



TCoC Reduction Through High Cost Claims Management



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The Impact of High Cost Claims

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The State of High
Cost
Claims in the US

Data, Data, Data

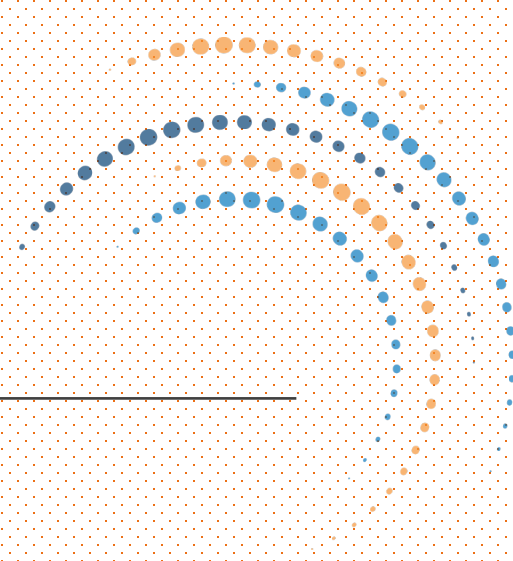
Specialty Drug Pipeline

COVID Employer Initiative

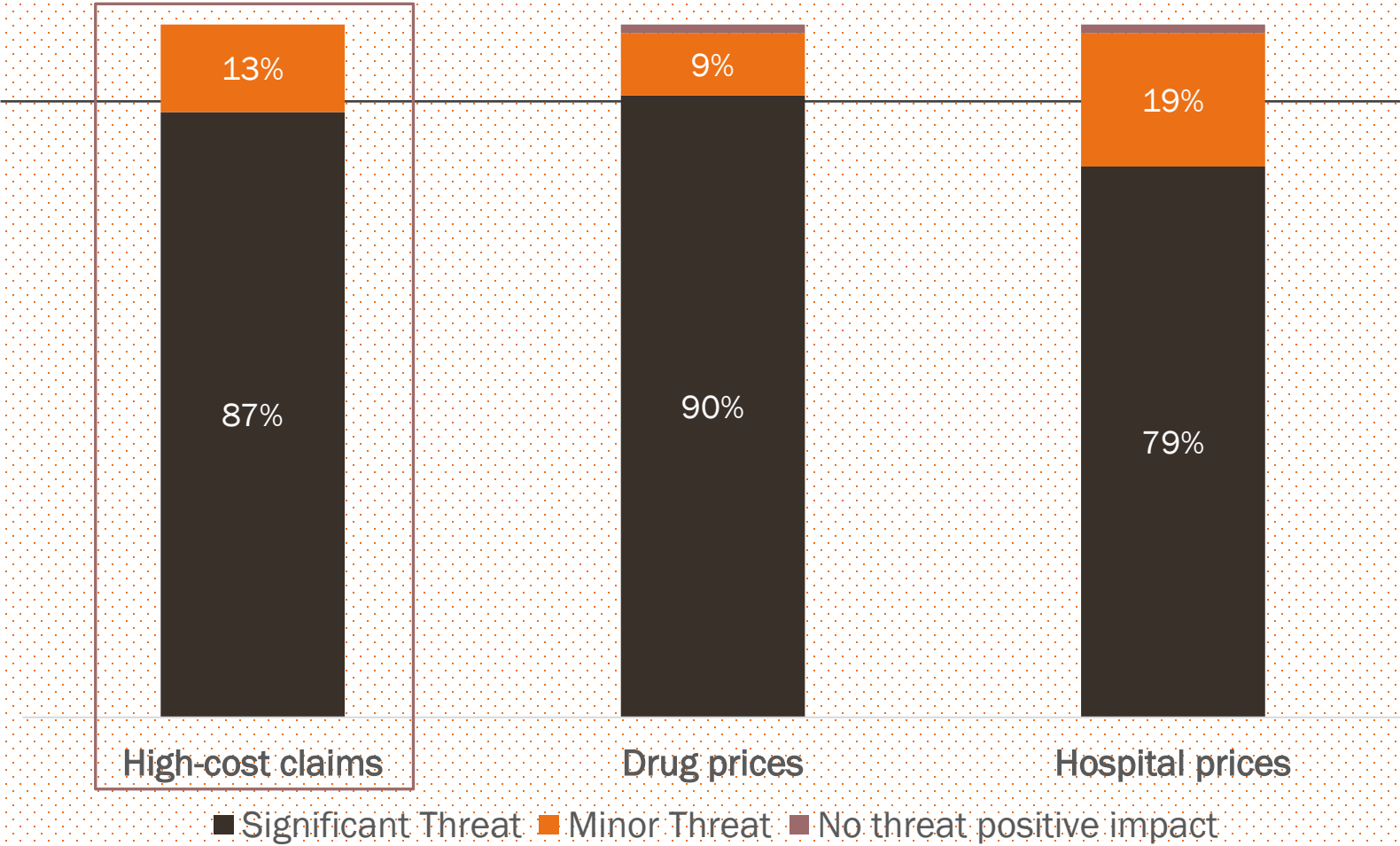
Impact of COVID-19

Risk Analysis

Specialty Pharmacy
Management and
Strategies



Three biggest threats to affordability are drug prices, high-cost claims, and hospital prices



Nearly 8 out of 10 employers consider drug prices, high-cost claims, and hospital prices a significant threat to affordability of employer-provided health coverage for employees and their families

Key Findings

Employer/Purchaser Perspectives on High-Cost Claims

- Most cited strategies employers have continued to implement are for mitigating high-cost claims are:
 - Managing complex cases (65%)
 - Addressing the cost of specialty drugs (64%)
- Highest areas of new focus in the next couple of years include:
 - Offering precision medicine for cancer treatment (45%)
 - Implementing centers of excellence (39%)
 - Negotiating and auditing hospital prices (34%)
 - Auditing of intermediaries (30%)
 - Mitigating costs and coverage of rare diseases (30%)
- Most employers believe they are effectively managing high-cost claims through their intermediaries and the most cited were carrier/TPA (94%) and PBM (69%)
- Less common but increasingly being considered by employers to manage high-cost claims:
 - Reinsurers (30%)
 - Internal management (27%)
 - Specialty vendors (23%)

What's Really Driving Employer Health Plan Costs?

0.6%
of a population
drives 35%
of employers'
spend



Health care
inflation is driven
by price increases,
not utilization, think
new medical and Rx
technologies.



High-cost claims
are different

High-cost claimants
are made up of
cancers, complex
newborns, COVID/
sepsis, specialty
drugs and implants



Specialty Medicines,
especially injectables,
are the fastest-growing
driver of high-cost claimants



High-Cost Claimant
Predictive Analytics
can *sometimes* identify
these individuals and target
early interventions



Chronic conditions are the direct cause of less than a
quarter of medical and pharmacy claims over \$50,000
(high-cost claims)

Stop Loss Market Overview 2022

Severity and frequency of catastrophic claims continue to increase. The market is hardening as a result

Cancer remains the **most costly** condition since 2010

COVID and Sepsis claims had significant **increases**. An increase in *Mental/ Behavioral Health* claims was also observed

Decreases continued in *Transplant and Renal*, likely due to better contracting and clinical management

Note: Due to a change in the methodology used to group conditions in this year's report, catastrophic cases in categories like cardiovascular, musculoskeletal, and neurological now appear in the top 10



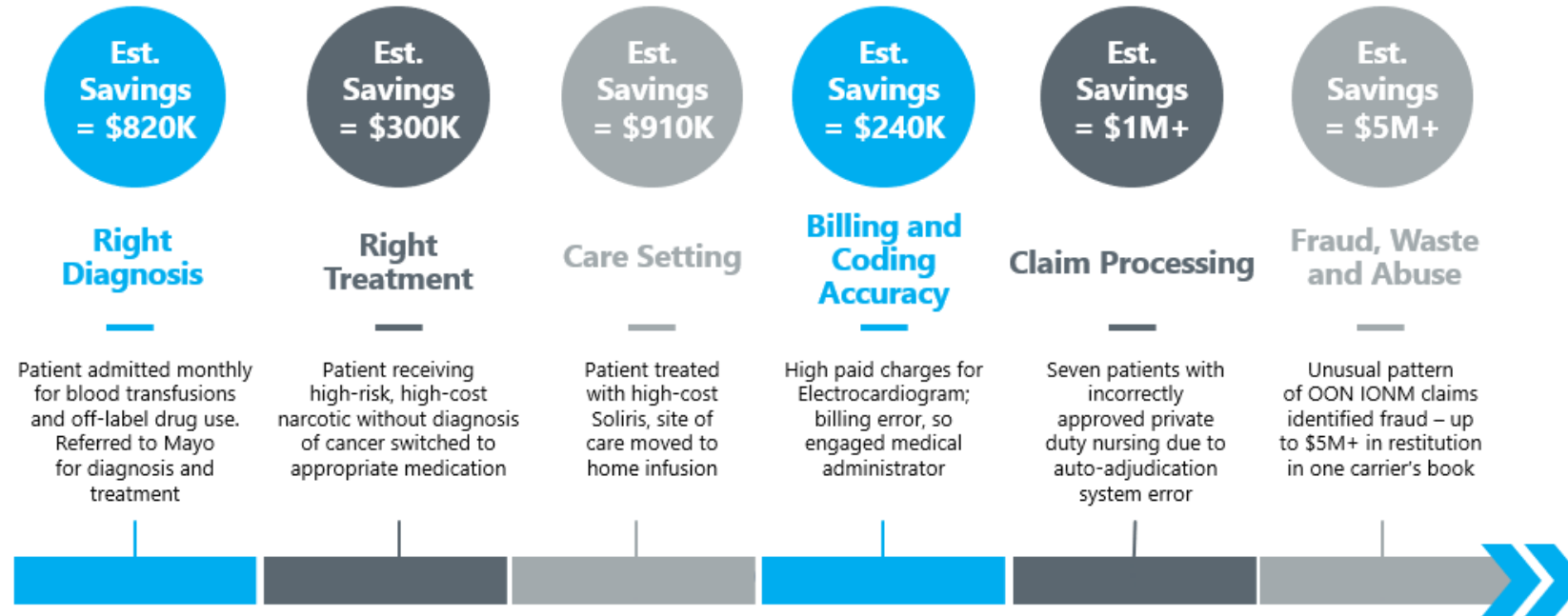
TOP 20 HIGH-COST CLAIM CONDITIONS

Stop-loss claim reimbursements

2021 Rank	4 Year Rank	Condition/Disease/Disorder	2021 Single Year Reimbursements	2018-2021 Reimbursements	Total payments
1	1	Malignant Neoplasm	\$294.9M	\$1.03B	38% Top 3 conditions
2	2	Leukemia, Lymphoma, Multiple Myeloma	\$117.0M	\$443.1M	
3	3	Cardiovascular	\$102.3M	\$389.4M	
4	4	Orthopedics/Musculoskeletal	\$89.6M	\$297.5M	70% Top 10 conditions
5	5	Newborn/Infant Care	\$82.3M	\$287.0M	
6	6	Respiratory	\$65.0M	\$234.1M	
11	7	Urinary/Renal	\$57.5M	\$222.6M	
9	8	Neurological	\$61.2M	\$210.7M	
10	9	Gastrointestinal/Abdominal	\$59.3M	\$200.9M	
7	10	Sepsis	\$64.2M	\$182.4M	
13	11	Congenital Anomaly (structural)	\$41.9M	\$172.0M	
12	12	Physician Treatment	\$47.1M	\$143.1M	
17	13	Transplant	\$26.7M	\$127.8M	
14	14	Cerebrovascular	\$29.8M	\$98.7M	
16	15	Hemophilia/Bleeding	\$28.4M	\$96.3M	
19	16	Immune System	\$21.2M	\$87.5M	
15	17	Mental and Behavioral Health	\$28.5M	\$87.1M	
18	18	Malnutrition	\$23.1M	\$79.8M	
8	19	COVID-19	\$61.5M	\$75.4M	
21	20	Blood and Blood Forming Organs	\$18.6M	\$72.0M	

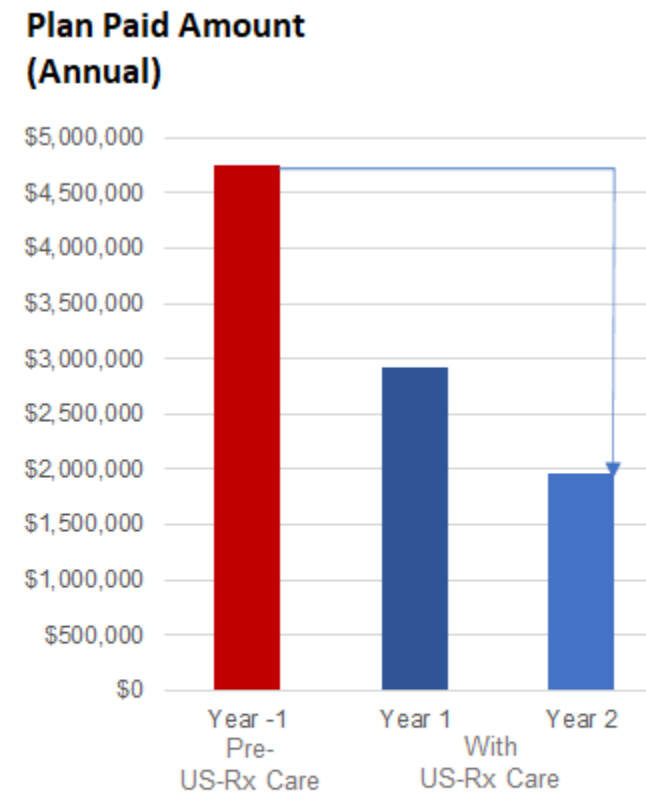
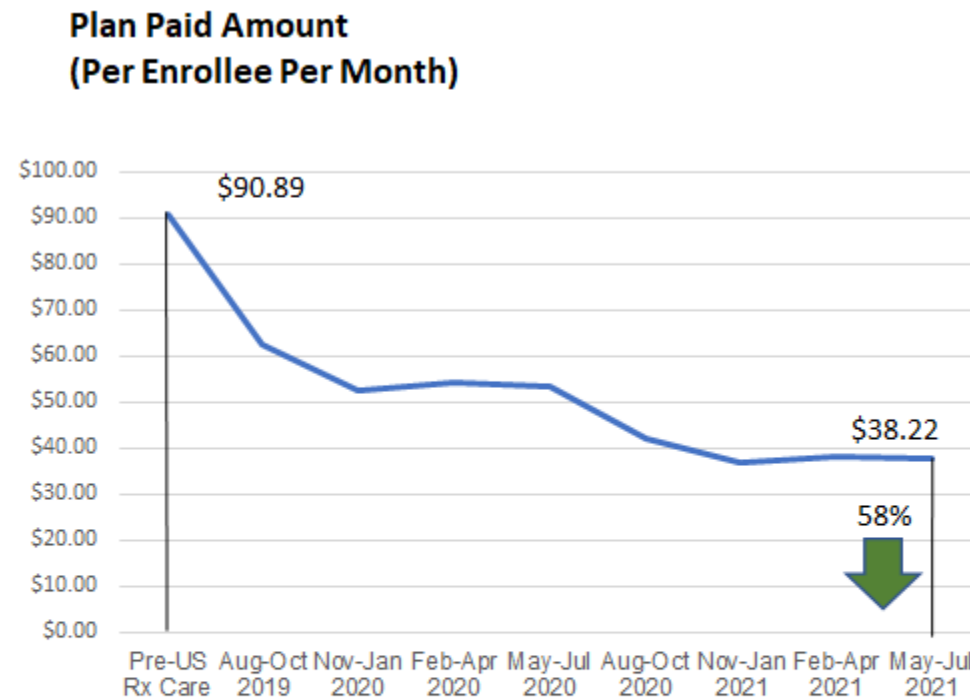
Source: Sun Life 2022 High-cost claims and injectable drug trends analysis

Case Examples



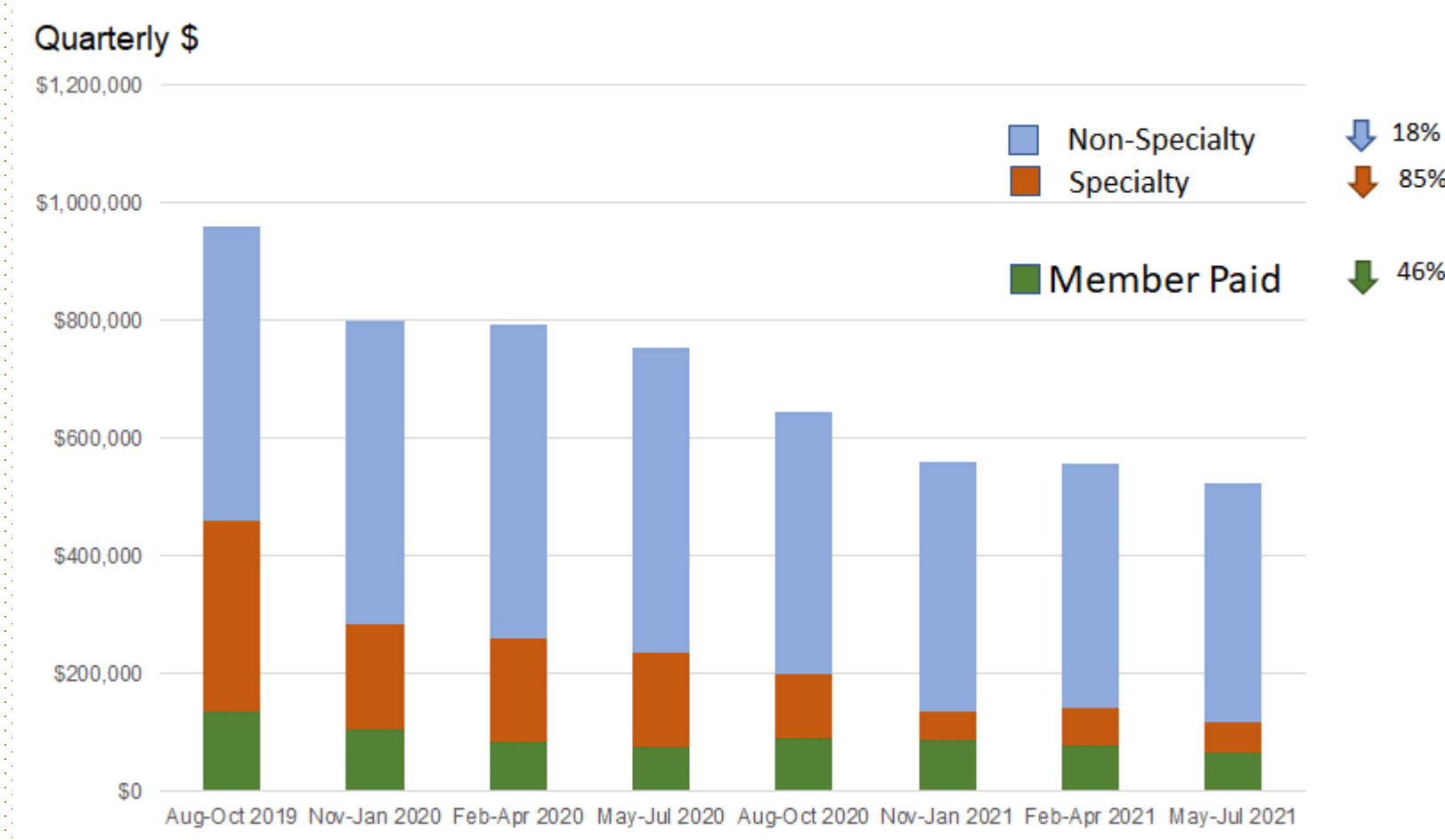
The factors, and therefor solutions, for complex claims are numerous and varied

4,300 Life Employer Pharmacy Benefit Spend Three Year Trend



- \$2.8 MM Annual Cost Reduction
- \$4.6 MM Two-Year Cumulative Savings

4,300 Life Employer Pharmacy Benefit Spend Plan and Member Contribution Trend



Key Questions to Ask / Think About Your Health Benefit Administrators / Suppliers

Are You Optimally Aligned?

At The Highest Level

Are you trusting that your vendors are always looking out for the best interest of your organization and plan participants?
Are there misaligned incentives with your vendors that can drive up costs?

At A More Granular Level

You may not be optimally aligned with your vendors if the answer is “Yes” to any of the following.

Are conflicts of interest negatively impacting clinical decisions and utilization management?

Are benefit design & formulary structure influenced by rebates or vendor credits?

Are exclusive vendor contracts restricting access to lowest net cost options for care?

Are you not allowed to carve out clinical review, rebate, dispensing functions from your vendors?

Are prohibitions against making changes to formulary, guidelines, covered/not-covered status driving your up cost?

Are your vendors given unlimited discretion to authorize any drug or service no matter the cost?

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Are you being penalized for not carving in services?

Strategies For Superior Pharmacy Benefit Cost Management

CONTRACTING STRATEGIES

- Deconflict PBM and Medical carrier relationships (fiduciary compliant)
- Reduced / fixed markups for provider buy/bill drugs
- Outcomes-based drug pricing
 - Specialty generics filled in retail, not at specialty pharmacy
 - Payment amortization (pay-over-time)
 - Hospital at home/telehealth
 - Narrow networks
 - More timely and transparent reporting
 - Bill review/negotiation

Plan Design Strategies

- All drug management under the pharmacy benefit
- Dose rounding protocols (for injectables)
- More rigorous utilization management for high-cost drugs
 - PA/pre-certification functions
 - Preferred drug lists/formularies
 - Quantity limits
 - Step therapy
 - Specialty carve out
 - Exclusions/coverage limitations
- Aligned financial incentives with plan participants
- Leverage secondary coverage when available (e.g., spouse employer, Medicaid or Medicare)

CLINICAL RIGOR

- Separation of dispensing/rebates from clinical functions
- Independent, expert clinical management
- Cost-effective step therapy, when appropriate
- Elimination of waste
- Same level of clinical rigor applied to specialty drugs on medical side

COST-EFFECTIVE SOURCING

- Manufacturer co-pay and zero-cost patient assistance programs
- Unrestricted, competitive dispensing options and sources
- Site-of-care optimization for provider-administered drugs

Thank You

And

Questions?