$95	30%	\$439
Grand Total	11,995				\$4,326

Network B

Spending Category	Claims/1000	Billed/Claim	Allowed/Claim	Discount	Allowed/EE/Year
Inpatient	136	\$14,495	\$10,002	31%	\$1,360
Outpatient	1,360	\$1,245	\$859	31%	\$1,168
Specialist	6,431	\$355	\$213	40%	\$1,370
Primary Care Physician	4,610	\$136	\$88	35%	\$408
Grand Total	13,537				\$4,306

Specialty Pharmacy—Facts, Trends, Solutions

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provide treatment for asthma, psoriasis, several types of cancer, and rheumatoid arthritis—health conditions affecting millions of Americans.

How Does MBS Help Control Specialty Costs?

MBS has partnered with Catalyst Rx who works directly with Walgreens Specialty Pharmacy to help health plans control the high costs associated with specialty medications while providing their members with an exceptional level of individualized care. Our solutions often lead to:

- Increased adherence to prescribed drug regimens
- Improved member satisfaction with their health plan
- Reduced overall direct and indirect health care costs.

To learn more about the MBS and Catalyst Rx specialty pharmacy program, please contact Mike Cornwell at 800-217-5097. Additional information is available at www.walgreenspecialtyrx.com.

¹ Drug Topics.com. www.drugtopics.com. "Specialty Pharmacies: A Win-win for Everyone," by Tony Vecchione. September 15, 2003.

² Segal Executive Letter. "Why Specialty Drugs Require Special Attention," by Sean Brandle. The Segal Group, Inc. March 2004; p.1.

³ Pharmaceutical Research and Manufacturers of America web site. www.phrma.org. 2002 Survey of New Medicine in Development. "71 Biotechnology Medicines in Testing Promise to Bolster the Arsenal Against Disease," by Alan F. Homer. Accessed October 2002.

Mark Your Calendars!

MedCost Benefit Services would like to invite all employer clients to attend the 2005 Innovative Benefit Solutions Meeting. We will present valuable information that the broker community heard in April about managing health care trend.

When: September 14, 2005, 10 a.m. – 3 p.m.

Where: Pine Brook Country Club in Winston-Salem

Items of discussion will include:

- **Health Trend Analysis**
- **New MBS Care Management Model**
- **Challenges from a Provider Perspective**

Please RSVP by August 19 to Brenda Jessup at 336-774-4416 or bjessup@medcost.com.



MBS' Unique Approach to High Cost Injectable Drugs Saves \$1000s

In partnership with Catalyst Rx and Pharmacare, our pharmacy benefits managers (PBMs), MBS has had phenomenal success in managing high cost specialty pharmacy drugs. Here are two actual recent examples:

Case #1.

MBS identified a patient who was taking a high cost injectable biotech drug at a monthly cost of \$6,600. Working with our PBMs, MBS was able to save this patient/plan over \$4,600 per month—for the very same medication. This was accomplished with no interruption to the patient's medication regimen and at no cost to the patient. As a result of this exceptional savings achievement, the employer's stop loss carrier removed a \$60,000 laser.

Case #2.

A patient required two injections per month with a high cost biotech drug. The patient was spending \$3,000 for each injection, or \$6,000 per month. When MBS and our PBMs realigned the purchasing of this drug, the cost was cut in half. Now, instead of \$3,000 for each injection, the cost is \$3,000 for both injections.

If you would like more information about MBS' unique approach to biotech drug management, please call your sales representative.