

HEALTH



Costs are spiking for specialty drugs. How are employers and insurers handling it?

The trouble for employers centers on a group of drugs typically needed by about 2% of the plan members, but that accounts for more than half of pharmaceutical costs.



Photo illustration of an injectable drug
Julia Duarte / Staff Illustration, Courtesy of Getty

At a health plan for private school employees in Pennsylvania, pharmacy expenses are expected to hit 30% of total healthcare costs this year.

Drug costs have risen faster than medical expenses since 2019, when they accounted for less than 20% of the plan's expenses.

The biggest driver is a group of drugs that cost thousands per month and are used by only 400 of the 20,000 people covered by the plan, said Heather Gelting, executive director of the group plan for 156 schools.

Last year, the plan's costs for those so-called specialty drugs increased 13%, significantly more than overall healthcare inflation. "It's becoming unsustainable," Gelting said.

The Wayne-based plan is now pushing back with the help of Independence Blue Cross (IBX), which provides administrative services to the health plan sponsored by the Philadelphia Area

Independent School Business Officers Association, known as PAISBOA. They are pursuing multiple strategies.

Putting certain high-cost medicines out to auction is projected to save the plan \$420,000 in a year. Instituting stricter clinical standards for patients who request expensive brand-name drugs, rather than generics, has already saved the plan \$873,000 in 12 months.

“So many of our employer schools are really at a crisis point,” Gelting said.

The rising prescription drug costs fueling financial challenges for Gelting’s plan are also sounding alarms nationwide for employers who offer health insurance for millions of working Americans. It’s not unusual for 2% of the people in a health plan to account for more than half the prescriptions’ costs, experts said. The [drugs driving the high costs are medications](#) for conditions like autoimmune disorders, cancer, multiple sclerosis, and skin diseases. Well-known brands include Keytruda, Stelara, Skyrizi, and Dupixent.

There is no standard definition of specialty drugs. The term generally refers to medications that commonly cost more than \$5,000 per month, require special handling and temperature control as well as enhanced patient monitoring and support, and are used for rare, complex, chronic, or life-threatening diseases.

Changes designed to save money often require giving beneficiaries extra attention to help them adjust how they get their medication and to minimize fear of losing access to treatments they need, plan executives said.

The challenge of affording such high-cost medications [is not going to get easier for employers](#), said Dea Belazi, chief executive of AscellaHealth, a [Berwyn](#) company that helps insurers and employers manage specialty medicines.

Scientific advances have made it possible to develop narrowly targeted medicines to treat complex diseases in smaller populations. Plus, pharmaceutical companies boost revenue with high-cost specialty medicines.

“That’s where all the innovation from drug companies is headed,” Belazi said. Here’s a look at how several organizations in the Philadelphia area are addressing pharmaceutical costs.

Tapping into competition

IBX helped the private schools’ health plan get started with a Pittsburgh company, Free Market Health, that helps plans [save on specialty pharmaceuticals](#) by running a digital auction.

Pharmacies bid on a 12-month contract to supply a drug. The lowest bidder wins.

The process has netted big results with limited impact on the plan’s members, Gelting said.

Free Market put medications used by 236 of Gelting’s plan’s members out to bid. The health plan’s current specialty pharmacy, Optum, agreed to match the low bids on medications used by 168 of the members. That meant that only 73 members had to switch how they got their medication. The anticipated net annual savings total \$1,780 per person.

“That’s what we need. We need actual competition,” she said.

In addition to using Free Market, the schools plan strengthened a requirement that patients try cheaper drugs before getting the expensive specialty treatments.

Patients often want the drug they saw on TV, Gelting said. Two of the specialty drugs the plan spent the most on last year were [among the drugs with the most television advertising](#), according to trade publication Fierce Pharma.

Now, instead of just checking a box saying that the cheaper drug did not work, the clinician has to provide clinical notes explaining why it did not help the patient. “This bit of extra scrutiny has dropped our claims cost” by \$873,000 in the first year, Gelting said.

Industry experts do not consider GLP-1s, increasingly popular for weight loss, specialty drugs in part because they are less expensive and more widely used. But spending for Ozempic, Mounjaro, and Zepbound has also hammered employers. Gelting’s plan still covers them for diabetes and a type of coronary heart disease, but stopped for obesity.

Another way to shop around

In [Wayne](#), Imagine360 [works with employers](#) who pay for employees’ healthcare directly, rather than through insurance premiums. The company has cut its own pharmacy spending for 1,600 employees by a quarter, or nearly \$1 million, over the last year, the company’s chief financial officer, Bill Demberckyj, said.

To start, employees were required to take full advantage of co-pay assistance programs funded by drug manufacturers. Effectively, manufacturers provide a gift card the patient can use to cover co-pays, which would otherwise be unaffordable.

Humira is a specialty drug for autoimmune disorders that for years was the top-selling drug by revenue in the world. In recent years, it has faced generic competition.

Imagine360 goes a step further, setting the member’s co-pay to use all the money on the manufacturer’s gift card. If the normal co-pay is \$100, but the manufacturer is willing to kick in \$1,500 a month, the co-pay is adjusted to use the \$1,500, minus a small contribution from the patient.

“You’ve just taken the cost of that drug and discounted it by 15% or 20% or 30%,” Demberckyj said. That’s a big savings on drugs that often cost \$10,000 or more a month.

Imagine360 has also found that shopping around can result in substantial savings. A biosimilar, or generic, option that costs \$1,200 per dose from a specialty pharmacy like ExpressScripts can sometimes be purchased for \$800 at Costco Pharmacy, Demberckyj said.

Some high-cost medications must be given by a clinician. It [makes a huge difference](#) where that happens. Hospital outpatient departments are the most expensive.

Intravenous immunoglobulin, or IVIG, therapy for immune disorders costs \$15,000 when done in

a hospital outpatient department, Dembereckyj said. The same therapy costs \$2,500 at a freestanding outpatient clinic. When delivered at home, the price falls to \$2,000 per treatment, he said.

The advantage of not chasing the lowest price

Reetika Kumar, an Independence Blue Cross executive whose responsibilities include pharmaceutical benefits, is looking for employers willing to try something counterintuitive — paying a higher price for individual doses of drug, with the goal of spending less overall.

“Pharmacy is more complex than anything else in healthcare, but it has purposely been made so by pharma and PBMs,” she said, referring to pharmacy benefit managers. PBMs are effectively specialized insurers for prescription drugs. They [negotiate prices with pharmaceutical manufacturers](#).

But manufacturers often put conditions in place that take away the employer’s ability to effectively manage access to the drug, said Kumar, who has more than 25 years of experience as a physician and an insurance executive.

Kumar cited Sanofi’s Dupixent, a treatment for inflammatory skin conditions, as an example of how employers end up spending more by focusing on the lowest price per dose. That is because to get that price they cannot require cheaper alternatives first, or require photographic proof that a rash covers at least 50% of a person’s body.

That is why Kumar has her team looking for an employer who is willing to pay a higher price for Dupixent for four members, rather than a lower price for 40. Paying the higher price would save money overall.

Separately, Independence has been working with Evio Pharmacy Solutions, a Denver company that directly contracts with pharmaceutical manufacturers, to [get lower prices for generic versions of expensive anti-inflammatory drugs](#), such as Humira and Stelara.

Kumar predicted that insurers are going to keep looking for ways to get “that whole umbrella of control” centered on PBMs to get better prices. It’s about throwing everything at the problem “and seeing what sticks,” she said.