



2021 HEALTH SYSTEM SPECIALTY PHARMACY TREND REPORT

PERSPECTIVES FROM PAYERS,
MANUFACTURERS, AND HEALTH SYSTEMS



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TABLE OF CONTENTS

Specialty Medications Dominate the Pipeline	3
Current Landscape	4
Stakeholder Perspectives	6
Conclusion	9
Citations	10

Specialty Medications Dominate the Pharmaceutical Pipeline

...and Continue to Fuel the Expansion of the Specialty Pharmacy (SP) Market

Archbow Consulting partners with key pharmaceutical and service provider stakeholders to collectively identify and enhance the solutions needed to effectively streamline the commercialization of these unique products. Specialty medications create unique opportunities and challenges for healthcare providers in a variety of settings. While large national specialty pharmacies continue to dominate the market, health systems are rapidly building SP capabilities creating an interesting alternative for manufacturers and payers.

Health System investments in specialty pharmacy are designed to both streamline the coordination and transition of care for patients while providing opportunity to capture additional economic value through clinical and dispensing services. However, HSSPs continue to experience access challenges related to payer contract restrictions and manufacturer limited distribution networks.

Archbow Consulting helps pharma and biotech companies design, build, and optimize product distribution and patient access strategies. Archbow was founded by industry veterans to meet a need in the marketplace for consulting options that offer diverse real-world experience, leverage deep connections across the industry, and provide actionable strategic guidance.

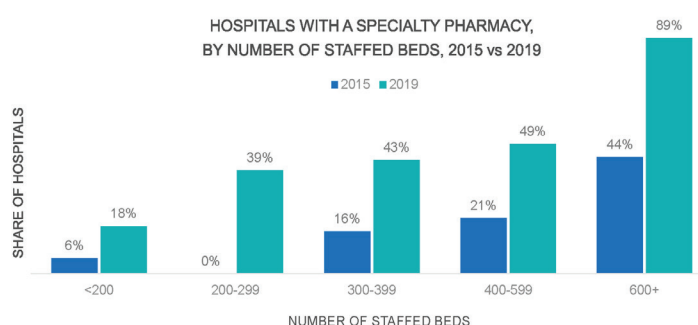
Archbow Consulting interviewed payers, pharmaceutical manufacturers, health system executives, and specialty pharmacy experts to provide a detailed view into the HSSP landscape and key stakeholder perspectives involved in shaping this dynamic market segment. The results of Archbow's investigation provide actionable insights that create opportunities for greater collaboration between HSSPs, payers, and pharmaceutical manufacturers. Partnering more closely together to identify the most appropriate solutions will enhance commercialization strategies, improve care coordination, and ultimately benefit the patient's receiving vital treatments for complex and rare disease.



Current Landscape

Health System Specialty Pharmacy Market Trends and Insights

Health System Specialty Pharmacies (HSSPs) emerged nearly ten years ago and have experienced explosive growth in recent years. According to a recent Drug Channels article, “9 of 10 large hospitals operate a specialty pharmacy. Hospitals, and other healthcare providers, account for one-third of all U.S. accredited specialty pharmacies”¹



Health system affiliated specialty pharmacies are uniquely positioned to create significant value across the healthcare ecosystem by leveraging shared EMR access with inpatient and outpatient care providers to extract longitudinal visibility to critical data and information. In addition, because they are accountable for the economic impact of readmissions, they often provide expansive clinical services and support to patients upon discharge. HSSPs are highly motivated to streamline transitions of care, prevent readmissions and remove barriers to effective patient care and treatment regimens.

Regarding HSSPs impact to patient care - “The more aligned we are in using the same record, the better we can make their lives,” says a pharmacy executive at an urban Midwest health system. “In our clinics, our pharmacists are part of the team managing the patient’s care. They are helping determine the patient’s drug regimen with the provider and facilitating getting them on therapy as quickly as possible—all while taking the financial resources into consideration.”

In addition, HSSPs are often consulted on dispensing decisions: “We’ve gained their [the providers’] trust, and they are letting our pharmacists make medication switches,” says one west coast pharmacy executive.

One pharmacy executive at a Midwest academic medical center characterized HSSPs key differentiators in this manner: “We are better at the transition of care and continuum of care. Our patients are fully connected to the pharmacist and the physician.”

However, there are significant challenges that continue to prevent HSSPs from capturing and driving clinical and economic value. These include access to limited distribution drugs (LDD’s) and inclusion in payer networks. Although access to LDD’s has improved, in 2019 the Health Management Academy reported that “69 per cent of HSSPs have access to some LDD’s but 61 per cent of HSSPs report not being able to access 4-10 LDD products”² Few manufacturers proactively partner with HSSPs for a variety of reasons which will be highlighted in the stakeholder segment of the report. Manufacturers wishing to strengthen HSSP relationships will likely require specific solutions such as access to data, partnerships in outcome study programs, and collaboration related to the design of manufacturer supported patient support programs.

Payer network access presents another significant challenge for HSSPs. As the vertical integration trend continues to accelerate, PBM owned specialty pharmacies dominate the market and restrict HSSP contracting opportunities. However, as health plans focus on managing costs across the medical and pharmacy benefit, HSSPs provide an innovative way to create and demonstrate value.

As HSSPs search for ways to develop solutions to address the access challenges, a variety of organizations are poised to support this rapidly growing specialty pharmacy segment. Network Administrators address the access challenges by creating a network of health systems designed to connect a conglomerate of HSSPs with manufacturers and payers through an integrated, single point of contact, approach. Manufacturers and payers agree that eliminating

the need to work with individual HSSPs is extremely beneficial. Many HSSPs turn to these networks “to capitalize on the rapid growth of the health system segment of specialty pharmacy and the need for a trusted partner at the nexus of the specialty pharmacy ecosystem. A partner who activates channel strategy at scale through efficient, single-source access to a critical mass of providers, collects consistent, uniform data that generates actionable insights, and demonstrates performance and value for all stakeholders, including optimal outcomes for chronic and complex patients” stated a VP, Nationwide Health System Specialty Pharmacy Network Administrator.

Stand-alone partners offer support for health systems interested in creating SP capabilities or enhancing existing practice by embedding staff members and offering tools to streamline processes. The services can range from patient services to payer relations and everything in between. Examples of current Network Administrators and support partners include Acentrus, Excelera, IHOC, Asembia, Shields Health Solutions, and Trellis.

On October 14, 2020, the Health System Owned Specialty Pharmacy Alliance (HOSP) was formed to “Advocate for the interests of integrated SP’s and

promote best practices to deliver the best patient care and patient outcomes.”³ Currently focusing on best practice sharing, accreditation assistance, and 340B support, the group is comprised of seven health systems and is supported by Shields Health Solutions. It is unclear at the time of this publication how HOSP may interact with the entities cited above. However, the formation further demonstrates a growing trend of HSSPs aligning to face industry challenges.

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Stakeholder Perspectives

Health Systems, Payers, and Manufacturers

HHSPs: Health Systems initially created specialty pharmacy capabilities in response to a misalignment of risk and a desire to improve overall transitions of patient care. When a patient is forced to use a specialty pharmacy outside of the health system and, due to preventable complications, is readmitted to the system, that health system carries the financial burden. One pharmacy executive at a Midwest academic medical center characterized the HSSP key differentiator by stating “We are better at the transition of care and continuum of care. Our patients are fully connected to the pharmacy and the physician.”

Nearly all HSSPs interviewed expressed a great deal of support from their parent health system due not only to the impact of revenue generation but also because of the increased satisfaction from their providers and patients.

Improvement in interactions between HSSPs and manufacturers has occurred over the past several years. “The network administrators have contributed

to that and help foster positive relationships,” said a Pharmacy Executive from a Midwest urban health system. However, there are still many manufacturers that do not allow HSSPs access to limited distribution products. For health systems that have significant KOL’s, this is a particular source of frustration. Working with a specialty pharmacy that is not affiliated with the system increases the potential to negatively impact continuity of care. “HSSPs have access to the patient, provider, and EMR...and you often see better rates of adherence on the back end,” stated an Account Executive from a Biopharma company.

Many HSSPs acknowledge that they do not provide payers or manufacturers with the same services that national specialty pharmacies can provide, especially related to data, dedicated account managers, or other enhanced services. Many HSSPs are not allowed to sell data due to health system status as a non-profit entity or because it presents challenges for their compliance departments. Thus, manufacturer data from HSSPs may be extremely limited to information generated by the wholesaler or specialty distributor.

Relationships with payers remain extremely difficult. Some HSSPs characterized the relationships as



“non-existent” or adversarial. “It’s getting worse. We’ve applied a few times to a national specialty network, and they are getting more rigid with what they could consider as their application requirements,” laments a Pharmacy Executive at a Midwest academic medical center.

There are, however, some examples of successful payer strategies including fostering relationships with key decision makers, leveraging health system employer group status (or their own plan), citing any willing provider provisions in key states and clearly articulating the value of the HSSP while meeting/exceeding payer network requirements.

PAYERS: Payers are challenged by the rapid growth in the development and use of expensive specialty medications. They are attempting to address and manage the economic impact of rapidly rising specialty drug costs. Vertical integration continues to be the dominant approach. Other methods include incorporating models that optimize costs and therapeutic outcomes and/or narrowing networks to include 1-2 SP’s as a means of easing the administrative burden and driving economic efficiencies.

Mandating the use of a payer owned specialty pharmacy is not without challenges. “We are generally dissatisfied with the gap in time from prescribing to contact with the member in a timely fashion...100 percent of our complaints have to do with their medication not going out in time and not being able to get hold of the SP for delivery,” stated a Pharmacy Director from a Midwest payer. Additionally, complaints related to other SP services ranged from issues with data accuracy to the challenge of managing multiple contracts and issues with patient services programs interfering with standard of care.

When asked how SPs and HSSPs can differentiate themselves, the response from a Payer Executive for a Large East Coast plan was, “It has to be something really compelling, as my arrangement includes exclusivity to an SP and if I allow more to my network, my rates will go up. The bar is really high.” Other payers would consider adding

an additional SP or HSSP if there is opportunity for measurable improvements. “Better outcomes, reduction in overall medical spend, or showing a reduction in drug wastage would be meaningful,” said a Payer Executive at a New England health plan.

“I’m hard pressed to think of anything that would have weight if it didn’t have a positive financial impact,” said a Medical Director at a Midwest health plan. “It all comes back to net cost; we can live with shortcomings in other areas.”

Given that payers are reluctant to manage multiple SPs and are often mandated to work with the PBM owned specialty pharmacy, HSSPs face an uphill battle for parity. Payers cited several advantages of HSSPs including EMR system access, strong KOL relationships, interconnectivity within the health system, the ability to provide local service which often results in rapid start to therapy, and strong clinical expertise that is often related to specific disease states. However, payers also cited weakness that include an unwillingness to offer competitive contracted rates, access challenges to LDD products, narrow geographic coverage areas, lack of dedicated resources to support processes such as benefit verification and prior authorization.

HSSPs were lauded for connectivity to the providers and KOLs and their commitment to care, but payers fear the limitations outweigh the benefits. “HSSPs have zero visibility that they are providing all of the services-and I feel my national specialty pharmacy does it just as well,” said the Pharmacy Director of an East Coast regional plan.

Payers had mixed reactions when asked if data could be a differentiator. “We have all our own data, all our claims in the same place. But if an HSSP came to me and said I have labs and other measure, they might be more attractive, but they are only 2-3 percent of the total mix,” said the Pharmacy Director of a New England payer. Other payers encourage HSSPs to share the impact of their services on the total cost of care as a way of differentiating their services.

MANUFACTURERS: All of the manufacturers surveyed currently work with HSSPs, although one acknowledged that their organization did not know much about them until a couple of months ago. That source went on to say that the channel still needs to be more broadly promoted to the manufacturers by either the health system or the network administrators.

The perception of HSSPs from manufacturers is generally positive around patient care but neutral regarding data and other enhanced services. While logically it makes sense that the HSSP could provide better care than the standard SPs due to patient and provider proximity, along with direct connectivity to the EMR, pharmaceutical manufacturers want proof via detailed data reporting. Many are unwilling to accept the trade-off of including HSSPs in their network at the risk of losing visibility into actionable, aggregated data, which is especially critical at a launch.

Manufacturers cited that there are several positives working with the HSSPs, compared to a national SP. “HSSPs are closest to the patient, able to communicate with the provider and are closely aligned with the EMR,” stated an Account Executive from a Biopharma company. The same Executive went on, however, to say, “We don’t receive any kind of formal reporting. We just see the ship to volume and no other detail.”

Other opportunities for collaboration with manufacturers include improving the patient services offering because when communications break down, patients wait. One Biopharma Executive stated, “There’s a disconnect. The HSSP wants to be its own HUB, and there’s a gap there. There’s an opportunity to bridge that gap so that HSSPs don’t feel like they are relinquishing control.” Another account Executive added, “There’s an opportunity to learn more about the HSSP’s protocol so we can help to develop a specific HSSP offering.”

Network management is often a deciding factor, too, with manufacturer participants explaining that once control of a limited distribution network is lost, it can be difficult to regain. A Biopharma Account Executive went on to say, “Larger SPs are going to

cover a large percentage of your patient population and share more visibility where the product goes.”

The manufacturers interviewed had some experience with network administrators but suggested that there is an additional opportunity to collaborate on outcomes studies and facilitated programs. However, those programs are often challenging to obtain health system approval as the health system and the HSSP often have conflicting views on data sharing methodologies, and many outcomes studies would require an Institutional Review Board (IRB) approval process which increases the time for study approval.

No report on HSSPs would be complete without at least mentioning the impact of 340B on the manufacturer economics. Recently, the market has exploded with statements from the pharmaceutical industry attempting to limit 340B exposure⁴ and CMS’s response. This is an area that all stakeholders will be following for updates and the associated impact of changes.

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Conclusion

As development and utilization of specialty pharmaceuticals rapidly expands, industry stakeholders face challenges and opportunities to ensure that life-changing specialty medications are accessible to patients while simultaneously addressing the economic impact to the health-care ecosystem. Interviews of key stakeholders conducted by Archbow consulting highlight the need for enhanced collaboration between Health Systems, HSSPs, Payers and Manufacturers. By investing time to better understand the challenges and needs of each constituent, the groups can work more effectively together to align on common goals. Some key takeaways include:

- **HSSPS:** Focus on leveraging EMR connectivity and enhanced data reporting capabilities. Consider further leveraging network administrators to facilitate relationships with manufacturers and payers in a unified manner.
- **PAYERS:** Be open to the opportunity for HSSPs to demonstrate unique value across the medical and pharmacy benefit. Gain a deeper understanding of the opportunity to create models

that improve patient care while supporting cost containment initiatives.

- **MANUFACTURERS:** Consider opportunities to leverage HSSPs proximity to the patient and provider, access to health system EMR and aggregated data, and the ability to create novel patient service programs and partner on outcome studies.

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Citations

¹ Source: Drug Channels Institute analysis of ASHP national survey of pharmacy practice in hospital settings, various years. Published on Drug Channels (www.drugchannels.net), August 18, 2020.

² The Academy. 2020 Specialty Pharmacy Trend Report—Leading Health System Executive Brief. June 2020.

³ Maia Anderson “7 health systems form specialty pharmacy alliance” published on Becker’s Hospital Review (www.beckershospitalreview.com), October 14, 2020.

⁴ Robert King “Drug Makers getting bolder in fight over 340B drug discounts” published on Fierce Healthcare (<https://www.fiercehealthcare.com>), August 26, 2020.