
SPECIALTY PHARMACY NEWS

Economic Downturn Hits Specialty Industry Hard; Stakeholder Responses Are Varied

With the economy in turmoil, the high costs of specialty drugs may pose big problems for various stakeholders. *SPN* spoke to several sources to find out how the economy is impacting the specialty pharmacy industry and found financial pressures are intensifying.

As employers struggle to rein in costs, many of them continue to shift costs to their members. "We continue to hear about plans to increase copayments or coinsurance on specialty drugs," says Atheer Kaddis, M.D., vice president of managed markets at Diplomat Specialty Pharmacy. "We also continue to see utilization management programs widely used by payers to help control cost trend and spend on specialty drugs."

Health plans, likewise, are implementing higher copayments and coinsurance, he says. However, Al Heaton, Pharm.D., director of pharmacy at Blue Cross and Blue Shield of Minnesota, says he recently has seen a lessening of cost shifting among some health plans. He says his plan is moving many specialty drug copays to the pharmacy benefit, where there is a "relatively low copay for these drugs."

According to **Domenick Bertelli**, a principal with pharmaceutical and biotech consulting firm Putnam Associates, health plans will put drugs, particularly newer ones, under greater scrutiny. There will be a general "tightening" around specialty drug management, and manufacturers may find it "harder to get preferred coverage" for their therapies, he says. **Kevin Gorman**, managing partner and founder of Putnam, adds that "this has been coming gradually. It's not the immediate result of the stock market," although its problems have "maybe accelerated" this response.

Kaddis says that the number of patients not paying their bills "actually has increased over the entire course of 2008. We have processes in place to ensure timely payment from patients; however, we have noticed that it has become more difficult for patients to afford their medications."

Across the industry he has seen "collections strategies ramp up," as well as "more use of online coordination of benefits." **Bertelli** says that physicians also have seen an increased administrative burden beyond what they were already experiencing tied to helping

patients enroll in patient-assistance and copay-card programs.

Kaddis also says that Diplomat has seen "patients not taking their medications as prescribed and not getting their refills." He says that out-of-pocket costs are partly to blame for this. "We are currently working with several funding agencies (copay assistance programs) to assist patients with their out-of-pocket costs and make sure they are taking their medications as prescribed."

According to Heaton, Blue Cross and Blue Shield of Minnesota has seen "a slight downtick in utilization of scripts." While the plan has seen this over the entire year, he says, "the pace has accelerated the last couple of months." He tells *SPN* that the decrease is only about two- to three-tenths per member prescription per year. Still, he says, "specialty drugs are somewhat insulated" because patients perceive them as lifesaving therapies.

Some Patients Are Stretching, Skipping Doses

Bertelli says he has heard anecdotally from physicians who are seeing dose stretching and dose skipping of specialty drugs among some patients. He notes that Medicare Part D patients may be especially impacted because the financial stress has coincided with many of them entering the "doughnut hole" coverage gap. This year, the doughnut hole begins after total medication expenses of \$2,510 are reached. At that point, the beneficiary is responsible for the next \$3,216.25 out of pocket until catastrophic coverage kicks in and Medicare begins paying again, which happens when total medication expenses reach \$5,726.25.

Mark Davidner, M.D., an oncologist at Kansas City Cancer Centers, tells *SPN* that he has a lot of breast cancer patients who are in the doughnut hole and unable to pay for their drugs. He says that he is able to give them samples, but when those are depleted, "there's nothing else we can do."

Davidner expresses concerns that both commercial insurers and Medicare will make it increasingly difficult for cancer patients to have access to oral oncolytics because of their costs. "The thing that is really frustrat-

ing to us as physicians — and I've been in practice since 1974 — is there are new drugs that are helping so many people with so many diseases that we couldn't treat before. But with increased pressure from insurers, we wonder whether we will be able to use these."

He adds that "the pressure will continue to be ratcheted upwards" and contends that the situation is "an abomination."

Edmund Pezalla, M.D., national medical director and chief clinical officer for Aetna Pharmacy Management, says that the insurer does "not have any information at this time pointing to emerging trends in specialty medications related to the economic landscape and would not want to speculate on the unknown effect of an economic downturn. However, because the member contribution or copay for specialty medications often is higher than with traditional drugs, there is of course the potential risk of seeing noncompliance to therapy due to higher out-of-pocket costs." Ultimately, total cost and outcomes can suffer because of this, he adds.

David Reese, vice president of Care Advantage, US Oncology's oral oncology specialty pharmacy, says his company has not heard of any increase in patients being unable to pay. He says, though, that the specialty pharmacy has seen "patients asking to delay their fill at the start of therapy" in order to "make sure that is the direction they want to go relative to treatment."

More Scripts Filled in Specialty Pharmacies

Kaddis says one trend he has seen is "an increased shifting of prescription fulfillment through the specialty pharmacy channel in order to take advantage of better pricing, utilization management and drug therapy management." But specialty pharmacies are under pressure as well, which means "they can't afford to write off much in terms of patient responsibility," says Craig Kephart, president and CEO of Centric Health Resources, Inc.

With costs of new specialty drugs getting higher and higher, "there is no question that some pressure

has to be brought to bear on manufacturers because some of the prices of these drugs are very high," says Davidner. He acknowledges that there is "a huge investment in bringing these products to market. But at what point is it true pricing, and at what point is it excessive pricing?"

However, pharma manufacturers are not immune to the economic downturn either. A number of them have been in the news recently when they laid off employees. In addition, says Kaddis, "It is expected that new drugs coming to market will be put under increased scrutiny and potentially comparative-effectiveness challenges before coming to market. This may further impact the number of new drugs to market."

According to **Bertelli**, manufacturers are taking two major steps: reconsidering their rebating of products and "revamping their patient-assistance programs and copay card programs." Manufacturers are extending patient-assistance program coverage beyond uninsured patients to underinsured patients and expanding the number of copay-assistance cards they distribute, he explains. These companies aren't making money if patients aren't buying drugs. "They don't want higher copays to be a higher burden," he notes. Manufacturers "need to come up with strategies to make sure patients stay on their drugs," maintains Kephart.

Most of the sources queried by *SPN* agreed with Reese's contention that "we're in the early stages" of the economic woes. It might be another six months, he says, before the nation has a better understanding of the pressures and their impact on the health care system.

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