Achieving Accountability & Predictability on the *MEDICAL SIDE* of Drug Benefits

RECOMMENDATIONS FOR THOSE PAYING THE BILLS FOR HIGH-COST DRUGS

The top 10 most expensive drugs in the US range from over $633,000 to well over $2.1 million annually, making specialty drugs the fastest-growing area of spend for employers (and contributing to the 66.5% of personal bankruptcies tied to medical costs). Since the vast majority of all specialty is currently in the medical category, it's important for purchasers to understand and analyze these costs. Markups and misalignment of incentives have created unstructured pricing that leaves employers and other purchasers in the dark about what they are paying for and whether they have access to the highest value care. For example, hospital markups as high as 700% on certain specialty drugs are not uncommon.

An example of high-cost, low-value care

The top 37 infused cancer drugs averaged 86.2% more per unit in hospitals than in physician offices. About half of all patients are receiving infusions in the hospital with no discernible benefit over outpatient care.

Employers must set united expectations to effectively manage medical drug benefits

Integrate the services of all stakeholders in the medical drug supply chain to achieve consistent value-based care for patients

See details about solutions 1-5 on side 2 ▶

1 — Call for transparency

Require access to all details of pharmacy spend, including units, quantity, day's supply, and rebates by all providers and for all treatments

2 — Minimize waste

Ensure low waste levels by insisting on the gold standard for appropriate prescribing, ongoing evaluation of efficacy, and outcomes

3 — Validate value management

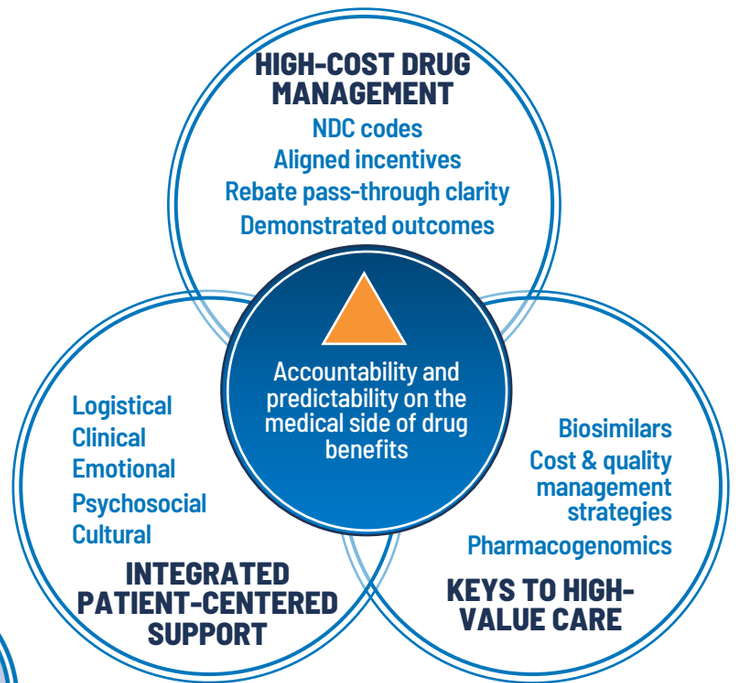
Ensure aggressive cost and quality management strategies are being applied (e.g., site of care, biosimilars, pharmacogenomics, prior authorization)

4 — Demand actionable data

Insist on NDC coding to enable comparative analysis of performance and value; when bundles are used, require separate medical drug reporting

5 — Offer integrated support

Achieve the highest value and best outcomes by ensuring providers are equipped to offer comprehensive support for patients and their families/caregivers



How National Drug Codes (NDCs) Ensure Actionable Information

It's news to many employers that 35% of specialty drugs are billed through the medical benefit, leaving them without the data they need to manage the medical drug benefit on behalf of their workforce. Product specificity matters.

- NDC codes provide an essential level of transparency. The numbers identify the labeler (manufacturer, re-packager or distributer), product code (strength, dosage form), formulation of a drug for a specific company, and package code.
- Drugs reimbursed through the ***medical benefit*** include unhelpful **J codes**, which are much less specific and mask the true cost of specialty drugs and care associated with administering them.

National Alliance of Healthcare Purchaser Coalitions
Driving Innovation, Health and Value

Re-examining the Approach to Managing *Medical Drug Value*

Working Across the Supply Chain to Achieve Transparency and Value

CALL FOR TRANSPARENCY

- Require open book access to pharmacy, sites of care and pharmaceutical contracts, rebates, payments, reconciliations, receivables, and distributions
- Ensure that rebates are reported at the NDC level and rebate expectations are clearly stated (e.g., when they should be passed to the purchaser or patient, not the intermediary)
- Require NDC coding data, units, quantity, and administrative fees by all providers in all settings for reimbursement

MINIMIZE WASTE

- Confirm that drug dosages match clinical criteria (e.g., age, weight, ethnicity)
- Evaluate continuation of therapy in light of disease progression and/or adverse effects
- Make sure dispensing facilities have third-party accreditation (e.g., URAC, Joint Commission) for safe handling
- Require that vial size matches the prescribed amount
- Certify that drugs meet FDA evidence-based recommendations and genetic testing guidelines

VALIDATE MANAGEMENT OF VALUE

- Contract with providers to ensure specialized care is delivered at high-value sites with proven optimal outcomes
- Resolve barriers to the deployment of biosimilars and pharmacogenomics to ensure access to value-based care
- Apply appropriate-use tactics specific to conditions and patients (e.g., prior authorization, quantity limits, site of care)
- Require validation of medical drug pricing using Institute for Clinical and Economical Review (ICER) or other third-party value frameworks to eliminate dramatic overcharges by providers
- Push for wider use of outcomes-based contracting

DEMAND ACTIONABLE DATA

- Require NDC codes for complete drug utilization information (see NDC box on page one)
- Demand meaningful benchmarking to include utilization and cost by NDC, sites of care, etc., and comparison against book of business and/or similarly sized groups
- Insist on special medical drug reports when J codes are used as a pre-approved exception to NDCs

ENSURE A FULL RANGE OF INTEGRATED PATIENT SUPPORT

- Ensure a full range of integrated personalized patient support (e.g., on-call nurse, pharmacist, behavioral health clinician, social worker, nutritionist, case manager), transportation, online chat, text messaging
- Give providers the information and resources needed to assist patients in achieving the best possible outcomes
- Set expectations for culturally competent care that takes social determinants of health into account

The Need to Address Misaligned Incentives

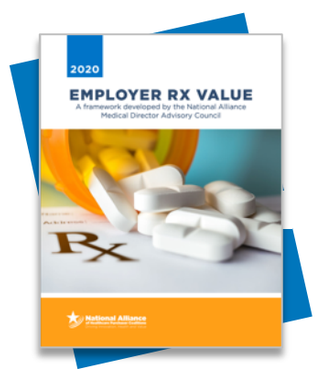
- When medical rebates are not passed back to purchasers or members, health plans and other intermediaries have an incentive to favor higher cost, higher rebate drugs.
- Utilizing rebates to mitigate premium costs on Medicare and Medicaid plans often conflicts with sound cost management strategies for commercial plans.
- Health systems that develop profit models based on large markups of expensive drugs are incented to promote and use costly drugs and practices.
- Bundling services and placing providers at risk realigns financial incentives to appropriately manage medical drugs in the context of overall patient care.

Biosimilars hold great promise to alter the price trend on specialty drugs, yet in the European Union, 58 biosimilars have been approved, compared to only 28 in the US (and many of them have not been launched). US employers must advocate for biosimilar approval and use.

From the National Alliance *Action Brief:* Biosimilars in the Pharmacy Benefit

National Alliance Offers Tools to Help Employers

- Employer Rx Value Report
- Employer Rx Value Framework Infographic
- 2020 Employer Roundtables on Drug Management Report
- Pharmacy & Medical Drugs Initiative & Coalitions in Action



National Alliance of Healthcare Purchaser Coalitions | 1015 18th Street, NW, Suite 730 Washington, DC 20036 | (202) 775-9300 | nationalalliancehealth.org |twitter.com/ntlalliancehlth | linkedin.com/company/national-alliance/