2016 Drug Trends Series
Part 4: Examining specialty medications and closed formularies

Published August 2017
Introduction

With the final edition in Coventry’s 2016 Drug Trends Series, our analysis continues to reflect all calendar-year transactions billed through our Pharmacy Benefit Management (PBM) program, First Script, as well as transactions from medical bill review, to reflect the total pharmacy experience for our client base.

This fourth installment of our series is dedicated to specialty drugs and closed formularies. Specialty drugs, which are typically used to treat patients with complex, chronic conditions, have become widely discussed in workers’ comp due to their exorbitant per-prescription costs. Although they represent only 1.1% of drug utilization, they account for nearly 5% of prescription drug costs.

This final edition will share aggregate specialty drug information and review the differences in specialty cost and utilization among the managed and unmanaged views.

Highlights

Specialty medication trends have continued to increase in 2016

Aggregate specialty medications

- Usage of specialty medications rose 0.1% point from 1.0% of all medications in 2015 to 1.1% in 2016.
- Costs associated with specialty medications increased 1.1% points from 3.8% in 2015 to 4.9% in 2016.

Managed specialty medications

- Specialty medications accounted for 0.65% of all prescriptions and 3.98% of all costs.
- Blood clotting and HIV/AIDS conditions were responsible for 74% of the utilization increase in 2016.
- The 7.9% rise in specialty drug costs would have been more significant had it not been for decreases in hepatitis drug usage.

Unmanaged specialty medications

- Accounted for 2.5% of all prescriptions and 7.9% of all costs.
- Specialty drug utilization as a percentage of total prescriptions was nearly four times higher for the unmanaged population than the managed.
- The growing trend in specialty cost per claim was primarily due to new usage of the anemia medication Aranesp®.

Closed formulary updates

- Adopted state formularies: Nebraska, Montana, and New York.
Specialty Medications

Specialty Drugs Represent:

- **4.9% of Aggregate Cost**
- **1.1% of Aggregate Prescriptions**

## Specialty Drug Trends in 2016

### Specialty Drug Utilization

Specialty drug utilization as a percentage of total prescriptions was nearly **4X higher** for the unmanaged population than the managed and rose slightly for both populations from 2015 to 2016.

- **2015**
  - Managed: 0.51%
  - Unmanaged: 2.27%
- **2016**
  - Managed: 0.65%
  - Unmanaged: 2.53%

### Specialty Drug Cost

Unmanaged specialty drugs accounted for **7.9%** of all drug spend, a **51.8%** increase from 2015.

- **2015**
  - Managed: 3.38%
  - Unmanaged: 5.21%
- **2016**
  - Managed: 3.98%
  - Unmanaged: 7.90%
## Specialty Medication Trends

### Top 5 Conditions Ranked by Cost — Managed

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<tr>
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<tbody>
<tr>
<td></td>
<td>% of Specialty Usage</td>
<td>% of Specialty Cost</td>
</tr>
<tr>
<td>Blood clotting</td>
<td>46.0%</td>
<td>19.9%</td>
</tr>
<tr>
<td>HIV/AIDS</td>
<td>21.7%</td>
<td>19.6%</td>
</tr>
<tr>
<td>Osteoarthritis</td>
<td>7.4%</td>
<td>8.6%</td>
</tr>
<tr>
<td>Hepatitis</td>
<td>0.4%</td>
<td>7.4%</td>
</tr>
<tr>
<td>Rheumatoid arthritis</td>
<td>1.4%</td>
<td>6.1%</td>
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<tr>
<td><strong>Top conditions</strong></td>
<td><strong>76.9%</strong></td>
<td><strong>61.6%</strong></td>
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<tr>
<td><strong>All conditions</strong></td>
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54% decrease in the utilization of hepatitis medications (including both Harvoni® and Sovaldi®) has helped mitigate increasing cost per claim for blood clotting treatment and HIV/AIDS prescriptions.

4 of the top 5 conditions experienced utilization and cost increases in 2016 — with the top 5 representing the lion’s share of all managed specialty medications.

### Top 5 Conditions Ranked by Cost — Unmanaged

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<tbody>
<tr>
<td></td>
<td>% of Specialty Usage</td>
<td>% of Specialty Cost</td>
</tr>
<tr>
<td>Osteoarthritis</td>
<td>44.3%</td>
<td>32.0%</td>
</tr>
<tr>
<td>Anemia</td>
<td>1.3%</td>
<td>16.2%</td>
</tr>
<tr>
<td>Neuromuscular condition</td>
<td>5.5%</td>
<td>15.2%</td>
</tr>
<tr>
<td>HIV/AIDS</td>
<td>7.2%</td>
<td>10.3%</td>
</tr>
<tr>
<td>Immune deficiencies, immunizations</td>
<td>5.2%</td>
<td>5.2%</td>
</tr>
<tr>
<td><strong>Top conditions</strong></td>
<td><strong>63.5%</strong></td>
<td><strong>79.0%</strong></td>
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<td><strong>All conditions</strong></td>
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Aranesp® was the primary driver of significant trends for anemia, as well as the 29.5% overall increase in specialty cost per claim.

The top 5 conditions accounted for 63.5% of utilization and 79% of costs associated with unmanaged specialty medications.

Blood clotting and HIV/AIDS accounted for 74% of the overall increase in utilization.
Closed Formulary Update

As the need to control more than just the cost of workers’ comp prescription medications becomes increasingly apparent, lawmakers continue to explore regulatory opportunities that address utilization management. The primary forms of regulation continue to be state-mandated (closed) formularies, preferred drug lists, and medical treatment guidelines. In 2016, state-specific workers’ comp formulary adoptions included Nebraska, Montana, and New York, as well as proposed formularies in Illinois, Pennsylvania, and Louisiana.

Formulary Refinement and Nuances

Lawmakers and regulators continue to explore modifications and refinements to existing formulary models in search of a model that provides optimal cost savings and minimal disruption to care of injured workers. With regard to formularies, the following are states to watch:

California
- Formulary development is in progress and appears to be a departure from models enacted in other states
- While a customized approach for California’s injured worker population is commendable, it should be balanced with the need for an easily-administered formulary without much further delay

Texas
- Texas is moving to close the compound drug loophole within its formulary implemented in 2011
- States considering formulary adoption should look to Texas and identify opportunities to stop financially motivated prescribing practices that have no real medical advantage to the injured worker

New York
- At the time of publication, proposed formulary rules, expected to be effective on or after 12/31/17, are being finalized
- The state already enacted robust treatment guidelines including specific medication directives
- Lawmakers will need to contemplate existing law with formulary development, ensuring that the two sets of directives are properly applied once in place
Conclusion & Recommendations

The specialty drug trends and closed formulary information highlighted in this installment of our 2016 Drug Trends Series illustrate the impact that can be experienced when proactively managing specialty medications. The differences in specialty utilization and cost between the managed and unmanaged populations confirm that efforts to manage these drugs from multiple dispensing channels will become increasingly necessary.

- The cost and utilization of specialty drugs continued to increase in 2016 for both the managed and unmanaged populations.

- Although specialty medications still represent a relatively low volume of prescriptions in the workers' compensation market, ongoing monitoring of these drugs is necessary due to their high cost and complex adherence requirements.

- The primary forms of regulation continue to be state-mandated (closed) formularies, preferred drug lists, and medical treatment guidelines. The need to control more than just the cost of prescription medications remains; lawmakers must continue to explore the potential for creating regulation that incorporates utilization management.

- Lawmakers and regulators should continue to look for ways to refine already adopted models in search of finding a model that provides optimal cost savings and minimal disruption to medical care.

This was the fourth and final edition of the 2016 Coventry Drug Trends Series. We will soon release details about an upcoming webinar in which we will offer a deep dive into the trends we saw in 2016.
First Script is the Pharmacy Benefit and Drug Utilization Management Program offered as part of the Coventry suite of products. First Script offers an end-to-end program designed specifically for workers’ compensation. We realize that getting 100% of the prescriptions into the network isn’t the end game; it’s what you do with those scripts that matters. Early triage ensures that injured workers know how and where to get a prescription filled, and permits us to intervene aggressively on potentially problematic opioid utilization at the earliest point possible. Through integration with our bill review and case management programs, we are positioned to capture all prescription activity for utilization and total pharmacy risk management, ensuring that we manage not only the First Script, but Every Script.

Coventry is the leading provider of care and cost management solutions for workers’ comp, disability, and auto insurance carriers, third-party administrators, and self-insured employers. We design best-in-class products and services to help our partners return injured workers to work, to play, and to life as quickly and as cost effectively as possible. We accomplish this by developing and maintaining consultative partnerships with our clients and stakeholders, built on a foundation of trust that supports the claims management process.

Coventry Connect® Mobile
Industry leading care and cost management solutions on the go

Coventry Connect technology works with Coventry’s integrated suite of solutions to help adjusters and case managers make informed pharmacy decisions that lead to better outcomes.