Prescription drug costs have been rising faster than any other aspect of health care costs, reaching $333 billion in 2017. While some of the contributing factors are outside the control of plan sponsors and employers, there are tools available to help them contain costs. Aaron Kesselheim, M.D., J.D., M.P.H., associate professor of medicine at Harvard Medical School and a faculty member in the Division of Pharmacoepidemiology and Pharmacoeconomics in the Department of Medicine at Brigham and Women’s Hospital, discussed cost-control strategies with editor Kathy Bergstrom, CEBS. Dr. Kesselheim is the faculty advisor for Prescription Drug Costs, Usage and Outcomes: Practical Insights From Research, a Harvard Medical School Executive Education Program for the International Foundation of Employee Benefit Plans.

Why has the cost of prescription drugs risen so much in recent years?

The key reason is that in the United States, we leave pricing to the discretion of the drug manufacturers, so manufacturers can set prices at whatever the market will bear. At the same time, there are various rules in place that prevent private payers and the government from negotiating effectively with the pharmaceutical manufacturer that controls the brand-name product. For example, in certain cases, payers may have no choice but to take the prices set by the manufacturer. In the last decade or so, it has contributed to prescription drug prices rising at rates far beyond increases in costs in other health sectors. There is a lot of activity at the federal and state levels to try to craft better policies related to how we pay for prescription drugs in the U.S, and we’ll see which of these ideas shakes out.

What role do specialty drugs and biosimilars play in drug costs?

Specialty drugs are a major driver of prescription drug costs. Brand-name drugs overall make up only 10% of prescriptions but represent about three-quarters of total drug costs. Specialty drugs are often the most expensive of the brand-name drugs, and the development of more specialty drugs will continue to put pressure on health care budgets. Biosimilars are supposed to provide some level of cost-containment, but right now in the U.S. many biosimilars are having trouble getting on the market for various reasons, including legal battles over intellectual property. Even when they do get on the market, they’re not interchangeable like traditional generic drugs are, which has limited the amount of savings they can offer to patients and payers.

What are the key factors in determining what employers and health plan sponsors pay for prescription drugs?

Obviously one key factor is the price of the drug. Another key factor is the drug formulary that the health plan provides, and there can be a lot of factors that go into which drugs are listed on a formulary, including the cost-effectiveness of the drug and how different drugs work in comparison.
conversation

with other drugs. Another key factor is patient and physician demand which, in turn, can be driven by pharmaceutical promotion and other inputs.

The makeup of the drug formulary is one factor health plans have control over. However, the control may have limitations. For example, there can be state laws or other rules that insurers have to abide by when setting their formularies. Another factor plans have latitude over is whether they want to use formulary management tools such as step therapy or prior authorization. But health plans can also try to influence physician and patient demand. One of the ways that they can do that is by sponsoring academic detailing programs to educate physicians about evidence-based prescribing practices for different conditions.

What strategies have proved to be the most effective in controlling prescription drug costs?

The main intervention that consistently and substantially reduces prescription drug costs is the introduction of an interchangeable generic drug that then provides some real competition in the market. Prescription drug costs fall most when their market exclusivity ends and generic manufacturers are allowed to enter. Studies also show that cost reduction can result from use of formulary management tools that direct patients toward certain drugs and not others, such as tiered formularies that can be used to promote the use of generic drugs, which cost less but work just as well as their corresponding higher priced brand-name drugs.

Are there any new strategies that show promise?

Academic detailing is a process of sending well-trained people, such as nurses and pharmacists—people who have scientific and clinical understanding—to physicians’ offices armed with the latest information about evidence-driven ways of treating chronic or very complicated conditions like diabetes, high blood pressure or lower back pain. It isn’t necessarily new, but it’s a strategy that hasn’t been widely used at this point. But there is good evidence that a program of academic detailing can lead to more evidence-based prescribing, which is often more cost-effective and can therefore help patient outcomes and even potentially reduce overall prescription drug spending.

The programs provide a summary of the literature that describes pharmacological and nonpharmacological treatment and a rational plan for treating patients, which physicians can also use in the conversations they have with patients. The educational approach is similar to the promotional tactics used by pharmaceutical manufacturers—one-on-one discussions and well-produced materials that are intended to highlight the appropriate strategies.

What are the biggest mistakes plan sponsors make in their attempts to manage prescription drug costs?

One of the biggest mistakes they can make is sitting back and hoping that the laws will change—that they’re going to get help from outside sources or that market forces will help take care of things. The pharmaceutical market in the U.S. is very inefficient, and the manufacturers have a lot of political clout. Instead of waiting, plan sponsors should take action by making appropriate use of the various cost-management tools and strategies discussed here and that we will explore in greater detail in our May 5 program.

learn more

Education

Prescription Drug Costs, Usage and Outcomes: Practical Insights From Research will be held May 5 in Boston, Massachusetts.

Visit www.ifebp.org/health-benefits for more information.

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