8 Costly Mistakes Relating To Your Specialty Pharmacy Contract

Recent projections suggest that Specialty Pharmacy costs will account for upwards of 50% of all drug spend in the not too distant future.

Whether you're a Health Plan, Self Insured Employer, TPA or other Payer, you need to ensure that your Specialty Contract is optimized for performance with your PBM.

Here are eight insights into maximizing the potential within your Specialty Pharmacy strategy.

1. Assuming that your current deal is competitive.

It may be, or it may not be. Here are two considerations:

How long has your current deal been in effect?

The longer it's been in effect, the more likely it is that the market has "passed it by," making it less than competitive in the current market.

What are you comparing it to?

Market awareness is enhanced and refined by having good intelligence about multiple deals with multiple vendors in multiple lines of business across the country.

2. Assuming that a small improvement in discount wouldn't be worth the cost to switch vendors.

Because the unit costs in Specialty Pharmacy are so high, even incremental changes in discounts can translate to material financial impact.

For example, if we assume that the average Specialty Pharmacy claim costs $1,000 per month, a 1% improvement in discount would translate into $120 in savings per year.

3. Assuming that you're too small to be able to negotiate an aggressive Specialty Pharmacy discount.

The key is to leverage your relationships with negotiating partners who are equipped to make you seem larger than you are by virtue of the other relationships that they bring to the negotiating table.

There truly *is* strength in numbers.

4. Assuming that Specialty Pharmacy is too complex, and you'll just leave it to the PBM to handle it.

It's always worth assessing the hidden costs in "bundled" deals.

When a PBM or a carrier owns or has a close relationship with a Specialty Pharmacy, such bundling can lead to a less aggressive deal than an unbundled relationship with an unaffiliated Specialty Pharmacy provider.

In addition, the mere threat of unbundling a bundled deal may be enough to prompt pricing improvements from a motivated incumbent.

It's important to survey the marketplace to keep your market intelligence current due to the rapid changes occurring in this high-cost area.

5. Assuming that all pharmacies that sell specialty pharmaceuticals are equally able to care for patients that receive specialty pharmaceuticals.

Since Specialty Pharmacy unit costs are so high, it's very important to ensure that each of those very expensive prescriptions is given the best opportunity to succeed in helping the patients who need them.

This is best accomplished by wrapping Specialty Pharmacy patients in a suite of high-touch care management services designed to ensure clinical success.

Even though many pharmacies are equipped to sell Specialty Pharmacy prescriptions, not all pharmacies are equipped to deliver the same level of patient support services. Know what to look for to ensure that they do.

While costs are important, they aren't the whole story surrounding Specialty Pharmacy.

6. Underestimating the financial impact on your plan tomorrow because of minimal financial impact today.

Again, owing to the high unit costs of Specialty Pharmacy claims, Specialty can consume a rapidly growing percentage of your plan's total drug spend. Today, it's not uncommon for Specialty to exceed 25% of a plan's overall pharmacy expense.

In one recently examined example in January of 2014, 10% of the lives in a 3,500 life employer group accounted for 33% of that employer's total pharmacy benefit spending owing to Specialty Pharmacy.

7. Failing to realize that up to 50% of spending on Specialty Pharmacy may be hidden inside of your medical benefit.

Because many Specialty Pharmacy items are administered in a physician's office or hospital setting, they may be properly billed under the medical benefit, as opposed to the pharmacy benefit.

Very often the amounts billed for Specialty Pharmacy closely approximate the amount paid for under the pharmacy benefit, resulting in the fact that the costs that are highly visible under the pharmacy benefit may constitute only 50% of the total amount being spent on Specialty Pharmacy.

It's important to know when it's best to use the pharmacy benefit, and when it's best to use the medical benefit.

8. Not managing the site of care based on Specialty Pharmacy contracts.

Because certain sites of care have different reimbursement contracts that may include bundled administration fees, it’s important to optimize the location where Specialty Pharmacy is administered to patients.

Physician offices, hospital outpatient facilities, and other types of locations may influence how much a plan pays for an identical amount of an identical medication within a narrow geographic area.

It’s important to be aware of, and plan for, these differences.

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