The growth in pharmaceutical costs is driving overall medical spending upward, with specialty drugs playing the most significant role in pharmaceutical spending growth. Specialty pharmaceuticals or “biologics” are developed to treat a small part of the population who suffer from rare, life-threatening or disabling diseases.


THE BASIC DIFFERENCES

<table>
<thead>
<tr>
<th>TRADITIONAL TREATS</th>
<th>SPECIALTY TREATS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colds &amp; flu, allergies, headaches, common infections</td>
<td>Cancer, Hepatitis C, Rheumatoid Arthritis &amp; M.S.</td>
</tr>
</tbody>
</table>

Traditional is used for basic health and wellness
Specialty is used for complex, chronic conditions

THE BIG DIFFERENCE?
Average specialty drug cost is $54K per year—more than the U.S. median household income1

$150.8B in specialty drug spending in 2015, with $400B on medicines expected by 20202

17.8% specialty growth versus -0.1% traditional growth3

A DOSE OF REALITY

Less than 5% of insureds use Specialty Pharmacy Benefits
But They Will Account for 50% of All Drug Spending by 2018

HOW CAN THESE COSTS BE MANAGED?
There are several actions that can be taken to help manage the costs associated with specialty drug benefits.

1 CARVE OUT THE PHARMACY BENEFIT – Moving as many pharmaceutical purchases from the medical benefit to the pharmacy benefit can reduce costs tied to facility charges.
2 REQUIRE PRE-AUTHORIZATION – When employers know a drug is being recommended for treatment, proper cost-containment practices can be used from the start.
3 LIMIT SPECIALTY DRUG DISPENSING – Employers can choose to limit dispensing to a 30-day supply, which can reduce costs and the potential for waste if a patient cannot tolerate the medication.
4 USE FOUR-TIER DRUG PLANS – These typically involve an increase in co-pays for the high-cost drugs.
5 CONTRACT WITH A WELL-VETTED SPECIALTY PHARMACY VENDOR – They have capabilities, certifications and accreditations to help ensure cost containment expectations will be met.

READ OUR FULL REPORT ABOUT SPECIALTY DRUGS ON HMIG.COM

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