

Prescription Drug Trends in Health Exchange Plans, January – September 2014

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Background

As a centerpiece reform of the Affordable Care Act, Exchange plans were designed to offer access to affordable, quality health insurance for millions of Americans who were previously uninsured and/or had pre-existing conditions that prevented them from obtaining coverage. In the months leading up to the Exchange's start date on January 1, 2014, debate focused on whether Exchange enrollees would have a higher disease burden, have more mental health diagnoses, and utilize more prescription drugs and medical services at greater cost than members in commercial or Medicaid plans, jeopardizing the Exchange plans' financial viability. Concerns that Exchange enrollees would use more costly specialty medications were also raised. As Exchange plans strive to offer quality insurance to members at a reasonable cost, they must be mindful of financial risks and develop strategies to optimize resources. Leveraging nine months (January – September 2014) of prescription drug claims data from plans managed by CVS Health, we compared 894,000 Exchange plan members' characteristics and drug utilization with that of commercial health plan and managed Medicaid plan members.

Member Profiles

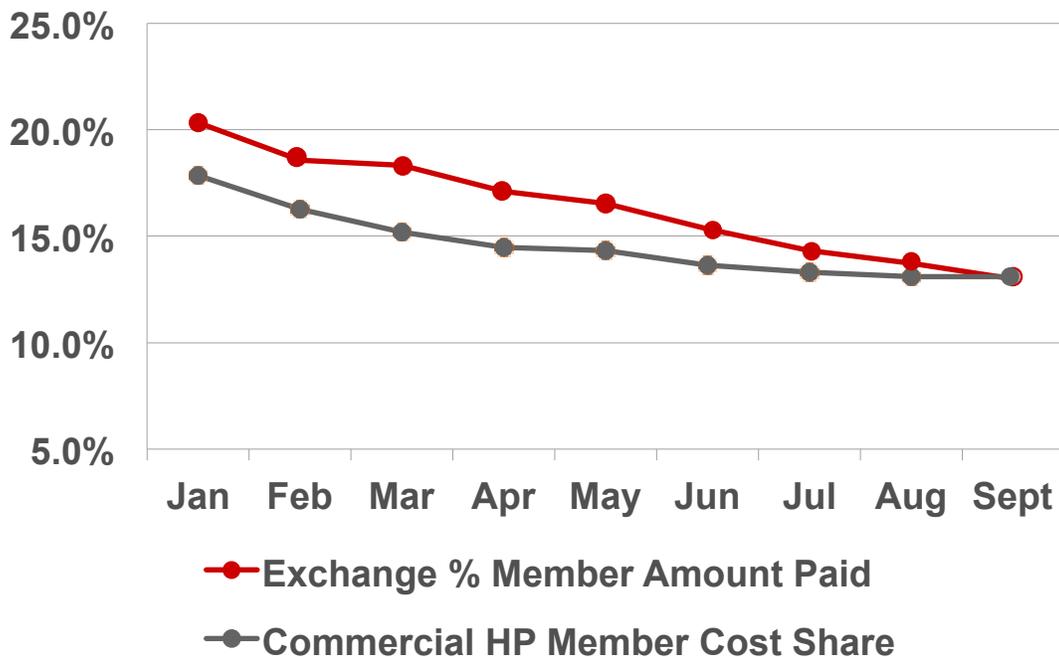
On average, Exchange members are five years older than commercial health plan members (42 years of age versus 37 years). Exchange enrollees are using their insurance benefit to obtain essential medications. Utilization has increased 29 percent over the Exchange plans' first nine months, from 24 percent of members using their insurance benefit in January 2014 to 31 percent in September 2014. On average during January-September, nearly one-third of Exchange members (28.6 percent) filled at least one prescription in each month, utilization nearly identical to that of commercial health plan members (28.1 percent). Exchange members' use of 90 days supply prescriptions for maintenance drugs has increased since January to 3 percent of all prescriptions, nearing dispensing rates in commercial plans at 3.9 percent. A total of 1.8 percent of Exchange members' prescriptions, compared to 1.2 percent in commercial plans, are filled through CVS Health's Maintenance Choice program. This program provides members with the cost savings related to 90 days supply prescriptions with either mail service delivery or retail pharmacy pickup, and has been shown to improve adherence to essential medications.

Exchange Formulary Design Offers Access and Affordability for Both Members and Plans

At the outset in January 2014, Exchange members' cost share (20.3 percent) was higher than that commercial plan members (17.9 percent). Members' cost share in both Exchange and commercial plans decreased each month through June. Cost share declines for members in commercial plans

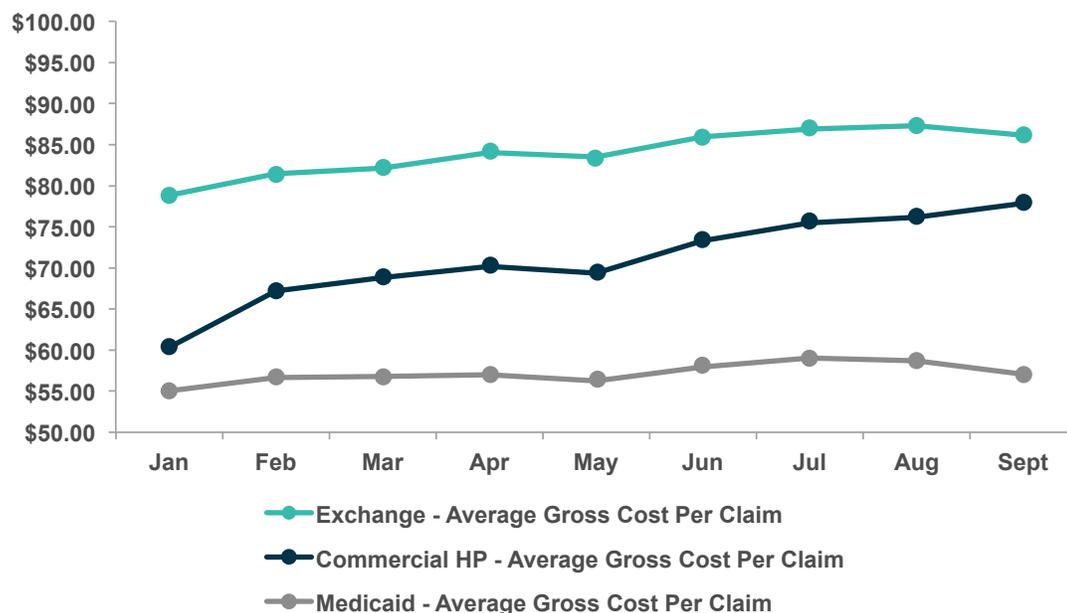
leveled off from June - September, while cost share declines continued for Exchange plan members. In September, for the first time, the average Exchange member's cost share (13.0 percent) was less than the average commercial plan member's cost share (13.1 percent) and, on the current trajectory, Exchange members will continue to pay a lesser share of drug costs than commercial plan members for the remainder of 2014 (Figure 1). These findings are intriguing, and suggest that patients have learned rather rapidly how to optimize the use of their coverage in the Exchanges and currently experience coverage that is as generous or even more generous for medications than in the commercial insurance market.

Figure 1. Members' Cost Sharing Trends in Exchange vs. Commercial Plans



Moreover, Exchange plans' costs have been less than costs for traditional commercial insurance. On average, across generic, branded, and specialty medication claims, total costs per claim are 15 percent lower for Exchange plans (\$72.71) than for commercial health plans (\$83.98). In analyses in which specialty medication claims are excluded, average total costs per claim in Exchange plans are 22 percent less than in commercial plans (\$47.08 vs. \$60.14). The cost savings for Exchange members and plans alike is due in part to the higher proportion of generic drug use among Exchange members (88 percent) compared to members in managed Medicaid (85 percent) and commercial health plans (83 percent). However, gross costs per claim continue to rise for Exchange plans over time (Figure 2). Costs per member per month have also increased, from an average \$41.80 in January to \$67.67 in September, due in part to members' increased benefit utilization over time.

Figure 2. Plans' Average Gross Cost per Claim, by Plan Type



Use of Specialty Medications

A higher proportion of Exchange plan members (1.3 percent) than commercial health plan members (0.9 percent) used specialty medications, while only 0.6 percent of managed Medicaid members used them. Even though the prevalence of specialty medication use is small across all plan types, these medications account for the largest proportion of total drug costs: 35.8 percent in Exchange, 28.3 percent in commercial and 30.1 percent in managed Medicaid plans. While many specialty medications are breakthroughs in treating diseases like HIV, Hepatitis C, cancer, and autoimmune conditions, this clinical complexity and expense underscores the need for members to take them consistently and appropriately to achieve the maximum clinical benefit. Through CVS Health's Specialty Connect program, patients can fill specialty prescriptions at any CVS/pharmacy retail store or by mail and receive a complement of other services, including access to specialty pharmacy experts available 24 hours a day, 365 days a year. A recent CVS Health study of patients' adherence to Sovaldi, an extremely costly but highly effective drug to treat Hepatitis C, spotlighted Specialty Connect's effectiveness. The discontinuation rate for patients who filled their Sovaldi prescriptions through CVS Health was 5.9 percent. Patients who filled at channels outside of CVS Health discontinued at a rate of 8.5 percent.

Drug Class Comparisons

In an examination of specific specialty drug classes from January-June 2014, our analyses find that gross spending for antiviral medications to treat HIV rank highest among all specialty therapeutic classes across Exchange (33.1 percent of gross specialty medication costs), commercial (17.7 percent), and managed Medicaid plans (35.2 percent) (Table 1). Only 0.02 percent of Exchange members filled Sovaldi prescriptions, yet the drug's extraordinary cost accounts for 16.1 percent of Exchange plans' specialty drug spending. The magnitude of Exchange plan spending on all antivirals reflects both the prevalence of members with HIV (0.81 percent) who enrolled in Exchange plans, the fact that comparatively few drugs to treat HIV are available as generics, and the high costs of Sovaldi.

Spending in several other specialty classes was also notable. Oncology medications accounted for the fourth highest proportion of all spending on specialty therapeutic classes across Exchange (12 percent of gross specialty drug costs), commercial, and managed Medicaid plans. The proportion of members utilizing these drugs was higher than that for HIV and Hepatitis C: Exchange (0.9 percent); commercial (0.9 percent); managed Medicaid (0.04 percent). The higher prevalence of member use as compared to gross spending reflects the fact that while many newer oncology medications are expensive and branded, comparatively more oncology medications are available in generic form, mitigating costs. For example, 10 percent of all Exchange members who used an oncology drug had at least one prescription for the breast cancer drug tamoxifen, yet total plan costs for tamoxifen ranked 29th among oncology medications because the drug is available as a generic. Finally, even though 1-2 percent of the general U.S. population has rheumatoid arthritis, specialty drugs are often needed for treatment. This explains why gross costs for rheumatoid arthritis drugs ranks third among all specialty therapeutic classes in Exchanges.

These findings in oncology are reassuring, as we expect a large proportion of the patients treated had been previously diagnosed. In the absence of the Exchanges, many of these patients would have been “uninsurable” due to their pre-existing conditions. The presence of the exchange products likely represents an opportunity for treatment of their cancer diagnoses that would not have been possible prior to the exchanges.

In analyses outside of the specialty medication space, we found only a slightly higher prevalence of antipsychotic medication use across plan types, with 1.4 percent of Exchange members filling a prescription for an antipsychotic medication compared to 1.2 percent of commercial plan and 1.7 percent of managed Medicaid members, refuting concerns that the Exchanges would disproportionately attract enrollees with serious mental illness.

Table 1. Specialty Medication Gross Drug Costs, by Disease

	EXCHANGE PLAN RANK	COMMERCIAL PLAN RANK	MANAGED MEDICAID RANK	EXCHANGE PLANS: % GROSS SPECIALTY DRUG COSTS	EXCHANGE PLANS, GROSS COST PER MEMBER PER MONTH
HIV	1	1	1	33.1%	\$6.92
Hepatitis C	2	3	2	19.6%	\$4.11
Rheumatoid arthritis	3	2	4	12.0%	\$2.51
Cancer	4	5	3	11.5%	\$2.41

Conclusions

During the first nine months of 2014, CVS Health found that nearly one-third of Exchange plan members are using their insurance to fill prescriptions for essential drugs, nearly identical to usage in commercial plans. Exchange plans' generic dispensing rates are 88 percent, exceeding rates in commercial and managed Medicaid plans. Exchange plan members are more likely to have HIV and/or Hepatitis C, but the prevalence of serious mental illness is low. Exchange plans are providing needed prescription drug coverage to members with complex diseases like cancer and HIV, many of whom likely found insurance coverage despite their pre-existing conditions. As Americans' second opportunity to enroll in Exchange plans arrive, this information should be useful for patients as well as to plans to better understand the dynamics of the Exchange environment.