
# Expansion Opportunities for Health Systems
# *Where Does Specialty Pharmacy Fit?*

Kevin Colgan, MA, FASHP
Corporate Director of Pharmacy
Rush University Medical Center

# Disclosure

Kevin Colgan reports no relevant financial relationships.

# Learning Objectives

1. Develop a strategic plan for specialty pharmacy in a health system.

2. Identify the opportunities for specialty pharmacy at an institution, including how to analyze prescription data, and how to develop projections and a business plan.

# Presentation Outline

- How should we position Health System Pharmacy?
- What’s the opportunity with Specialty Pharmaceuticals?
- What’s the competition?
- Developing a strategic plan for Specialty Pharmaceuticals

# Strategic Positioning of HS Pharmacy

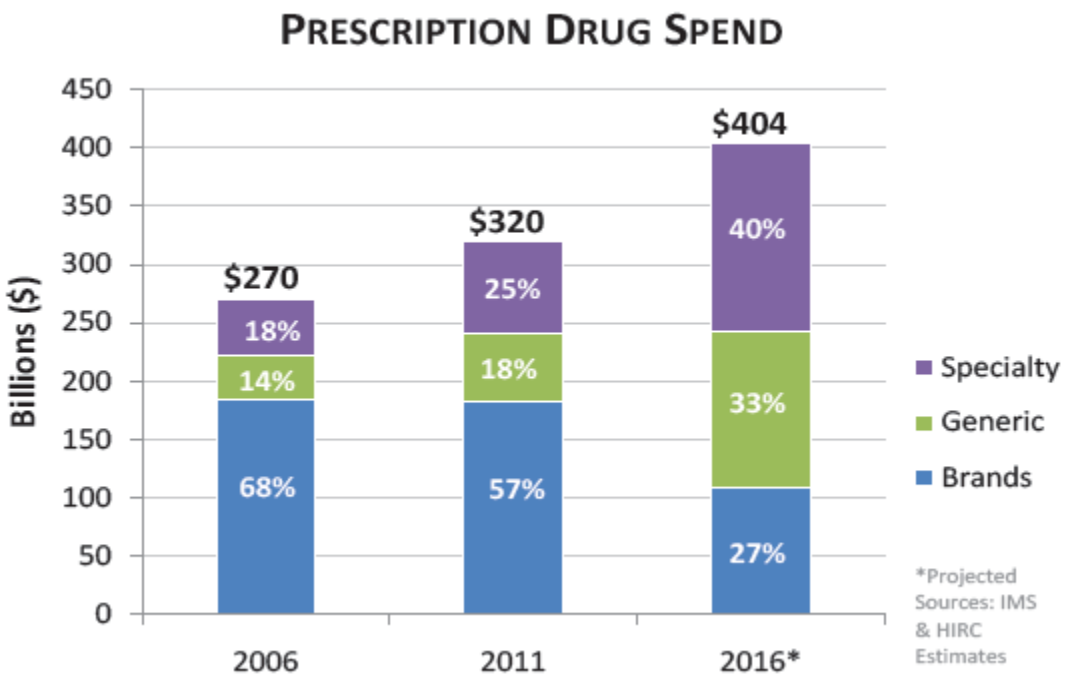
A
- Ambulatory/Care Transitions

S
- Specialty Pharmacy

U
- Utilization

R
- Research

# Specialty Pharmaceuticals



# ESI 2012 Drug Trend Report
# Specialty Pharmaceuticals


Specialty drug spend is growing at a rate of 20% per year while traditional drug spend is flat.

# More than 900 Biotechnology Medicines were in Development in 2011

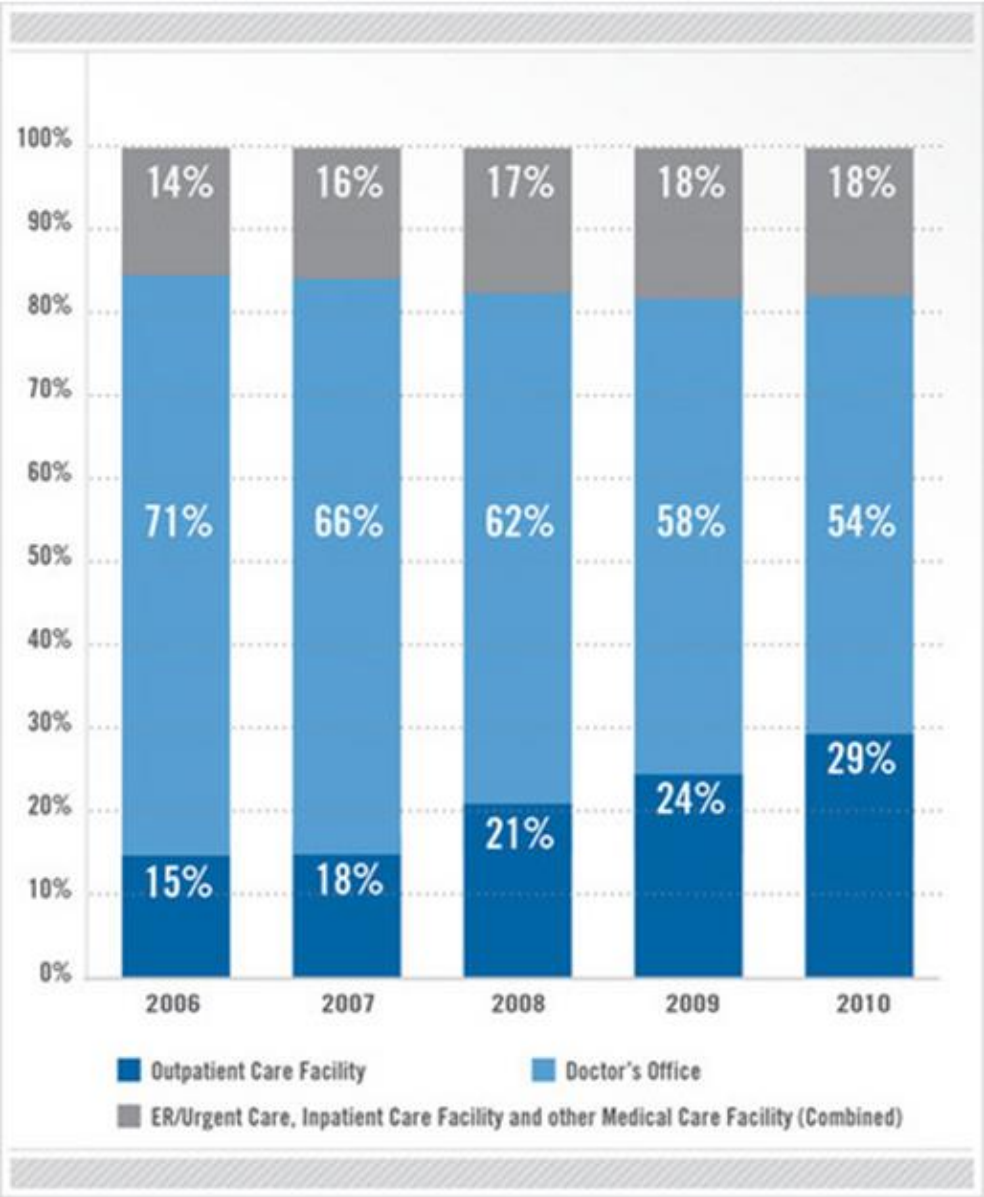
*Biotechnology Medicines in Development in 2011 by Therapeutic Category**

| | |
|---|---|
| Autoimmune Disorders | 69 |
| Blood Disorders | 32 |
| Cancer/Related Conditions | 352 |
| Cardiovascular Disease | 59 |
| Diabetes/Related Conditions | 24 |
| Digestive Disorders | 27 |
| Eye Conditions | 20 |
| Genetic Disorders | 19 |
| Growth Disorders | 5 |

| | |
|---|---|
| HIV Infection | 39 |
| Infectious Diseases | 188 |
| Musculoskeletal Disorders | 22 |
| Neurologic Disorders | 44 |
| Respiratory Disorders | 40 |
| Skin Disorders | 27 |
| Transplantation | 18 |
| Other Diseases | 36 |

*Biotechnology medicines are defined here as those products that involve recombinant DNA, monoclonal antibody/hybridoma, continuous cell lines, cellular therapy, gene therapy and vaccines technology. Medicines with multiple indications may appear in more than one category but are counted only once for total (901).

Source: Adis R&D Insight Database and PhRMA[3]




*Average Rx Cost = $2654*

*Source: Prime Therapeutics*

# ESI 2012 Drug Trend Report

## Specialty Pharmaceuticals

*Prevalence of Use = 1.22% of the population*

# ESI 2012 Drug Trend Report
# Specialty Pharmaceuticals

| | | | | | TREND | | |
|---|---|---|---|---|---|---|---|
| Rank | Therapy Class | PMPY Spend | % of Total Specialty Spend | PMPY $ Change from 2010 | Market | Behavioral | Total |
| 1 | Inflammatory Conditions | $ 40.70 | 23.7% | $ 6.13 | 17.4% | 0.3% | 17.7% |
| 2 | Multiple Sclerosis | $ 32.89 | 19.2% | $ 5.56 | 18.2% | 2.1% | 20.3% |
| 3 | Cancer | $ 25.20 | 14.7% | $ 3.42 | 7.0% | 8.7% | 15.7% |
| 4 | HIV | $ 18.08 | 10.5% | $ 0.84 | 3.2% | 1.7% | 4.9% |
| 5 | Growth Deficiency | $ 6.72 | 3.9% | $ 0.42 | 9.6% | -3.0% | 6.6% |
| 6 | Anticoagulants | $ 6.42 | 3.7% | $ 0.31 | 0.0% | 5.1% | 5.1% |
| 7 | Hepatitis C | $ 6.34 | 3.7% | $ 4.19 | 224.3% | -29.6% | 194.8% |
| 8 | Transplant | $ 5.63 | 3.3% | -$ 0.10 | -1.9% | 0.2% | -1.7% |
| 9 | Respiratory Conditions | $ 4.65 | 2.7% | $ 0.69 | 11.9% | 5.7% | 17.6% |
| 10 | Pulmonary Hypertension | $ 4.23 | 2.5% | $ 0.11 | 3.1% | -0.5% | 2.6% |
| | Top 10 | $150.86 | 88.0% | $21.57 | 14.7% | 2.0% | 16.7% |
| | Others | $ 20.65 | 12.0% | $ 3.45 | 5.8% | 14.2% | 20.0% |
| | Total | $171.51 | 100.0% | $25.01 | 13.6% | 3.4% | 17.1% |

Inflammatory Conditions, MS & Cancer are 57.6% of the Specialty Market

# ESI 2012 Drug Trend Report
# Specialty Pharmaceuticals

| | PHARMACY | | | MEDICAL | | | TOTAL | |
|---|---|---|---|---|---|---|---|---|
| | Total Spend PMPY | | % Change | Total Spend PMPY | | % Change | % Spend, 2010 | |
| Therapy Class | 2006 | 2010 | | 2006 | 2010 | | Pharmacy | Medical |
| Multiple Sclerosis | $14.48 | $ 27.56 | 90.3% | $ 0.49 | $ 2.91 | 493.9% | 90.4% | 9.6% |
| Pulmonary Hypertension | $ 1.17 | $ 2.95 | 152.1% | $ 0.59 | $ 1.08 | 83.1% | 73.2% | 26.8% |
| Inflammatory Conditions | $18.80 | $ 34.59 | 84.0% | $10.16 | $16.14 | 58.9% | 68.2% | 31.8% |
| Respiratory Conditions | $ 2.83 | $ 4.01 | 41.7% | $ 1.37 | $ 1.94 | 41.6% | 67.4% | 32.6% |
| Anticoagulants | $ 3.00 | $ 5.28 | 76.0% | $ 0.26 | $ 0.36 | 38.5% | 93.6% | 6.4% |
| Cancer | $ 9.00 | $ 15.44 | 71.6% | $41.10 | $53.44 | 30.0% | 22.4% | 77.6% |
| Transplant | $ 5.77 | $ 5.87 | 1.7% | $ 0.20 | $ 0.24 | 20.0% | 96.1% | 3.9% |
| Growth Deficiency | $ 5.13 | $ 7.70 | 50.1% | $ 0.47 | $ 0.22 | -53.2% | 97.2% | 2.8% |
| Hepatitis C | $ 3.48 | $ 2.15 | -38.2% | $ 0.06 | $ 0.02 | -66.7% | 99.1% | 0.9% |
| HIV | $10.19 | $ 19.10 | 87.4% | $ 0.09 | $ 0.01 | -88.9% | 99.9% | 0.1% |
| Top 10 | $73.85 | $124.65 | 68.8% | $54.79 | $76.36 | 39.4% | 62.0% | 38.0% |
| Others | $13.27 | $ 16.84 | 26.9% | $36.94 | $49.46 | 33.9% | 25.4% | 74.6% |
| Total | $87.12 | $141.49 | 62.4% | $91.73 | $125.82 | 37.2% | 52.9% | 47.1% |

Four Year Trend – Movement Away from Medical Benefit
In 2010, only 47% of Specialty Drug Spend was in the Medical Benefit

# Self Evaluation Question

What three therapeutic categories make up almost 60% of the specialty pharmacy market?

A. Inflammatory conditions, HIV, transplant
B. Multiple sclerosis, cancer, pulmonary hypertension
C. Inflammatory conditions, cancer, multiple sclerosis
D. Pulmonary hypertension, hepatitis C, cancer

# Market Forces & Competition

- Market consolidation – Express Scripts/Medco, CVS/Caremark,  & Walgreens/BioScripts
- These 3 companies generate 65% of the revenues from pharmacy-dispensed specialty drugs
- All have PBMs except for Walgreens
- Benefit Manager Profit is 10 – 15% on Specialty Drugs (New York Times)
- Traditional “buy and bill” specialty pharmaceutical business is being carved away from medical center specialist’s clinics and restricted to preferred specialty pharmacies – “*white bagging*”
- Wholesalers are diversified.
  - McKesson’s Onmark GPO & US Oncology
  - ABC’s International Oncology Network

# Competition– Everyone has a strategy!

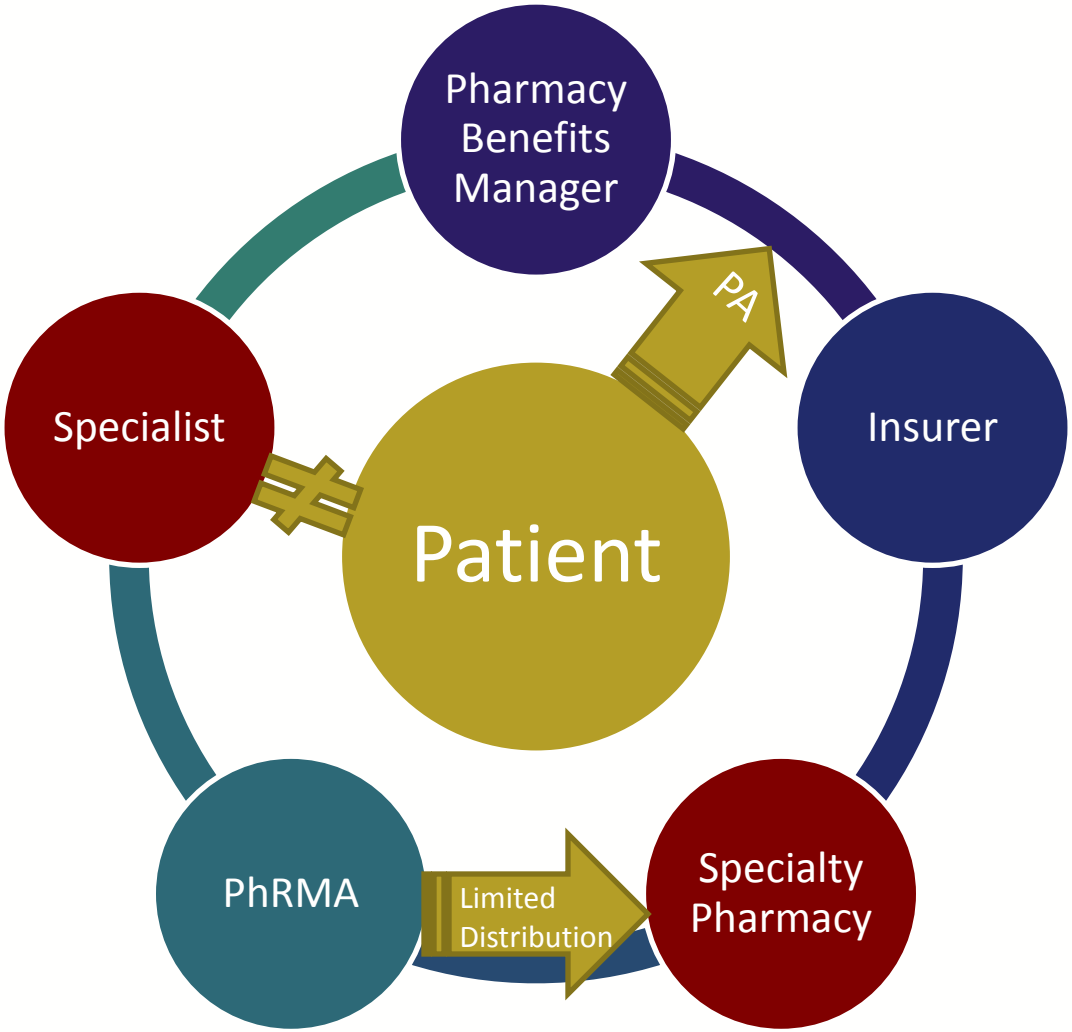
- Large insurers have established their own specialty pharmacy programs – Aetna Specialty, Cigna Tel-Drug, & WellPoint Precision Rx
- Independent retail community pharmacies are organizing into collaborative networks.
- Regional and national chains are launching specialty programs. (Costco, Safeway, Giant Eagle)
- There are 10 private, independent specialty pharmacies on the 2011 Inc. magazine list of the fastest growing companies in the US. (Diplomat, Avella, MedPro Rx)
- Private equity firms are targeting specialty pharmacy for growth capital investments. (Altamont Capital & MODERN HEALTHcare; Bourne Capital Partners, November, 2011 Sector Report)

# Self Evaluation Question

What three companies generate 65% of the specialty pharmacy revenue in the US?

A. Diplomat, Avella, MedPro Rx
B. Costco, Safeway, Giant Eagle
C. Aetna Specialty, Cigna Tel-Drug, WellPoint Precision Rx
D. Express Scripts, CVS Caremark, Walgreens

# Developing a Strategic Plan
# Who's involved?



# Structuring Your Specialty Pharmacy

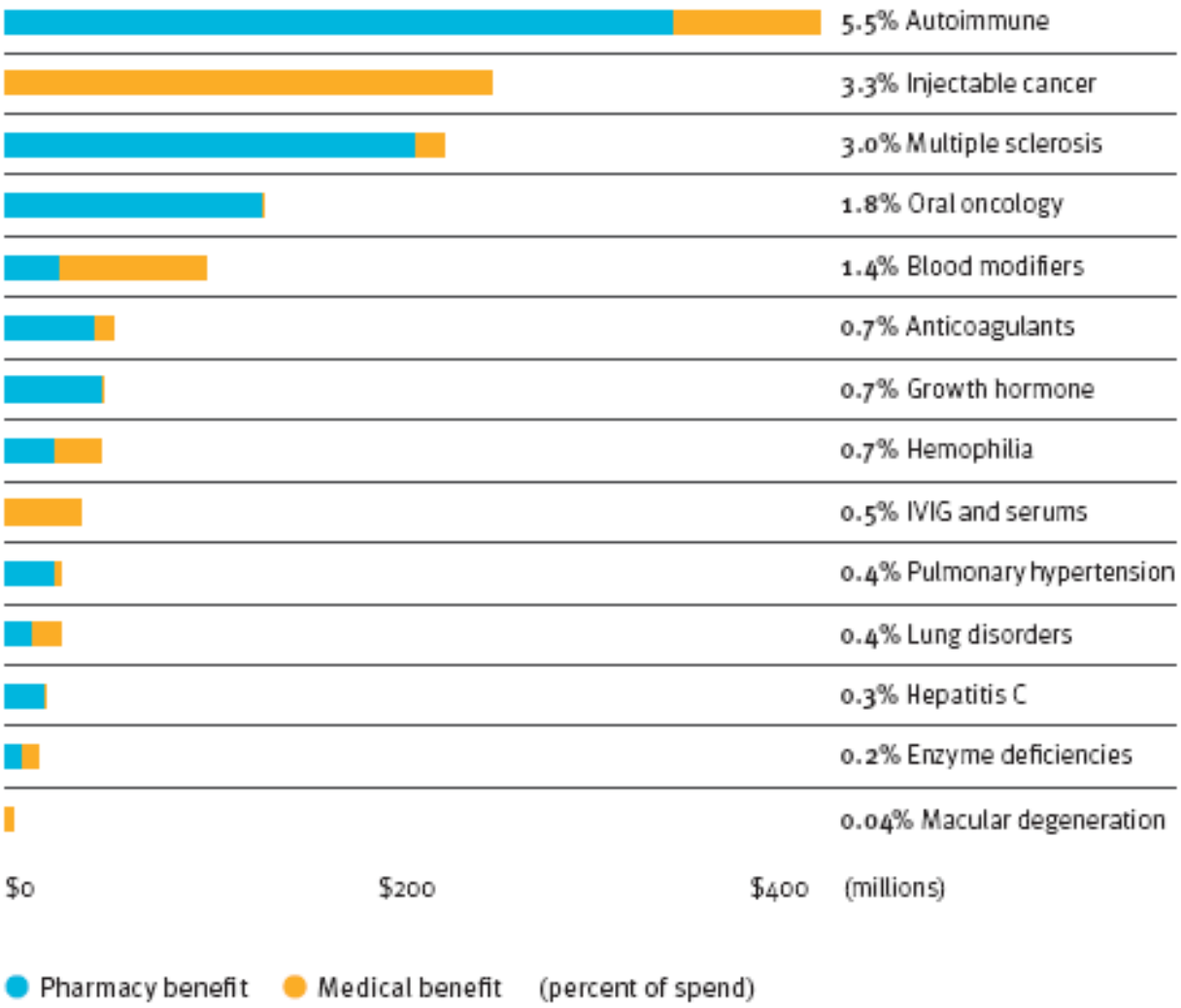
- Inventory the building blocks that are already in place
  1. Specialty Practices – Oncology, Neurology, Rheumatology, etc.
  2. Accountable Care Organization
  3. Ambulatory infusion clinics
  4. Ambulatory pharmacies – Home care/retail/mail order
  5. Support Services
     - benefits investigation
     - prior authorization
     - patient assistance program & software
     - billing & collection (Part B DME provider status, on-line adjudication)
     - REMS capability

# What else do I need?

- Contracts with insurers
- Access to limited distribution drugs
- Collection and reporting of clinical/outcomes data
- Collection/reporting of service data
- Adherence strategy
- Clinical training of staff on specialty disease states
- Nursing support for self-injectable medications
- Marketing of specialty pharmacy program within HS
- Call center services
- Software for case management (Therigy, CaseTrakker)
- Accreditation (URAC – NABP?)

# Determine Your Capture Rate
# Select Priority Categories

Fig. 20 **Total Specialty Drug Spend, by Benefit Type, 2Q2010–2Q2011**




Source: Prime Therapeutics 2012 Drug Trend Insights Report

**U-M PRESCRIBERS: FAX ALL SPECIALTY RX TO UM SPECIALTY PHARMACY: 734-232-3408**

UNIVERSITY OF MICHIGAN

U-M Employee Benefits Prescription Drug Plan

**PRESCRIBERS OUTSIDE U-M: FAX ALL SPECIALTY RX TO WELLPARTNER: 877-597-3070**

# 2012 SPECIALTY DRUG LIST

The 2012 University of Michigan Specialty Drug List is a guide to covered medications for you and your physician. A "specialty drug" is a prescription drug that a University of Michigan committee of physicians and pharmacists has determined to be any one of the following: a self-injectable medication; a medication that requires special handling, special administration or monitoring; or, is a high cost oral medication. The Specialty Drug List includes select medications used to treat a variety of clinical conditions. This list is subject to change by the University of Michigan.

Prescriptions for medications on the Specialty Drug List may be dispensed in quantities up to a **34**-day supply. Specialty medications in the **Immunosuppressive** category may be dispensed in quantities up to a 90 day supply.

**How to Use This List**

Show this list to your doctor if you are using any of the specialty medications listed. If a medication requires prior authorization (PA), it is noted next to the drug name. Physicians can call the informedRx/SXC call center at 1-866-715-0874 (TTY 1- 866-261-0791) to obtain medication prior authorization (PA). U-M prescribers should fax prescriptions to UM Specialty Pharmacy at 734-232-3408 or call toll free 1-855-276-3002. Prescribers outside the U-M Health System should fax specialty prescriptions to Wellpartner at 1-877-597-3070 or call toll free 1-888-222-8956. Medications marked with (LD) are limited distribution drugs which might not be available at U-M Pharmacies or Wellpartner. Check with your prescriber for information on how to obtain these medications. Medications marked with (UM only) are currently only available at U-M Pharmacies.

**BEST BUYS:** Generic medications (Tier 1) are **bold** type. Preferred brand name medications (Tier 2) are bulleted (•). All other medications are non-preferred (Tier 3). Visit http://benefits.umich.edu/plans/drugs/index.html.

For Tier copay information, contact the informedRx/SXC call center at 1-866-715-0874 (TTY 1-866-261-0791) or visit the informedRx website "What's My Copay?" function at https://umi.rxportal.sxc.com.

## Arthritis/Crohn's Disease/Psoriasis

**Prior Authorization (PA) required**

Cimzia
- Enbrel
- Humira
- Kineret
- Orencia – subcutaneous form only

Simponi

## Cancer Drugs - Oral

- Afinitor
- Caprelsa (vandetanib) (LD)
- Erivedge (LD)
- Gleevec
- Hexalen
- Hycamtin (UM Only)
- Inlyta (UM Only)
- Nexavar (UM only)
- Revlimid (UM only)
- Sprycel
- Sutent

Tabloid
- Tarceva
- Targretin
- Tasigna
- Temodar

Thalomid (UM only)
- Tykerb (UM only)

**tretinoin** (capsules)
- Votrient (UM only)
- Xalkori (PA) (UM Only)
- Xeloda
- Zelboraf (PA) (UM Only)
- Zolinza
- Zytiga (PA)

## Cancer Drugs -Injection

Eligard (leuprolide acetate) 7.5 mg subcutaneous; males only

Firmagon; males only
- Intron-A

**leuprolide acetate** (Lupron) - subcutaneous form only
- Sylatron

## Growth Hormone

**Prior Authorization (PA) required**

Genotropin
- Humatrope

Increlex (LD)
- Norditropin
- Nutropin (UM only)
- Nutropin AQ (UM only)

Omnitrope
- Saizen
- Serostim (UM only)

Tev-Tropin

Zorbtive (UM only)

## Hematopoietic

- Aranesp (PA)
- Epogen (PA)

Leukine
- Mozobil (PA)
- Neulasta

Neumega
- Neupogen
- Procrit (PA)
- Promacta (UM only)

## Cystic Fibrosis

- Cayston (LD)
- Kalydeco (PA)
- Pulmozyme
- Tobi

## Hepatitis

### Hepatitis B

Baraclude
- Hepsera

Tyzeka

### Hepatitis C

Copegus (ribavirin) (UM Only)
- Incivek (PA)

Infergen
- Pegasys
- PegIntron

Rebetol (ribavirin) (UM Only)

**Ribasphere** (ribavirin)

**ribavirin**
- Victrelis (PA)

## Immunosuppressive

**Prescriptions for these medications covered up to a 90 day supply**

CellCept (tier 3; oral solution=tier 2)

**cyclosporine**

**cyclosporine modified**

**Gengraf** (cyclosporine modified)

**mycophenolate mofetil**
- Myfortic

Neoral (cyclosporine)

Prograf (tacrolimus)
- Rapamune
- Sandimmune (cyclosporine)

**tacrolimus**
- Zortress

## Infertility

Crinone

Endometrin

**Maximum lifetime family benefit = $5,000 Prior Authorization (PA) required if age ≥ 45**

Click here for more information

- Bravelle (UM only)
- Cetrotide (UM only)

**chorionic gonadotropin**
- Follistim AQ

**Ganirelix Acetate**
- Gonal-f
- Gonal-f RFF
- Gonal-f RFF Pen
- Luveris
- Menopur

**Novarel** (chorionic gonadotropin)
- Ovidrel

**Pregnyl** (chorionic gonadotropin)
- Repronex

## Multiple Sclerosis

- Ampyra (tablets only) (PA) (LD)
- Avonex
- Betaseron
- Copaxone
- Gilenya (PA)
- Rebif

## Pulmonary Hypertension

- Adcirca (PA)
- Letairis (LD)

Revatio (PA)
- Tracleer (UM Only)

Tyvaso (PA) (LD)
- Ventavis (PA) (LD)

## Miscellaneous

Actimmune (UM Only)
- Apokyn (LD)
- Arcalyst (PA) (LD)

Cafcit (**Caffeine Citrate**) – oral solution only
- Exjade (UM only)
- Ferriprox (LD)
- Firazyr (UM Only)
- Forteo
- Ilaris (PA) (UM Only)
- Jakafi (LD)
- Kuvan (UM Only)

**octreotide acetate**
- Orfadin (LD)

Rilutek
- Sabril (LD)

Sandostatin (octreotide acetate)

Sandostatin LAR Depot (octreotide acetate)
- Sensipar

Somatuline Depot (PA)

Somavert (PA) (LD)

Synarel
- Xenazine (PA) (LD)

Xolair (PA) (UM only)
- Xyrem (LD)
- Zavesca (LD)

Zemplar

# Prime Therapeutics Value Proposition

How will you compare?

What can you do alone & where do you need assistance?

**Utilization management**

Clinical programs that support safe and effective medication use. Includes prior authorization, quantity limits and step therapy, as well as coordination of pharmacy rules and medical policy.

**Care management**

Coordination of all aspects of medication delivery and support. Encompasses side-effect management, injection tips and adherence counseling; enhanced care is provided for therapeutic categories that require additional support.

Specialty condition

**Drug dispensing**

Shipping from a single source for maximum quality and price control. Requires coordination of accurate and timely delivery to customer, health care provider or other site of administration.

**Contracting**

Negotiation of network prices and preferred products. Involves determination of best-price method of administration, site of care and support for related health plan contracting activities.

# Build a Business Plan

**Top Medical Conditions and Specialty Drugs, 2010**

| Health Condition | Per Member Per Year Spending | Specialty Drug Examples | Average Cost Per Treated Member Per Year | Annual Spending Trend |
|---|---|---|---|---|
| Inflammatory Conditions (Rheumatoid Arthritis, Psoriasis, Crohn's Disease) | $37.16 | Enbrel, Humira, Remicade | $14,455 | 23.5% |
| Multiple Sclerosis | $29.80 | Copaxone, Avonex, Rebif, Tysabri, Ampyra, Gilenya | $24,118 | 25.4% |
| Cancer | $21.81 | Revlimid, Gleevec, Tarceva, Avastin, Provenge | $11,089 | 23.7% |
| Blood Clots/Deep Vein Thrombosis | $6.99 | Lovenox, Arixtra, Fragmin | $1,911 | 16.6% |
| Growth Deficiency | $5.98 | Nutropin, Genotropin | $21,144 | 17.8% |
| Pulmonary Hypertension | $4.40 | Tracleer, Revatio, Letairis | $32,570 | 36.3% |
| Respiratory Conditions | $4.04 | Xolair, Prolastin | $18,550 | 14.1% |
| Blood Cell Deficiency | $3.89 | Aranesp, Epogen, Procrit | $8,140 | 0.5% |
| Infertility | $3.13 | Menopur, Makena | $3,598 | 1.3% |
| Hepatitis C | $2.14 | Pegasys, Rebetol | $12,918 | 0.3% |

Source: 2010 Express Scripts Drug Trends Report

Profit Margin in Publically Traded Specialty Pharmacies
3 – 10%

Profit depends on:

1. % Buy & Bill
2. 340 B status
3. Collection of Drug Copayments

Safe Plan – Budget 5% Profit Margin

Additional non-drug revenue available

# Self Evaluation Question

What should first be evaluated when developing a strategic plan for a specialty pharmacy program?

A. State licensure requirements & 340 B status
B. Current specialty business potential & capture rates
C. Case management and data collection/analysis capabilities
D. Contract access for limited distribution drugs

# Summary

- Steep growth trajectory for specialty pharmaceuticals
- Large health systems likely have the bandwidth to develop a specialty business
- Greatest challenges are building the infrastructure and obtaining contracts as a specialty provider
- Each patient will yield $700 - $1400 in net profit per year
- Continuity of care a guiding issue for those with an ACO
- Continuity of care an important component for patient satisfaction