Advances in biotechnology have led to the development of many new medical therapies for a variety of diseases. These agents, known as biologics or specialty drugs, represent the fastest-growing segment of pharmaceuticals. They have often proved effective in cases where conventional medications have failed; however, they can cost up to $350,000 per patient annually. Employers sponsor a significant proportion of plans that provide healthcare benefits, but surveys on benefit coverage have neglected to measure employers’ understanding of these drugs or their use.

Objective: To establish a baseline understanding of specialty pharmacy drug benefit coverage from the perspective of the employer (ie, commercial benefit plan sponsors).

Methods: The Midwest Business Group on Health (MBGH), a Chicago-based, nonprofit coalition of more than 100 large employers, in collaboration with the Institute for Integrated Healthcare, conducted a national web-based survey to determine the extent of employer understanding of specialty pharmacy drug management. MBGH, along with 15 business coalitions nationwide, distributed the survey to their employer members. A total of 120 employers, representing more than 1 million employee lives, completed the survey online. The results were then analyzed by MBGH.

Results: Of the 120 employers surveyed, 25% had “little to no understanding” of biologics, and only 53% claimed a “moderate understanding” of these agents. When asked to rank the effectiveness of biologics-related disease management support for their employees, 45% of the participating employers did not know whether productivity had increased, and 43% did not know whether their employees had experienced increased quality of life as a result of taking these drugs. The majority (76%) of employers continued to rely heavily on print medium to communicate with their covered population. Overall, the vast majority of employers (78%) claimed either “little to no understanding” or a “moderate understanding” of specialty pharmacy.

Conclusions: That the majority of employers admit they do not understand specialty pharmacy indicates that efforts are needed to fill in this knowledge gap to enable employers to design useful or appropriate drug benefit programs and manage them more effectively to control costs and optimize their employees’ healthcare outcomes. Efforts to educate employers will require continued evaluation to ensure an effective communication between them and their employees while this area of medicine continues to grow.
This survey suggests that employers have not moved away from traditional benefit designs to take advantage of the benefits that specialty pharmacy can provide. It also shows that employers are unsure of how to design appropriate benefits regarding these high-cost drugs and how to effectively communicate this information to their employees. This survey suggests that employers have not moved away from traditional benefit designs to take advantage of the benefits that specialty pharmacy can provide. These results can suggest to employers the need to fill the gap regarding healthcare benefits coverage, spending, and costs; identify potential improvements to their benefit strategies; and shift their coverage decisions to benefit themselves and their employees.

These drugs are characteristically derived from live organisms, and many require special storage and/or handling. Their administration varies widely, from self-administration to administration at an infusion center. The cost threshold for each biologic drug also varies widely by health plan. The Medicare threshold is $500 per month, whereas on the commercial side, the threshold varies by plan.

Coverage and category definitions in this area of pharmaceuticals remain unclear, and this is likely to persist as long as biologics or injectables continue to become available in self-administered formulations (which complicates how best to define biologic products). Specialty drugs are used to treat a variety of diseases; the majority of spending today on these agents is incurred for the treatment of cancer, rheumatoid arthritis and other autoimmune conditions, multiple sclerosis, and anemia. Whereas early biologics were solely physician-administered injectables or infusions, advances in medical technology have expanded the formulations to include oral formulations that can be administered by the patient.

Compounding the complexities of benefit coverage for these treatments is their high cost, accounting for a 17.4% change in prescription spending and the fastest growth of any drug category since 2004. In the past 5 years, specialty drug plan spending rose by more than 15%, several times higher than the overall drug trend. Although specialty drugs account for only 1% of the total prescription claims volume in 2010, 70% of drug cost trend in pharmacy benefit could be attributed to the rising cost of specialty drugs. Specialty drugs are expected to represent 21% of all plan drug spending by 2013, and as much as 40% of plan drug spending by the end of 2020.

Spending on specialty drugs already accounts for more than 50% of revenues of some specialized medical practices. The cost of specialty drugs ranges greatly from $6000 to $350,000 per employee or dependent annually and accounts for major increases in spending growth of prescription benefit plans. Among the top contributors to this trend were rheumatoid arthritis and other autoimmune conditions (ie, lupus, Crohn’s disease, ulcerative colitis), accounting for 14.7% of the trend.

Coverage for specialty pharmaceuticals also varies based on the site of service and the method of contracting. Self-administered drugs are often billed under the pharmacy benefit plan, whereas infused or injected oncology medications and drugs for immune disorders are usually billed under the medical plan. This makes analysis of information on cost and utilization a difficult challenge to buyers or payers in terms of managing coverage, patients, and payments. (Because most employers do not have a retiree program, Medicare coverage was not included in this study.)

Impending healthcare reform and a distressed economy introduce yet further complications. The Institute of Medicine recently recommended to the US Department of Health and Human Services that benefits of our finite healthcare resources should be determined not by services but by costs. If the current cost growth trend continues, both existing and new biologics will seriously increase the drug cost curve. Drug therapy in oncology alone is expected to increase from $125 billion in 2010 to $207 billion by the end of the decade, in part as a result of the increasing number of cancer survivors.

In early 2011, the Biologic Finance and Access Council (BFAC) partnered with MediMedia Research to conduct its second annual national survey of healthcare executives. The survey targeted employers that were either affiliated with the Jefferson School of Population Health or were members of BFAC, which includes thought leaders from large employers, pharmacy benefit managers, and national and regional health plans. Attention was focused on biologics as the fastest growing cost trend in healthcare. In the BFAC survey, stakehold-
ers recognized that specialty pharmacy had an increased effect on benefit cost and patient outcomes, but they were unable to judge trends related to spending and cost management.

The outcome measures and value-based assessments were determined to be important issues, but there was a lack of understanding about the value of specialty pharmaceuticals related to these issues or the value of collaborating with other stakeholders to increase patient adherence to treatment regimens.

In response to the findings of the BFAC’s second annual survey, the Midwest Business Group on Health (MBGH), a Chicago-based, nonprofit coalition of more than 100 large private and public employers, in collaboration with the Institute for Integrated Healthcare (IIH), an Employer Project Advisory Council, conducted a web-based survey that was directed solely at employers.

Employers are key stakeholders in the specialty pharmacy environment, because they sponsor a significant proportion of plans that provide healthcare benefits for employees and their families. Therefore, it is as important to track employers’ perceptions and attitudes regarding benefit design, as it is to track changes in access to care and reimbursement concerns. However, benchmark surveys on benefit coverage have neglected to measure employers’ overall understanding of spending on biologic pharmaceuticals or their use.

The present article describes the findings of the survey conducted by MBGH and IIH.

Method and Demographics

In the summer of 2011, MBGH and IIH conducted the first national employer-driven survey on specialty pharmacy and the use of specialty pharmaceuticals in an effort to establish a baseline understanding of biologic and specialty drug benefit coverage from the perspective of the employer (ie, commercial benefit plan sponsors). The information gained from this survey will be used to assist employers in understanding the value and benefits of biologics.

The survey was the first of a 2-phase effort. Based on the hypothesis that employers did not fully understand pharmaceuticals, the survey was conducted with the hope that it would provide information that will allow the development of various educational initiatives to help employers: (1) better understand specialty pharmacy and specialty pharmaceuticals; (2) manage the challenges posed by specialty pharmaceuticals; (3) manage benefits through plan design innovation by partnering with specialty vendors for contracting and patient management; (4) understand the importance of managing their at-risk population; and (5) more effectively communicate specialty benefits to employees.

### Table 1
**Top Industries Represented in the Survey, Based on US Department of Labor Standard Industry Codes**

<table>
<thead>
<tr>
<th>Industry</th>
<th>Proportion of employers, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>36</td>
</tr>
<tr>
<td>Professional scientific, technical services, healthcare, social assistance</td>
<td>12</td>
</tr>
<tr>
<td>Management companies/enterprises</td>
<td>12</td>
</tr>
<tr>
<td>Construction</td>
<td>7</td>
</tr>
<tr>
<td>Finance, insurance</td>
<td>7</td>
</tr>
<tr>
<td>Educational services</td>
<td>6</td>
</tr>
</tbody>
</table>

In this survey, MBGH collaborated with IIH and 15 other business coalitions across the United States to distribute a web-based questionnaire to their employer members. A total of 120 employers, representing more than 1 million employee lives, completed the survey.

The average age of almost half (47%) of employees was between 41 and 45 years. Because this was the first time this type of study was conducted, it was difficult to represent the true demographic region of employers. Therefore, location was determined based on where half of the workforce, for each employer, was located.

**Employers are key stakeholders in the specialty pharmacy environment, because they sponsor a significant proportion of plans that provide healthcare benefits for employees and their families.**

Participating companies represented all US states, with half (50%) of them based in the Midwest, including Illinois, Iowa, Kansas, Michigan, Missouri, North Dakota, and Wisconsin. The type of industry was based on the Standard Industrial Classification as defined by the US Department of Labor. Manufacturing was the largest (36%) industry type represented in this survey (Table 1).

### Results

All major standard industrial employer categories were represented in the survey, with manufacturing accounting for more than one third (36%) of respondents. Employer funding of health benefits ranged from self-insured (69%) and fully insured (19%) to a combination of both (13%). A total of 60% of employers did not combine more than one type of benefit option for their employees.
When asked to rank their organization’s level of understanding of specialty pharmacy and specialty pharmaceuticals, 25% of employers had “little to no understanding” and 53% had only a “moderate understanding” (Figure 1A).

The greatest (78%) lack of understanding of specialty pharmaceuticals was seen among employers of companies with a smaller-size (<500) active number of employees (Figure 1B).

The survey also uncovered a serious lack of knowledge regarding what percentage of specialty pharmaceuticals was paid through the company’s medical benefit versus through pharmacy benefits. Of the respondent employers, 70% reported not knowing what percentage of specialty pharmaceuticals was paid through their medical benefit, and 40% reported not knowing what percentage was paid through their pharmacy benefit.

A total of 29% of employers also reported not knowing what percentage of specialty pharmacy claim costs had increased in the pharmacy benefit over the past 3 to 5 years (Figure 2).

Nevertheless, 54% of employers required their employees to use a specialty pharmacy to receive coverage. Of these employers, 57% required the mandatory use of a specialty pharmacy vendor for biologics and injectables, 39% required a minimum 30-day fill or a maximum 90-day fill of a prescription for specialty pharmacy injectables, and 29% required mandatory mail order for drugs used long-term for chronic disease (Table 2).

As shown in Figure 3, 44% of the specialty drugs plan designs followed the same design as traditional pharmacy, using tiers and copayments. The second most favored design reported by respondents (27%) was a traditional pharmacy design with tiers and coinsurance. Of note, 59% of employers required utilization of a specialty pharmacy, and 59% also required prior approval and/or step therapy edits for claim approvals. In addition, 55% of employers included patient support and care management in their pharmacy plan design.

Practically two thirds (66%) of employers valued medication-related cost transparency in their vendor contracts as “very important,” and 27% valued cost transparency as “important” (Figure 4).

When asked which entities provided support for specialty product management, employers reported that the health plan provided the majority of support for case management (78%) or disease management (64%). When asked which entities provided support for specialty management, contracting, and benefit design, employers relied most heavily on pharmacy benefit managers (61%) and specialty pharmacies (56%).

As shown in Table 3, contracting support was provided in large part by benefits consultants (60%) or was done in house (51%). More than three quarters (79%) of employers did their own benefit design in house, followed by benefits consultants (77%) and health plans (76%). This indicates that employers use more than 1 contractor but have not moved from traditional benefit designs (ie, designs that cover a determined benefit for every patient, with no distinction among the drug covered) to value-based or innovative benefit designs.
In addition, employers were asked to rank the effectiveness of case management/disease management support—from “excellent” to “don’t know”—for their covered employee population in 5 areas:
1. Increases in productivity
2. Improvements in treatment compliance
3. Increases in quality of life
4. Better management of related chronic conditions
5. Improvements in medication adherence.

A surprising high percentage of employers indicated not knowing whether increases had occurred in productivity (45%) and in quality of life (40%). However, 43% were at least satisfied with improvements they saw in treatment adherence, and 52% were satisfied with the management of related chronic conditions (Table 4).

Survey results show that a large percentage (76%) of employers still largely rely on print media (i.e., letters, newsletters, print booklets, summary plan documents) to communicate with their covered population. The second most favored (51%) communication method was electronic medium or e-mail, followed by (48%) web-based medium. Telephone messages and personal contacts were still used by 39% of employers.

However, when employers were asked to rate the effectiveness of various strategies used to communicate with their employees during the past 3 to 5 years regarding health benefits, most employers said they did not know (Table 5), indicating an amount of distance from the outcomes. To determine the efficacy of communication strategies, it is necessary to have evaluated their effectiveness over time. This finding highlights an under-appreciation of the importance of these strategies in disease management and the importance of continually reevaluating messaging and employee responses to it.
Discussion

Specialty pharmaceuticals represent the fastest area of drug growth since 2004, and one in which drugs in the pipeline are already being marketed to consumers. However, as this survey shows, neither specialty pharmacy nor specialty drugs are completely understood by employers in their position as health plan sponsors. The MBGH/IIH survey uncovered the following disturbing facts about employers’ perspective on health benefits:

- Employers are unaware of how effective their healthcare spending is
- They are not sure how to design innovative benefits or manage the costs
- They are also not sure of what works or how to effectively communicate information about specialty pharmaceuticals to their employees.

Approximately 25% of employers have little or no understanding of specialty pharmaceuticals, and only 53% possess a moderate understanding of these therapies. Most employers are unaware of the amount of money their company has spent or is spending on specialty pharmacy, and 30% have no idea the extent to which costs have increased in the past 3 to 5 years. This finding mirrors those of the BFAC survey, in which 50% of payers and providers did not know the percentage of their organizations’ healthcare spending on biologics. Although all employers were aware that expenditures on specialty pharmaceuticals were important, almost none could project their organization’s approximate healthcare spending on diagnostics in combination with drug therapies for 2012.

Most important, the survey shows that the represented employers have not moved from traditional benefit designs, thus missing potential benefits associated with using a value-based or innovative benefit design when dealing with specialty pharmacy. Furthermore, employers are apparently unaware how these innovative designs could improve efficiency of their specialty pharmaceutical management.

Most employers use vendor costs as the determining factor when selecting and contracting with specialty pharmacy vendors (Figure 4).

If the gaps in employer knowledge are allowed to continue, problems associated with not addressing the new mainstream use of biologics emerging from the research and development pipeline may remain unresolved. Furthermore, employers will not be able to communicate well with employees about specialty pharmaceuticals to determine whether their employees understood their specialty pharmacy benefits and whether these drugs had any positive effect on their employees’ health.

As a result of these findings, MBGH and IIH are planning efforts to help employers: (1) fill in the educational gaps

### Table 3: Entities That Support Employers in Specialty Management, Contracting, and Benefit Design

<table>
<thead>
<tr>
<th>Management entity</th>
<th>Management, %</th>
<th>Contracting, %</th>
<th>Benefit design, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Done on own or in house</td>
<td>36</td>
<td>51</td>
<td>79</td>
</tr>
<tr>
<td>Benefits consultant</td>
<td>21</td>
<td>60</td>
<td>77</td>
</tr>
<tr>
<td>Outside pharmacy</td>
<td>38</td>
<td>44</td>
<td>74</td>
</tr>
<tr>
<td>Pharmacy benefits manager</td>
<td>61</td>
<td>41</td>
<td>70</td>
</tr>
<tr>
<td>Specialty pharmacy</td>
<td>56</td>
<td>29</td>
<td>54</td>
</tr>
<tr>
<td>Health plan</td>
<td>46</td>
<td>42</td>
<td>76</td>
</tr>
</tbody>
</table>

### Table 4: Effectiveness of Case Management and Disease Management Support with Covered Population

<table>
<thead>
<tr>
<th>Results</th>
<th>Excellent, %</th>
<th>Good, %</th>
<th>Fair, %</th>
<th>Poor, %</th>
<th>Don’t know, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increases in productivity</td>
<td>1</td>
<td>27</td>
<td>23</td>
<td>4</td>
<td>45</td>
</tr>
<tr>
<td>Improvements in treatment compliance</td>
<td>2</td>
<td>43</td>
<td>27</td>
<td>4</td>
<td>24</td>
</tr>
<tr>
<td>Increases in quality of life</td>
<td>4</td>
<td>33</td>
<td>21</td>
<td>2</td>
<td>40</td>
</tr>
<tr>
<td>Better management of related chronic conditions</td>
<td>5</td>
<td>52</td>
<td>21</td>
<td>2</td>
<td>20</td>
</tr>
<tr>
<td>Improvements in medication adherence</td>
<td>7</td>
<td>35</td>
<td>29</td>
<td>3</td>
<td>26</td>
</tr>
</tbody>
</table>
gaps related to understanding benefit coverage, spending, and healthcare costs; (2) determine key areas of utilization trends important to their organization; (3) identify short- and long-term opportunities for improving benefit strategies and examine available resources before executing them; (4) determine how to optimize benefit spending based on technology trends; and (5) shift benefit decisions as they gain knowledge in this area.

Conclusions

These outcomes have defined the next steps for MBGH. Phase 2 of this initiative project will be completed in 2012, and includes working with an employer advisory council to advise and drive elements of the 2012 survey research, develop a web-based employer educational toolkit resource, and then build on 2 pilot educational outreach programs from late 2011 designed to disseminate research findings.

It is hoped that these current and future efforts will help employers develop a better understanding and delivery of effective benefits for biologics. It is time to move beyond the potential and into optimizing health-care outcomes, reducing employee risk factors and/or the progression of disease, and linking health with wellness along the continuum of care.

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Author Disclosure Statement

Dr Vogenberg, Ms Larson, Ms Rehayem, and Mr Boress reported no conflicts of interest.

References


Table 5 Effectiveness of Strategies and Employee Communication Efforts during the Past 3-5 Years

<table>
<thead>
<tr>
<th>Benefit/communication strategy</th>
<th>Very effective, %</th>
<th>Effective, %</th>
<th>Somewhat effective, %</th>
<th>Not effective, %</th>
<th>Don’t know, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Generic options</td>
<td>22</td>
<td>32</td>
<td>12</td>
<td>4</td>
<td>31</td>
</tr>
<tr>
<td>Protocols used for prior approval</td>
<td>20</td>
<td>24</td>
<td>22</td>
<td>0</td>
<td>34</td>
</tr>
<tr>
<td>Cost-sharing incentive</td>
<td>11</td>
<td>20</td>
<td>22</td>
<td>10</td>
<td>38</td>
</tr>
<tr>
<td>Days supply limited messaging</td>
<td>10</td>
<td>27</td>
<td>25</td>
<td>4</td>
<td>34</td>
</tr>
<tr>
<td>Communication from pharmacist</td>
<td>10</td>
<td>17</td>
<td>22</td>
<td>3</td>
<td>48</td>
</tr>
<tr>
<td>Integrated pharmacy network</td>
<td>10</td>
<td>21</td>
<td>18</td>
<td>3</td>
<td>49</td>
</tr>
<tr>
<td>Inclusion/exclusion criteria</td>
<td>9</td>
<td>17</td>
<td>22</td>
<td>4</td>
<td>47</td>
</tr>
<tr>
<td>Communication from physician</td>
<td>8</td>
<td>14</td>
<td>21</td>
<td>3</td>
<td>55</td>
</tr>
<tr>
<td>Health reimbursement account</td>
<td>5</td>
<td>16</td>
<td>26</td>
<td>16</td>
<td>36</td>
</tr>
<tr>
<td>Formulary explanation</td>
<td>5</td>
<td>24</td>
<td>32</td>
<td>7</td>
<td>31</td>
</tr>
<tr>
<td>Cost comparison</td>
<td>5</td>
<td>15</td>
<td>29</td>
<td>9</td>
<td>41</td>
</tr>
<tr>
<td>Audience benefit management communications for employees</td>
<td>3</td>
<td>22</td>
<td>22</td>
<td>4</td>
<td>49</td>
</tr>
<tr>
<td>Utilization management mailing and phone messages</td>
<td>3</td>
<td>18</td>
<td>28</td>
<td>9</td>
<td>42</td>
</tr>
</tbody>
</table>

NOTE: Percentages in this table were rounded; therefore, some rows do not total 100%.
An Educated Consumer Is Our Best Customer

EMPLOYERS: I believe that I speak on behalf of most of my colleagues in the specialty pharmacy industry when I ask the following question: “How can any employer responsible for the healthcare benefits of their employees and dependents today not understand specialty pharmacy?”

With the impact of specialty pharmaceuticals on overall healthcare spending and trends, the number of specialty pharmaceuticals approved by the US Food and Drug Administration over the past few years, and the rich pipeline of specialty pharmaceuticals, it would seem that the primary focus of payers today would be on specialty pharmacy.

The article by Vogenberg and colleagues in this issue of American Health & Drug Benefits highlights the lack of understanding of specialty pharmacy by a large proportion of employers that were surveyed online for this study. Of the 120 employers surveyed, 25% had little to no understanding of biologics, and only 53% claimed a moderate understanding of these medications. This is troubling, considering that specialty pharmaceuticals are expected to represent 21% of drug spending by 2013, and 40% of drug spending by 2020. We need to revisit the famous words, “An educated consumer is our best customer,” used by Sy Syms, CEO of the now-defunct Syms Corporation, to address this conundrum.

PHARMACY DIRECTORS: The specialty pharmacy industry must do a better job of educating the consumer, employer groups in this case, of what specialty pharmacy is, and what it means to payers. Even today, there is no consensus on a definition for specialty pharmaceuticals. We have publications that provide the general characteristics of specialty pharmaceuticals, but no agreed-on definition, which leads to significant confusion by all stakeholders.

In addition, specialty pharmacies need to have less of a distribution focus in their discussions with employers and more focus on clinical support and outcomes reporting, to highlight the value that these entities provide to payers.

The heavy focus on distribution of specialty pharmaceuticals continues to create a commoditization of the industry, with the majority of the weight on contracted discounts on specialty medications. This is leading to eroding margins and further consolidation of the industry. In addition, the lack of focus on clinical support and outcomes reporting is leading to a perception that specialty pharmacies do not provide much value to payers.

As recent as 2 years ago, if I met with a potential client and presented to them that we had a patient care software system, I was almost guaranteed that this was a differentiator for our pharmacy. Today, virtually all potential clients who I present to ask for outcomes data and performance guarantees that we are going to improve patient care.

The market has changed, but it is not clear that the specialty pharmacy industry has done enough to keep up with the demands from payers. We seem to be concentrating on shrinking margins, but we are not doing enough to change our model to meet the needs of our customers and reverse these shrinking margins.

It is clear that we must start by educating the consumer about the value we provide. This will undoubtedly lead to a stronger relationship between the employer and their specialty pharmacy partner.

STAKEHOLDER PERSPECTIVE

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