Skyrocketing Prescription Drug Costs

Causes and Options for Managing

Rising drug costs are putting a tremendous strain on health care costs. The Centers for Medicare and Medicaid estimate that drug spending will increase by six percent or more annually from 2015-2022 as both drug prices and utilization increase. Why are drug prices high and going up?

They’re high to begin with: Americans pay more for prescriptions than any other nation: 34% higher than New Zealand and 50% higher than United Kingdom (source: Pharmaceuticals’ Prescriptions for Profit over People).

Rising Drug Prices: Specialty, Brand and Generic

Specialty Drugs: These drugs are typically used to treat and/or manage less common but chronic diseases, such as multiple sclerosis, rheumatoid arthritis, hemophilia, and an array of cancers. On average, the cost of one month’s supply of a specialty drug is over $2,500 with annual costs of treatment at over $75,000, with some treatment regimens exceeding $750,000 per year.

One example is an effective new drug called Sovaldi for Hepatitis C that costs $1,000 per pill and $84,000 for the typical 12-week treatment. Infectious disease specialists estimate as many as 200,000 Massachusetts residents could have the virus. A July 2014 survey pegs the state’s costs for treating every Massachusetts resident with Hepatitis C with Sovaldi at over $850 million. As if $84,000 per patient wasn’t expensive enough, Gilead Sciences, the manufacturer of Sovaldi, just received FDA approval for Harvoni, a one pill regimen that combines Sovaldi with another medication that’s taken with it and can be used by 75% of the Hepatitis C patients to the tune of $94,500 per patient.

In 2012, specialty drugs comprised only 1% of prescriptions written, but 25% of drug costs, according to a national pharmacy benefit manager trend report. This report estimates that specialty drugs will account for 9% of total medical expenditures by 2020.

Specialty drug spending will increase by 17% -20% annually and will consume 50% of drug spending by 2018 according to FAMCP/Pfizer’s Top 10 Emerging Health Care Trends report.
Chair Thomas A. Shields recently stepped down from the Commission after serving for eleven years, seven of them as Chair. As Vice Chair, Richard Waring of NAGE stated when it was announced, “He serves as a model for chairing a public body.” The GIC staff and Commissioners will greatly miss Chair Shields’ exemplary leadership.

Commissioner Katherine Baicker, who holds the health economist seat on the Commission, was unanimously elected as the new Chair at the October Commission meeting. Prof. Baicker, who was appointed to the Commission in 2013, is Professor of Health Economics at Harvard University’s School of Public Health. She is a research associate for the National Bureau of Economic Research and an elected member of the Institute of Medicine. She serves on a number of boards and commissions, including AcademyHealth, where she has been Chair of the Board of Directors for two years, on Health Affairs’ editorial board, on the Journal of Health Economics editorial board, on the Congressional Budget Office’s panel of health advisers, and on the Medicare Payment Advisory Commission. She has published extensively on a variety of health economics issues. The GIC will greatly benefit by having Prof. Baicker at the helm as we face tremendous challenges in ensuring access to health care that is both high quality and affordable. “Combined with the diverse expertise represented among the GIC Commissioners, I hope that the health economics toolkit can contribute to the GIC’s efforts to design insurance that aligns incentives, provides transparent information, and promotes sustainable, high quality benefits,” said the Chair.

This fall, Governor Deval Patrick appointed two new members to the Commission: Doug Howgate and Anna Freedman. The Division of Insurance also appointed its new designee to the Commission, Renu Wadhwa, the division’s health care finance expert. All three new Commissioners pointed to the dual challenges the GIC faces – providing quality benefits at reasonable costs. “I am excited to have an opportunity to work directly with Executive Director Mitchell and my fellow Commissioners to balance the dual priorities of quality and cost control in an ever changing fiscal environment,” said Mr. Howgate. Ms. Freedman said, “I look forward to the GIC’s innovative initiatives that provide coordinated, quality, affordable care for its members while maintaining sound fiscal policy for the Commonwealth.” “Providing quality benefits at reasonable costs is a challenge as we continue to face increasing health care costs and the changes in federal health care reform that impact the health care delivery system,” said Ms. Wadhwa.

Mr. Howgate is the Deputy Chief of Staff at Massport and previously served as the Budget Director for the Senate Committee on Ways and Means under Chairman Stephen Brewer, leading the Senate’s budget team from 2010 to 2014. Previously Mr. Howgate worked for the Massachusetts Budget and Policy Center, the National Governor’s Association, and was a legislative aide and policy director for Massachusetts State Senator Robert Antonioni. Ms. Freedman is an Assistant Budget Director for the Executive Office for Administration and Finance, and was also employed at the Edward J. Collins, Jr. Center for Public Management and the Institute for Public Service at Suffolk University. Ms. Wadhwa provides financial regulatory oversight to health care companies at the Division of Insurance. Previously she worked for the Department of Public Health as Deputy Budget Director, providing fiscal oversight to DPH hospitals, State Office of Pharmacy Services and several other bureaus within the agency. She also worked in the private sector at Athenahealth and Partners Healthcare. We welcome our newest commissioners and extend hearty congratulations to Katherine Baicker and a fond adieu to Chairman Shields.

Fallon Health Direct and Select Members Get $$$ with New Shopper Tool

As part of the Health Care Cost Control Law (Chapter 224), all Massachusetts health plans now offer a cost transparency tool on their website to help patients shop for health care. If you are a Fallon Health Direct or Select member, you could receive money when you use the tool! Log in to your member portal on Fallon’s website (www.fallonhealth.org/gic). Shop for health care services at least 24 hours before you need care. Choose a cost-effective location for your care, and Fallon Health will mail you a check! Check amounts range from $25 to $500, depending on the service and site of care. For more information, visit Fallon Health’s website or call member services at 1-866-344-4442.
CVS Caremark reports that more than 900 specialty drugs are in development, some of which are targeting common chronic diseases and conditions, including heart disease and diabetes. Because specialty drugs are expensive to manufacture, there is little to no competition to keep costs down. Under current law, brand name biologic drugs are given a 12 year exclusivity period after FDA approval – meaning they have a monopoly on that drug for a long time.

Although $50 billion of specialty drugs will go off-patent by 2019, the lack of final regulations will reduce the development of biosimilars – drugs that are interchangeable with the specialty drug at lower costs.

**Brand Name Drugs:** Brand name drug prices increased by 14.4% in 2013, as the result of industry consolidation and manufacturers’ pricing strategies. Although manufacturers claim that brand name drugs are expensive to research and develop, in fact, for every dollar spent on research, $19 goes toward promotion and marketing. In 2012, the pharmaceutical industry spent more than $27 billion on drug promotion, with $24 billion geared to physicians and $3 billion in direct to consumer advertising according to the Pew Charitable Trust. According to The Economist, manufacturers also hold on to the market power they have when a drug is under patent by delaying the expiration of a patent through creating similar drugs or derivatives of the original, and paying generic manufacturers not to compete, known as pay-for-delay. Recent Federal Trade Commission reports estimate that pay-for-delay tactics cost $3.5 billion per year.

**Generics:** During the third quarter of 2014, more than one-third of generic drugs became more expensive according to Drug Channels, a pharmaceutical economics website. The generic pipeline is contracting as manufacturers exit the generic industry for the more profitable brand side, allowing remaining generic manufacturers to raise their prices. For example, in July 2013, the cost of a tetracycline 500 mg capsule was $.05 and jumped to $8.59 in July 2014, a 17714% increase, according to an August 2014 report by Pembroke Consulting.

**Utilization is increasing:** With an aging population and increase in lifestyle-related illnesses, including diabetes, hypertension, and cardiovascular diseases, the need for prescription drugs has increased. Additionally, the recession put a damper on all health care spending and as the economy has improved, patients are using more health care, including filling more prescriptions.

**So What are Possible Solutions to Rising Costs?**

There’s no question but that prescription drugs can provide miraculous cures for those suffering from a wide variety of health conditions – relief they would never have had in the past. Personalized medicine can help these patients receive the most appropriate and effective therapy. New programs for managing costs must be weighed against adding too much of a financial burden on patients – leading to discontinuation of drug regimens, which in turn leads to poor outcomes and higher costs.

The GIC has put many prescription drug programs in place for UniCare members and other GIC health plan members; some of these programs may be extended to other plans in the future:

- **Mandatory Generics** – if there’s a generic equivalent of a brand name drug, the patient is responsible for the cost difference between the brand name drug and the generic, plus the copay if they want the brand name.
- **Step Therapy** – requires patients to try effective, less costly drugs before more expensive alternatives will be covered.
- **Maintenance drug pharmacy selection** – patients who receive 30-day supplies of their maintenance medication at a pharmacy must call the prescription drug plan to indicate whether they wish to continue using their retail pharmacy for maintenance medications, instead of ordering the medications through less costly mail order options.
- **Specialty Drug Pharmacies** – patients who are prescribed specialty drugs must use a specialized pharmacy that provides 24-hour clinical support, education and side-effect management. Medications are delivered to the patient’s home or doctor’s office.

Other ideas to consider:

- **Adding a fourth copay tier** – 17% of employers nationally have a separate copay tier for specialty drugs.
- **Adding co-insurance** – patients pay a portion of a drug’s cost up to a maximum amount. Forty-one percent of employers use coinsurance.

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GIC Life Insurance Benefits Include More Than Death Benefit

State employees and retirees with basic and optional life insurance have peace of mind that their beneficiaries will receive a life insurance payout in the event of their death. However, there are other services for you and your family that may not be familiar to you. These services are provided through The Hartford, our life insurance carrier, and its affiliates:

- **Funeral planning services:** Compare funeral-related costs in your area with this online service. It can save you money on the high costs of a funeral.
- **Beneficiary Assist counseling services:** Help you or your named beneficiaries cope with emotional, financial, and legal issues that arise after a loss. The service includes unlimited phone contact with a counselor, attorney or financial planner for up to a year and five face-to-face sessions.
- **Will preparation service:** Create a customized will online that is legally binding. The service is backed by online support from licensed attorneys.

State employees with life insurance also have Travel Assistance benefits (retirees are not eligible for these benefits). Access a range of services when traveling over 100 miles from home for 90 days or less.

- Pre-trip assistance such as Visa, passport, inoculation and immunization requirements;
- Emergency medical assistance including medical referrals and evacuation and repatriation of the insured’s remains;
- Emergency services including emergency travel arrangements, legal and bail assistance; and
- Identity Theft assistance including fraud detection, fraud alert to credit bureaus, card replacement and emergency cash advance. These services are available to you and your family at home or when you travel.

Contact information, details on administrators, and the codes you need to access these benefits are in your life insurance booklet, available on our website. Visit the website to download a handy wallet card: www.mass.gov/gic/life.

New Municipalities

The GIC will welcome three municipalities: the towns of Ashland, Easton and Westwood; three collaboratives: Charms, LABBB, and Valley; and the MBTA Alliance and Local 6 unions for coverage effective July 1, 2015.

The GIC’s Annual Public Hearing

Wednesday, February 4, 2015
12:30 p.m. – 2:30 p.m.
Minihan Hall, 6th Floor
Charles F. Hurley Building
19 Staniford Street, Boston MA 02114

GIC-eligible employees, retirees, and the public are invited to attend the annual public hearing. The GIC will describe benefit and premium prospects for FY16, and attendees are invited to provide feedback.

Skyrocketing Prescription Drug Costs

- **Increase the copay differential between the three tiers** – 74% of employers have recently changed the copay differential between tiers.

The Commission voted in December to change the drug program for UniCare Medicare members to an Employer Group Waiver Program, a federal government Medicare Part D program, which will lower the GIC’s drug costs. Premium and benefit subsidies may be provided to low income retirees meeting certain eligibility guidelines. These changes will be effective January 1, 2016, and staff is currently working with our consultants to work out the steps for this implementation. Further communications about the details will be sent out beginning this spring.

Rising prescription drug costs are a concern for continuing to provide quality, cost effective benefits. This spring you will receive updates from the GIC about any changes that will be effective in the next fiscal year. Stay tuned for more information.
Many Massachusetts Hospitals Earn an “A” for Patient Safety

Do Your Research Before a Planned Admission

Massachusetts scores second in the nation for the percentage of hospitals with an “A” patient safety rating. With 63% of graded hospitals receiving the Leapfrog Group’s “A” patient safety rating, residents have many great options to choose from. The Leapfrog Group, a national nonprofit organization comprised of large purchasers of health care including the GIC, releases safety scores for hospitals twice each year. The fall rankings place Massachusetts behind only Maine in the percentage of hospitals earning the highest patient safety score. No Massachusetts hospitals scored below a “C”, a distinction Massachusetts shares with only 10 other states.

Since national data show that one in 25 patients gets an infection in the hospital and an estimated 1,000 Americans die each day from preventable medical errors, patient safety remains a major concern. Medical errors are the third leading cause of death in the United States, despite efforts, including those of the Leapfrog Group, to try to change practice patterns. Hospitals report to Leapfrog on a range of patient safety measures. The Hospital Safety Score is calculated by top patient safety experts and is peer-reviewed before being posted for consumers to search.

What can you do as a patient? Most importantly, be engaged in your health care. Ask about the pros and cons of a proposed procedure for your condition. If a hospitalization is needed, visit Leapfrog’s website to see how the hospital ranks on:

- Staffing levels in the Intensive Care Unit
- The number of high-risk surgeries the hospital performs by type of surgery (predicted survival rates are substantially higher at hospitals that perform a high volume of these procedures)
- The number of hospital acquired conditions and how the hospital compares to national averages
- Lengths of stay and readmission rates

You will also be able to view the overall Patient Safety Score for the hospital. If it doesn’t rank highly, discuss with your doctor whether you should go to another hospital. For additional information on hospital patient safety and to compare hospitals in your area on their patient safety rankings, visit Leapfrog’s website: www.leapfroggroup.org.

Sixth Element of Centered Care: High Level Care for the Chronically Ill

The GIC’s Centered Care Initiative continues to make strides in how health care is delivered. In the last few issues of our For Your Benefit newsletter we’ve highlighted the first five elements of Centered Care:

1. Primary Care Provider (PCP) identification
2. PCP engagement
3. Data sharing
4. Low cost providers encouraged
5. Expanded hours and urgent care access

The sixth element is providing high level care for the chronically ill. Although there has been a lot of attention to chronic diseases and miracle cures, there has not been a lot of focus on the grinding exhaustion that accompanies patients suffering from chronic diseases and their families. The best care for these patients and their families is when there is a holistic, high touch approach by the patient’s primary doctor. That person keeps abreast of all of your care, your medications, the barriers you face, and gives you and your family the care coordination and clinical decision and support you need to manage your illness. Patient Centered Medical Homes – a model of primary care centered on the patient that relies on care coordination, a team approach, and the use of information technology to provide better care for patients – exemplifies the sixth element of Centered Care. For a list of all 10 key elements of Centered Care, visit our website or see your GIC Benefit Decision Guide.

For Your Benefit
Winter 2015
Add Some Color to Your Day by Eating a Rainbow of Fruits and Vegetables

Guest Editorial by Ashley Mason, WellMASS Program Manager

It’s winter, which means the days are shorter, colder, and snowier than you’d probably like them to be. Let’s face it – New England winters can feel downright drab. This time of year, it’s easy to get lost in a sea of black, white, and gray – but it’s even easier than you think to add a little bit of color to your day, as the answer to your winter blues lies right in front of you, on your dinner plate.

According to the USDA’s My Plate initiative (www.choosemyplate.gov), an ideal plate of food would contain ½ fruits and vegetables, ¼ lean protein, and ¼ whole grains. That means that half of every meal you eat should be comprised of fruits and vegetables. Not only do fruits and vegetables add the aforementioned burst of color to any meal, they also provide a host of beneficial nutrients. But not all fruits and vegetables are the same nutrition-wise, which is why it’s important to try to eat at least one fruit or vegetable from every color of the rainbow each day in order to ensure you’re getting the variety of nutrients you need.

When choosing fruits and vegetables, it helps to “think in color” and categorize each piece of produce into one of the following color groups: blue/purple/black; orange/yellow; red; green; and white. Fruits and vegetables from each color group generally share several key nutrients: blue, purple, and black fruits and vegetables contain anthocyanins, a potent group of antioxidants; orange and yellow fruits and vegetables are great sources of Vitamins C and A; red produce is a good source of lycopene, another powerful antioxidant; green produce, especially the leafy kind, can be an excellent source of iron and calcium; and even white fruits and vegetables are nutritious – most white produce is high in selenium, a mineral that’s essential to a number of important bodily functions. If you need some help visualizing what a rainbow of fruits and vegetables looks like, you can download a Fruits and Veggies Color Wheel on the GIC’s website: www.mass.gov/gic/wellmass.

This winter, no matter the weather outside, challenge yourself to think in color every single day by eating a variety of nutritious, delicious, fruits and vegetables. Your day is almost guaranteed to be a little bit brighter by doing so!

If you are a GIC-insured active state employee working in the Executive or Legislative Branch or in a Constitutional Office, the GIC’s WellMASS Wellness Program can serve as another valuable resource to help you add more fruits and vegetables to your day, or just eat healthier in general. WellMASS-eligible employees can visit the WellMASS portal at https://wellmass.staywell.com to take their confidential Health Questionnaire and receive tips and tools to help make positive health-related changes. Watch for an upcoming 6-week online nutrition challenge. Visit the WellMASS portal or talk with your agency’s Wellness Champion or GIC Coordinator for more information.

Keep in Mind….

Q) I am a UniCare State Indemnity Plan Basic member and live in Arizona for part of the year. How do I seek medical services?

A) Contact UniCare (1-800-442-9300; unicarestateplan.com) about their Travel Access Program. This program protects members from being balance billed for covered services by a non-Massachusetts provider.

See the GIC’s website for Answers to Other Frequently Asked Questions: www.mass.gov/gicfaq.

GIC Annual Giving Tree Benefits Horizons for Homeless. For the past 25 years, the GIC has supported a number of local charitable organizations with a holiday giving tree. This year’s recipient, Horizons for Homeless Children, serves over 2,000 children per week across the state. The organization offers much needed early education for at risk children in 142 regional play centers. Sadly, 16,000 children age 0-5 are homeless in Massachusetts and the average age of a homeless person in Massachusetts is only eight. The GIC staff helped to make the holidays a little brighter for some of these children by purchasing items on their wish list, including essentials like diapers and paper towels. Emily Levine, Director of Policy and Advocacy (left) and Luna Kim, Donor Relations Manager for Horizons for Homeless Children (right) stand with GIC Executive Director, Dolores L. Mitchell, in front of this year’s giving tree.
Get Your GIC Records Updated Before Annual Enrollment: Benefit Statements Mailed End January

Every year the GIC sends all enrollees a personalized benefit statement that lists your benefit elections and the people you cover under your benefits. Be sure to review the statement as it’s the only one you will receive in 2015. Take the opportunity to get your records up-to-date before Annual Enrollment paying special attention to:

- Spelling of your name and covered dependents;
- Dates of birth;
- Status of your spouse and covered dependents – make sure any former spouse is listed as a former spouse, and not a spouse;
- Life insurance beneficiary (state employees and retirees only); and
- Home address

Your GIC records affect your benefits, so if changes are needed, be sure to use the change form that will be enclosed to report changes. Alternately, active employees can notify their GIC Benefit Coordinator. **Failure to report changes to your marital status particularly can be very costly to you**, as you may be responsible for additional premiums or medical claims.

Active State Employees Only

Active state employees will also see on this year’s statement the phone number and email address we have for you on file. Use the change form to report corrections. State employees who participate in the State Board of Retirement’s retiree benefits will receive SRB beneficiary details on the back of their GIC benefit statement indicating who will receive certain pension benefits and payments of unused vacation or sick time owed. Use the enclosed SRB Beneficiary Form to make any needed corrections to your SRB beneficiary(ies). Keep in mind that the SRB Beneficiary form applies to those benefits only. Your GIC beneficiary(ies) for life insurance purposes appear on the front of the statement, and should be updated with the GIC, not the State Retirement Board.

MyGIC Self Service Center

Current state and municipal employees now have access to MyGIC, an online self service center that allows you to see and print your benefit statement anytime. This is currently being rolled out to retirees; new employees and new group members will also receive details in the future. If you received a MyGIC PIN, be sure to register on the portal and check your GIC benefit records.
Modifications to Rules for Enrolling in Health Plans and Adding Dependents

The GIC has been evaluating our policies regarding the impact of status changes to be sure all procedures are in compliance with federal and state law for pre-tax benefits. As a result of this review, we will be tightening up our rules and instituting deadlines for these changes effective July 1, 2015. As always, required documentation (e.g., birth certificates and marriage certificates) must accompany the change forms.

Effective July 1, 2015:

❖ GIC eligible enrollees can only enroll in coverage for the first time as a new hire, at Annual Enrollment or during the year with a qualifying documentable event: marriage, birth/adoption of child, involuntary loss of other coverage, spouse’s annual enrollment, or return from an approved FMLA or military leave.

❖ GIC subscribers can only change from individual to family or family to individual coverage with a qualifying event: marriage, birth/adoption of child, change in dependent eligibility, divorce (subject to M.G.L. Ch. 32A eligibility requirements), death of spouse/dependent or spouse’s or dependent’s involuntary loss of coverage elsewhere.

❖ All forms and documentation for the above enrollments or changes must be received at the GIC within 60 days of the qualifying event. If you miss this deadline, you must wait for the next Annual Enrollment to make the change.

As always, it’s important to remember that you can only change health plans at Annual Enrollment, unless you move out of your health plan’s service area, at retirement, or are retired and become Medicare eligible, in which case you must change plans.

Additional information about the above changes will be on the GIC’s website and distributed to GIC Benefit Coordinators by the beginning of Annual Enrollment, which is April 8 this year.