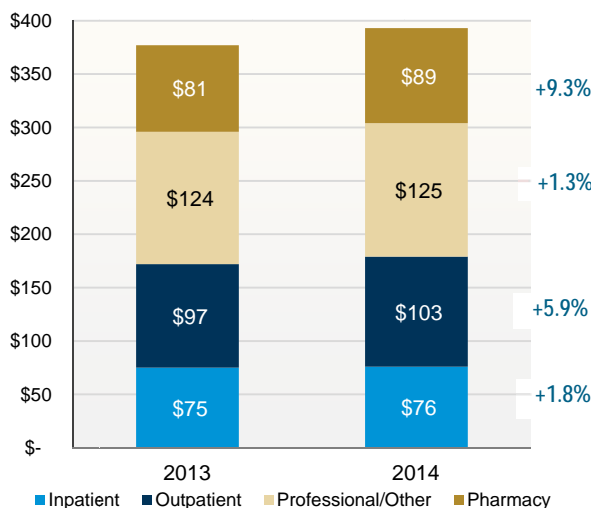


Specialty drugs driving growth in Rx spend

Figure 1: Allowed PMPM* by Category¹



*Per Member Per Month (PMPM)

Figure 2: Utilization and Unit Cost Trend for Specialty and Non-Specialty (2013-2014)¹

	2014 PMPY ¹	2013-2014 Trend		
	Spend	Utilization	Unit Cost	Total
Non-Specialty	\$ 817.48	-1.2%	5.7%	4.5%
Specialty	\$ 249.49	7.3%	20.1%	27.4%
Total	\$1,066.97	-1.1%²	10.4%	9.3%

1. Per Member Per Year (PMPY)
2. Total utilization change (-1.1%) is heavily weighted towards non-specialty which represents >99% of total scripts

U.S. prescription-drug spend in 2014 reached \$373.9B — a 13 percent increase from the previous year and the largest increase in more than a decade, as more effective and expensive new specialty drugs came to market and existing specialty drugs saw prices rise.² The cost increase in specialty drugs makes it ever more difficult for consumers to access needed therapies. It is also squeezing state budgets, constraining employer-provided benefits and consuming resources that could otherwise go toward improving critical areas of healthcare delivery.

Recent analysis of data from Blue Cross Blue Shield (BCBS) companies, the largest commercial claims database in healthcare, confirms this broader trend. BCBS companies' data reveal that prescription drug (Rx) per-member per-month (PMPM) spend increased by 9.3 percent from 2013 to 2014. As *Figure 1* illustrates, this growth outpaced even the substantial rise in outpatient costs, and it far exceeded growth in inpatient and other professional costs. More importantly, this rise in Rx spend also runs counter to other trends, such as greater use of less-expensive generic drugs. For example, in 2014, consumers chose generic drugs two-thirds (67.7 percent) of the time when a branded counterpart was available versus just over half (54.9 percent) of the time in 2012.³

¹ BHI data includes commercial group and ASO across all products. Medicare and Medicaid not included. Rx analysis limited to Prescription Drug Rx (retail, mail order, and Specialty pharmacy). Rx provided through medical benefit is not included. Figures rounded to nearest whole dollar

² IMS Institute for Health Informatics (2015)

³ BHI Prescription Drug Rx data 2013-2014. Commercial spend only. Medicare and Medicaid not included.

The driving factor behind the Rx cost trend is the cost of specialty drugs. Data confirm that in 2014, specialty drug unit costs jumped 20.1 percent, compared to 5.7 percent for non-specialty drugs. Utilization for specialty drugs also rose by 7.3 percent in 2014. *See Figure 2.*

Within the specialty pharmaceutical portfolio, the top 10 drugs contribute to 61 percent of overall spend.⁴ New Hepatitis C and Multiple Sclerosis drugs have contributed significantly to the trend (e.g., Sovaldi®, a Hepatitis C treatment introduced in October 2014 priced at \$84,000 for 12 week treatment, and Tecfidera® for Multiple Sclerosis priced at \$55,000 for 1 year treatment).

Macro trends, such as increasingly complex manufacturing processes and extended patent life, point to continued high unit costs for these drugs in the coming years. As a result, specialty drugs' 23 percent current share of total Rx spend can only be expected to rise.⁵

Blue Cross Blue Shield: Addressing the Issue

BCBS Plans are actively implementing programs that make specialty drugs more affordable and that improve quality outcomes for members based on clinically-proven evidence, including:

- Developing drug lists (i.e. formularies) and benefit designs, encompassing both medical and Rx benefit programs, that inform members of their treatment and medication options and the most appropriate drugs based on quality outcomes;
- Guiding patients to higher-quality, lower-cost healthcare providers; and
- Partnering with pharmacy benefit management companies focused on care coordination and medication management (e.g., appropriate usage, dosage and maintenance of specialty drugs).

BCBS Plans are in a unique position to help individuals access affordable and needed drugs by developing programs that leverage the wealth of BCBS' medical claims data. Because approximately half of specialty drug spend is incurred through medical claims (typically in a hospital setting), it is critical to clearly define medical and pharmacy benefits to address the appropriate level of care in addition to identifying and shifting specialty treatments from high-cost, facility-based settings to high-quality, lower-cost outpatient ambulatory settings.⁶ By implementing programs and incentives that promote this, in concert with the continued deployment of BCBS value-based programs — more than 570 of which exist in market today — BCBS Plans are rewarding quality care that is cost-effective and leads to better health outcomes for patients. Looking ahead, BCBS companies will continue to advance innovative ways to manage specialty-drug spend that make these drugs accessible and affordable for millions of Americans.

Blue Cross Blue Shield Health of America Reports are a collaboration between the Blue Cross Blue Shield Association and Blue Health Intelligence that uses advanced analytics to report on key trends in the healthcare industry to support improved quality and affordability for all Americans.

⁴ BHI Prescription Drug Rx data 2014. Commercial spend only. Medicare and Medicaid not included.

⁵ BHI Prescription Drug Rx data 2014. Commercial spend only. Medicare and Medicaid not included.

⁶ Blue Cross Blue Shield analysis