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Magellan Rx Management's Medical Pharmacy Trend Report Highlights Member and Payer Impact of High-Cost Specialty Drugs Billed on the Medical Benefit

SCOTTSDALE, Ariz.--(BUSINESS WIRE)-- Magellan Rx Management, the pharmacy benefit management (PBM) division of [Magellan Health, Inc.](#) (NASDAQ: MGLN) today released its seventh annual [Medical Pharmacy Trend Report](#), which continues to be a leading source for payers and other industry stakeholders to analyze high-cost injectable drugs paid under the medical benefit.

This year's [report](#) highlights the member and payer impact of high-cost specialty drugs billed on the medical benefit. Often unrecognized, but a critical component of total drug spend, this segment of drug utilization is especially important considering that by 2018, it's expected that 50 percent of total United States drug spend will be composed of specialty medications. Additionally, half of specialty drug spend is billed through the pharmacy benefit and half through the medical benefit, or "medical pharmacy." Specifically, the [report](#) found:

- | Commercial medical pharmacy spend increased by an average of 12 percent each year from 2011-2015, while Medicare Advantage remained relatively stable with only a 5 percent increase over the same five-year period.
- | The majority of oncology drugs are still infused or injected and the largest portion of their costs are covered through the insured's medical benefit. Oncology and supportive care agents represent nearly 50 percent of commercial medical benefit drug spend and nearly 60 percent for Medicare Advantage.
- | The leading cause of blindness in senior populations is treated with injections that are exclusively covered through the medical benefit, and this was the highest trending category on the medical benefit in 2015 (30 percent for commercial and 39 percent for Medicare Advantage).
- | On average, the 10 most expensive commercial medical benefit drugs averaged \$421,220 annually per patient and affected two per 100,000 members. The 10 costliest Medicare medical benefit drugs averaged \$268,780 and affected eight per 100,000 members.
- | In total, taking into account coinsurance, copay and deductible, members using a medical benefit drug paid 3 percent of total medical pharmacy costs in commercial (97 percent for the payer) and 5 percent in Medicare Advantage (95 percent for the payer). While the member percentage may seem small in comparison to payer percentage, many members have trouble affording their medications or reach their maximum out-of-pocket costs, oftentimes at thousands of dollars.

"It's clear that specialty spend on the medical benefit accounts for a significant expenditure for both members and payers alike and it is continuing to grow rapidly, particularly for commercial health plans," said Casandra Stockman, Pharm.D., vice president of medical pharmacy strategy at Magellan Rx Management. "Ensuring a sound medical benefit drug management structure is in place is necessary to rein in costs in both the short- and long-term, particularly as new drugs come to market."

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

- | Clinically and operationally managing drugs billed with unclassified Healthcare Common Procedure Coding System codes;
- | Improving claims system capabilities to capture and report National Drug Codes;
- | Employing provider network strategies for commercial members to remove disparities in cost by outpatient site of service;
- | Implementing benefit design strategies, and
- | Bringing transparency of medical benefit drug costs and therapeutic options to members.

"Building an effective medical benefit drug management strategy requires an in-depth knowledge of and expertise in this complex area, but it's essential to help payers rein in costs and improve the quality of care for members," said Stockman.

Magellan Rx Management is a full-service PBM that expands beyond traditional core services to help its customers and members solve complex pharmacy challenges by connecting them to the people, technology and information they need to make smarter healthcare decisions. Magellan Rx Management is leading the next evolution of PBMs by using a value-driven approach that moves past the traditional volume-focused thinking to deliver true value-driven solutions, including targeted clinical programs, powerful member and provider engagement strategies, advanced analytics and expert specialty pharmacy management capabilities. As pioneers in managing specialty spend under both the pharmacy and medical benefit, Magellan Rx Management is effectively-positioned to continue delivering thought-leading solutions in this complex and rapidly growing area of healthcare to help people live healthier lives.

About Magellan Health: [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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