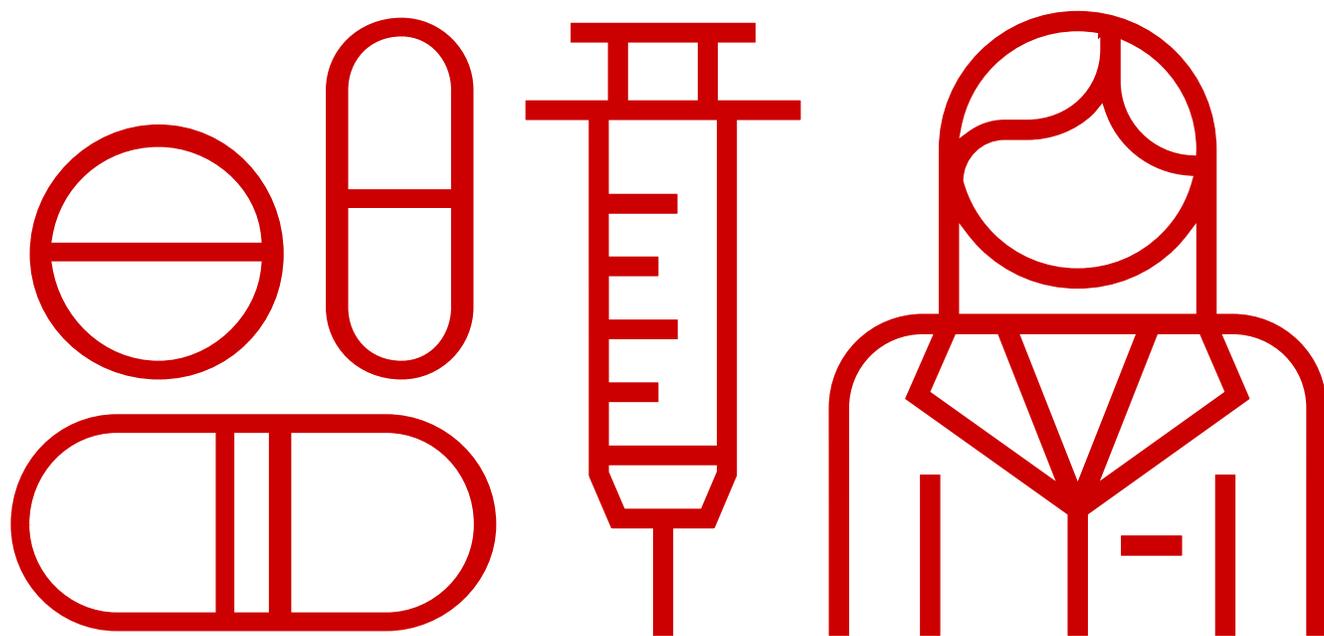


Insightsfeature

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The Evolution of Specialty Management

Spending Growth Spurs Innovation
But Are All Models Equal?



By 2020, Specialty Drugs Will Account for 55% of All Drug Spend

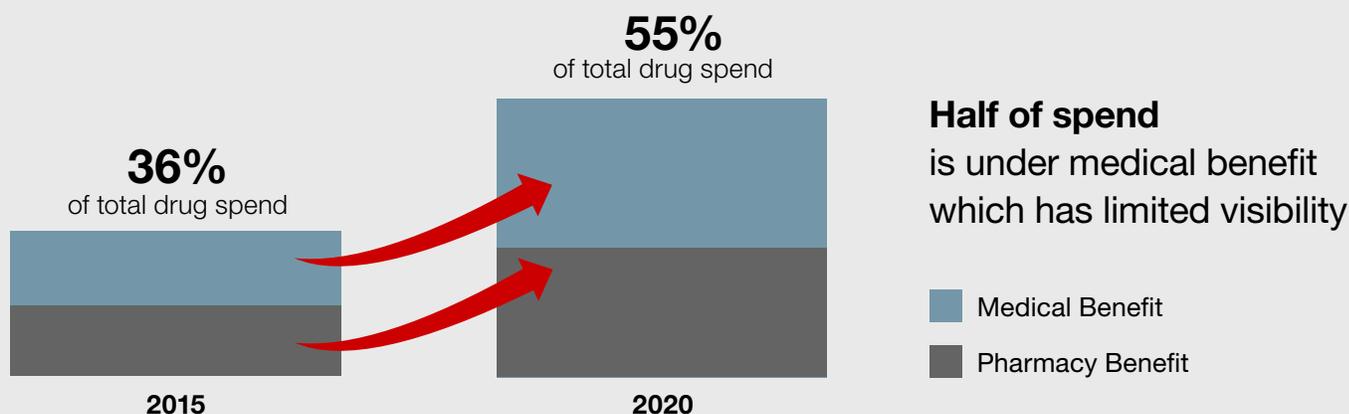
The impact of specialty medications on payors' trend is not only rising, it is doing so more rapidly than ever before.

From 2010 to 2015, spending on specialty drugs doubled, accounting for 70 percent of overall pharmacy spending growth. By 2020, specialty medications are expected to represent 55 percent of all drug spend.*

Given the outsized impact of specialty medications on pharmaceutical spend, it is not surprising that a variety of models and entities are emerging for specialty drug

management. Each model has some perceived strengths – from dispensing and operational excellence, to patient care and access, to integration of medical claims data. However, the management of specialty costs and patient care is complex. Only an integrated pharmacy benefit manager and retail/specialty pharmacy model offers a comprehensive view of patient needs in near real-time. It also has the scale for optimal purchasing power, end-to-end patient management and innovative cost management tools across benefits.

Total Industry Specialty Spend



Data Source: Medicines Use and Spending in the U.S. IMS, April 2016. NHE, Artemetrx, CVS Health Internal Analysis, 2016.

Complex Market Dynamics

A robust specialty drug pipeline and evolving regulations make this an increasingly challenging area of management. Market dynamics are further complicated by the increasing numbers of conditions treated with therapies where some drugs are paid under the pharmacy benefit and others are paid under the medical benefit. Payment and claims processing for specialty drugs is more complex under the medical benefit and this further drives up spending.

Half of all specialty drugs are billed under the medical benefit, which lacks the visibility of, and the checks and balances offered under, the pharmacy benefit. With the growing complexity of specialty management and the need to balance cost and patient outcomes, it is more important than ever that payors have the right strategies in place to comprehensively manage specialty spend.



Key Factors Driving Trend

Increasing utilization

- Robust pipeline
- Expanding indications
- Aging population

Increasing prices

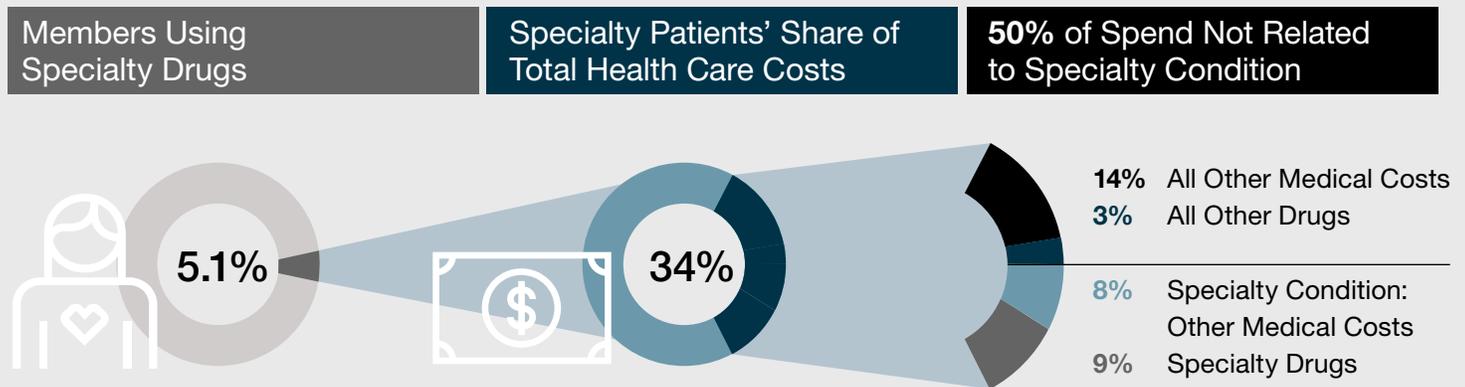
- Brand-name drug price inflation
- Higher cost for innovative drugs

Specialty Patients Drive a Third of Health Care Costs

The expansion of specialty medications to manage common disease states and the high prevalence of comorbidities means specialty patients must navigate complex multi-drug regimens. Specialty patients account for a disproportionate and increasing portion of health care dollars. In 2015, the 5.1 percent of patients who used specialty drugs utilized 34 percent of total health care

dollars for commercial payors,** up from 3.6 percent of patients using 25 percent of health care dollars only three years ago.*** Half of this spend is for drugs and medical costs that are not associated with a patient's specialty condition, but other needs such as medical costs and non-specialty drugs related to comorbidities.

Care for Specialty Patients Drives a Large Portion of Health Care Costs*



Evolving Specialty Management Models

As the challenges – and opportunities – have grown, management models are evolving and new ones have emerged.

Pure Dispensing Model: The original specialty model, with a simple focus on adherence and logistics for patients, is no longer enough to meet the complex needs of patients and payors. While it offers reasonable capabilities around patient support, such models fall short in their ability to manage a plan's entire specialty spend – partially because they may only dispense a portion of the patient's medications and don't have visibility into all spend. They may also lack the ability to apply or enforce cost-control measures such as utilization management (UM), prior authorization (PA) formulary and spend management under the medical benefit. This creates a fragmented patient and provider experience and makes it more challenging for payors to implement comprehensive cost management strategies.

PBM+ Models: In response, PBMs have combined with specialty pharmacies and even health plans to help fill gaps in current models. This provides them with a more comprehensive view of patients' medication histories and needs, along with more robust ways to manage spend across benefits. However, patient management can be limited with little or no retail pharmacy access. Even when partnering with pharmacies that offer specialty medications through a retail channel, the offering will lack complete coordination unless it is fully integrated with the PBM. Due to either a lack of appropriate technology or potential channel conflicts, other offerings also do not have a complete medical benefit management solution for all customers.

The latest buzz in the marketplace is that having access to medical claims enables a model integrated with a health plan to better manage spend. But medical claims data lags the actual service by days to weeks, depending on provider billing cycles and claims adjudication time lines. In addition, the clinical data in these claims is limited to diagnosis only. In contrast, PA, irrespective of the benefit, provides a much richer and timelier data set than medical claims because it is automated and near real-time. Conditions of coverage can require diagnosis or clinical exam data, lab data or even response to therapy. This information can be used to support more clinically-relevant algorithms in a variety of management programs.

Integrated PBM, Specialty, Retail Model: In order to meet the needs of today's increasingly complex landscape, payors should look for a specialty management provider with the ability to manage regardless of benefit at the therapeutic level. The most impactful specialty model will have unmatched cost management programs, delivering incremental savings to payors, facilitated by PBM precision and expertise. Further, integrated specialty and retail pharmacy components will provide therapy-specific care management, with 24-hour digital support and a broad retail footprint for convenient member access and choice.

Our Integrated Model Helps Enable Us to Meet Needs of Both Key Stakeholders



Patient

- Ensure patients start and stay on therapy
- Ability to manage all prescriptions
- Provide easy, local access
- Support full patient, including comorbidities



Payor

- Achieve lowest net drug cost
- Coordinate UM across benefits
- Edit and re-price medical claims
- Manage site of care

Simplifying and Improving Specialty Management Across Benefits

Specialty patients have complex and unique care needs related to their conditions as well as their health care journey. The needs of a newly diagnosed patient are very different from someone whose disease has progressed significantly and who lives with numerous comorbid conditions. Therefore, evaluating a prescription in the context of an individual's complete disease state – instead of as an individual event – creates more opportunities to manage trend. At CVS Health, we utilize our integrated model to manage specialty spend across benefits and help positively impact clinical and financial outcomes for patients.

CVS Health helps make it easier for patients and their providers to get started and stay on specialty therapies and our high-touch care management offers patients embedded nurse support through CareTeam Choice and a seamless patient experience, including convenient retail access**** and digital tools. This whole-patient management goes beyond the specialty drug regimen to help improve clinical outcomes while also helping to reduce total health care costs.

We begin with the right plan design to meet each payor's unique needs. We also look at the entire range of possible drug selection across medical and pharmacy claims, and our template formularies include clinically appropriate, cost-effective drug options for the specific point in a patient's condition journey. This visibility and control is enabled by PA through our proprietary claims technology platform. Through controls such as diagnosis review, clinical data and response to therapy as a condition of coverage, our technology helps enable detailed decision tree algorithms to help maximize clinical value for dollars spent. Our tool can also match the claim to the PA requirements and apply edits to ensure the right dose, duration and price.

Built upon a foundation of clinical quality and research, with the added advantage of integrated assets, access to data in near-real time, and proven in-market results, CVS Health offers the broadest set of capabilities to help payors manage specialty pharmacy across benefits.

Alan Lotvin, MD

Executive Vice President, CVS Specialty Pharmacy

* CVS Enterprise Analytics, 2016.

** CVS Specialty Analytics, 2016 analysis of 2015 Blue Health Intelligence Commercial Specialty Drug Database.

*** Milliman Specialty Medication Benchmark Study, 2013 analysis of 2011 data.

**** Where allowed by law. In-store pick up is currently not available in Arkansas, Oklahoma and West Virginia. Some states require first-fill prescriptions to be transmitted directly to the dispensing specialty pharmacy. Products are dispensed by CVS Specialty and certain services are only accessed by calling CVS Specialty directly. Certain specialty medication may not qualify. Services are also available at Long's Drugs locations.