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## Magellan Rx Management's Annual Medical Pharmacy Trend Report Released

*Medical benefit drug spending jumps 21 percent in one year*

SCOTTSDALE, Ariz.--(BUSINESS WIRE)-- Magellan Rx Management, the pharmacy benefit management (PBM) division of [Magellan Health, Inc.](#) (NASDAQ: MGLN) today released its eighth annual [Medical Pharmacy Trend Report](#), which is the industry's leading resource for benchmarking key trends, analytics and approaches to managing high-cost specialty drugs paid under the medical benefit.

This year's [report](#) shows that in 2016, commercial health plans' per-member per-month (PMPM) medical benefit pharmacy trend underwent the largest jump in five years due to rapidly evolving market dynamics and increases in drug pricing.

"The commercial PMPM trend was at an all-time high—21 percent—a 62 percent difference over the 13 percent average annual trend of the last five years," according to Casandra Stockman, Pharm.D., vice president of medical pharmacy strategy. "Cost differences by site of service, rising drug prices and costly new therapies are the largest contributing factors driving the rapid growth in medical pharmacy spend."

Noteworthy new analyses this year found that only 10 percent of commercial patients and 21 percent of Medicare patients are driving nearly all medical pharmacy spend, 94 percent and 96 percent, respectively, attributed to specialty versus traditional drug spend.

"New entrants, programmed-cell death (PD)-1 inhibitors Opdivo (nivolumab) and Keytruda (pembrolizumab) played a significant role in the 2016 medical benefit drug trend," according to Stockman. "Most notably, Opdivo entered the top five drugs by spend for Medicare Advantage, making it the first time since the inception of our report that a new drug entered the top five Medicare drugs listing."

Other key highlights from the [Medical Pharmacy Trend Report](#):

- | Commercial PMPM increased 21 percent to \$26.26 in 2016, besting the five-year average trend of 13 percent.
- | Medicare had a three percent increase in PMPM to \$46.97, on par with the four percent five-year average trend.
- | Eight of the top 20 commercial disease states, or drug categories, have more than doubled in spend over the last five years.
- | Sixty-eight percent of payers are now using a site of service program, and more than 50 percent of payers are employing some form of dose optimization protocols.
- | Oncology immunotherapy costs could potentially increase 231 percent over the next five years.
- | More than 94 percent of plans will be capturing, storing and/or reporting national drug code (NDC) information by 2019.

"Overall, we learned the medical benefit trend continues to outpace the pharmacy benefit trend," said Stockman. "Over the last five years, the average annual commercial medical benefit trend was 13 percent while the pharmacy trend was closer to five percent, reinforcing the need to diligently manage drugs covered by the medical benefit to help temper the accelerating costs."

Key strategies for the effective management of medical benefit drug spend outlined in the report include:

- | Clinically and operationally managing new drugs to market and drugs billed with unclassified Healthcare Common Procedure Coding System (HCPCS) codes and diligent management of the drug pipeline;
- | Improving claims system capabilities to capture and report National Drug Codes;
- | Managing high cost medical pharmacy therapies with targeted programs;
- | Exploring unique strategies such as dose optimization and site of service management;

- | Employing provider network strategies for commercial members to remove disparities in cost by outpatient place of service; and
- | Making medical benefit drug costs and therapeutic options more transparent to members.

"With the growing impact of the specialty drug market, it is crucial that health plans have a strong infrastructure and robust management framework for medical benefit drugs to control escalating spend and improve quality outcomes," said Stockman.

The report is based on survey responses from medical, pharmacy and network directors from 46 commercial and Medicare Advantage payers representing more than 128 million covered lives. Medical benefit drug utilization and trend data were collected through secondary analyses of commercial and Medicare Advantage health plan medical paid claims data across 925 HCPCS codes and several outpatient sites of service, including the physician office, home and hospital outpatient facility.

To learn more about the latest medical pharmacy trends and key management strategies, join our [webinar](#) on March 15, 2018, at 1 p.m. Eastern. [Register here.](#)

**Magellan Rx Management** is a full-service, next generation, pharmacy benefit manager (PBM) with a value-driven approach that moves past the traditional volume-focused thinking to deliver meaningful solutions. Our services expand beyond traditional core services to help our customers and members solve complex pharmacy challenges by connecting them to the people, technology and information they need to make smarter healthcare decisions. As pioneers in managing specialty spend both on the prescription and medical benefit, we are effectively-positioned to continue delivering thought-leading solutions in this complex and rapidly growing area of healthcare to help people live healthier lives. Magellan Rx Management is a division of [Magellan Health, Inc.](#)

**About Magellan Health, Inc.:** [Magellan Health, Inc.](#) is a leader in managing the fastest growing, most complex areas of health, including special populations, complete pharmacy benefits and other specialty areas of healthcare. Magellan supports innovative ways of accessing better health through technology, while remaining focused on the critical personal relationships that are necessary to achieve a healthy, vibrant life. Magellan's customers include health plans and other managed care organizations, employers, labor unions, various military and governmental agencies and third-party administrators. For more information, visit [MagellanHealth.com](#).

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