



Division of Medical Assistance
Pharmacy Update: Specialty
Drugs

John Stancil
Pharmacy Director, DMA

April 10, 2015

National and Medicaid Specialty Drug Trends



National Specialty Drug Trend (2014)

- Increase from 25% to 30% of total pharmacy spend
- Autoimmune disorders top ranked class by cost
- Hepatitis C is fourth-ranked class by cost

Medicaid Specialty Drug Trend (2014)

- 35.8% increase in specialty drug spend
- Represents ~ 28% of total pharmacy drug spend
- Top three drug classes
 - *Hepatitis C, HIV, Inflammatory conditions*
- Increase primarily driven by three new hepatitis C drugs
 - *Harvoni[®], Olysio[®], Sovaldi[®]*

Top 5 Medicaid Specialty Drug Classes (2014) by PMPY Spend

- Hepatitis C
- HIV/AIDS
- Inflammatory Conditions
- Oncology
- Multiple Sclerosis

Hepatitis C Drugs

- Largest impact on Medicaid programs in 2014
- 1 in 5 Hepatitis C patients covered in state-funded healthcare programs
 - *Medicaid*
 - *Prison systems*
- Therapy course can cost up to \$189,000 per patient

North Carolina Medicaid Specialty Drug Trends



Projected Budgetary Impact of Specialty Drugs

	Actual SFY 2012–SFY 2013 Trend	Actual SFY 2013–2014 Trend	Projected SFY 2014 - 2015 Trend (Industry Benchmark)	Projected SFY 2015 - 2016 Trend (Industry Benchmark)
Overall Specialty Drug Spend	15%	39%	18%–24%	18%–24%
Hepatitis C	Data not available	180%	50%–75%	40%–65%
Pulmonary (Cystic Fibrosis)	Data not available	12%–17%	70%–75%	150%–200%



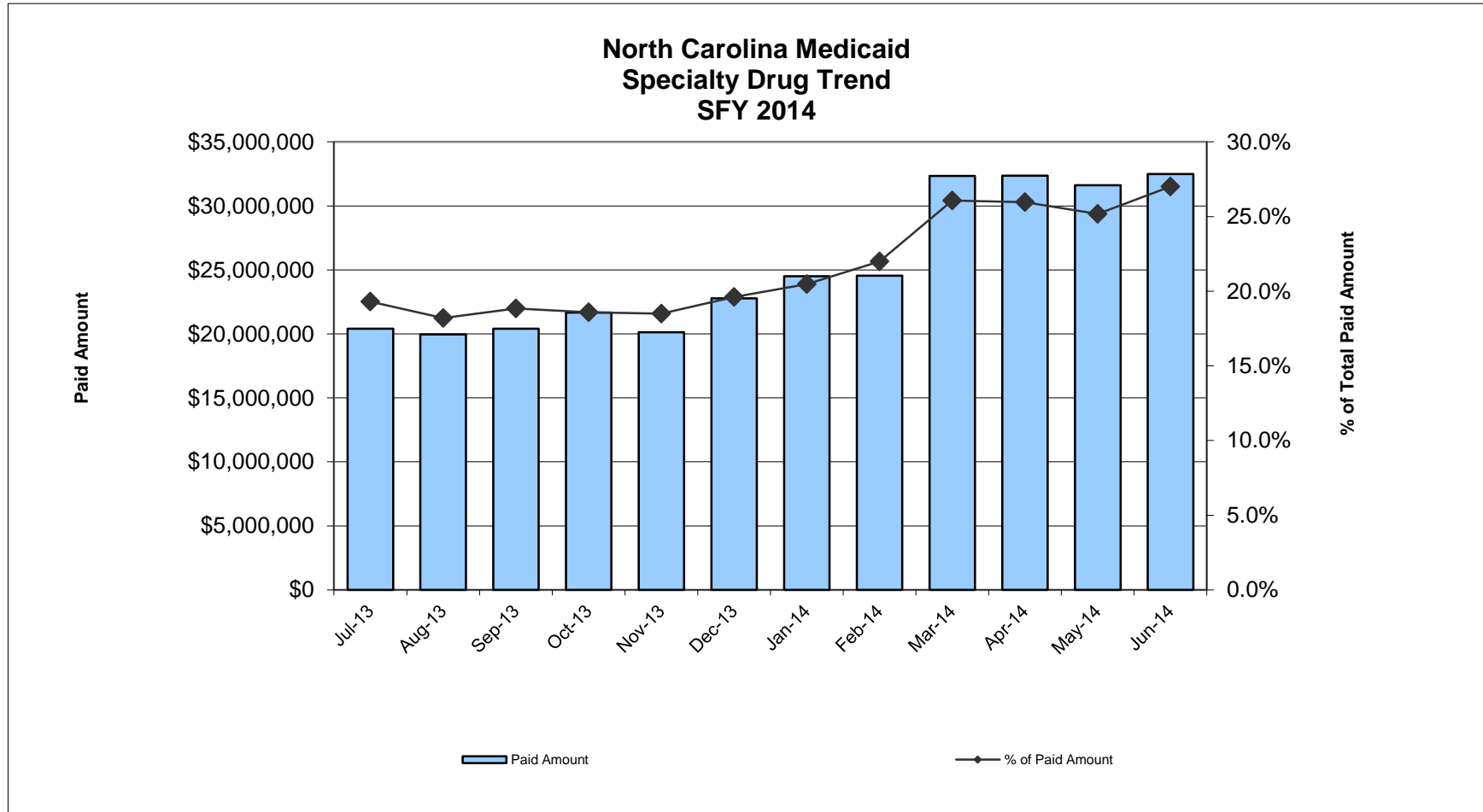
Annual Specialty Drug Utilization

- SFY 2012: 15.5% of Pharmacy Spend
- SFY 2013: 17.4% of Pharmacy Spend
- SFY 2014: 21.8% of Pharmacy Spend

Monthly Specialty Drug Utilization

- SFY 2014 Range: 18.2%-27.0%
- Hepatitis C and HIV/AIDS drugs utilization impact during January – June 2014

North Carolina Medicaid Specialty Drug Trends





Reimbursement Strategies

- Increase discounts off of Wholesale Acquisition Cost
- 340B and non-340B reimbursement rates
- Lowers drug ingredient costs prior to payment

Standards of Care

- Ensure patients receive optimal care across providers
- Ensure patients receive consistent care across providers
- Prevents overutilization and waste

North Carolina Medicaid

Current Specialty Drug Management Strategies



Preferred Drug List

- Increases supplemental rebates received from pharmaceutical manufacturers
- Lowers net drug costs after payment

Prior Authorization

- Ensures use according to FDA indications and guidelines for use
- Prevents overutilization and waste

North Carolina Medicaid Enhanced Specialty Drug Discount List



North Carolina Medicaid Enhanced Specialty Drug Discount List

- **NC Session Law 2008-107, Section 10.10(e)**
 - *Mandate to use state upper limit cost basis methodology for specialty drugs*
 - *Single source specialty drugs in excess of \$1,500 cost per month*
- **Current cost basis methodology is Wholesale Acquisition Cost + 1%**
- **Currently more than 300 unique specialty drugs on our list**

North Carolina Medicaid Hemophilia Specialty Pharmacy Program



North Carolina Medicaid Hemophilia Specialty Pharmacy Program

- **NC Session Law 2012-142, Section 10.48(a2)**
 - *Mandate to establish hemophilia specialty drug program*
 - *340B and Non-340B Reimbursement Strategy*
- **Standards of Care Across Providers**
- **Provider Reporting Requirements to Ensure Treatment Outcomes**

North Carolina Medicaid Preferred Drug List (PDL)



PDL Rebates Lower Net Drug Costs

- Hepatitis C
- Rheumatoid Arthritis and Other Inflammatory Conditions
- Growth Hormones
- Multiple Sclerosis



Hepatitis C Drugs Prior Authorization

- **Criteria follow FDA guidelines for age and diagnosis**
- **Criteria follow FDA dosing and therapy duration guidelines**
- **Medical documentation required for diagnosis of chronic hepatitis C**
- **Patient commitment to abstinence with history of alcohol and IV drug use**
- **Patient must meet all beneficiary readiness criteria**

North Carolina Medicaid Prior Authorization Programs – Synagis®



Synagis® Prior Authorization

- **Criteria follow the American Academy of Pediatrics (AAP) Committee on Infectious Diseases guidelines**
- **Updated for the 2014-2015 RSV season which narrowed the criteria for evidence-based use**
- **Prior authorization is made through the Document for Safety website which allows specialist evaluation of medical necessity as well as weight-appropriate dosing**
- **Document for Safety is a joint initiative between DMA and CCNC**

Specialty Drug Management Strategies

Future Considerations



Standards of Care/ Reimbursement Strategies

- Hepatitis C, Cystic Fibrosis, HIV/AIDS, RA, and Other Inflammatory Conditions

Clinical and Utilization Management

- New prior authorization programs
- New step therapy programs

Site of Service Management

- Pharmacy versus medical program coverage
- Requires reimbursement rate updates under the Physicians Drug Program

Specialty Drug Pipeline 2015 - 2017



Specialty drugs continue as key drivers over the next two years

- Inflammatory Conditions: ~ 11 new drugs
- Cancer: ~ 70+ new drugs with more oral formulations
- Hepatitis C: ~ 12 new drugs
- Hypercholesterolemia: PCSK9 Inhibitors
 - *Early estimates of annual costs per patient: \$6,000 - \$10,000*
 - *Early estimate on treatment adoption rate of 30%-50%*

References



1. The Express Scripts Lab, The 2014 Drug Trend Report, March 2015.
2. Catamaran Analysis of 2014 Trend, Transformations, 2015 Catamaran Client Advisory Meeting.
3. Express Scripts, Seismic Changes in Pharmacy Creating Unprecedented Trend Increases, March 11, 2015.
4. Mercer, Specialty Drug Expenditures SFY 2012-2013 Ad Hoc, January 16, 2015.
5. Mercer, Pharmacy Initiatives Dashboard & Monthly Savings Tracking, SFY 2012.
6. Mercer, Pharmacy Initiatives Dashboard & Monthly Savings Tracking, SFY 2013.
7. Mercer, Pharmacy Initiatives Dashboard & Monthly Savings Tracking, SFY 2014.
8. Catamaran, Moments of Opportunity, 2015 Informed Trends.