

# SPECIALTY PHARMACY : ARE YOU MISSING OUT ON A VIABLE REVENUE STREAM



January 16, 2018

# Agenda

- Defining Specialty Pharmacy and its revenue trends
- Rationale for the immense growth and how to leverage the cost maximizing reimbursement
- How Specialty Pharmacy is closing the loop for disease management driving down noncompliant readmission rate.
- Specialty Pharmacy modeling three approaches with differing revenue outcomes.
- Barriers impeding successful navigation of a Specialty Pharmacy implementation.

# SPECIALTY PHARMACY INTRODUCTION

## Polling Question

How is your specialty pharmacy offering adding to your overall revenue streams today?

# Specialty Pharmacy Defined

- Defined:
  - Wiki: Specialty pharmacy refers to distribution channels designed to handle specialty drugs — pharmaceutical therapies that are either high cost, high complexity and/or high touch.
    - High touch refers to higher degree of complexity in terms of distribution, administration, or patient management which drives up the cost of the drugs
  - IMS Health: Specialty Drug meets 5 of 8 factors:
    - Biotech product
    - Injectable formulation
    - Risk Evaluation and Mitigation Strategy (REMS) requirement
    - Indicated for chronic condition
    - Specialist-initiated
    - Requires special handling (e.g., cold chain)
    - Costs >\$6,000 per year
    - Limited distribution network

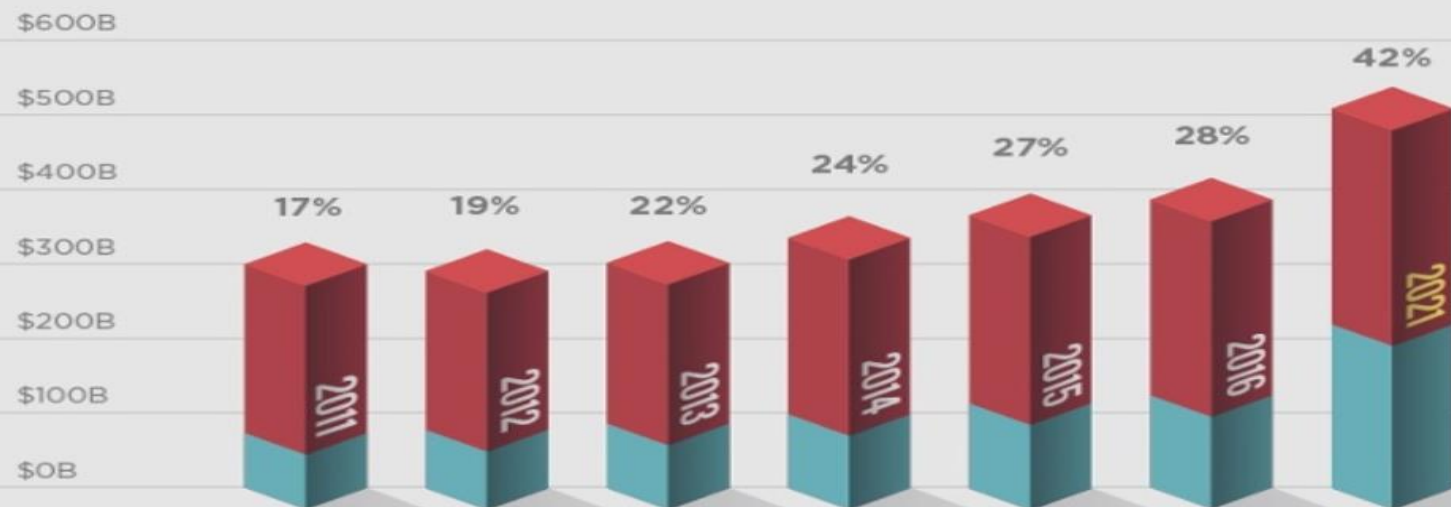
*Succeeding in the Rapidly Changing U.S. Specialty Market, IMS, 2014*

# Specialty Pharmacy on the Rise

- Specialty pharmacies have emerged as the fastest growing segment in the pharmaceutical industry
- By 2022 specialty medications will represent 42% - 50% of all US expenditures for < 5% of the prescription population
- Most are self administered medications (injectable and oral therapies)
  - Mainly used at home or in ambulatory settings
    - Humira, Rheumatoid Arthritis, INJ
    - Harvoni, Hepatitis C Virus, Oral
    - Tecfidera, Multiple Sclerosis, Oral
    - OpDivo, anti cancer treatment, INJ
    - Copaxone, Multiple Sclerosis, INJ

# Specialty Pharmacy Future State

**A fast-rising percentage of pharmacy industry revenue comes from specialty drugs:**



Source: <http://blog.urac.org/specialty-pharmacy-growth-trend-hospital-systems>

# Racing to the Specialty Pharmacy Space

- Everyone is racing to the space
  - Pharmacy benefits managers (PBM), Health Plans, Wholesalers, Physicians practices, Retail and independent pharmacies.
  - URAC Accredited facilities growing from 2 companies in 2008, 110 companies in 2014, growing to 309 companies in 2017.
- Integrated delivery networks (IDN)'s are seeing greater continuum of care impacts due to lack of EMR integration allowing for a single point of reference.
- Healthcare delivery systems are moving from Volume to Value based models in which outcomes have more stringent reporting and compliance metrics for reimbursement.



# Hospital Systems add Specialty Pharmacy

**More hospital systems are adding specialty pharmacies:**

**1 in 5**

hospital systems have internal specialty pharmacy capabilities.



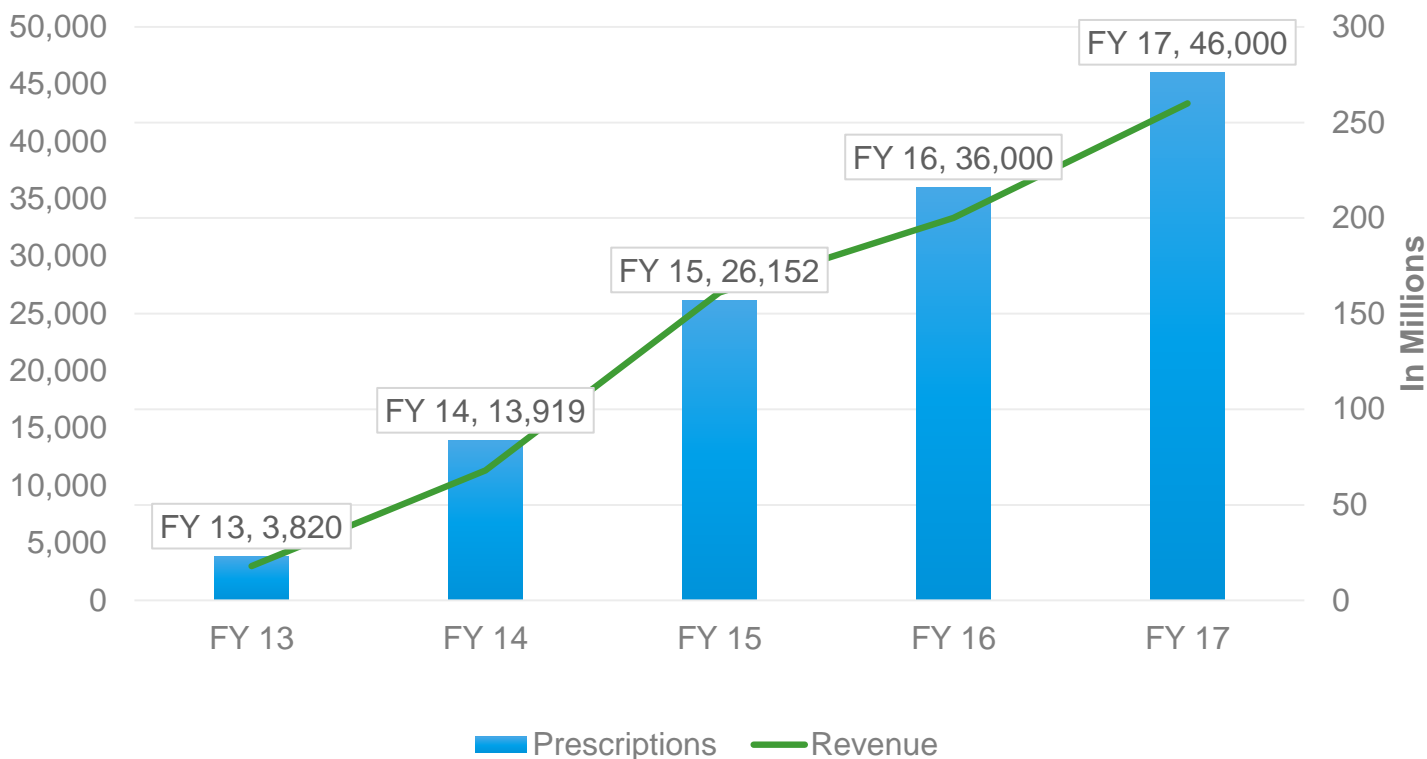
Nearly **2 in 5** are considering adding them.



Source: <http://blog.urac.org/specialty-pharmacy-growth-trend-hospital-systems>

# Specialty Pharmacy in Action

## Growth at Vanderbilt (EPIC)



Source: Specialty Pharmacy -- Still An Issue, Jerry Buller, DPh. MMHC, Vanderbilt University Medical Center

# Maximize Margin with Specialty Pharmacy & 340B Eligibility

Common Specialty Medication Orders	Specialties / Conditions	Est. Savings to 340B Eligible Entities per Dispense
Remicade	Inflammatory Bowel Disease (IBD) / Psoriasis (PSO) / Rheumatoid Arthritis (RA)	\$5,742 <sup>1</sup>
Humira	IBD / PSO / RA	\$4,524 <sup>2</sup>
Rituxan	Oncology / RA	\$465 <sup>1</sup>
Enbrel	PSO / RA	\$2,240 <sup>1</sup>
Harvoni	Hepatitis	\$14,492 <sup>2</sup>
Gleevec	Oncology	\$9,024 <sup>2</sup>
Imbruvica	Oncology	\$3,835 <sup>2</sup>
Truvada	HIV	\$900 <sup>2</sup>

<sup>1</sup> - Aggregate Data from Specialty Dispenses

<sup>2</sup> - Avella Specialty Pharmacy Presentation: <https://app.hubspot.com/documents/2250022/view/13537321?accessId=9b6e0d>

# 340B Reimbursement Changes with FY18 OPPS

Common Specialty Medication Orders	HCPCS Code	SI	Drug Used	Reimbursement Category (New as of 1/1/18)	Est. Total Reimbursement (Medicare + Copay)	Est. Savings to 340B Eligible Entities per Dispense
Rituxan	J9310	K	Non-340B	ASP + 6%	\$848.41	\$74.31
Rituxan	J9310	K	340B	ASP – 22.5%	\$620.30	\$311.35
Remicade	J1745	K	340B	ASP – 22.5%	\$787.24	\$187.06
Renflexis <sup>1</sup>	Q5102	G	340B	ASP + 6%	\$637.20	\$438.24

- As of January 2018, separately-payable drugs and biologicals purchased through the 340B program will be reimbursed at **ASP – 22.5%** instead of ASP + 6%
  - Excludes drugs with pass-through status and vaccines
  - Excludes rural sole community hospitals, children’s hospitals, and PPS exempt cancer hospitals
- Future role of biosimilars like Renflexis

12 <sup>1</sup> - Remicade biosimilar  
<https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Part-B-Drugs/McrPartBDrugAvgSalesPrice/2018ASPFiles.html>

# Readmission Reduction

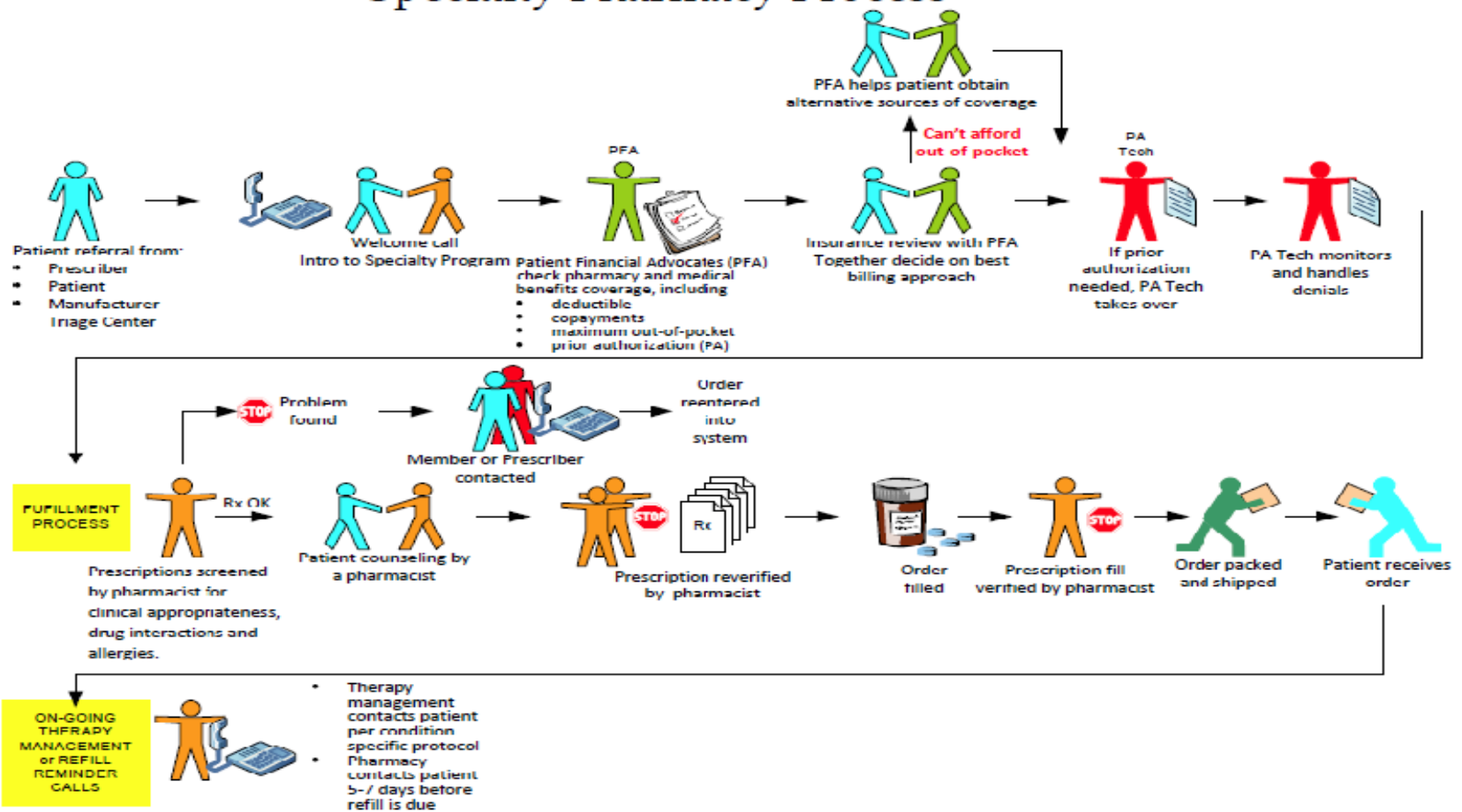
- ***Am J Manag Care*** - Suboptimal medication therapy during the transition of care (TOC) period following hospital discharge is a major contributory factor to hospital readmissions and increased healthcare utilization.
  - Forster et al estimated that 11% of patients experienced an adverse drug event after discharge from inpatient services, and 27% of readmissions were considered to be preventable if the patient had received appropriate post-discharge medication monitoring
- Community based Pharmacists engaging in a Transition of Care, TOC, program reduced readmission rates at 30 and 180 days by 28% and 31.9% respectively versus usual discharge care.
- Pharmacists interventions focus
  - Patient education
  - Resolving medication-related issues
  - Facilitated post discharge appointments
  - Facilitated post discharge medication monitoring

1. <http://www.ajmc.com/journals/issue/2017/2017-vol23-n3/impact-of-a-pharmacy-based-transitional-care-program-on-hospital-readmission>

2. O'Sullivan D, O'Mahony D, O'Connor MN. The impact of a structured pharmacist intervention on the appropriateness of prescribing in older hospitalized patients. *Drugs Aging*. 2014;31(6):471-481. doi: 10.1007/s40266-014-0172-6.

# Specialty Pharmacy Process

## Specialty Pharmacy Process

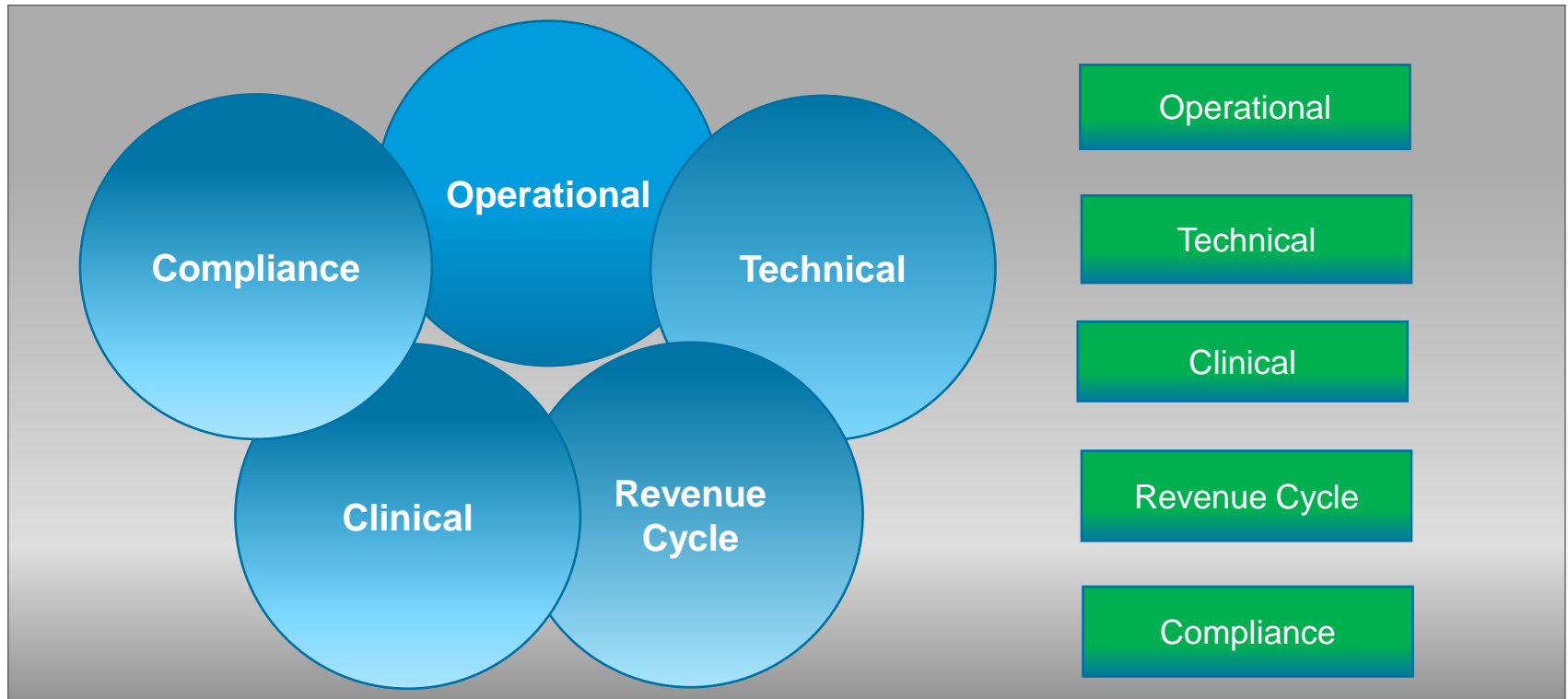


Source: Kyle Skiermont, PharmD Director of Specialty/Infusion Operation, Fairview Pharmacy Services

# Specialty Pharmacy Models

- 3 models
  - IDN beginning to add specialty pharmacy services lines
  - Partnering with a specialty pharmacy (hybrid)
  - Outsourcing based on payer or manufacturer

# Specialty Pharmacy areas of impact





# Operational

- Conduct feasibility study for Specialty Pharmacy implementation models
- Evaluate potential revenue models
- Determine program and project management implementation timeline
- Develop governance framework
- Measure Staffing needs



# Technical

- Direct technical analysis of current outpatient pharmacy operations
- Conduct analysis of current Cold Chain for outpatient pharmacy and make recommendations for Specialty Pharmacy inclusion
- Engage IT to review build for possible EMR integration points
- Assess physical space for growth, current and future state



# Clinical

- Engage physician practices to assist with the assessment of Specialty Pharmacy
- Provide clinical consultation on integration of EMR system with outpatient and Specialty Pharmacy workflow
- Capture current patient experience and medical adherence
- Evaluate and determine Disease Treatment Management Programs (DTMP)
- Provide recommendations on clinical workflow efficiency and optimization to improve patient outcomes and reduce risks



# Revenue Cycle

- Evaluate current payer mix for billing requirements and reimbursement benefits
- Assess the financial impact of acquiring Specialty DTMP (Disease Treatment Management Programs) medications
- Evaluate the current state 340B reimbursement model and provide recommendations for expansion
- Conduct cost modeling for Specialty inclusion into existing outpatient medication procurement (e.g., limited distribution drugs)
- Perform review of 340B administrator system and its reporting capabilities
- Capture projected impact to CBO and PFS with the pending Specialty Pharmacy offering



# Compliance

- Identify applicable compliance-related risks for the Health System
- Coordinate efforts with the Health System's Compliance Officer to ensure KPI management
- Work with the accreditation committee on Specialty Pharmacy requirements
- Develop a roadmap that addresses compliance-related matters depending upon the selected Specialty implementation model
- Evaluate shipping requirements (“in state” and “out of state”)



# Specialty Pharmacy Introduction

- Barriers

- Competing priorities within the Health System
- Lack of specialty pharmacy experience
- Accreditation and licensing
- Trained Staff
- Pharma/provider relationships
- Limited number of hospital/health system based specialty pharmacies
- Vendors and Limited Distribution Drug access
- Reporting
- Payor Reimbursement
- Lack of integration

# QUESTIONS AND ANSWERS?

THANK YOU FOR  
YOUR TIME AND  
ATTENTION