



Medical and pharmacy costs continue to escalate

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Published September 09 2015, 3:30pm EDT

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Insurers are projecting significant jumps in pharmacy expenses this year, driven primarily by specialty drugs.

Overall pharmacy costs, including specialty drugs, are expected to increase 10% this year, up from 6.3% last year, according to a recent survey of 60 health care vendors from Aon plc. Even more dramatic, the costs for specialty drugs alone are expected to increase 22.7% this year, up from last year's increase of 18.2%, the survey found.

A robust pipeline of specialty oncology drugs, coupled with new cholesterol-lowering drugs, is contributing to the dramatic spike in costs, says John Malley, leader of Aon Health's innovation pharmacy team. Likewise, three new specialty drugs provide a cure for hepatitis C, and these can cost up to \$100,000 for a round of treatment, he says.

Another factor contributing to the trend is an increase in costs for generic drugs, which typically haven't seen large price increases in the past. "There's been a limited supply of certain popular generic drugs, which has reduced the competition and therefore drove up prices over the last 12 to 16 months," Malley says.

HR and benefit professionals should carefully manage high-cost drugs with the pharmacy benefit manager, perhaps by implementing formulary controls and prior authorization processes to make sure the medications are being used for the treatments identified by the U.S. Food and Drug Administration, Malley says.

In addition, improving medication compliance is important. "How do we keep people adherent, so they get through their disease and get healthy and back to work and functioning?" Malley says. Employers can work closely with their pharmacy benefit manager and health insurer to offer initiatives to ensure that workers continue to take their medications appropriately.

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Other specialty drug management techniques include using a freestanding specialty pharmacy and requiring prior authorization for specialty drugs under the medical benefit. More than half (55%) of large employers surveyed recently by the National Business Group on Health indicate they intend to use freestanding specialty pharmacies in 2016, up from 33% in 2015. Fifty-three percent of employers, meanwhile, plan to implement prior authorization for specialty drugs under the medical benefit in 2016, up from 29% in 2015.

Insurers are expecting a more moderate trend for medical expenses. Medical plan costs are projected to increase by 7% to 7.6%, compared to an increase of 7.7% to 9% last year, according to the Aon survey.

Leah Shepherd is a freelance writer based in Maryland.

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