

Specialty Pharmacies: Here Today, What Tomorrow?

By Jeff Siegel

If you don't know what a specialty pharmacy is, you'd better learn. And if you do know, be prepared for some changes in what specialty pharmacies do for patients and how they do it.

That's the conclusion of a report called "Specialty Pharmacy Management Insights," which details significant transformation in the specialty pharmacy business that has taken place in the past several years.

Specialty pharmacies have for years provided the important service of dispensing specialty, often expensive, pharmaceuticals, such as immune globulin (IG) products and other injectables, directly to patients and physicians. The report indicates that specialty pharmacies are becoming even more important for new reasons, as insurance companies, managed care providers and other payers seek ways to streamline specialty pharmaceutical dispensing and cut costs.

The report, compiled by consulting firm The Zitter Group for Wyeth Healthcare Systems, indicates there will be more specialty pharmacies acquired by larger companies and offering more services. What is not expected to change, though, is the role of those specialty pharmacies that provide consumer services. These companies will continue to fill a niche, much as they have for several years, which is especially important given the IG products they dispense.

"The results are more or less what we expected to see," says Jeff Christensen, a senior marketing manager for Wyeth HealthCare Systems Marketing. "The study supports the trends that we saw going on—specialty pharmacies are more prevalent, they're trying to become efficient, and, so, we want them to have more of our products."

What Is a Specialty Pharmacy?

Specialty pharmacies developed over the past couple of decades, as science and technology delivered an increasing number of expensive, difficult-to-administer drugs that require special handling for patients suffering from chronic diseases. It's one thing to stop at your neighborhood retail pharmacy, be it independent, one of a chain or part of a national retailer, and pick up some pills. It's another thing entirely to obtain a specialty pharmaceutical such as IG. Can the retail pharmacy store it correctly? Can it afford

to keep an adequate supply on hand? Probably not, hence, the need for specialty pharmacies.

As specialty pharmacies developed, they became adept at providing the special needs of patients that are peripheral to the actual administration of their medicine. In addition, specialty products became a bigger piece of the pharmacy pie, growing from 18 percent in 2004 to an estimated 26 percent in 2008, according to the report. Other types of companies saw these marketplace developments and figured they could adapt what specialty pharmacies do to meet their own needs and business goals.

Today, all sorts of companies own specialty pharmacies, including large drug store chains, such as Walgreens and CVS; insurance companies such as Cigna, Aetna and WellPoint, which sells Blue Cross policies in 14 states; companies that serve niche markets within the specialty pharmacy field such as NuFACTOR, which focuses on IVIG and antihemophilic factor (NuFACTOR is an *IG Living* sponsor, along with owner FFF Enterprises, the nation's largest IVIG distributor); home health firms, which combine specialty pharmacy with home health services, including infusion nursing services; and the country's three biggest drug distributors.

Another significant newcomer to the specialty pharmacy realm is pharmacy benefit managers (PBMs). PBMs manage pharmacy benefit services, acting as a middleman for employers and insurance companies. This group is becoming increasingly more important, says the report.

The reason PBMs and specialty pharmacies are such a good fit, says Melinda Haren, director of business content for Zitter, is that PBMs are able to deliver savings to insurers and



plan owners. In fact, PBMs are the most common provider of specialty pharmacy services, according to the report, by almost two-to-one over retailer-based specialty pharmacies.

PBMs are seen as big enough to have substantial clout in the marketplace, allowing them to buy drugs in greater volumes for less and cut other costs by using other economies of scale. The report found they were seen as much as 10 times more able to deliver lower prices than their competitors.

Why Is This Important to Patients and Physicians?

Because, says Haren, as drug costs continue to increase, insurers and plan owners will want to find ways to contain costs.

Yet some of the cost-cutting changes are disturbing to some patients and physicians, particularly the trend by many insurers toward sole-source specialty pharmacy agreements, which eliminate patient and physician choice.

No one is certain how the specialty pharmacy market will continue to evolve, although Haren and Christensen are sure that it will continue to change. One of those changes will likely be that more insurers and plan providers will consider using PBM-based specialty pharmacies, although Haren and Christensen do not think all insurers will do so.

Not surprisingly, the report indicates that PBMs are not seen as especially effective in delivering consumer services. They rated in the middle of the pack when it came to patient and physician satisfaction, trailing smaller or specialized specialty pharmacies. "That's why the smaller companies will continue to have a role in the marketplace, especially in the IVIG market," says Haren. "Health plans like a lot of things the PBMs do, but when it comes to rare conditions, they're not always comfortable with fragile patients and companies as large as PBMs. They feel comfortable with smaller companies who are more familiar with the conditions."

The smaller specialized pharmacies, she says, are better with one-on-one patient contact. And, given the nature of the diseases, that individual attention is crucial.

Among the Report's Other Findings

- Intriguingly, two-thirds of insurers and plan operators believe they need to manage immune disorders better, but only one-quarter think that current management by specialty pharmacies is effective. This may be because, like cancer therapies, IG products are often difficult to administer and are expensive.
- Most insurers and plan operators prefer to use a one-stop shop that covers most disease category products. They find the one-stop shops easier to work with, and think they are less confusing for patients and doctors.
- About one-third of payers mandate which specialty pharmacy is used. This number, says Christensen, is expected to increase, as insurers and plan operators look for more savings and determine they can find it by cutting the number of specialty pharmacies members can use. But, he says, that number will never become 100 percent. "[Payers] understand a lot is about patient choice, and what the patient feels comfortable with."
- Some payers may institute discount and disincentive programs—more claims paperwork, added fees—to encourage patients and physicians to use the preferred specialty pharmacy.
- Insurance companies and plan operators would really like to find a specialty pharmacy that can offer PBM-style cost savings and the more effective consumer services of smaller specialty pharmacies. That's one reason why Haren and Christensen expect to see more consolidation in the industry, as medium-sized specialty pharmacies try to find a format to satisfy payers' dual goal. This consolidation may not affect specialized, smaller companies as much, because they concentrate on consumer service. It also won't likely mean as much to the larger PBM-style companies, because their asset is cost savings.

That conclusion really isn't surprising, says Christensen. The one thing noted again and again is that specialty pharmacy patients need the so-called "high touch services." That's why, he says, "there will always be an incentive for payers to stick with smaller specialized pharmacies, and that's something we hear not just one time, but multiple times. In that scenario, in any industry segment, if you can capture the hearts of the customers, you're going to succeed."

What that success and the ongoing industry changes look like in the next year or two or more will affect many patients with chronic diseases who require specialty pharmaceutical therapy. And, ultimately, it is the quality of care and its outcomes that will define success for patients. ■