The Rise and Fall of Compound Spend

Ongoing Monitoring Enables Early Identification of Lidocaine Spend
In 2014, we developed a compound strategy to help rein-in costs for commercial payors. By excluding certain compounds and applying prior authorization (PA) requirements to others, this helped reduce cumulative trend for employer clients by as much as 97 percent from its peak in June 2014.

In today’s dynamic prescription drug benefit management market, it is critical to continually monitor the factors that could impact cost for payors, including key trends and outliers. One key cost driver is compound medications.

By some estimates, 30 million prescriptions are compounded each year. From January 2011, to March 2014, gross costs per compounded claim increased nearly 1,700 percent for employer clients.* Average gross cost per 30-day script increased more than ten-fold over a three-year period.*

Compound drugs are not required to be approved by the U.S. Food and Drug Administration (FDA), which means that the FDA does not verify the safety or effectiveness of these products. This could pose a potential safety risk for patients. Compounds are also often sold at much higher unit prices than similar commercially available alternatives. Alternatives can often include over-the-counter drugs.

An employer client with 100,000 lives who implemented these strategies would have saved an average of more than $8.6 million

In July 2015, we implemented the Core Compound Strategy as a standard opt-out offering for all commercial payors.

Compound Spend Has Dropped Dramatically From its Peak in 2014

A Shift in Dispensing to Lidocaine

However, when pharmacy benefit managers (PBMs) like CVS Caremark® and payors try to control costs in one area, some pharmacies with a large number of claims for compounded medications seek other ways to replace the revenue stream. This fluid environment requires constant monitoring and evolving strategies to help control these rising costs.

Through real-time claims analysis and surveillance we identified a recent trend for certain clients based on a spike in the cost and quantity per claim being billed for products that are lidocaine or lidocaine-containing formulations. Per-member-per-month spending on lidocaine rose to $0.96 for this group of clients, compared to an average of $0.44 for a representative employer cohort. Although any payor is at risk of spiking lidocaine spend, this client group had especially high spend, primarily from pharmacies with a significant number of compounded medication claims.

Lidocaine has a multitude of uses, but is most commonly used topically for pain (such as with injection sites or minor surgical procedures), skin ulcers, burns, abrasions or insect bites. It can also be used for pain relief in accessible mucous membranes of the oral and nasal cavities. Lidocaine is an ingredient in both FDA-approved and unapproved products. Approved products are available as topical gels, ointments, creams and patches as both brands and generics, depending on the formulation.
Although the incidence of adverse effects with topical lidocaine is low, the risk increases with the total dose of local anesthetic agent administered. Inappropriate use of topical anesthetics like lidocaine can, in some cases, lead to life-threatening adverse events.

Our Core Compound Strategy addresses unapproved products and helps reduce spend on those. The spike in the volume of FDA-approved lidocaine claims, either as a base ingredient in compound formulations, or as a single ingredient claim submitted with a very high quantity, emerged following the implementation of the compound strategy.

Early Identification of Trends and Outliers

The early identification of the lidocaine claims and dispensing pattern was a result of work by the CVS Caremark Compound Workgroup – an internal, multidisciplinary team including physicians and pharmacists that monitors compounding trends and develops appropriate solutions to help address and reduce compound utilization.

The Compound Workgroup helped develop standard criteria to address FDA-approved products that are lidocaine or lidocaine-containing formulations. These criteria include a quantity limit to help ensure appropriate and safe use and provide a pathway to approval for prescribers whose patients need more than the initial limit, with a post-limit PA edit. The intent of the criteria is to provide coverage consistent with product labeling, FDA guidance, standards of medical practice and evidence-based drug information to help ensure patient safety and appropriate utilization.

Reducing Lidocaine Spend

The results were immediate. For employer clients who had seen a significant spike in lidocaine spend and implemented our lidocaine utilization management (UM) strategies, utilization of lidocaine products is down an average of more than 80 percent since full implementation of the program. Spend is continuing to trend downward. In fact, spend for those clients is now significantly lower than the average of the employer cohort.

Utilization of lidocaine products is down an average of more than 80 percent

Data Source: CVS Health Enterprise Analytics, 2016.

All of the savings and/or trend changes discussed in this Executive Briefing will vary based on a variety of factors, including demographics, plan design and programs adopted by the client. Client-specific modeling available upon request.
Integrated Audit Solutions

In addition to the work of the Compound Workgroup, the Pharmacy Audit team continuously monitors pharmacies to identify inaccurate dispensing and/or incorrect billing. Through daily claims review, onsite audits and investigational audits, they help curb waste and educate pharmacies on proper claims submission. New trends are used to develop plan edit enhancements to help prevent future occurrence. In 2013 alone, pharmacy audits led to more than $170 million in savings and recovery of incorrect, improper or fraudulently billed claims.

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The team conducts daily claim screens to identify potential fraud, waste and abuse. The team identifies pharmacy trends that deviate from the norm, strategically selects pharmacies for onsite and investigational audits, and takes appropriate corrective action. When new trends are identified, they are incorporated into future reporting. Violations are reviewed by the Pharmacy Membership Review Committee, an internal pharmacy benefit cross-functional team created to review audit findings, and if necessary, take corrective action against select network pharmacies.

Actions can include structured corrective action plans, follow-up audits, network suspension and in some cases, termination from the PBM’s national network. When appropriate, they also partner with law enforcement agencies.

Continued Focus on Controlling Client Costs

Earlier this year, we introduced the Dynamic Trend Manager, which uses real-time claims surveillance and monitoring tools to help identify potential trend drivers and offer enhancements to existing cost-management strategies. The first two Dynamic Trend Manager programs were focused on dermatologicals and hyperinflationary drugs. The compound dashboard, an internal audit tool, enables our account teams to track clients’ compound and compound-like spend on a daily basis. This web-based interactive tool helps uncover evolving patterns that negatively impact a client’s bottom line so that we can identify trends like the increase in lidocaine spend on a near real-time basis. We will continue creating new programs and solutions, and deploy internal tools to help address clients’ concerns regarding managing trend and controlling costs.

* CVS Health Enterprise Analytics, April 2014.

Projections based on CVS Health data. Individual results will vary based on plan design, formulary status, demographic characteristics and other factors. Client-specific modeling available upon request.

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