

Dollars and Sense: Putting Specialty Drug Costs in Perspective

EXECUTIVE SUMMARY

Specialty drugs are a growing class of pharmaceuticals that treat complex patient conditions and ongoing chronic conditions like multiple sclerosis, diabetes, cancer and rheumatoid arthritis. While specialty drugs constitute less than 1 percent of all U.S. prescriptions, they accounted for more than a quarter of the country's total pharmacy costs in 2013.

These emerging drugs have grown in use because of their life-saving potential — for instance, the Hepatitis C drug Sovaldi, which was introduced in 2013, appears to eliminate the virus in more than 90 percent of patients, with few side effects. It also helps reduce the need for more costly interventions like liver transplants.

However, it comes with a hefty price tag: Each Sovaldi pill costs \$1,000. A 12-week course of treatment costs \$84,000. Sales of Sovaldi reached \$3.5 billion in the second quarter of 2014, and the drug is expected to exceed \$10 billion in sales this year.

The combination of the clinical power and high cost of specialty drugs has made their use a critical challenge for health plans, including members of the Alliance of Community Health Plans (ACHP). ACHP and its 23 member plans are leaders at working together to address shared challenges and collaborate on solutions that enhance both quality of care and affordability.

The reasons for the high costs are varied — specialty drugs often require special storage and handling and/or administration, and often can be administered only by a clinician. In addition, they can be expensive to develop and manufacture. Many are biologics, drugs made from live organisms, rather than from the chemical compounds that comprise most conventional drugs.

While the pace of growth in drug costs has slowed in recent years, analysts project an explosion in high-cost specialty drugs hitting the market in coming years. Of the 12 anti-cancer drugs approved by the Food and Drug Administration in 2012, nine were priced at more than \$10,000 per month, and only three of the nine prolonged survival — two by under two months. In 2013, spending on specialty drugs to treat cancer, multiple sclerosis and rheumatoid arthritis cost \$6.9 billion, or 68 percent of the total growth in drug spending. Coupled with a rising Medicare population as baby boomers retire, analysts project even further increases in Part D spending on specialty drugs.

CONCLUSION

The development and availability of specialty drugs presents a vexing dilemma for payers, providers and patients: how to reap their benefits while managing their significant cost. ACHP supports medical innovation and wants consumers to have access to the most appropriate drugs for their needs. To that end, ACHP member health plans look forward to collaborating with policymakers to address this important challenge.

For more information about the significant health benefits and high costs associated with specialty drugs, click [here](#).