

FOCUS OF THE WEEK

Specialty Drugs a Rising Healthcare Cost

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Early [this week](#), Novation, a healthcare services company that oversees supply chain management, called on Genentech to reverse its decision to primarily use specialty drug distributors instead of wholesale distributors for its widely used anticancer treatments, Avastin, Rituxan, and Herceptin. The biotechnology company faced a whiplash when it announced the decision back in October—Ascension Health, which operates 1900 hospitals and clinics in the country, prohibited Genentech representatives from entering their facilities, while the CEO of the American Society of Health-System Pharmacists, Paul Abramowitz, wrote a letter to Genentech's CEO, Ian T. Clark, to rethink their strategy.

The impact of specialty pharmaceuticals on healthcare costs is not restricted to anticancer medications alone. Loosely defined as drugs that cost payers and patients \$600 or more per treatment, medications that treat rheumatoid arthritis, HIV, and multiple sclerosis also fall within this category. The fact that these drugs, many being biologicals, need special handling and administration, adds to their cost. Studies estimate that the specialty pharmaceutical market—growing at a rapid pace of 8.8% annually—could account for 50% of healthcare drug costs by 2019.

The question remains: who will foot the bill? A paper published in *Health Affairs* documented that a treatment estimated to cost \$100,000 per patient, would result in a \$1000 increase in premium for every 1% increase in its utilization. With respect to shouldering the costs, the results are mixed; those who can be “price-elastic,” are, if the treatment can save their lives, say the authors. For those who cannot afford the high cost-sharing, co-payment assistance programs like those managed by PhRMA and CMS help out.

An issue brief by UnitedHealthcare suggested an integrated approach to managing the rising costs. “Ensuring patients get the right drug in the most appropriate setting will depend on revised payment models,” say the authors of the brief, and they anticipate a huge influence of accountable care organizations on the process. “New approaches to payment design, clinical management, and data analytics will help. And a more integrated view into pharmacy and medical benefits can enhance those efforts.”

Genentech, meanwhile has refuted Novation's claim that their decision could result in delayed treatment or increased out-of-pocket costs for patients. They defend their decision as a means to prevent the entry of counterfeit drugs in the supply chain.

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