Compound management strategy delivers more than $25 million in savings

Compound drugs are one of the fastest-growing costs for many pharmacy benefit programs. We offer actionable strategies you can use to achieve your objectives. Our connected approach led to one strategy that is delivering more than $25 million in savings while providing members with access to safe, effective medicines.

Challenge
Manage compound drug costs while ensuring access to safe medicines

While it is estimated that just one to three percent of all drugs are compounds,¹ they can represent a large portion of your drug spend. Costs can climb into the millions of dollars, and they are rising sharply.¹ In addition, compound drugs are not clinically evaluated for safety or efficacy. They are not approved by the U.S. Food and Drug Administration (FDA), and poor compounding practices can threaten member safety.²

Recently, one of our clients experienced a spike in costs for these drugs. Over a 10-month period, costs skyrocketed 400 percent, with monthly expenses climbing to $5 million (see chart).³ Together, Prime Therapeutics and our Blue Plan client created a strategy to better manage these costs and help ensure access to safe, effective drugs for members.

Action
Strategy built on prior authorization, enhanced pricing, exclusions

We reviewed compound claims data. Then, using our unique insights, created a two-part strategy:

1. We created a list of 20 bulk chemicals that had not been reviewed or approved by the FDA. We followed this with communication about safety and efficacy considerations with pharmacists, doctors and members.

2. We implemented maximum allowable cost pricing for generic ingredients.

We began excluding bulk chemicals and other selected non-FDA-approved ingredients from coverage.

We stopped reimbursement for pain patches (transdermal drug delivery systems allowing active ingredients to be absorbed through the skin).

We continue to review reimbursement practices for high-cost bases and other ingredients.

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In just nine months, this strategy has delivered significant cost reductions. The data clearly show the impact of the connected strategy through prior authorization implementation and the introduction of pricing enhancements and exclusions.

Implementation of the prior authorization program in November 2014 helped lower average plan-paid costs from $4.4 million per month in the six months prior to the program’s start to $2.1 million per month for the trailing six months (see chart). This reduced the per member per month (PMPM) cost from $3.81 to $1.82.

The pricing improvements phased in at selected pharmacies beginning in April 2015 lowered monthly costs incrementally. And, the introduction of the bulk chemical exclusions in July 2015 drove monthly costs down to approximately $320,000 (see chart). The monthly spend in July 2015 represents a 93 percent reduction of these costs from their highest level in October 2014.

These changes, coupled with other planned changes, are on pace to deliver approximately $25 million in annual savings. More importantly, the strategy delivers these savings with very few disruptions in care and is helping ensure the safety and efficacy of the compound drugs made available to members.