



Current Trends in Pharmacy Benefit Management



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Although prescription drugs accounted for less than 10% of the total US healthcare expenditures in 2001, pharmacy drug spending remains a significant healthcare cost driver, growing at a rate outpacing the increase in any other healthcare segment during the last decade (Figure 1).¹ Since this double-digit increase in pharmacy spending is expected to persist in the next few years, healthcare administrators are faced with the challenge of balancing healthcare quality and cost and allocating scarce resources efficiently. Understanding and monitoring trends in drug use and factors that increase pharmacy costs are essential to successful pharmacy benefit management (PBM).

The need to provide affordable and quality pharmaceutical benefits has shifted the role of PBM companies in the past few years from the traditional claim processing and pharmaceutical and pharmacy network contract management, to increased emphasis on drug-spending management and the design of customer-focused pharmacy benefit solutions.

PHARMACY COST DRIVERS

Consistent with the national pharmacy trend observed by various research organizations,^{2,3} WellPoint Pharmacy Management's national pharmacy drug spending in 2001 increased by 14% compared with its drug spending in 2000.⁴ Increase in utilization (36%), price inflation of pharmaceuticals (42%), and the shift to use

of high-cost agents (22%) have contributed to this increase in drug spending (Figure 2).⁴

Other factors, such as market entry of new and expensive biotechnology agents, aging of the population, and increased use of preventive or early and aggressive treatments, have also contributed to the overall increase in drug spending.

Direct-to-consumer (DTC) advertising also has significant implications on drug trends. Spending on DTC advertising was tripled between the years 1996 and 2000. Currently, manufacturers spend approximately 15% of their promotional budget on DTC advertising.⁵ Not surprisingly, 6 of the top 10 most heavily DTC-advertised med-

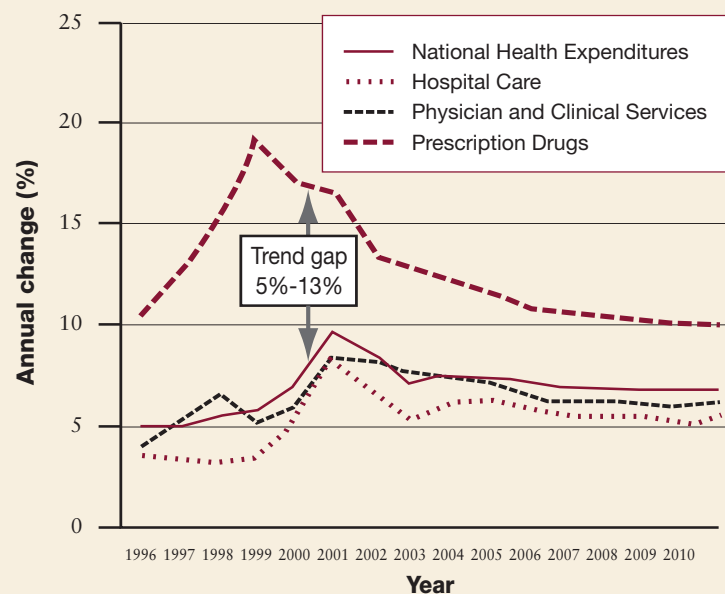
ications are among the 20 agents with the highest sales.

Since only a small number of therapeutic classes were responsible for most of the increase in drug expenditures in 2001 (Table 1), evidence-based drug utilization review programs that promote rational use of these therapeutic agents are crucial to cost-containment. In anticipation of the biotechnological pipeline explosion⁶ and the availability of generic drugs for many proprietary products during the next 5 years, close monitoring of trends in these areas can facilitate the prioritization and design of clinical initiatives to optimally capture the cost-saving opportunities.^{6,7}

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FIGURE 1

National Health Expenditure Trends, 1996-2010



Data from Center of Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group. Available at www.cms.hhs.gov. Accessed September 2002.



PHARMACY BENEFIT MANAGEMENT STRATEGIES

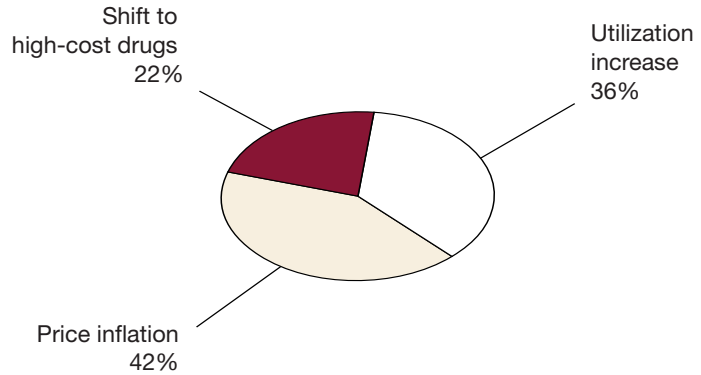
Shift of Focus. In the past few years, PBM companies have shifted their focus from limiting access to promoting appropriate access and providing affordable pharmacy benefit solutions by increasing member cost-sharing and providing benefit coverage using an outcome-based approach. A “one-size” pharmacy benefit certainly does not “fit all.” Pharmacy benefit designs need to take into account regional differences in consumer preferences to minimize patient dissatisfaction.

A recent study found that 44% of consumers rated “product choice” as the most important attribute in selecting a drug benefit plan. In contrast, only 23% of consumers rated “copayment amount” as the most important attribute.⁸

Drug Costs. Design and implementation of effective net-cost

FIGURE 2

Factors Contributing to Increase in Drug Spending in 2001



Source: WellPoint Pharmacy Management, 2002. Data on file.

management tools that affect drug costs and utilization, both in the short and long term, are essential. Selective implementation of concurrent and retrospective drug utilization review programs, such as early prescription refill, duplicate therapy, maximum dose, or prior authorization edit, are effective in reducing drug spending by 4% to 7%.

Therapeutic interchange programs that utilize the clinical expertise of pharmacists to discuss interchangeability of medications with physicians and encourage use of cost-effective formulary agents when appropriate have proven successful in therapeutic categories where medications have similar efficacies, indications, and side-effect profiles (eg, proton pump inhibitors, statins, angiotensin receptor blockers), with conversion rates exceeding 50%.

Strategies such as multitiered pharmacy benefits, zero-copay generic drugs, or member-pay-the-difference on multisource brand name medications when generic alternatives exist, can also improve generic products utilization rates and reduce unnecessary expense on proprietary agents.

Benefit-design exclusions that focus coverage on life-sustaining drugs and limit coverage of life-enhancing medications, such as cosmetic agents or agents for sexual dysfunction (eg, erectile dysfunction), may also be used as a PBM tool to manage the drug benefit.

TABLE 1

Top 10 Therapeutic Classes in 2001

These 10 classes accounted for 63% of total increase in drug spending in 2001

1. Antidepressants
2. Antihyperlipidemics
3. Antidiabetic agents
4. Antiulcer agents
5. Antiasthmatic drugs
6. Antihistamines
7. Narcotic analgesics
8. Neuromuscular agents
9. Antihypertensives
10. Miscellaneous endocrine agents, calcium regulators, and growth hormones

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Outcome-Based Programs. Outcome-based health quality promotion has become an important focus of many managed care organizations and PBM companies in the past few years. Use of outcome-based (rather than



TABLE 2

Current and Emerging Trends in Pharmacy Benefit Management

- Understanding and monitoring high-cost trend drivers
- Monitoring pipeline agents, including biotechnological agents, new molecular entities, and generic products
- Development and implementation of multifaceted generics incentive programs
- Use of outcome evidence in formulary management and pharmacy coverage decision-making
- Development and implementation of innovative pharmacy benefit designs (eg, multitiered pharmacy benefits, reference pricing modeling)
- Optimization of pharmaceutical-contracting strategies
- Implementation of performance-based network incentive programs
- Design and implementation of effective physician and member behavioral modification programs
- Development of disease risk prediction models (ie, healthcare “crystal balls”) to identify high-risk categories for early intervention
- Use of risk-adjusted models for national and regional trend management and performance benchmarking
- Web-based clinical management tools for member and provider education
- Use of pharmacy and medical data for trend management, clinical program design, and provider performance profiling
- Understanding price elasticity of prescription demand and consumer preferences in prescription drug programs
- Leverage technology and use of pharmacogenomics information to improve patient safety

cost-based) formulary design and disease management programs to promote use of therapeutic agents that have demonstrated outcome benefits are vital to long-term cost management.

Although clinical initiatives that promote patient medication adherence and use of preventive and/or early treatments may increase pharmacy costs, the benefits in medical cost-reduction and improvement in patient quality of life cannot be overlooked. Outcome evaluation using not only pharmacy data but also medical and membership data is necessary to effectively document the return on investment of these programs.

Multitiered Copay. Multitiered pharmacy benefit designs are also

effective in changing member prescription-utilization behavior and promoting use of lower-cost generic or formulary alternatives.⁹ It is interesting to note that copayment elasticity on prescription demand varies by therapeutic classes and indications. Preliminary analyses suggest that tiered copay benefits have not affected medication compliance,^{10,11} but further research to evaluate the impact of these benefit designs on long-term medical outcomes and medical resource utilization is necessary.

Emerging Trends. Other emerging trends in PBM are summarized in Table 2. These include increased use of integrated pharmacy and medical data for clinical intervention design, provider performance

evaluation, and the development of disease risk prediction models for net-cost management. With more than 50% of Americans now having Internet access, Web-based disease management and member education programs will also provide an important venue for health management in the next several years.

CONCLUSION

As pharmacy costs continue to skyrocket, the goals of PBM companies have been shifting to focus on net-cost and quality management, using various PBM tools and models. PBM performance evaluation no longer focuses solely on pharmacy costs but also on short-

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and long-term medical outcomes, as well as on their impact on consumer behavior and satisfaction. ■

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