

# Pharmacy Benefit News

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## Demand for Generics Fuels Growth in Market Share

Sales of generics by the top 10 generic corporations was published by Drug Store News in March 2016. This data provides a glimpse into the growth of generics that is estimated to reach 91-92% of all prescriptions dispensed by 2020. The table below is a breakdown using June 2015 as the benchmark:

Generic Industry	US Dollar Sales (Millions)	% Market Share	% Growth
<b>US Industry</b>	<b>\$66,189</b>	<b>16.6%</b>	<b>7.4%</b>
Teva	\$8,862	13.4%	12.5%
Mylan	\$7,157	10.8%	2.5%
Sandoz (Novartis)	\$5,193	7.8%	9.7%
Endo	\$2,187	3.3%	42.4%
Dr. Reddy's	\$1,756	2.7%	8.6%
Hospira	\$1,607	2.4%	16.7%
<b>4 Manufacturers of the top 10 had Negative Growth:</b>			
Activis	\$5,323	8.0%	-15.0%
Sun	\$2,623	4.0%	-14.4%
Par	\$1,934	2.9%	-5.0%
Lupin	\$1,646	2.5%	-0.6%
<b>TOP 10</b>	<b>\$38,288</b>	<b>57.8%</b>	<b>3.1%</b>

Commentary:

Generic prescriptions have historically dominated the ambulatory sector in number of prescriptions, but have represented somewhere between 12 – 20% in dollars spent. As the number of blockbuster brands lose patent protection, the number of generic prescriptions is expected to increase. The question is what to do about this problem.

One major management problem is the rise of specialty branded medication cost. An option for managing margins is to lower the generic drug cost to compensate, to some extent, for branded cost inflation. An improvement of generic trend to minus 10-15% would be a bonus. Several states and some Pharmacy Benefit Administrators have elected to place transparency on the maximum allowable cost (MAC) fee schedules to attack the current generic spread pricing models. These transparency models are based on cost-plus and applied across ALL generics. These cost-plus, transparent models may become even more relevant in order to bring multiple management controls to reducing pricing margins.

## Analytics at Work: A Real World Example

### How Can We Lower Cost and Spend at the Claim Level?

A Client came to us with a problem that is becoming increasingly more common; the costs of Specialty Medications were and are soaring higher and higher at an increasingly accelerated pace.

We helped to alleviate the problem by identifying all situations where bills were approved and paid in excess of contract pricing, including:

- Claims paid greater than billed
- Duplicate claims
- Obsolete codes billed and paid

The outcome was a significant cost savings for their organization of approximately 42-44%.

[Learn More](#)

## 2016 Pharmacy Trends

*Drug Store News* presented some interesting statistics in January of 2016; namely:

	Generics	Brands (All Integrated)
Est. % Dollars Spent	16.7%	83.3%
Est. % Total Prescriptions	83.2%	16.8%

*Drugstorenews.com, January 11, 2016, pg 22*

#### Commentary:

These types of statistics are useful for benchmarking and reviewing trend as compared to the applicable market basket. It is critical is to compare your stats to relevant comparisons.

The statistics reported above are from retail pharmacy as reported by IMS. As such they may be relevant to the retail

## Commentary: Increases In Medical Cost Are Driven By More Than Price

Medical care, including medication therapy, is targeted to achieving multiple goals at the same time –

1. A maximum therapeutic benefit
2. At a minimum acceptable risk
3. At an affordable cost

To manage the care and achieve all of these goals requires not just price management, but also utilization management.

Traditionally, utilization was a review process directed to appropriateness, setting and intensity of care in each setting.

These reviews lead to a preapproval (i.e., pre-certifications, prior authorization) process that delivered reductions in the number of hospital stays as well as the duration of these stays. But not every case requires review or pre-approval.

In low severity cases and medications, the cost of review

network growth rates, but not to the health plan or other insurers. It is vitally important that comparators are relevant and received from more than one source. There may be filters or exclusions applied by some sources for commercial or other reasons.

As a result, multiple sources provide better information for management purposes. Relevant information and trending are fundamental components for making management decisions.

outweighs the benefits of these reviews. As a result, it is critical that cases are prioritized, severity adjusted and triaged to the most beneficial setting and practitioner. Disease management was the result of this thinking, adopting tools to focus on high-risk and high-cost patients. The next step was wellness and preventative care.

The key element of the progress to managing a population is data and the appropriate evaluation of this data, i.e., data analytics. If we need to manage outliers for preapproval, and triage patients to lower risk options it is necessary to use data analytics to identify which patients and providers need to be micromanaged and those who do not. This is not merely a list of the high cost providers. It is also not something that can wait for weeks to identify the populations considered critical for oversight. Analytics must be targeted, useful, timely and ongoing.

We must always keep in mind that we are managing populations with multiple objectives, not just cost. Improved diagnosis and treatment, identification and management of risk, can lead to lower overall costs. The differentiator is in knowing where to place our resources.



Specialty Pharmacy Analyses

## Comprehensive Specialty Analyses

PRO PHARMA utilizes a multi-pronged approach to analyze pharmacy and medical encounter claims through problem flagging, feedback on performance, peer to peer comparison, ect. This program is fully customizable to

fit the needs of each client..

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Pro Pharma Pharmaceutical Consultants, Inc. has assisted payer and providers for over 29 years to maintain quality while controlling costs.

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