Optum

The specialty pharmacy carve-out stampede. What gives?



Specialty drugs now account for more than 50% of annual pharmacy spend.[1] As more and more sophisticated medications hit the market costs will only continue to rise. And, it is estimated that specialty treatments will hit $505B in spending by 2023.[2]

As a way to combat rising costs, employer groups may seek out alternative benefits like specialty pharmacy carve-outs. In fact, recent Accenture research showed that more than half of mid-to large-size employers currently have a carve-out or are planning to carve out pharmacy benefits.[3] However, employer groups such as these are not always aware of the downstream impacts carve-outs can have.

This e-book outlines key issues employers are facing and steps payers can take in rethinking specialty medication management to combat rising costs and fulfill employer group needs.

Evolving employer concerns in a post-pandemic world

It's important to understand the issues employer groups are facing and how the benefit landscape is shifting in a post-pandemic world. Consumer expectations around specialty medication coverage are changing, and many employers are looking to carve-outs as a solution to help reduce bottom line costs of specialty medications and improve employee retention.

Here are three issues that may be causing employers to consider a carve-out for specialty pharmacy medications.



Issue one:
Most employees want specialty medication coverage

A recent survey indicated that **80% of employees** want their employer to cover specialty medications for themselves and their families[4] and **11% said they would change jobs** to get coverage for their specialty medications.[4]



Issue two:
Sicker employees due to COVID-19 related deferral of care

Downstream impacts from the COVID-19 pandemic are also important to consider. More than **40% of adults** indicated they deferred care because of the pandemic,[5] and the American Cancer Association has estimated there will be **10,000 more breast and colo-rectal cancer deaths** in the next 10 years because of this delay in care.[6]



Issue three:
Compensation and rising inflation

Rising inflation and compensation expectations are also requiring employers to tighten their budgets. A recent Willis Towers Watson survey found that **100% of employees** in the United States **expect a compensation increase in 2022.**[7]

As many employers deal with increased costs and the "Great Resignation", they may seek alternative solutions like carve-outs to provide more inclusive, affordable benefits for employees and their families.

Carve-outs can negatively impact the patient experience

Carve-out vendors are known for promoting white glove service and high-touch support for patients. But in truth, carve-outs can further disconnect an already complex care experience that employers may not be aware of. Complex medical patients may see five or more providers in a year[8] and be on 10 or more different medications at a time.[9] Patients whose plan has elected a carve-out may be required to source treatments through their PBM provider and a carve-out vendor, which can disrupt their ability to access medications.

Two examples of potential patient experience with carve-outs were recently highlighted in an Optum Rx white paper.

1. **Alternative funding vendors**
   Alternative funding vendors draw from a finite pool of foundation or assistance program dollars. Available funds are often quickly exhausted, which affects those who truly need the assistance.

2. **Copay cards**
   Patients with carve-out vendors are often required to use copay cards. If they do not sign up, they are charged full out-of-pocket expenses. Patient access can also be impacted which can translate into slower time to therapy. Some drug claims may be rejected, and members must seek coverage from unrelated parties.

Scenarios like these mean that members can experience delays in initiating treatment. Such delays can drive up costs due to disease progression or complications. In fact, one recent study found:



20% of patients had a life-threatening event or needed hospitalization due to delays in treatment.[10]

Opportunity in the wake of carve-outs



While employers are likely using specialty pharmacy and trend data to guide their decision to choose a carve-out, they may be unaware of the complexity of care for specialty patients and the risk associated with a delay in treatment, which can be exacerbated by a carve-out.

As a health plan, you have the opportunity to:

1. **Inform your customers of potential pitfalls of alternative solutions like carve-outs**
2. **Bring to the table new and innovative ways to better manage specialty spend**

To help you avoid the short falls of current approaches to specialty management, we have outlined recommendations for your health plan to consider.



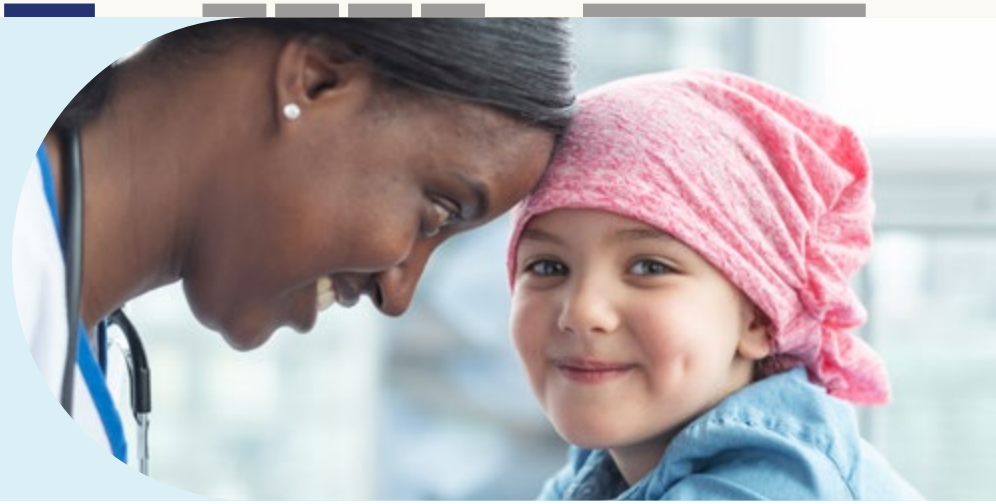
Recommendation 1:

Understand your blind spots and the risks they may expose

Consider taking a step back to evaluate what your specialty strategy is, how it is managed and who is involved.

- Is specialty management done internally, or do you outsource through vendors?
- What is your strategy for determining what medications go on your medical or pharmacy benefit, and how do you optimize value to clients?
- Are you relying equally on your chief medical officers and chief pharmacy officer – are they aligned and working together, or is there a disconnect?
- What data sources do you rely on for information to guide decisions, and where do they come from?
- How confident are you that your strategy is fully optimized?
- What is your long-term plan to address continued price increases and shifts in member expectations?
- Are you thinking situationally or holistically?

Answering these questions can identify gaps, highlight risks and open the door for opportunity.



Recommendation 2:

Acknowledge the consequences of current specialty medication management strategies

Traditional ways of managing specialty spend are no longer working. Relying solely on rebates, formularies and site-of-care strategies does not provide a comprehensive review of spend and opportunity. As a result, money is often left on the table, and employer groups are paying the bill.

Additionally, the manual review of many traditional prior authorizations may add time to the process and heighten the risk of adverse consequences due to possible delays in treatment.[10]

Taking a cross-benefit approach to specialty management that is inclusive to all strategies available can improve the patient experience, lower costs and allow for a more complete view of your specialty trend.

Close the door on carve-outs

Bring medical and pharmacy benefits together to better manage specialty spend



Taking a more holistic stance on specialty medication management can help reduce cracks that may drive employer groups to consider a carve-out.

One such way to do so is with a new, ground-breaking solution from Optum called Specialty Fusion™. With Specialty Fusion, health plans can optimize existing specialty medication management strategies to maximize savings by looking across both medical and pharmacy benefits.

This innovative prior authorization platform analyzes hundreds of data points in real time and recommends the most clinically appropriate, cost-effective therapy for a patient at the point of care. With Specialty Fusion, health plans gain greater control over specialty spend with actual, sustained cost reductions.

Gain greater control over specialty medication spend with actual, sustained cost reductions.

How exactly does Specialty Fusion work?

Differentiated, data-driven specialty management

Prior authorization platform

Cross-benefit provider decision support via prior authorization platform

Specialty fusion engine

Real-time data analysis across all specialty sources for integrated decision capabilities

Data and analytics

Reporting and insights on holistic specialty strategies across medical and pharmacy benefits

True integration

Specialty Fusion™ **reduces costs by optimizing value drivers** – rather than simply moving costs from one benefit to another.

Holistic specialty management

Specialty Fusion looks at **every possible combination of drugs, benefits and sites** across medical and pharmacy benefits to highlight the regimen with the best clinical outcomes at the lowest cost.

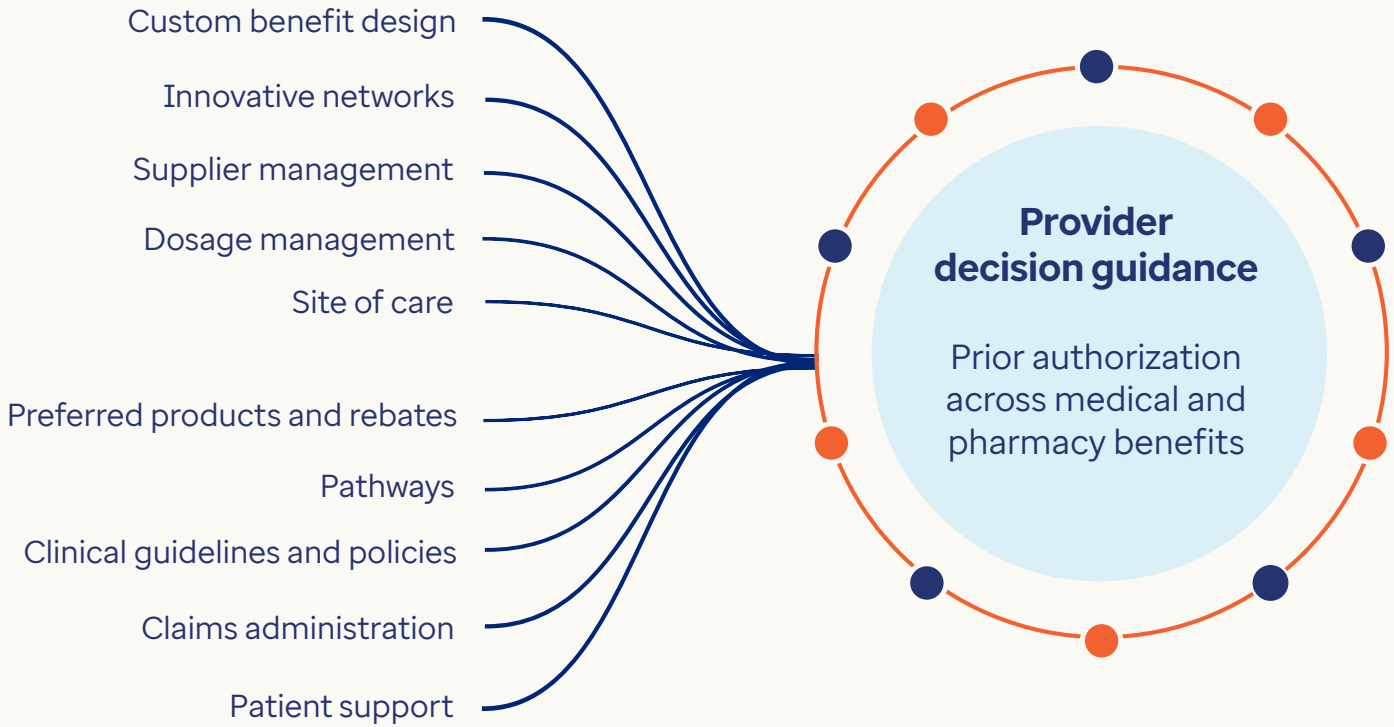
Transparent data and actionable insights

By using Specialty Compass, clients can **access spend data and performance metrics** to inform real-time adjustments to benefit design and strategy.

Significant savings

Fusion compares financial savings across both medical and pharmacy benefits, driving up to **$15PMPM savings on average** across benefits.[11]

Specialty Fusion evaluates all strategies influencing specialty medication spend and treatment outcomes



Specialty Fusion delivers substantial benefits for all stakeholders



Up to

$15 PMPM

medical and pharmacy potential savings[11]



63

provider NPS[12]



50%

faster time to therapy for patients[13]

Interested in learning more?

Contact your Optum representative or use the QR code below to visit us online

1. 2021 and Onward | Drug Trend Report | Evernorth
2. The Global Use of Medicine in 2019 and Outlook to 2023
3. Accenture 2018 Employer Healthcare Survey
4. As the cost of specialty medications increases, employees want employers to bear the financial burden | EBA | Employee Benefit News
5. Delay or Avoidance of Medical Care Because of COVID-19–Related Concerns – United States, June 2020 | MMWR (cdc.gov)
6. The COVID Cancer Effect (nature.com)
7. https://www.weforum.org/agenda/2022/01/pay-rise-2022-work/
8. OptumRx book of business analysis September 2019 - September 2020
9. Optum Internal Analysis 2016
10. American Medical Association. 2021 AMA prior authorization physician survey. Ama-assn.org/system/files/prior-authorization-survey.pdf. Accessed March 25, 2022.
11. Optum Internal Analysis. Actual savings potential will vary based on plan sponsors who have low to highly managed programs in place.
12. Provider NPS based on Sept. 2020 Optum Book of Business analysis. Auto-approval, denial and turn around time Aug. 2020 - Oct. 2020 CGP Book of Business analysis
13. Electronic PA at the point of prescribing; AMA Survey 2019 (https://www.covermymeds.com/main/medication-access-report/electronic-prior-authorization/

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