Lahey Health | Lahey Clinical Performance Network

Pharmacy Fact Sheet: The Cost of Prescribing

How Prescription Medication Expenses Impact the Clinician & Health System (LCPN)

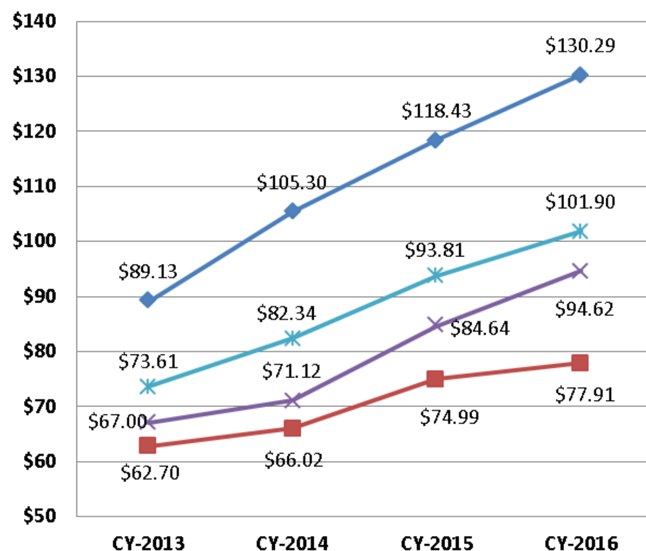
February 2017

Key points

- **Overall**, **health care costs continue to rise**, and are influenced by three main factors:
    - *Inflation and population growth (demographic)*
    - *Health price inflation (cost)*
    - *Frequency and intensity of use of services (utilization)*
- **The Lahey Health System is at financial risk** for total medical expense (TME) per member per month (PMPM) for select commercial managed care plans. These **expenses must be managed within a budgeted range. *Selection of the most cost-efficient therapy helps keep costs within the commercial PMPM budget.***
- Total medical expenditure growth is **significantly influenced by pharmacy spend**, which is **averaging almost 20% of TME across the LCPN,** and **trends tend to exceed those seen with medical spend**. As of Q3-2016, Pharmacy PMPM trend for LCPN has increased 8.6% compared to 2015, while overall TME trend for LCPN increased 5.6%. In 2015, TME in MA grew 4.1%, but pharmacy spending increased 10.2% and accounted for one-third of the overall growth.
- Drug pricing is complicated – see the pathway and the cost impact to patients, as well as where money is made by whom along the way. **Coupon programs** or manufacturer copayment discounts **do not impact (reduce) pharmacy costs to the network**, though can be very helpful for patients when they require a specific therapy that might have a higher copayment. (Note: coupons and discount cards cannot be used if a patient has a Medicare D plan).

Trend Drivers:

- Specialty medications are a significant proportion of the trend, accounting for an average of 42% of pharmacy spend across the LCPN. New technologies (e.g. biologic therapies) contribute to rising costs, especially when they do not fully replace other therapies.
- Utilization (prescribing) in consideration of the population, evidence and economics, will determine the impact of the cost of pharmaceuticals on the health care budget.
- Small shifts in prescribing can have a large impact on pharmacy spend. See reverse side for an example.



Pharmacy PMPM Trend – Rx Claims
YTD Q3 for each respective year

	Trend 2014	Trend 2015	Trend 2016
LAHEY	18.1%	12.5%	10.0%
NEPHO	5.3%	13.6%	3.9%
WINCHESTER	6.1%	19.0%	11.8%
LCPN	11.9%	13.9%	8.6%

What is the impact of potential opportunities?

When considering the number of opportunities across different therapeutic classes of medications, savings can make a large impact on overall total medical expense.

Real case example

Crestor's generic, rosuvastatin, was recently approved. However, rosuvastatin costs remain higher than atorvastatin and simvastatin costs – typical with the first 3-6 months of first-time generic availability. Currently, equipotent, 30-day costs for these medications vary significantly (see below).

		Claim $ per month		Claim $ per month		Claim $ per month
Crestor®	5mg	$129.72	10mg	$211.46	20mg	$222.50
Rosuvastatin	5mg	$44.00	10mg	$48.56	20mg	$44.65
Atorvastatin	10mg	$12.92	20mg	$14.31	40mg	$8.79
Simvastatin	20mg	$5.03	40mg	$5.97		

Average claim costs based upon November 2016 claims data at the LCPN level

Though the shift to rosuvastatin will happen automatically with time, opportunities have been, and still are, significant when considering other equipotent statins when clinically appropriate (assessing cardiovascular history and risk, statin potency required, or other patient-specific factors). Furthermore, **by looking at market trends and anticipating new generics or new to market entities, focused initiatives can occur sooner.**

If 75% of Crestor's current prescription volume was shifted equally among equipotent alternative statins, the LCPN could save $0.39 PMPM, or ~ $240,000. If more prescribing shifted to lower-cost generics (e.g. atorvastatin, simvastatin), the network savings would be almost $320,000 or potentially higher.

	# Rxs	Total Cost	PMPM	# Rxs	Total Cost	PMPM	# Rxs	Total Cost	PMPM
Crestor	1028	$373,227	$0.60	258	$93,557	$0.15	52	$18,911	$0.03
Rosuvastatin	1,169	$103,687	$0.17	1,524	$135,970	$0.22	1,410	$126,210	$0.20
Atorvastatin	12,271	$261,050	$0.42	12,527	$266,443	$0.43	12,805	$272,095	$0.44
Simvastatin	9,949	$101,964	$0.16	10,108	$103,678	$0.17	10,150	$104,129	$0.17
Totals	***24,417***	***$839,928***	***$1.35***	***24,417***	***$599,648***	***$0.96***	***24,417***	***$521,345***	***$0.84***
Potential Savings to LCPN					***$240,280.28***	***$0.38***		***$318,583.28***	***$0.51***

Want to learn more?

Contact your Accountable Care Unit Pharmacist →

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