

## Apply value-based design to reduce specialty med costs

June 11, 2014 | By Dori Zweig

[Specialty medications](#) attribute to roughly one quarter of total pharmaceutical spending in the commercial market. If this trend continues, it's possible that spending on specialty medication will make up half of all pharmaceutical costs by 2018, according to a new [report](#) from the University of Michigan Center for Value-Based Insurance Design and the National Pharmaceutical Council.

In order to offset this spending, here are three ways payers can apply [value-based insurance design \(V-BID\)](#) to specialty medications, according to the report:

### 1. Eliminate or lower high cost-sharing for certain specialty drugs

Specialty medications may have a different value depending on the patient's condition. The researchers suggest that eliminating four- and five-tier arrangements may promote access to all necessary treatments. This way, payers can be more selective by lowering high cost-sharing for certain drugs. To lower the costs of these medications, payers must identify which specialty medications deliver outstanding value, and then move those medications to a lower tier.

### 2. Ensure a reduction in cost-sharing aligns with patients' characteristics

Although acquisition cost of tier-four medications typically determines [cost-sharing](#), researchers state that payers should instead focus on the patient-specific clinical value. Each patient's circumstance varies, so payers should consider reducing high cost-sharing for specialty drugs on the basis of patient characteristics, especially if certain available data suggests the drug will ensure a positive outcome. This approach may require plans to establish a variety of information-sharing arrangements, which include upfront costs.

### 3. Reduce cost-sharing if patients don't respond to certain specialty medications

If a patient does not respond to a specific medication, the researchers suggest reducing cost-sharing for that medication. Referred to as "reward the good soldier," payers can

encourage use of certain drugs, but if the patient does not benefit from the medication, a V-BID benefit structure would relieve higher cost-sharing. The benefit structure would entail incentives for the use of preferred medications but would also reduce concerns about the addition of essential drugs.

For more:

- here's the [report](#) (.pdf)