
Employers in the Post-ACA Marketplace: Risk, Rx Benefits and Specialty Futurescape

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Learning Objectives

- Identify **what is risk** in commercial insurance and why it is driving benefit coverage decisions across stakeholders.
 - Why the insurance market is predictable yet seemingly chaotic.
- Determine where and why pharmaceutical benefits fit into group health benefits and **decision making** in the commercial sector.
 - How the difference does become important today versus the public sector, and who is pharma's future customer.
- Compare and contrast the coverage positions of specialty and biologic products today versus the **future market landscape**.
 - Will this evolving marketplace be good or bad for pharma?

What and Why of Risk

What is Risk & Why is it Driving Decisions

- Uncertainty with respect to losses (benefit payments!)
- We KNOW losses will occur – but don't know with certainty in advance
- There are two types of Risk
 - Pure Risk – losses affect health benefit lives
 - Speculative Risk
- Who plays which role at the Employer to make benefit decisions and minimize risk?

Self Funded Plans in Action

- An employer contracts with an organization to pay providers for healthcare costs incurred by employees
- The contracted organization bills the employer for the employer's healthcare spending
 - Traditional insurers, TPAs and other organizations may handle the job of paying claims
 - Arrangement also referred to as "administrative services only" or "cost plus" or "self insure"
- Employer pays healthcare costs from its general revenues
 - Funds frequently pass through a separately-established trust
- Few employers "fully" self-insure (see Stop Loss)

Illustration: Self Funding Employers in Illinois

Employer	City	Phone	Employees	Contact	Self-Funded	Health Insurer - ASO	Broker or Advisor
AAR Corp.	Wood Dale	630-227-2000	5,733	Mike Sharpe	Yes	BCBSIL	Mercer
Arthur J Gallagher	Itasca	630-773-3800	9,443	Janet Hoggay	Yes	BCBSIL	Gallagher Benefit
Caterpillar Inc.	Peoria	309-675-1000	6,244	Kimberly Hauer	Yes	HMO Illinois	NR
Kraft Foods	Northfield	847-646-2000	33,382	John Markham	Yes	Aetna	E.G. Bowman

Source: Access Market Intelligence

Employer-Sponsored Coverage

“Employer-sponsored health coverage is the most common type of health insurance. About 149 million nonelderly Americans receive their health benefits through an employer.” – *AHIP (America’s Health Insurance Plans)*

Employers need to chart a path forward, recognizing that they will get little help from Washington. This requires two steps: plan within current structure AND plan for new

“The days of Americans getting health insurance through their employers may be numbered.” -- *NYTimes article*

Political dynamic means there is no pathway for real improvement of changes during the remainder of the Obama administration

Coverage of Pharmaceuticals

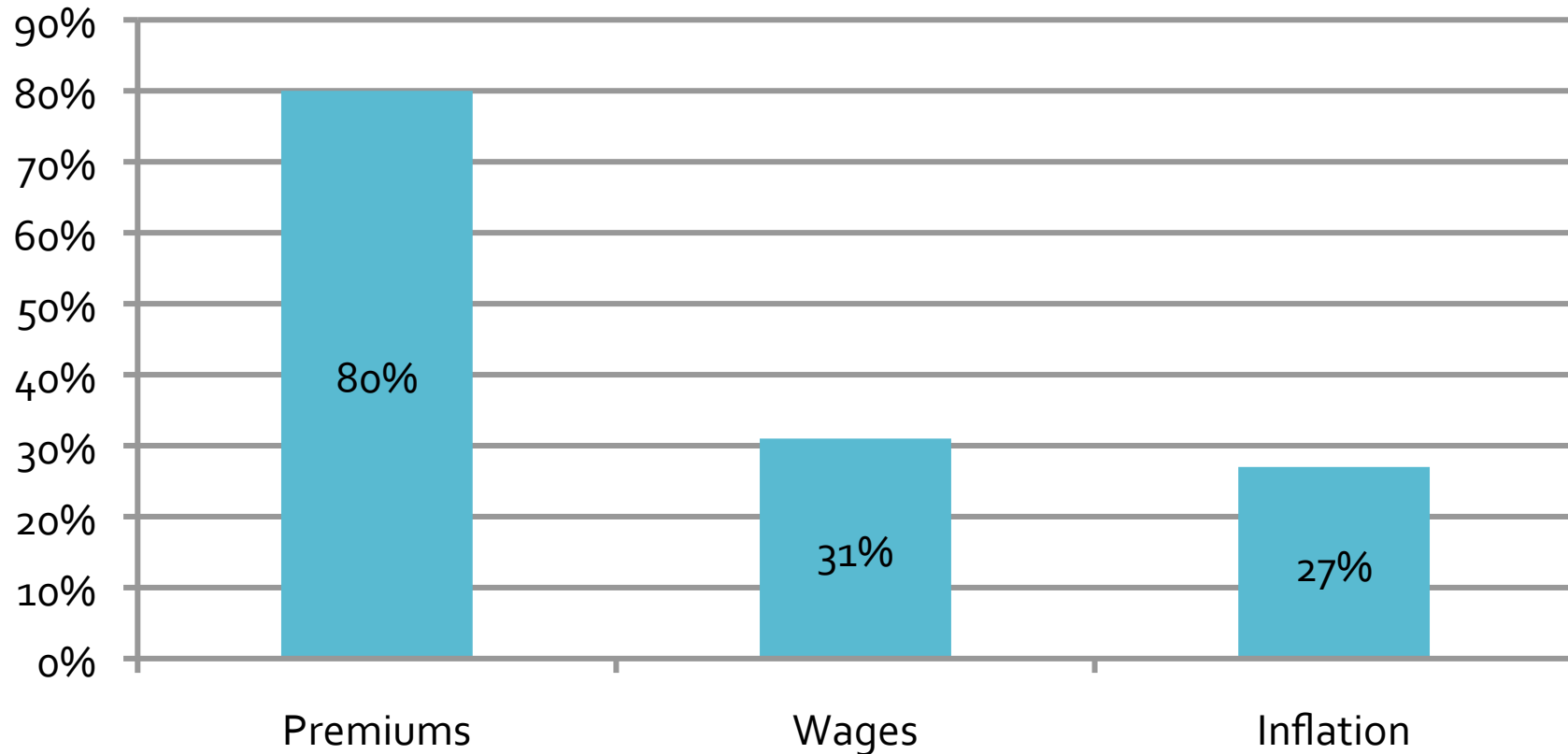
And Decision Making

Key Features of the 2 Major Types of Benefit Funding Mechanisms

	Fully Funded ¹ (Fully Insured) 500-750 lives (average)	Self-Funded ² (Self-Insured) >750 lives (average)
Definition	Set of services are bought for a predetermined cost	Set of services are covered as they are billed, up to a certain point or limit
Assumption of Risk	Risk is transferred to insurance carrier (removal of risk)	Risk is assumed by employer
How Risk Is Determined	Anticipated claim cost for the time period + Risk corridor (10%-15% of the anticipated claim point up to the attachment point)	Determined limit
Regulation	State	Federal
Payer	Government funding programs	Employer pays the total cost

Employers Face Increasing Cost Pressures

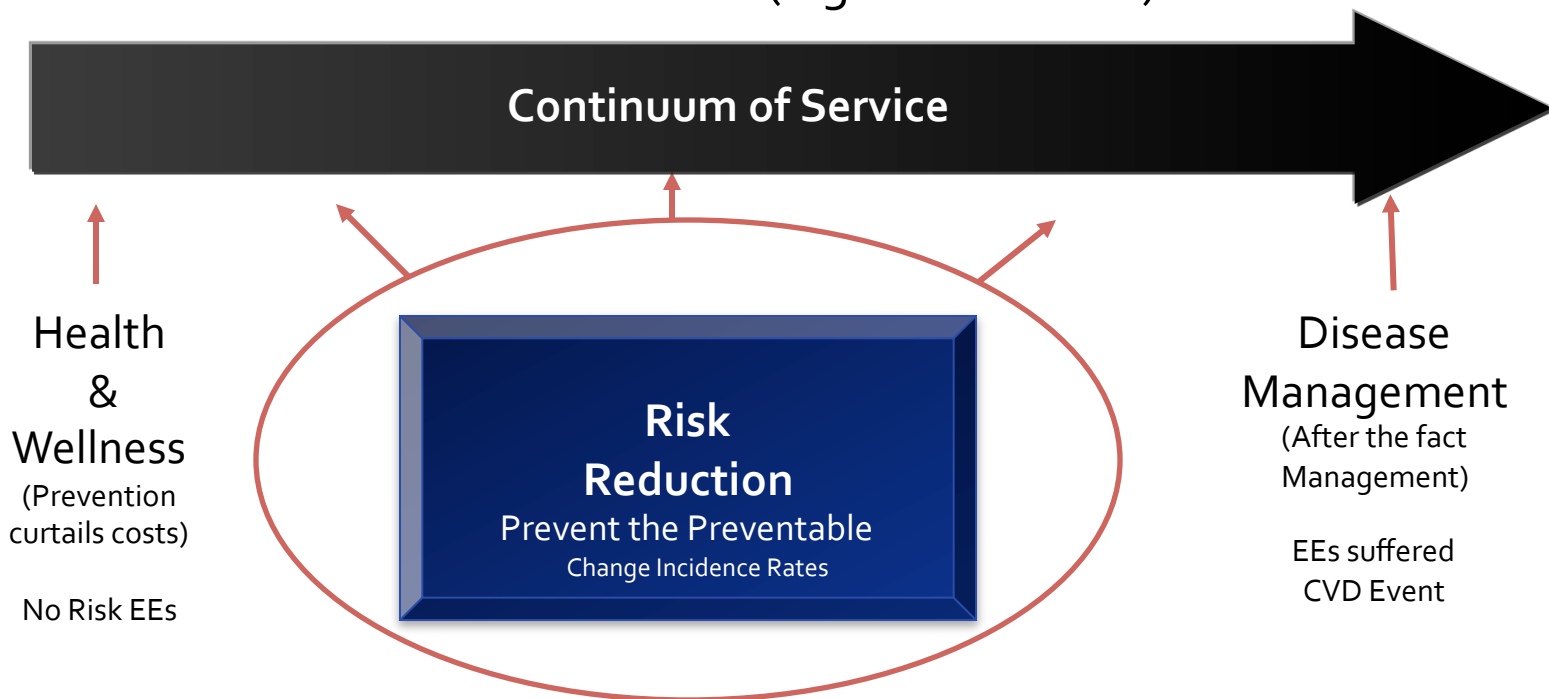
Increase from 2003 to 2013



Employer's Health Care Objective

Economic Benefit of Healthy Employees...

Find Patients @ Risk to
Prevent the Preventable (e.g. heart attack)



What Are the Goals of Pharmacy Benefit Plan Design?

- Coverage of medications that effectively treat patient and also reduce overall medical costs
- Prescriber flexibility in selecting medications that meet needs of individual beneficiaries
- Member freedom in choosing a pharmacy that's readily accessible
- Inclusion of written instruction sheets, medication monitoring, and personalized counseling
- Monitoring of patient compliance/adherence with drug therapy
- Prevention of potentially harmful drug interactions through maintenance and use of patient medication records
- Strict quality assessment standards
- Appropriate review of drug utilization
- Promotion of prudent patient utilization of benefits with strategies that may include copayments or plan limitations

Achieving Goals via Carve Out?

- About 20% of health plan members get their medical and pharmacy benefits from two different entities
- Employers may carve out
 - Mental Health/Substance Abuse
 - Behavioral Health Organizations (BHOs)
 - Incorporation of treatment specialists, more than plan designs, especially in the wake of Mental Health Parity Act in 1996 and Mental Health Parity and Addiction Equity Act of 2008
- Plan sponsors have moved specialty drugs from medical to prescription coverage to “better control use and cost”
 - Claims transparency improved under pharmacy benefit, but coverage parity still lacking
 - MBGH/IIH National Employer Surveys show mandatory SP services desired to better meet service through specialty vendors

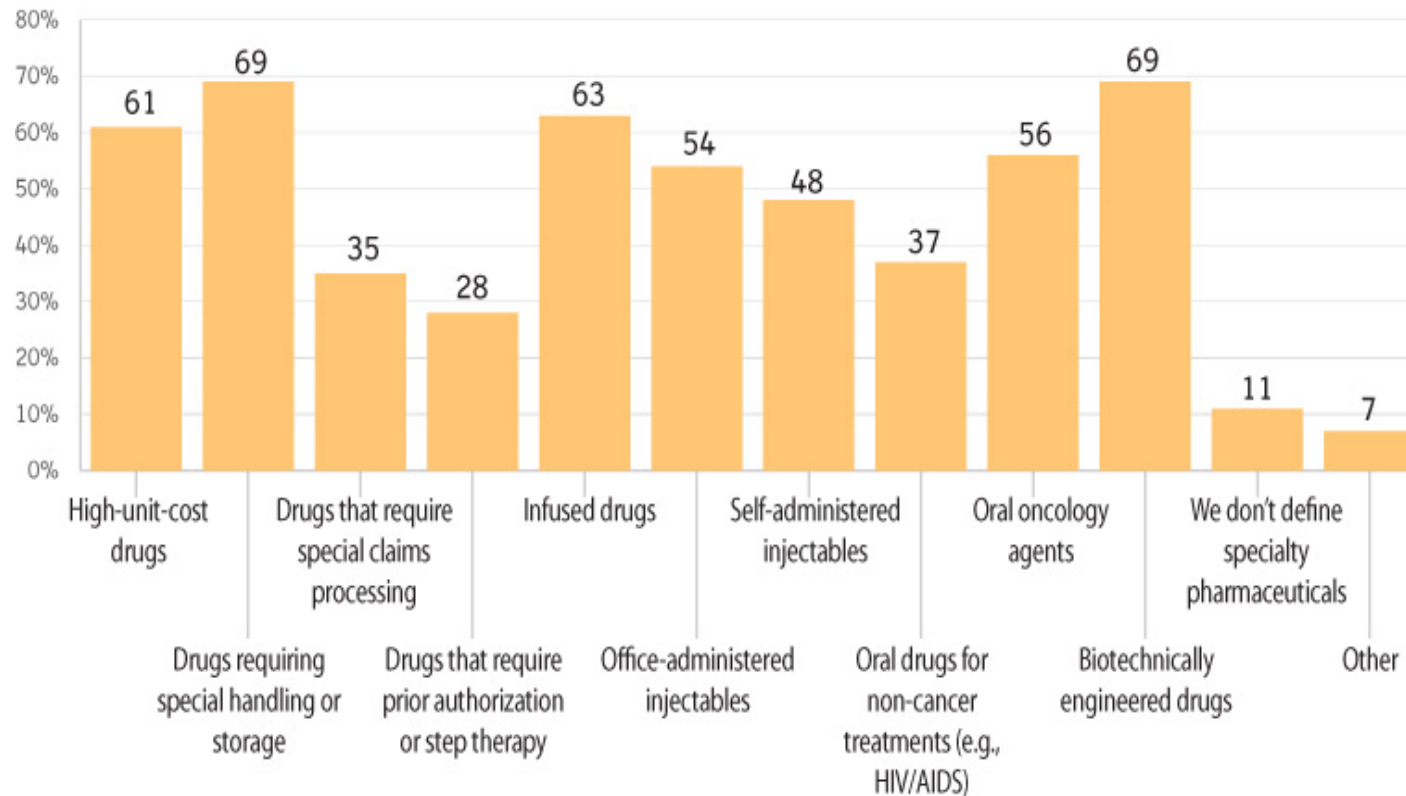
Unique Challenges of Specialty/Oncology Carve-Outs

- Patients/providers complain that carve-outs of specialty drugs:
 - Complicate/fragment care
 - Place limitations on patient's right to choose and access care – cost not outcomes driven
- Frequent claims audits are needed to prevent service (s) being claimed under both medical and pharmacy benefit
- Need for reinsurance innovation
 - Failure of primary insurance coverage to manage economic risk for employers

No single definition for specialty pharmacy

How does your organization define specialty pharmaceuticals?

Perspective from PBM and Specialty Pharmacy executives



EXAMPLE: Specialty pharmacies come in all shapes and sizes

Wholesalers	PBMs	Retail	Insurer	Independent Wholesalers	Independent SPs - National
ABC- US Bioservices	ESI – Accredo/ CuraScript	Costco Health Solutions	Aetna SP	BDI Pharma	Avella Specialty
Cardinal SPS	Catamaran – Briova SP	CVS Caremark SP	CIGNA Tel-Drug	BioRx	Biomed
CCI Specialty	Centene – Acaria	Hy-Vee	Humana RightSourceRx	FFF Enterprises	Coram Rx
Dohmen - Centric	Envision - Orchard	Kerr Drug SP	Kaiser SP	Florida Infusion	Diplomat
HS Smith - SMP	LDI SP	Kroger - Axiom	United - OptumRx	HDS	Magellan/ICORE
McKesson SP	Maxor SP	Long’s SP	WellCare SP	MMS/ Bellwether	MedPro Rx
Value Drug SP	Prime Specialty	Target SP	WellPoint - PrecisionRx	MSD	Quality Specialty
		Walgreens SP		USD	Salveo Specialty
		Walmart SP			

Source: Access Market Intelligence

EXAMPLE: Specialty pharmacies also may have diverse focus

Fertility	Hemophilia	Oncology	IVIG	HIV/AIDS	Others
Alexander's Twin	Accurate Rx Pharmacy	Biologics	AdvancedCare Home	AHF Pharmacy	Cystic Fibrosis Services
Apthorp Pharmacy	ARJ Infusion	CCI Pharmacy	AxelaCare	Barney's Pharmacy	Foundation Care
A Women's Place	BioPlus Specialty	Oncology Plus	BioFusion/ ModernHEALTH	CityView Pharmacy	
Besscription	Care for Life Pharmacy	Oncology Rx Care (McKesson)	Infuscience	Empire Specialty	DaVita Rx
Freedom Fertility (ESI)	Factor Support Network	Onco360	KabaFusion	Medical Center Pharmacy	Baxter Renal Pharmacy
HealthSource SP	HPC	OncoMed	NBN Infusions	SunWest Pharmacy	Norwin Specialty
Kholl's Pharmacy	Matrix Health	OncoSourceRx	NuCara	Zive Pharmacy	
Metro Drugs	Paragon Healthcare	Park Pharmacy	Redline Pharmacy		Rx 21
Walgreens Fertility Services	STC/Centene				THN Specialty

Source: Access Market Intelligence

Commercial Insurance Drivers versus Public Sector

To the Futurescape

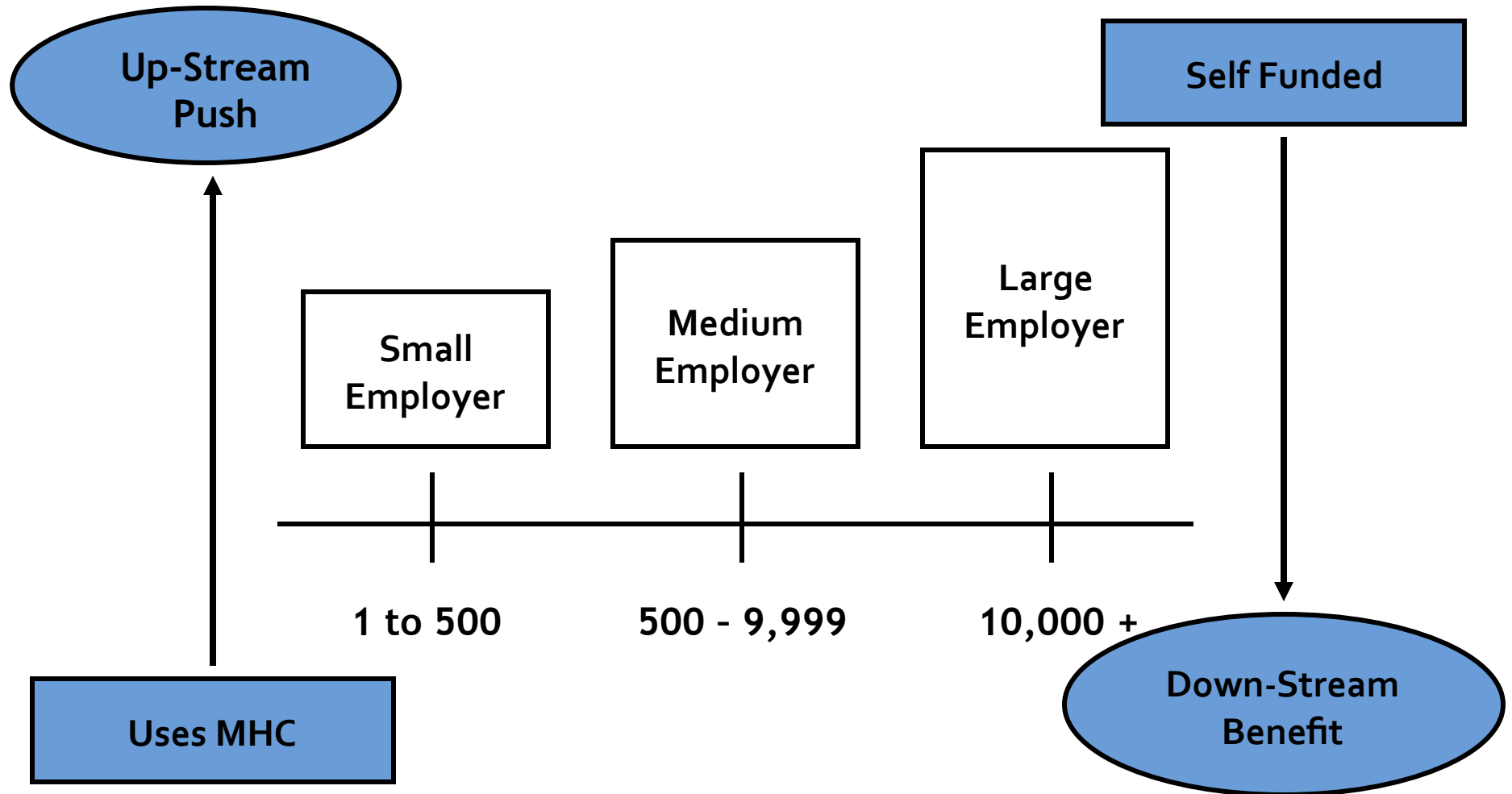
NSP Initiative Survey Results:

What Would Plan Sponsor Like to See Done?

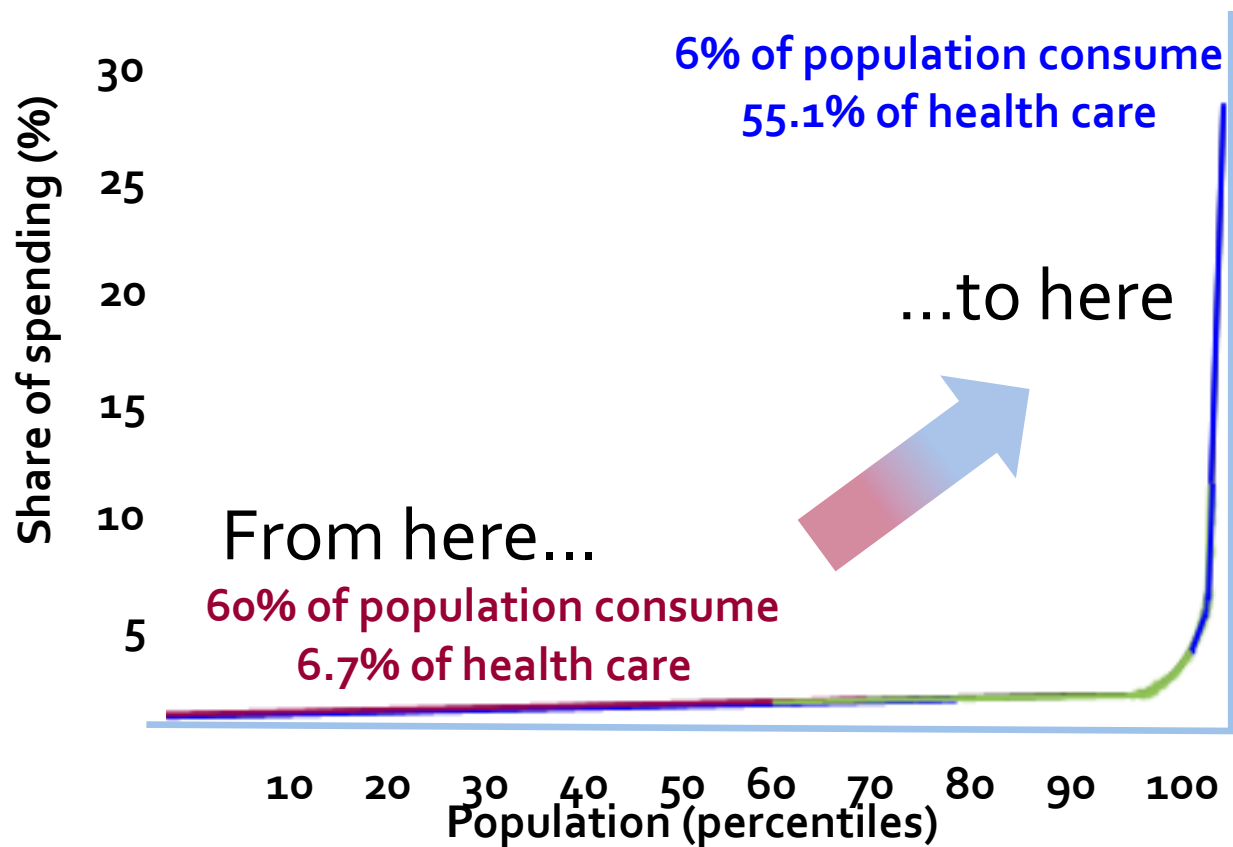
- Value Proposition
 - Need to document quality, determine value and cost effectiveness
- Cost Management
 - Prescription drug cost trends are increasing faster than other health care costs, but utilization management is key
- Utilization Management: Misuse, under use, and overuse/waste
 - Optimizing medication use
 - Compliance
 - Appropriate use

Power of Influence Example: Employer Segment:

How Funding is Determined



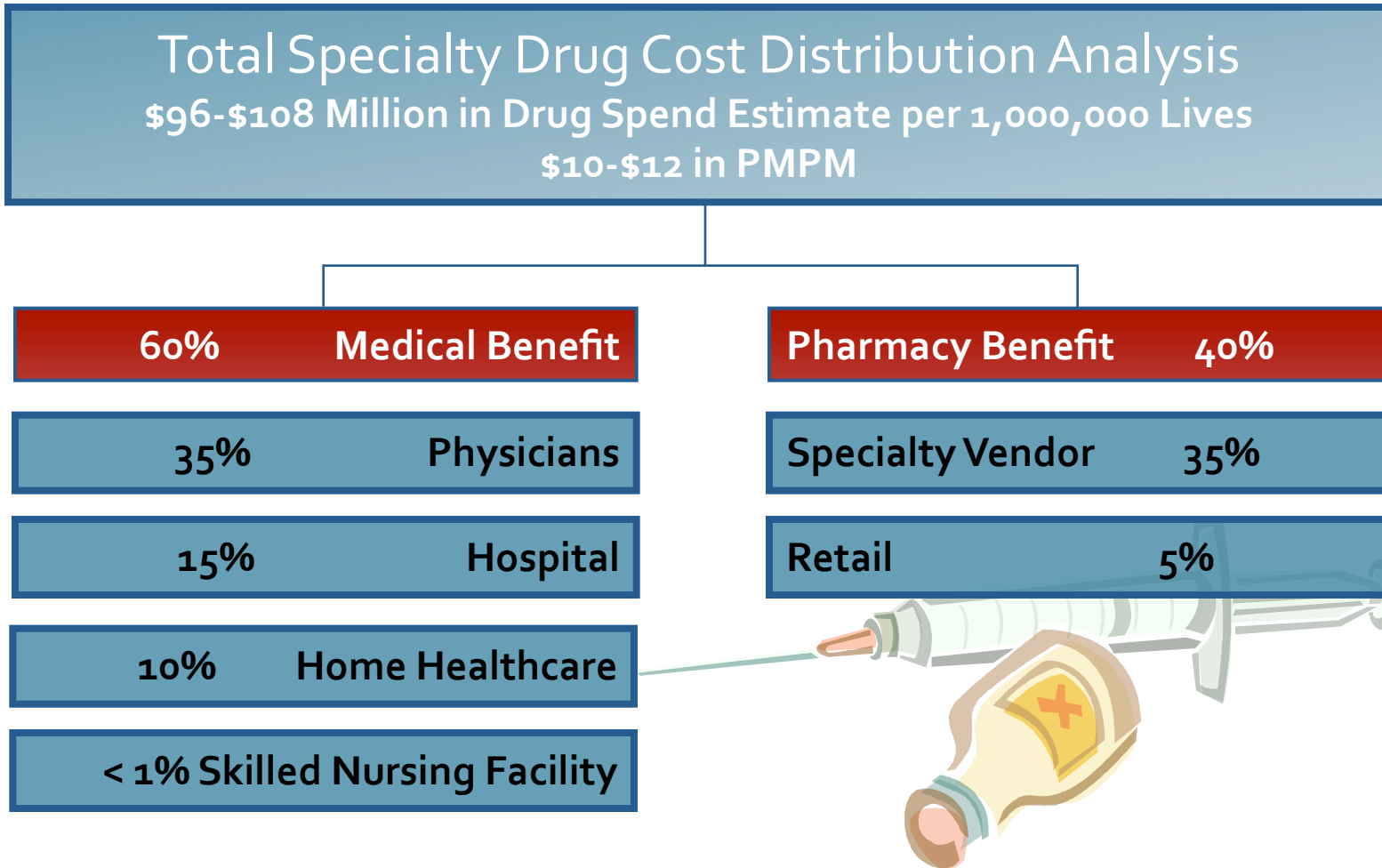
They Will Do These Things Trying To Manage Care Cost



NSP Initiative : Prioritization of tactics used for managing specialty pharmacy benefits

1. Case management
2. Benefit coverage coordination for Rx and Medical
3. Drug utilization
4. Step Therapy
5. Prior authorization for the pharmacy benefit
6. Cost sharing
7. Quantity approaches
8. Site of care options
9. Prior authorization for the medical benefit
10. Combining medical and pharmacy data

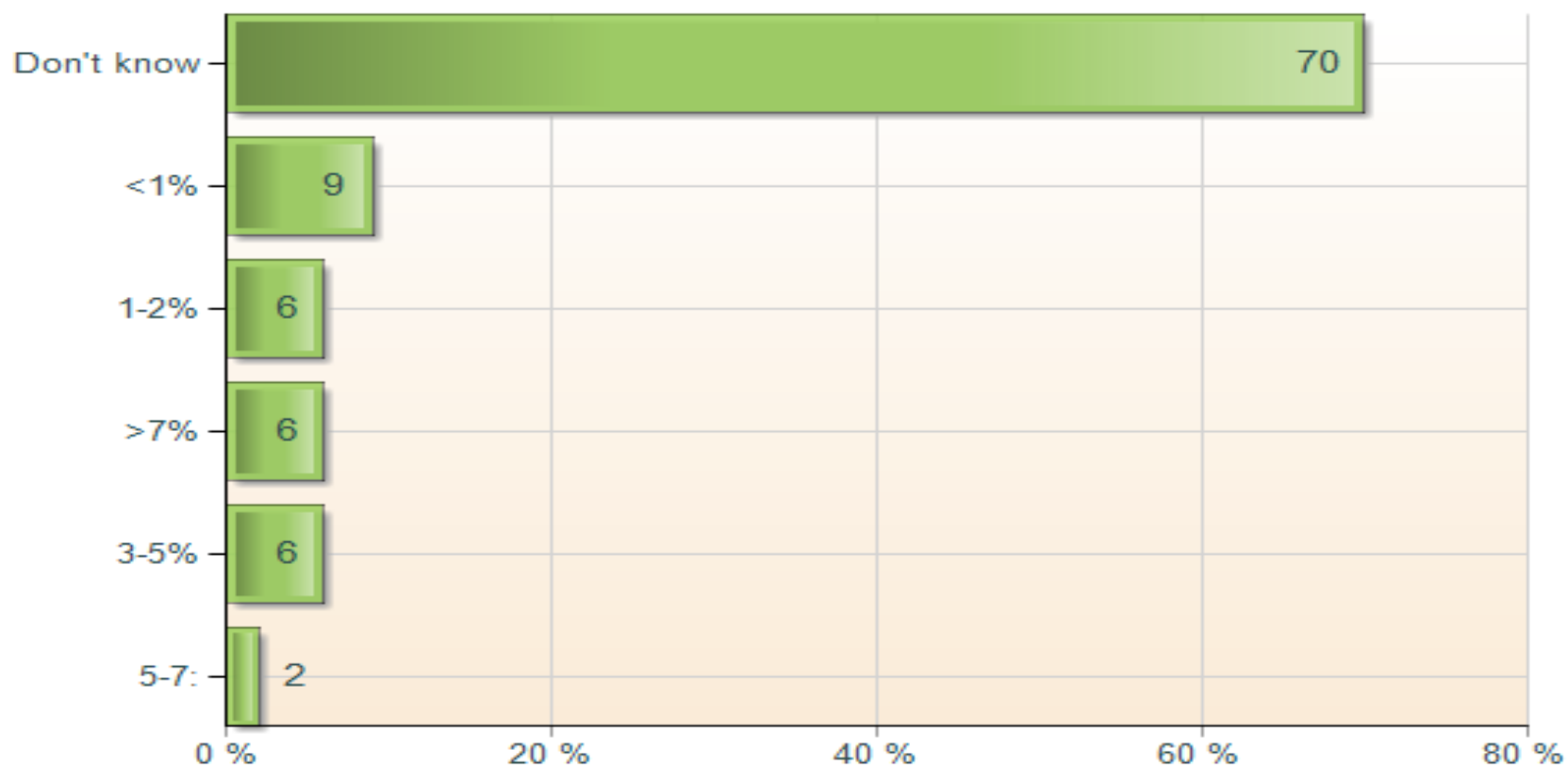
Specialty Cost Distribution



Source: WellPoint/Precision Rx, 10/08.

NSP: Percentage of Biologics/Specialty paid through medical plan

If your biologics/specialty medications are paid through your medical plan, what percentage are for biologic/specialty pharmacy products? (choose one)



Undisrupted Market View 2020

- Through 2020: spending will triple
 - ~21-23% of GDP
- Shared financial risk and responsibility
 - Defined contribution dominates
- Increased integrated care common
 - Results focused for value by stakeholder
- Complete Transparency
 - Available and full disclosures
- Empowered consumer

But...Marketplace Disruption...

real change slowed due to:

- Economic recession
- Healthcare reform
- Technology innovation and application
- Private Health Insurance Exchanges
 - Single carrier exchange
 - Multi carrier exchanges

...2015 and Beyond



- Promoting high value and informed choices
- Positioning for 2016 and 2017
- Watching risk trends

Thank YOU



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Appendix

NSP Initiative Employer Recommendations:

Benefit Plan Design

- Recognize that an expensive specialty drug may be cheaper than a medical treatment/procedure and/or hospital stay.
- Critical to limit refills and monitor compliance while restricting sourcing to preferred vendors for non-physician administered drugs to control costs.
- Consider getting out of the PBM world and have the specialty benefit in medical management, with exclusions.
- If you have more than one PBM, make sure you clearly understand the differences in the member experience. For example, for step therapy, the required med for one may not be the required med for the other. Step therapy is all about cost savings based on PBM-supplier rebates.

NSP Initiative Employer Recommendations:

Vendors

- Independent Service Providers are subject matter experts, even with being part of the company providing the service. It's best to use an impartial consultant for validation to review the PBM contract and to understand the technical language.
- Make sure vendors they understand your expectations as their account management team and that they understand your business objectives.
- On-going and frequent communication is extremely important – for the patient and the vendor relationship.

Trend Management

Both Plan Design and Benefit Management are primary tools used to manage drug trend and drug utilization

