2024 REPORT

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Access, Affordability, and Outcomes

THE VALUE OF MANAGED CARE PHARMACY

About the Authors

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Key Highlights and Insights

- Patients' savings varied from mail order pharmacies to community pharmacies (with a 90-day supply), depending on the types of medications they use, when compared to a 30-day supply from a community pharmacy.
- When patients use mail order pharmacies to receive their medication in 90-day supplies:
  - For brand medications reimbursed by commercial payers, **average patient savings was 13%**.
  - For generic medications reimbursed by commercial payers, **average patient savings was 22%**.
  - For brand medications reimbursed by Medicare, **average patient savings was 12%**.
- When patients use community pharmacies to receive their medication in 90-day supplies:
  - For brand medications reimbursed by commercial payers, **average patient savings was 32%**.
  - For generic medications reimbursed by commercial payers, **average patient savings was 23%**.
  - For brand medications reimbursed by Medicare, **average patient savings was 7%**.
- Patients using mail-order pharmacies for 90-day supplies had the **highest therapy adherence**, with 83% of patients using mail order pharmacies having 80% of days or more covered per year—higher than other dispensing methods.
- The analysis also found there are significant differences in cost for specialty drugs driven by the site of care. When comparing three physician-administered drugs (Prolia, Entyvio and Ocrevus) being prescribed in different settings, **we found significantly higher costs to plan sponsors in the HOPD setting relative to the pharmacy setting**. When administered in an office setting, the difference in cost to plan sponsors was less pronounced and varied by drug.

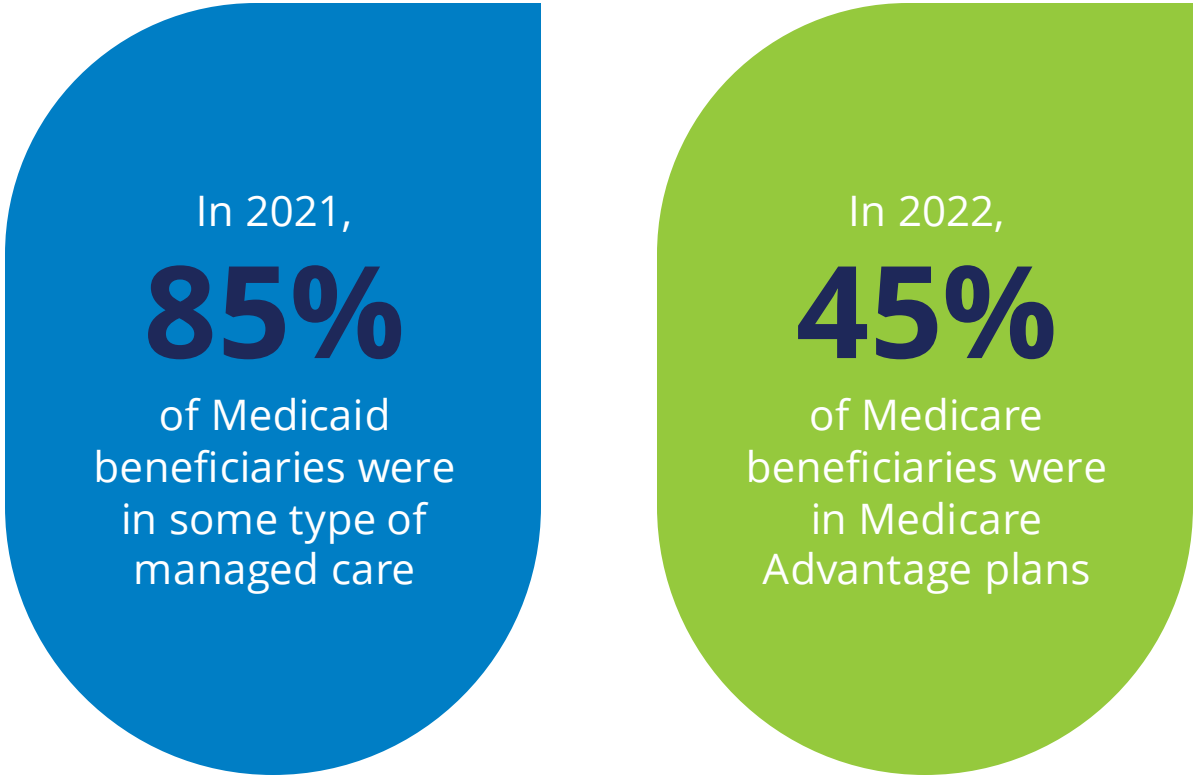
Managed Care Plans

Managed care has evolved significantly since the first “prepaid health plan” and now encompasses four primary plan types in the commercial and employer market, defined here.

Type	Acronym	Description
Health maintenance organizations	HMOs	Covers in-network providers only. May require the patient to choose a primary care provider (PCP) who is responsible for referrals to specialists. Generally, the cheapest option for patients but with the least degree of flexibility.
Preferred provider organizations	PPOs	Covers in-network and out of network providers. In-network specialty providers normally do not require a referral. Patients going out of network will incur a higher cost.
Point of service organizations	POS	POS organizations are a cross between HMOs and PPOs. They may still require a PCP, but patients can see out-of-network providers (at a higher cost) if they choose.
Exclusive provider organizations	EPOs	EPOs “allow patients to choose their in-network providers without the need for establishing a PCP and receiving referrals. However, all out-of-network expenses are not covered.”

Medicaid and Medicare Beneficiaries

- As of 2021, 85% of Medicaid beneficiaries are enrolled in some form of managed care, and 75% are enrolled in comprehensive managed care through MCOs.
- Under Medicare, 45% of beneficiaries chose to obtain inpatient and outpatient medical benefits through Medicare Advantage plans rather than through the traditional fee-for-service program (i.e., Parts A and B).



Source: "Managed Care," Healthinsurance.org (https://www.healthinsurance.org/glossary/managed-care/, accessed June 6, 2023).

U.S. Prescription Drug Coverage, by Insurance Type, 2021

Nearly all insured Americans have prescription drug coverage. Of all the insurance types, Medicare has the lowest rate of prescription drug coverage, at 89%.

	Medical Coverage		Prescription Coverage
	Number (In Thousands)	% of Total	% of Category
Total [1]	328,074		
Uninsured [1]	27,187	8.3%	**0%**
Any Health Plan [1]	300,887	91.7%	
Any Public [1]	117,095	35.7%	
Medicare [1]	60,226	18.4%	**89% [4]**
Traditional (FFS) [2]	34,270	10.4%	
Medicare Advantage (Part C) [2]	25,956	7.9%	
Medicaid [1]	61,940	18.9%	**100% [5]**
Traditional (FFS) [3]	9,106	2.8%	
Any type of Managed Care [3]	52,834	16.1%	
CHAMPVA and VA [1]	3,151	1.0%	**100% [6]**
Any Private [1]	216,366	66.0%	
Employer [1]	178,285	54.3%	**98% [7]**
Direct Purchase/Marketplace [1]	33,555	10.2%	**100% [8]**
Tricare [1]	8,299	2.5%	**100% [9]**

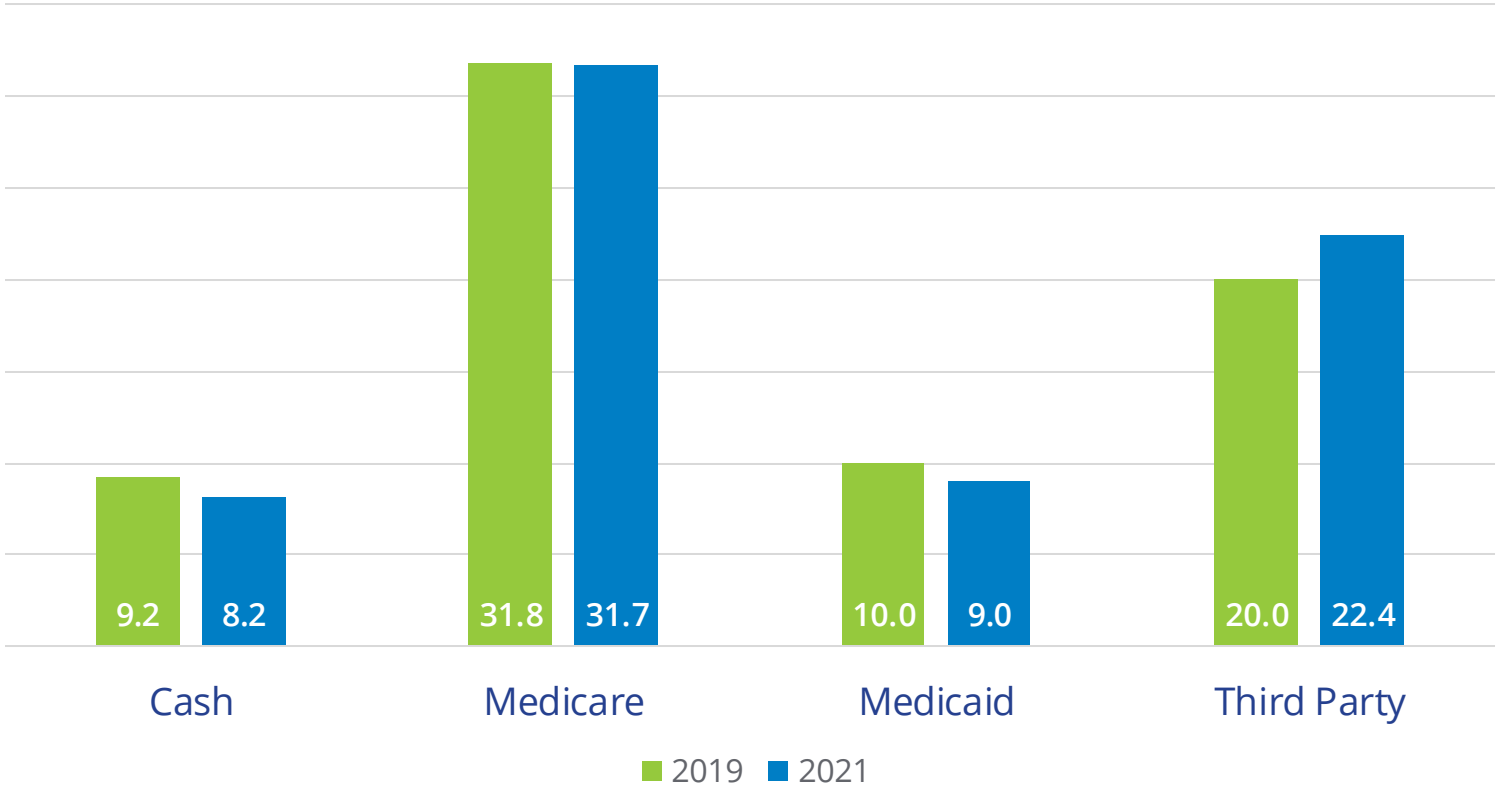
This snapshot of where people got their prescription drug coverage in 2021 shows that nearly all insured Americans have prescription drug coverage.

Sources: AMCP, "Access, Affordability, and Outcomes: THE VALUE OF MANAGED CARE PHARMACY Report 2024," p. 11.

- This chart compares the volume of dispensed prescriptions per enrollee per method of payment for 2019 and 2021.
- Medicare patients receive a substantially higher number of prescriptions than enrollees in other types.

Volume of Dispensed Prescriptions Per Enrollee by Method of Payment, 2019 and 2021

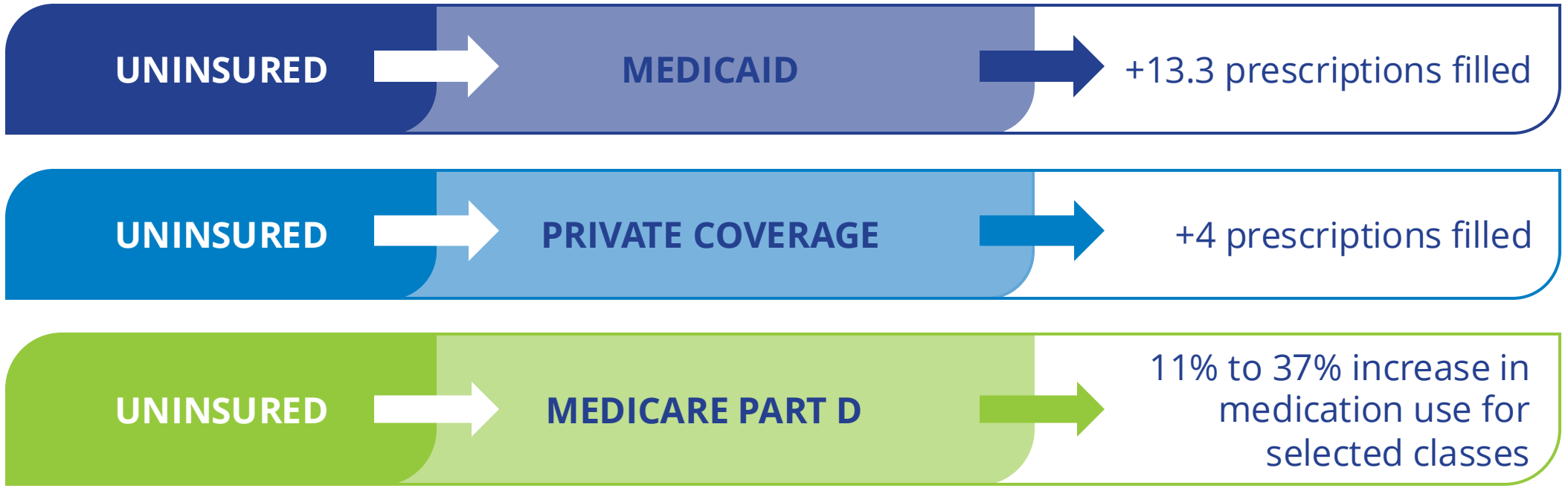
Medicare and commercial (third-party) insured members access higher numbers of prescriptions than Medicaid or cash



Source: IQVIA, "The Use of Medicines in the U.S. 2022," Exhibit 12, p. 17.

Impact of Gaining Insurance

Uninsured patients who gained insurance coverage filled a greater number of prescriptions after coverage began



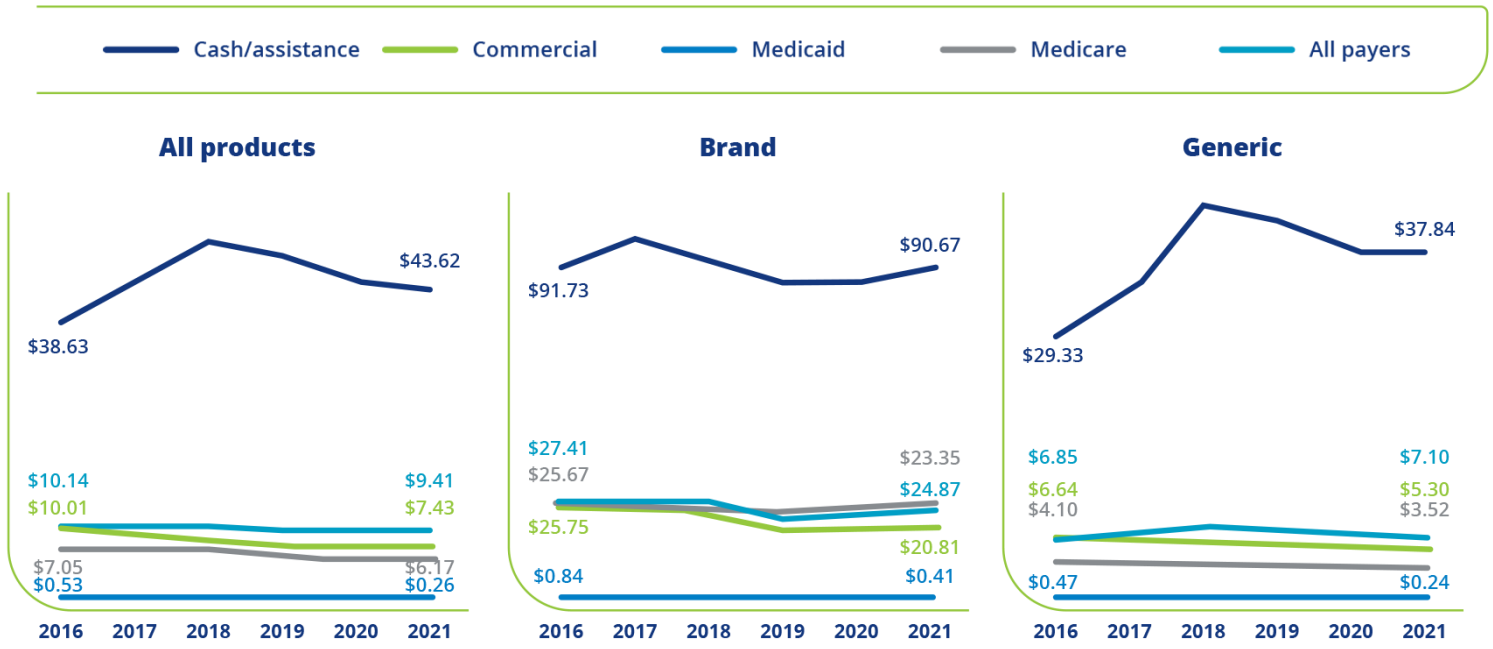
Source: Andrew W. Mulcahy, Christine Eibner, and Kenneth Finegold, "Gaining Coverage Through Medicaid Or Private Insurance Increased Prescription Use and Lowered Out-Of-Pocket Spending," Health Affairs, Volume 35, no. 9, September 2016, p. 1729 (https://www.healthaffairs.org/doi/10.1377/hlthaff.2016.0091, accessed June 7, 2023).

- From 2013 to 2014, individuals who went from uninsured to Medicaid had an average of 13.3 more prescriptions filled and those going from uninsured to private had an average of four more prescriptions filled.
- Medicaid expansion through the ACA led to a 19% increase in Medicaid prescriptions or roughly nine additional prescriptions annually per newly eligible beneficiary.

- According to IQVIA, cash-paying patients paid an average of $43.62 per prescription in 2021, over five times more than any other patient group.
- The uninsured pay more out of pocket for their prescriptions.

Average final out-of-pocket cost per retail prescription by product type and method of payment

Cash-paying patients had higher out-of-pocket costs for retail prescriptions across product types than insured patients

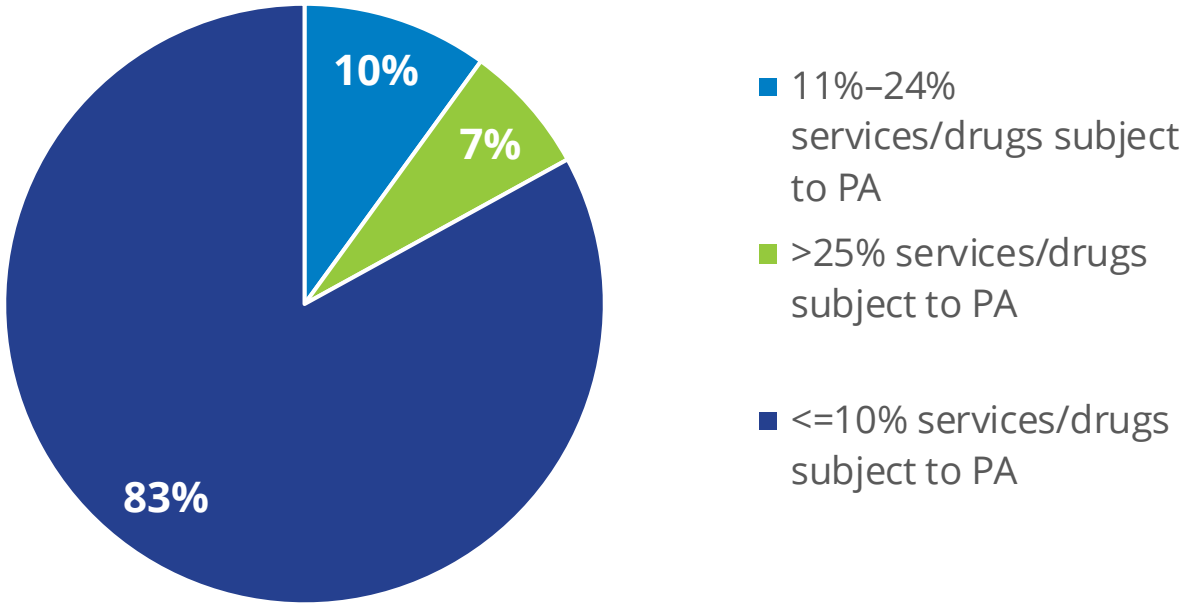


Source: IQVIA Institute, "The Use of Medicines in the U.S. 2022," Exhibit 31.

- Prior authorization for prescription drugs is a widely used tool in commercial insurance, Medicare, and Medicaid.
- America's Health Insurance Plans (AHIP) found that 83% of commercial enrollees are in plans where 10% or fewer of drugs are subject to prior authorization.

Portion of Commercial Enrollees by Percentage of Drugs Subject to Prior Authorization

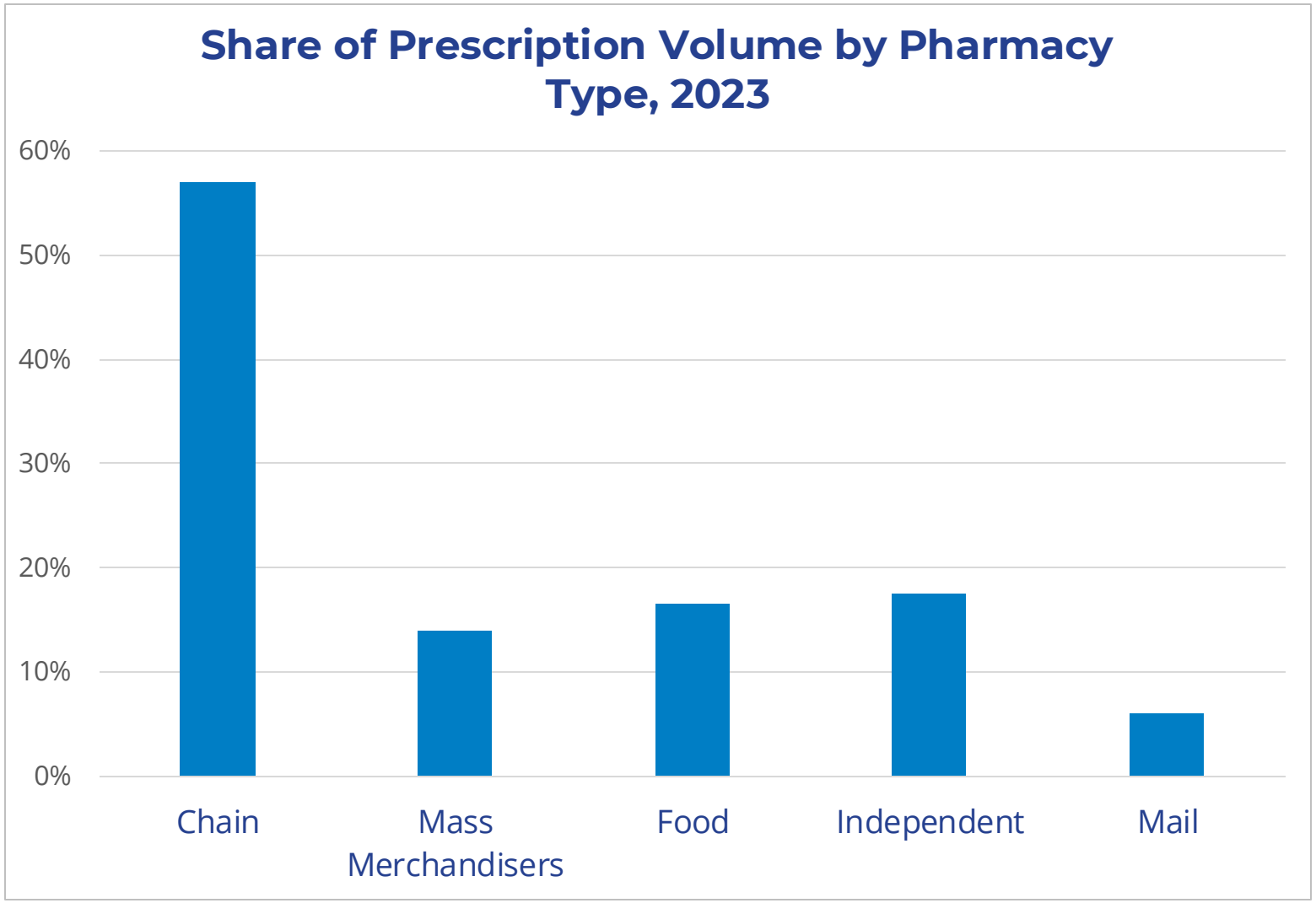
More than 8 in 10 commercial enrollees had 10 percent or less of their covered drugs subject to prior authorization



Source: AHIP, "Key Results of Industry Survey on Prior Authorization," p. 10.

Pharmacy Types

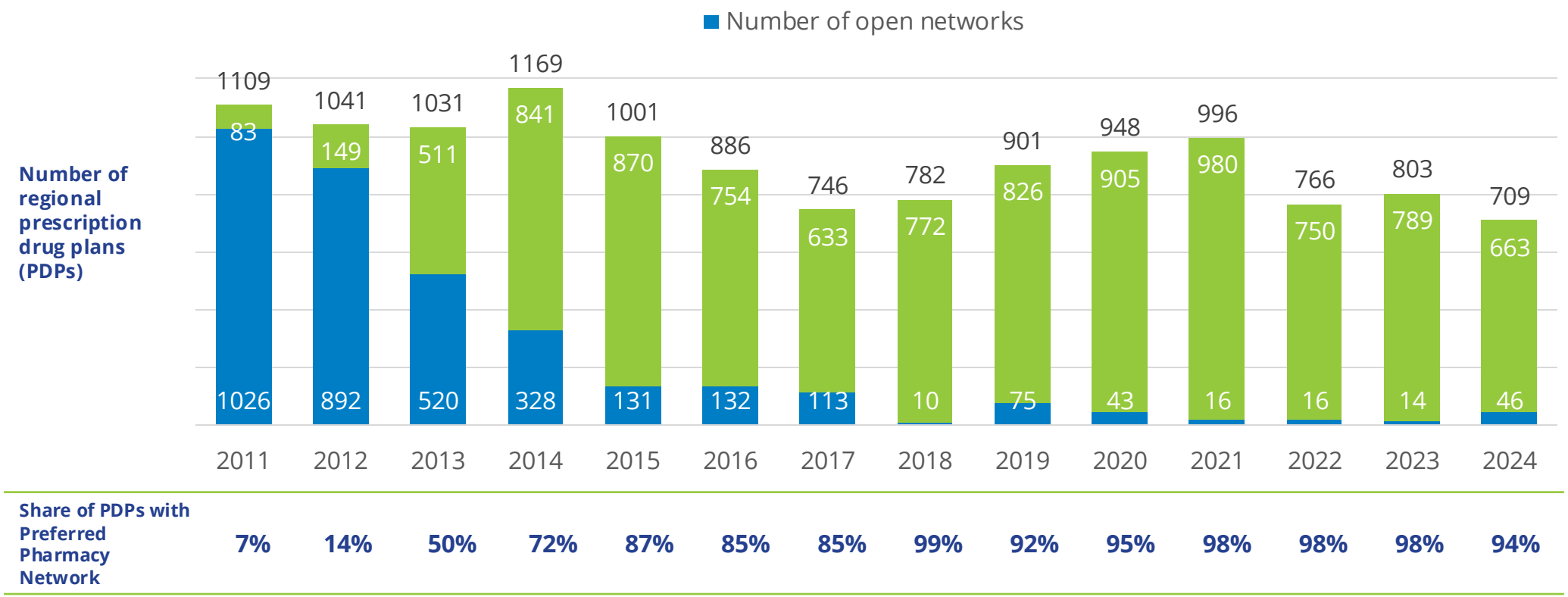
- There are five main types of retail pharmacies in the United States: 1. Chain pharmacies (e.g., Walgreens, CVS), 2. Mass merchandisers (e.g., Walmart), 3. Food stores (e.g., Kroger, Safeway), 4. Independent pharmacies, 5. Mail order pharmacies
- This figure shows the share of prescriptions that flowed through each pharmacy type in 2023.



Source: IQVIA Institute Data Request

Medicare Part D PDPs with Preferred Pharmacy Networks, 2011 to 2024

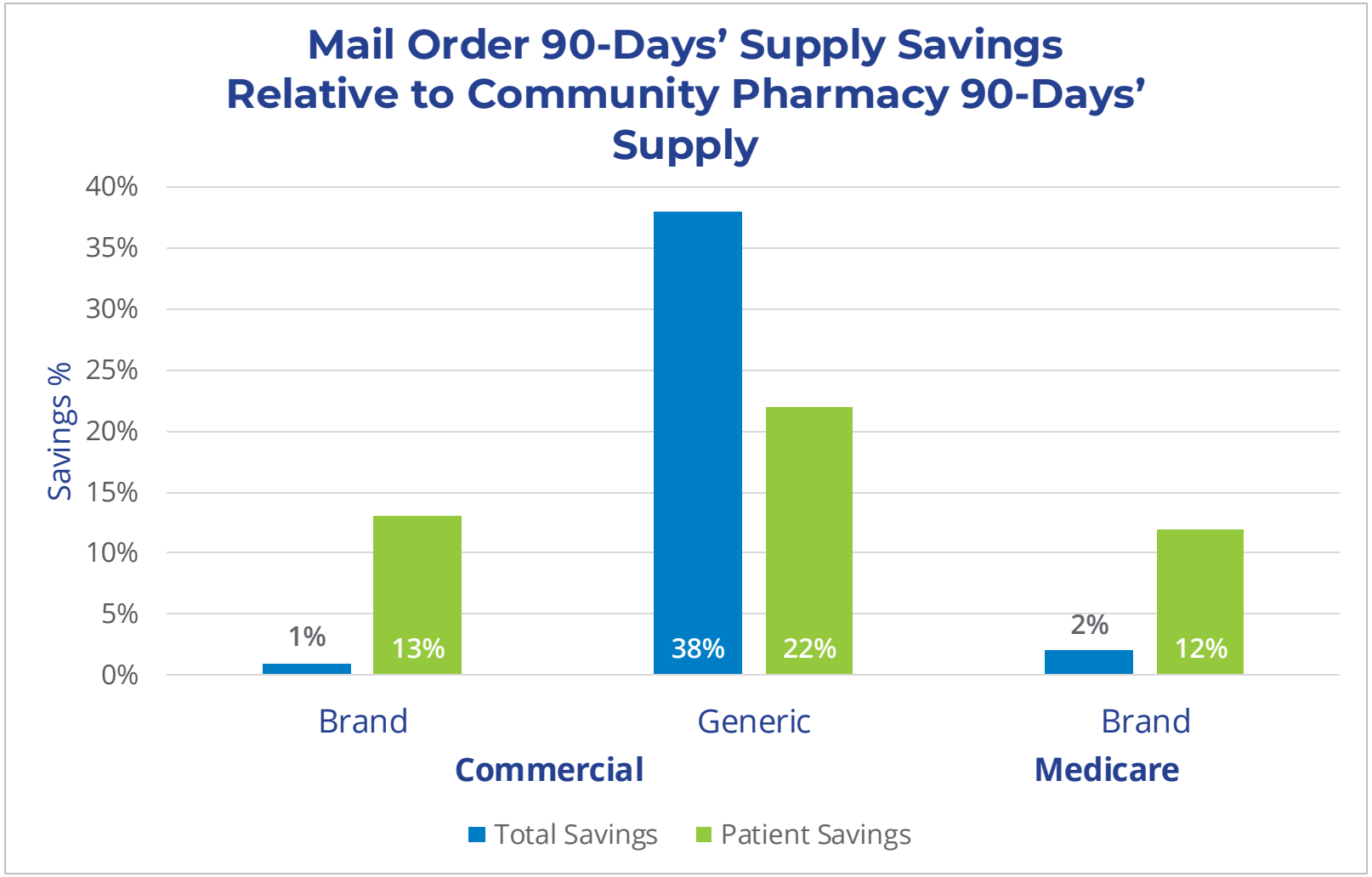
From 2011 – 2024, the share of PDPs with open pharmacy networks declined significantly in favor of preferred networks



Sources: Drug Channels Institute analysis of Centers for Medicare & Medicaid Services data; Kaiser Family Foundation. Figures exclude: employer-sponsored plans; plans from U.S. territories and possessions; employer/union-only group plans; and Medicare Advantage plans.
Published on Drug Channels (www.DrugChannels.net) on October 24, 2023.

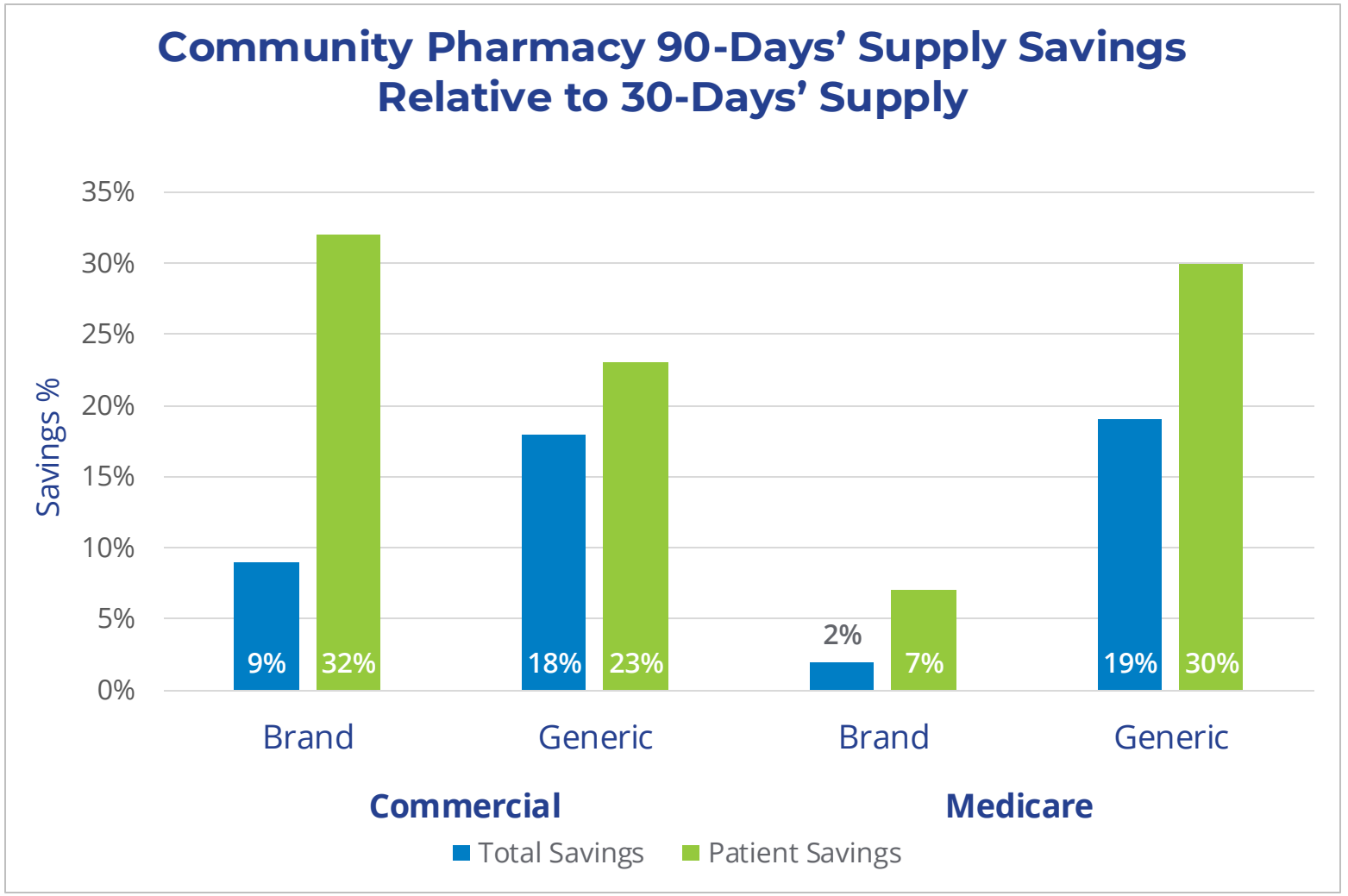
- Within Medicare Part D, 94% of standalone prescription drug plans (PDPs) in 2024 had a preferred network compared with 51% of Medicare Advantage prescription drug plans (MA-PDs).
- Among standalone PDP plans, the use of preferred networks has grown significantly over time, as shown here.
- About 50% of employer-sponsored health plans utilize a narrow or preferred network.

- To assess cost savings derived through the use of mail order pharmacies, the analysis compared the cost per unit by drug (product, form, and strength) of prescriptions dispensed at a mail order pharmacy for a days' supply between 84 and 100 to the cost per unit of prescriptions dispensed for those same drugs at a community pharmacy for the same days' supply range.
- The analysis examined both the total cost per unit and the patient pay per unit and calculated the weighted average percent difference between the mail cost per unit and the community pharmacy cost per unit.



Source: 1) Proprietary BRG analysis of MarketScan commercial claims data. Merative MarketScan Research Databases, TM. All rights reserved. 2)Chronic Conditions Data Warehouse. Centers for Medicare & Medicaid Services.

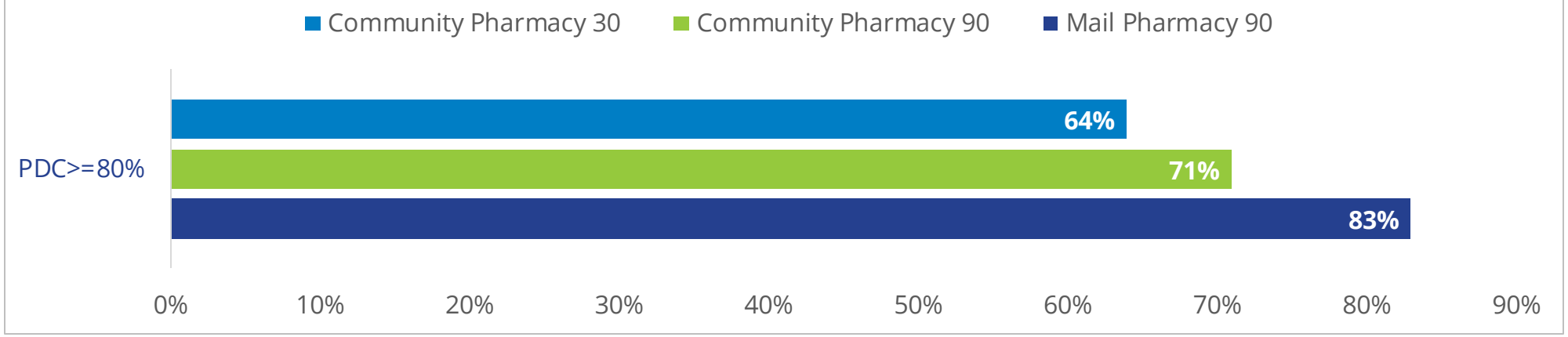
- To assess cost savings derived using 90- days' supply prescriptions at community pharmacies, the analysis compared the cost per unit by drug (product, form, and strength) of prescriptions dispensed at a community pharmacy for a supply between 84 and 100 days to the cost per unit of prescriptions dispensed for those same drugs at a community pharmacy for a supply between 28 and 30 days.



Source: 1) Proprietary BRG analysis of MarketScan commercial claims data. Merative MarketScan Research Databases, TM. All rights reserved. 2)Chronic Conditions Data Warehouse. Centers for Medicare & Medicaid Services.

Comparison of Medication Adherence to Statin Therapies Amongst Community 30, Community 90, and Mail Patients

Mail-order patients were most likely to meet accepted threshold for proportion of days covered

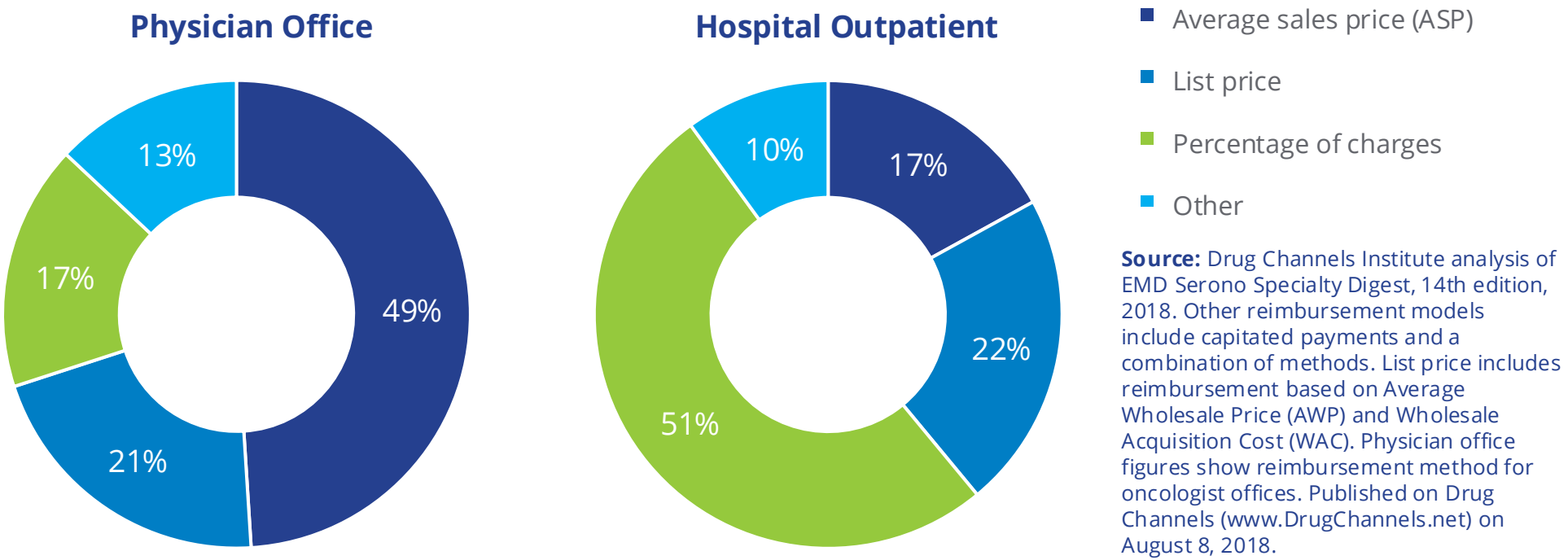


Source: Proportion of days covered (PDC) measures the number of days that a patient had their medication on hand during a particular time period. Unlike the medication possession ratio (MPR), PDC is a more conservative measure because it counts each day covered only once whereas the MPR adds up the total days' supply without adjusting for overlapping prescriptions. The maximum PDC is 1.0 whereas the MPR can exceed 1.0.

- The analysis examined medication adherence to statin therapies over a 365-day period among commercial patients who (1) filled all their statin prescriptions as a 30-days' supply at a community pharmacy (~170,000 patients), (2) who filled all their statin prescriptions as a 90-days' supply at a community pharmacy (~350,000 patients), and (3) filled all their statin prescriptions as a 90-days' supply at a mail order pharmacy (~140,000 patients).
- It found that the mail order patient group had the highest therapy adherence, as measured by a proportion of days covered of 80% or more, followed by the community pharmacy 90-days' supply group, followed by the community pharmacy 30-days' supply group.

Reimbursement Methods for Provider-Administered Drugs Paid Under the Commercial Medical Benefit, by Site of Care, 2017

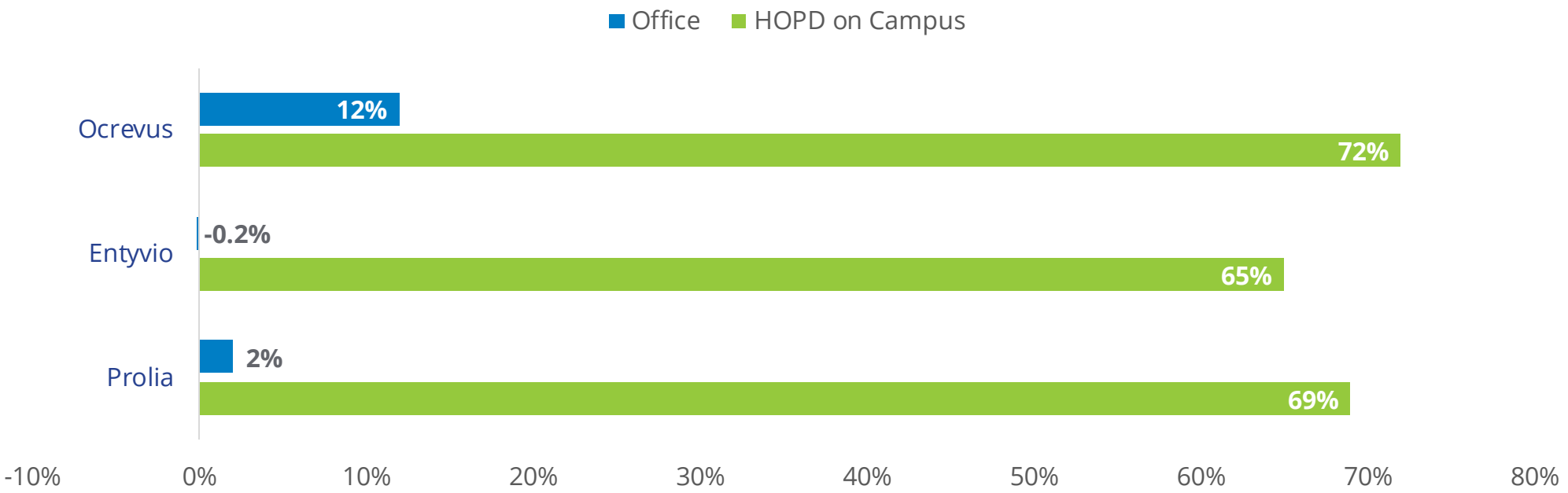
Hospital outpatient depts (HOPD) are more likely to be reimbursed under a higher-cost "percentage of charges" arrangement than other sites of care



Source: Drug Channels Institute analysis of EMD Serono Specialty Digest, 14th edition, 2018. Other reimbursement models include capitated payments and a combination of methods. List price includes reimbursement based on Average Wholesale Price (AWP) and Wholesale Acquisition Cost (WAC). Physician office figures show reimbursement method for oncologist offices. Published on Drug Channels (www.DrugChannels.net) on August 8, 2018.

- AHIP found that, on average, hospitals were reimbursed over twice as much for the same drugs as compared to specialty pharmacies, and that physician offices were reimbursed 23% more on average as compared to specialty pharmacies.
- Given that specialty therapies can cost hundreds of thousands of dollars per patient annually, such markups — particularly those in the hospital setting — contribute substantially to health care spending and put upward pressure on insurance premiums.

Average Markup for Drugs Administered in HOPDs and Physician Offices Relative to Pharmacies: Commercial Lives, 2022



Source: Proprietary BRG analysis of MarketScan commercial claims data. Merative MarketScan Research Databases, TM. All rights reserved

- Since hospitals set their own charges and charges are often not tied to specific reference prices or acquisition costs, reimbursement set at a percentage of charges can create a significant markup.
- Analysis of Prolia, Entyvio, and Ocrevus using Merative MarketScan commercial claims data for 2022 found that HOPDs were reimbursed significantly more than pharmacies for the same drugs.
- The analysis also compared pharmacy reimbursement to physician office reimbursement and found somewhat higher payments to physician offices for certain drugs.

"Bagging" Policy Definitions

Policy	Description
White bagging	Drug is delivered to the provider by a specialty pharmacy.
Brown bagging	Drug is delivered to the patient by a specialty pharmacy; patient then transports the medication to the provider for administration.
Clear/gold bagging	Drug is sourced from the hospital's internal specialty pharmacy, which dispenses the drug and delivers it to the site of service. Clear bagging thus serves as a provider strategy to offer an alternative to white bagging and brown bagging, thereby retaining the revenue associated with specialty drug delivery

Source: National Association of Boards of Pharmacy, ICER

- In response to markups on provider administered drugs — particularly in the HOPD setting — payers have looked for strategies to control the specialty drug spending flowing through the medical benefit. The two primary strategies that have been utilized in recent years are (1) "bagging" policies and (2) "site of service" requirements.
- There are various forms of bagging policies, including white bagging, brown bagging, and gold bagging (previously referred to as clear bagging). Each is defined here.

Site of Service Categories and Definitions

Site of Service	Description
Physician office	An independent clinic that is owned by a physician, equipped with capability to provide routine diagnostic and therapeutic services including administering infusion-based drugs
Hospital-based outpatient department (HOPD)	An HOPD is owned by and usually attached to a hospital. Services such as imaging and laboratory tests are provided at HOPD
Infusion center	An infusion center is an outpatient clinic where infusion therapy is administered. The cost of infusion therapy to a payer is typically less at an infusion center compared to physician office or HOPD
Home infusion	When a clinician provides an infusion at the home of a patient

Source: ICER

- The second primary strategy payers have adopted involves requirements on the site of service where a patient receives their physician-administered medication. Such policies seek to transition patients from hospital outpatient settings toward lower-cost sites.
- These lower-cost sites are described here.

AMCP's mission is to improve patient health by ensuring access to high-quality, cost-effective medications and other therapies.

Its diverse membership includes pharmacists, students, physicians, nurses, and industry experts charting the future of managed care.

AMCP and members' advocacy work is crucial to shaping the future of managed care pharmacy. It's like playing the game versus being in the stands.

Billy West, MBP, PharmD,
Pharmaceutical Company AMCP
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