Pharmacy Benefit Managers Report Significant Decrease in Trends for 2015

It's that time of year again, the time when Pharmacy Benefit Managers (PBMs) release their annual drug trend analyses for the prior year. To the surprise of many, the two largest PBMs in the country, CVS Caremark (CVS) and Express Scripts (ESI), reported 2015 trends at less than half of 2014 trends. CVS reported their annual trend at 5.0% while ESI reported a trend of 5.2%. Compare these trends to the approximate 12% trend reported in 2014 – a shocker right? According to CVS, brand-name drug inflation drove to 80% of aggregate drug trend.

Let's break these numbers down a bit more. ESI reported that specialty drugs trended at 17.8% while non-specialty drugs trended at -0.1%. High specialty drug trends are nothing new and are here to stay. You should expect specialty drug trends to remain around 17% and drive an overall drug trend of roughly 7.5% over the next several years.

Why your trend may be higher.

This year, both CVS and ESI reported trends net of rebates. Therefore, it is reasonable to assume that realized trends for most employers are actually higher than what was reported by these two PBMs since most employers do not receive 100% of rebates. This is especially true given the fact that rebates have risen from 5% of plan cost just a few years ago to upwards of 15% of plan cost today – much of which is being retained by the PBM.

Don't be surprised if your trend is significantly higher. For example, consider an organization with 250-500 employees, just one employee/member with a new diagnosis such as Hepatitis C can significantly increase that employer's cost.

So what can you do to combat high cost trends?

First, get a game plan rooted in data analytics. At Scott, we guide our clients' decision making along the path to lower sustained trends through a simple, repeatable approach:

1. Understand where you are spending more and not getting more (i.e. identify the buckets of waste).
2. Understand the member disruption and resources that are involved with eliminating that waste.
3. Build a strategic plan targeting the lowest hanging opportunities first (i.e. lest member disruption).
4. Execute on your plan leveraging insider PBM expertise, data-driven insight, and technology.