



Specialty medications: what you should know

Specialty medication basics

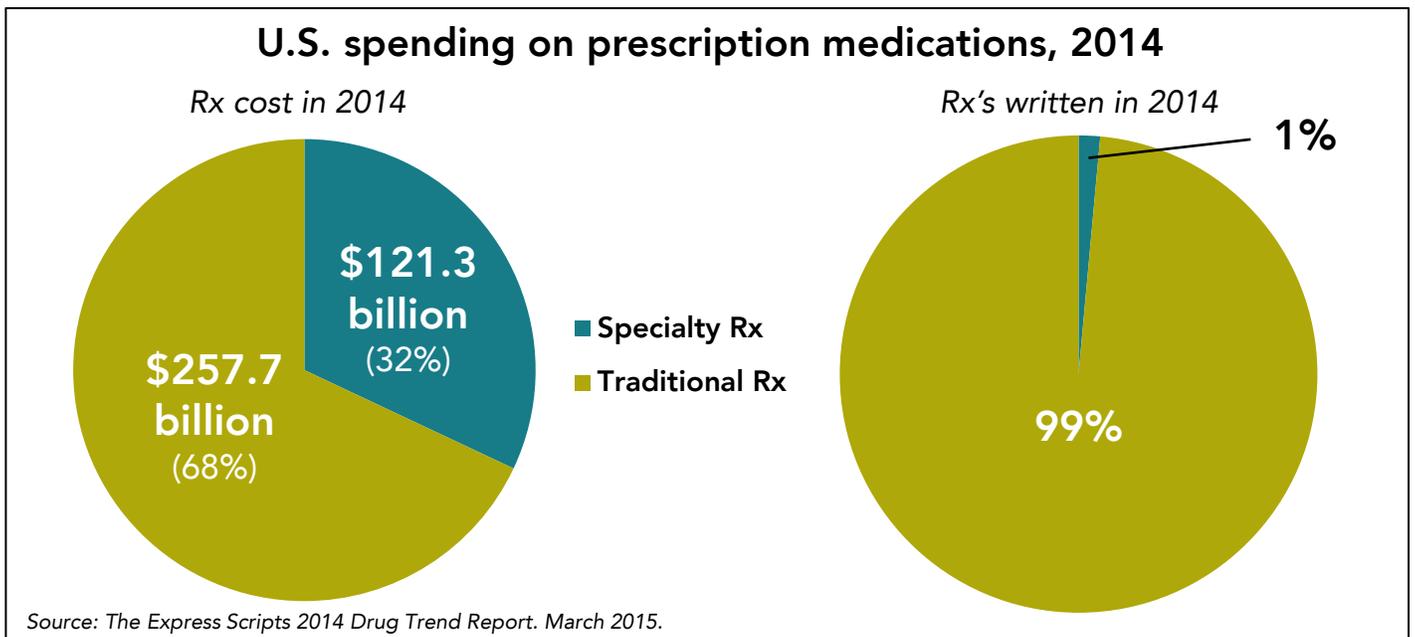
Specialty medications treat complex patient conditions and often require special storage, refrigeration or administration (patient education, monitoring and management). These medications enjoy a seven year period of exclusivity designed to help the manufacturers recoup research and development dollars.

Specialty medications include—but are not limited to—those used to treat:

- Autoimmune conditions
- Cancer
- Hemophilia
- Hepatitis C

Specialty medications cost trends

Spending on specialty medications shows no signs of slowing down. An increase of 16% annually is forecast through 2018, with total spending making up more than 50%, or \$235 billion, of total prescription medication spending¹.



In 2014, U.S. spending on prescription medications totaled nearly \$379 billion—with almost a third of that total being spent on specialty medications (see chart above).

Due to their high costs, specialty medications account for a disproportionate share of overall medication spending, as indicated in the chart above. Monthly costs for certain specialty medications can exceed tens of thousand of dollars (see chart on next page).

Approximate monthly cost of commonly-used specialty medications, 2014

Medications	Sample indication for medication use	Monthly cost for sample indication
Provenge (sipuleucel-T)	Metastatic prostate cancer	\$105,800
Harvoni (ledipasvir/sofosbuvir)	Hepatitis C	\$33,600
Viekira (ombitasvir/paritaprevir/ritonavir/dasabuvir)	Hepatitis C	\$29,600
Rituxan (rituximab)	Non-Hodgkin's lymphoma	\$21,900
Gleevec (imatinib)	Chronic myeloid leukemia	\$11,900
Avastin (bevacizumab)	Metastatic colorectal cancer	\$11,600
Revlimid (lenalidomide)	Multiple myeloma	\$10,800
Neulasta (pegfilgrastim)	Neutropenia	\$5,700

Source: Adapted from *Specialty Medications: Traditional And Novel Tools Can Address Rising Spending On These Costly Drugs, Exhibit 1. Health Affairs, 33, no. 10 (2014).*

Key drivers for specialty medication spending increases

More frequent introduction, use and price of specialty medications also help to explain why they are a key driver in increasing medication spending. **In 2014, 27 of the 51 (53%) medications approved by the Food and Drug Administration (FDA) were specialty medications.** A report by health care accrediting agency URAC stated that the increase of chronic illnesses in Americans (e.g., diabetes, cancer, obesity) combined with the pharmaceutical industry's ability to quickly identify and develop new and more personalized medications has positioned the specialty medication market for continued growth.

Why you should care

Specialty medication spending will continue to grow and account for a larger portion of total pharmacy spending, so it's important to implement strategies—Fallon uses prior authorization and quantity limits, to name a few—to help control and manage rising costs.

For more information about all the factors contributing to rising pharmacy costs, what steps Fallon takes and what you, your clients and their employees can do, please see the complete series of our *Pharmacy: A Growing Concern* flyers.

This flyer is one in a series designed to help educate brokers and their clients about pharmacy costs and trends. To view the complete series, please visit fallonhealth.org/brokers.

¹Specialty Medications: Traditional and Novel Tools Can Address Rising Spending On These Costly Drugs. *Health Affairs, 33, no. 10 (2014).*

Data from the AHIP's Issue Brief "Specialty Drugs: Issues and Challenges", July 2015, was used for this document.

3 things you should know about specialty medications

1. Specialty medication approvals by the FDA exceeded traditional medication approvals for the first time in 2010—a trend that has continued each year since.
2. Specialty brand-name medications called biologics—medications made from live organisms, not chemical compounds—are given a lengthy 12-year exclusivity period upon approval from the FDA.
3. Because of their complex nature and the way they are delivered, some specialty medications are covered through a member's medical benefit, not their pharmacy benefit.