



The Puerto Rico Chamber of Commerce  
and El Nuevo Día present:



PUERTO RICO  
**Health & Insurance**  
CONFERENCE 2019

**Solving the Specialty Med Conundrum**  
C. Eduardo Zetina / Qinetix Group



# What is the Specialty Med Conundrum?

# Puerto Rico Health & Insurance Conference 2019



**\$4,797**  
RA/PsA/CD/UC/etc



**\$6,954**  
Multiple Sclerosis



**\$4,264**  
RA/PsA/PsO/etc



**\$5,760**  
Multiple Sclerosis

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**Revlimid<sup>®</sup>**  
(lenalidomide) capsules

**\$11,330**  
Multiple Myeloma



**Xtandi<sup>®</sup>**  
enzalutamid

**\$11,911**  
Prostate Cancer



**Stelara<sup>®</sup>**  
(ustekinumab)

**\$13,038**  
PsA/PsO/Crohn's



**firazyr<sup>®</sup>**  
(icatibant injection)

**\$33,293**  
Hereditary  
Angioedema

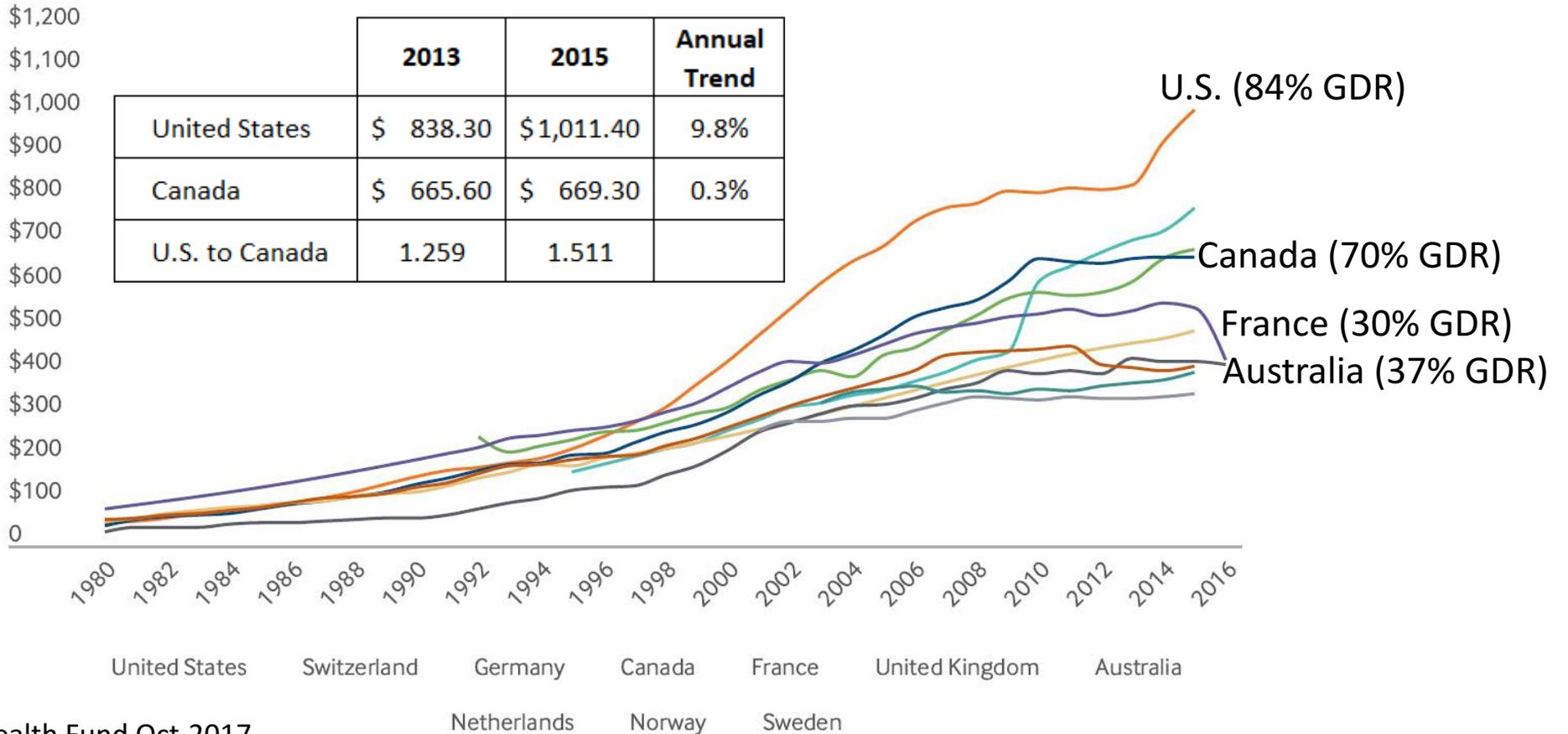


**\$850,000**

**Inherited Retinal  
Disease**

Exhibit 1

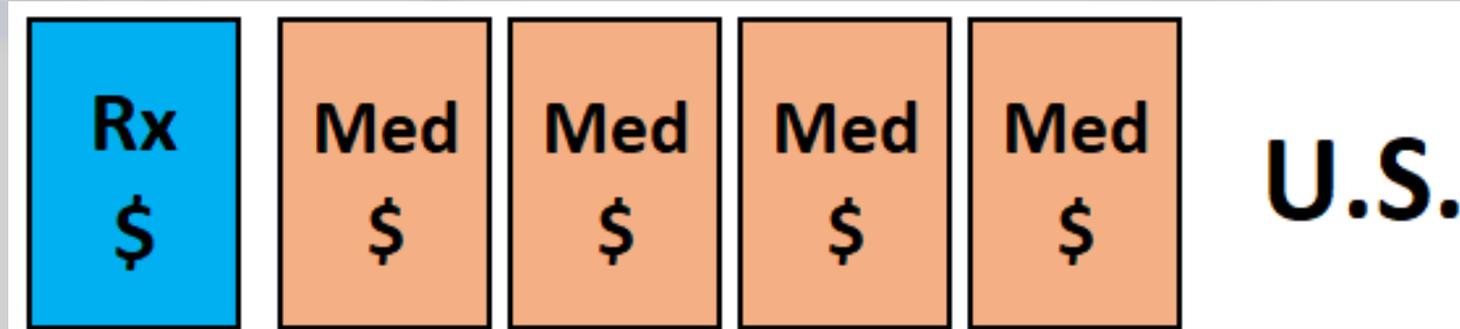
## National Trends in Per Capita Pharmaceutical Spending, 1980–2015



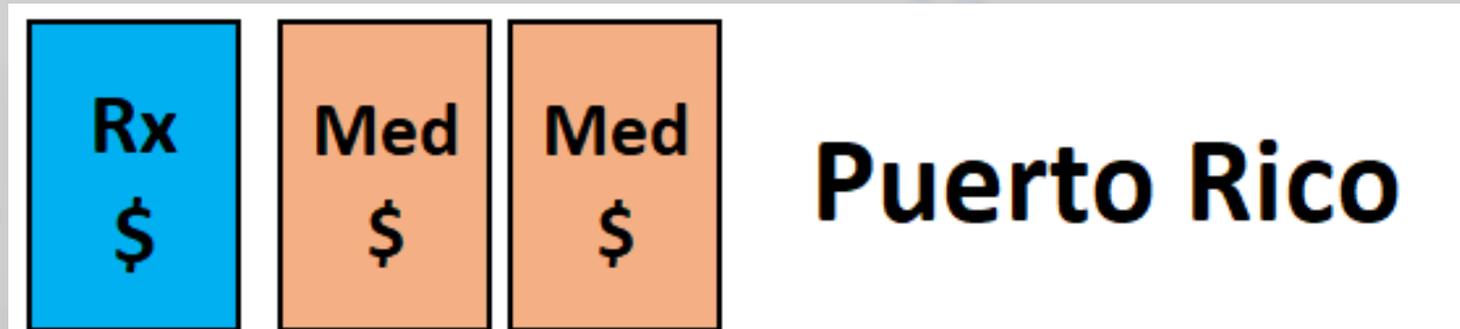
Source: The Commonwealth Fund Oct-2017

*This hits Puerto Rico even harder.*

Rx is  
**20%** of  
Total Spend



Rx is  
**33%** of  
Total Spend

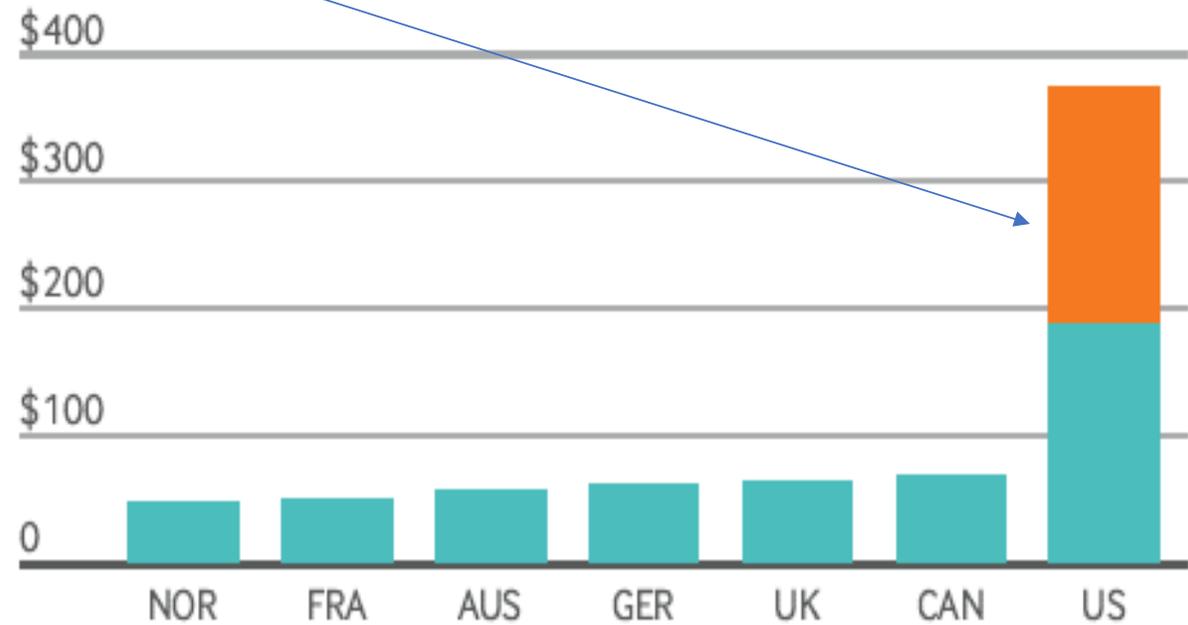
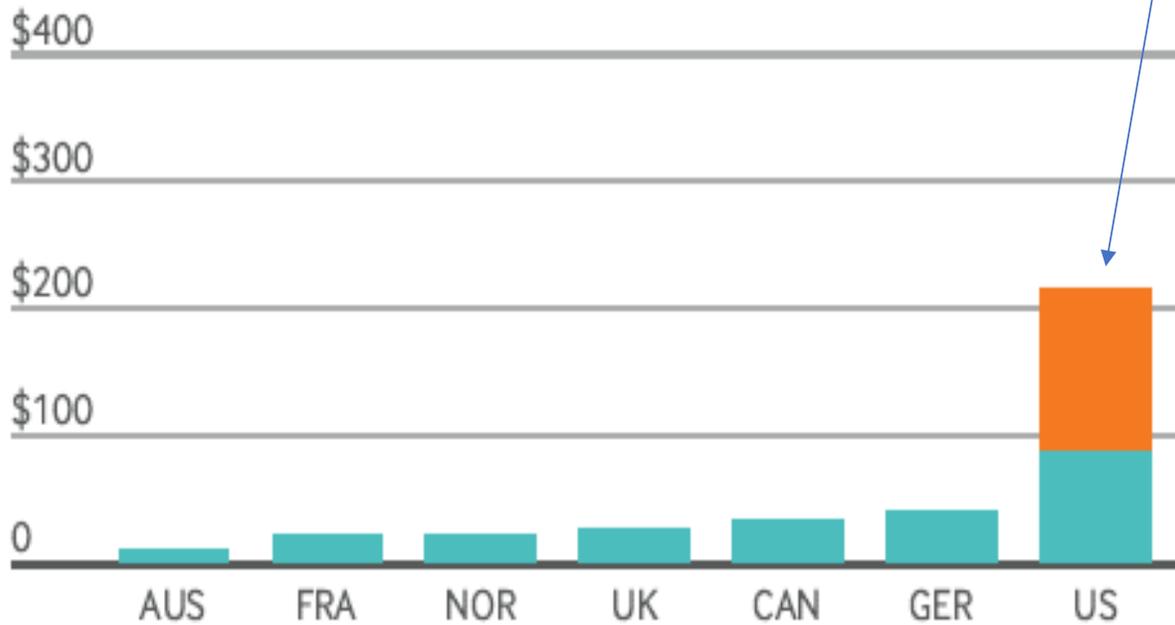


# Rx Net Pricing: U.S. vs Other Countries

Crestor

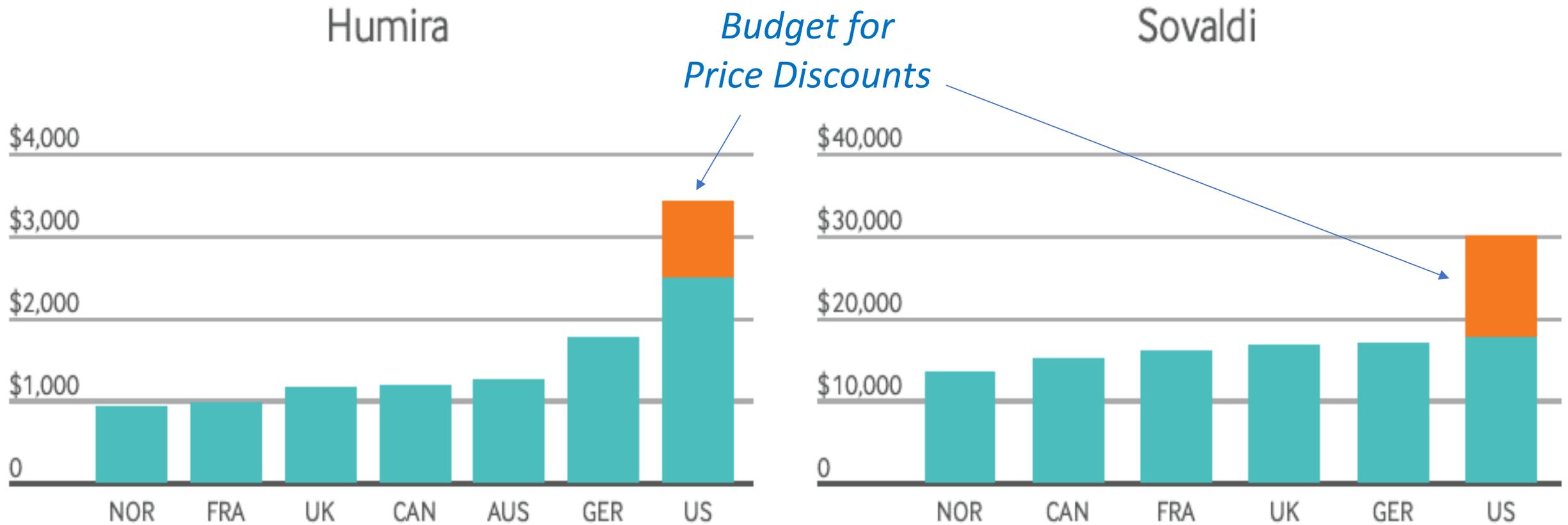
*Budget for Price Discounts*

Lantus



Source: The Commonwealth Fund Oct-2017

# Rx Net Pricing: U.S. vs Other Countries



Source: The Commonwealth Fund Oct-2017

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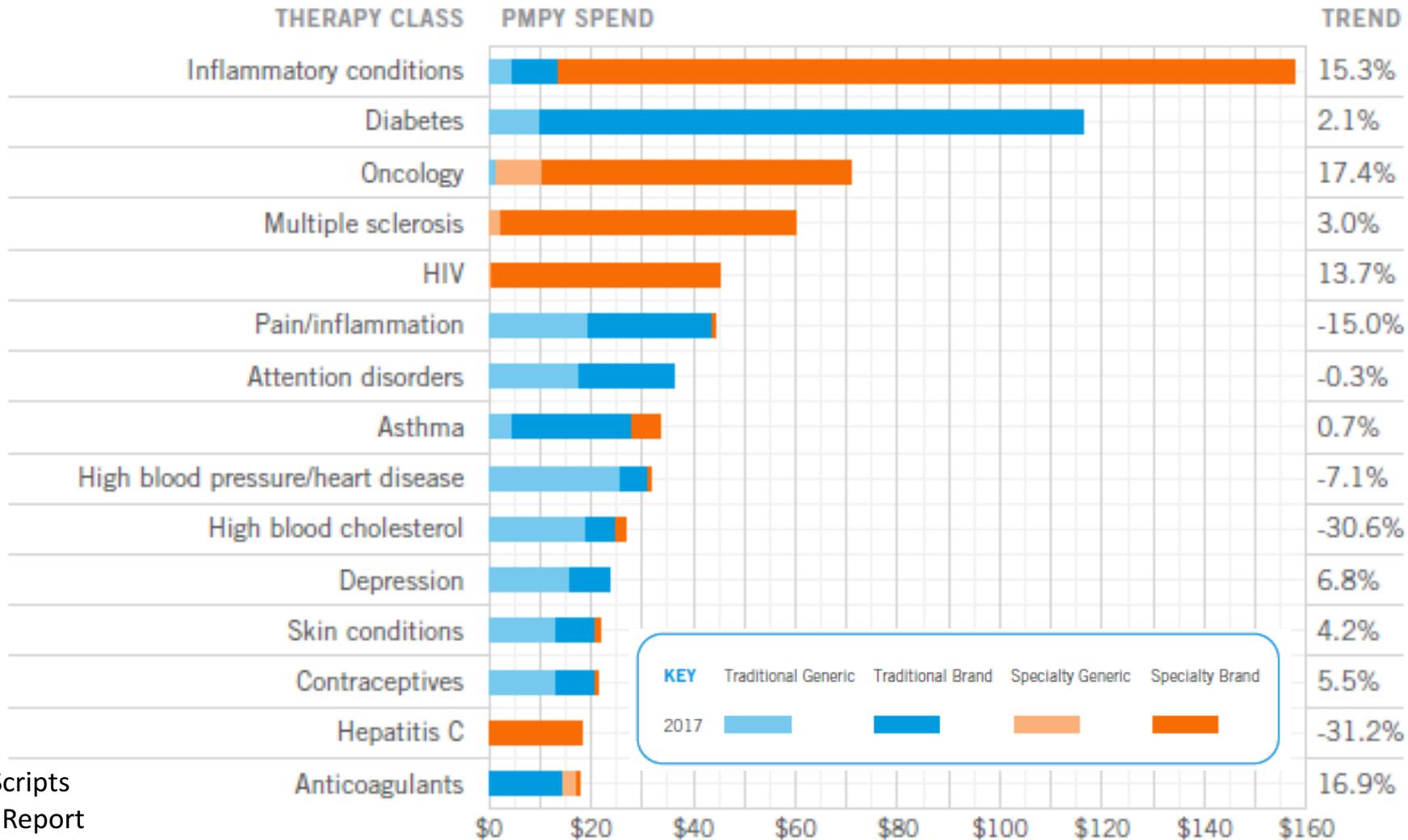
## COMPONENTS OF TREND FOR TOP 15 THERAPY CLASSES



Show table



Ranked by 2017 PMPY\* spend for commercial plans



Source: Express Scripts  
2017 Drug Trend Report

## *Puerto Rico by the numbers...*

- Private health insurance market in Puerto Rico represents about \$2.3 billion in annual expenditures.
- Prescription Drugs account for about one third of those expenditures, or about \$750 million per year.
- Specialty Medications (Biologics) account for less than 2% of all prescriptions filled, yet they account for a whopping 35% of all Rx dollars, or about \$260 million per year in the PR commercial market alone.
- Average Specialty Rx now exceeds \$4,000/month.

## *How are health insurance premiums affected?*

There are two (2) fundamental problems with the way the cost of these vital treatments are factored into our health insurance premiums:

1. They are NOT evenly dispersed among medium-sized employer groups, and
2. Once identified, they are highly repetitive and are therefore automatically priced into the group's renewal premiums.

## *Case Study of a High-Impact Rx Drug on Renewal*

- Employer Group Plan with 250 employees and a Premium Rate of \$400 PEPM
- Monthly Premium is \$100,000 (250 employees x \$400 Premium Rate)
- Monthly Claims average approximately \$85,000—an **MLR of 85%**.
- A dependent is diagnosed with **Hemophilia A** and now needs Clotting Factor VIII replacement therapy at a cost of **\$45,000 per month**.
- Average Monthly Claims for the Group just went from \$85K/month to \$130K/month—and the Group's MLR went from 85% to 130%, prompting a renewal **rate increase of +60%** to cover the cost of the new risk level.
- All other insurance carriers on the island react in the same way, offering rates ranging from +50% to +70%.

Can we mitigate the impact  
through Member Cost-Share?  
(Specialty Coinsurance)

## *The unintended consequence of the MOOP*

- The **MOOP** is the Maximum Out-of-Pocket member expense per year (locally \$6,350 for Indiv contracts / \$12,700 for Non-Indiv contracts).
- In Puerto Rico, by far the most common occurrence of Member Cost-Sharing exceeding the MOOP threshold is in **Specialty Med** utilization.
- Because most Specialty Meds have **Copay Assistance Programs** in place, the MOOP ends up creating an **unintended cap** on the benefit the Pharmaceutical Industry offers.

**Example:**  
**\$10,000/month Medication**  
**under a 30% Coinsurance**









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Monthly Cost	Plan Share	Member Share	Plan % of Tot Cost
Jan \$10,000	\$7,000	\$3,000	70.0%
Feb \$10,000	\$7,000	\$3,000	70.0%
Mar \$10,000	\$9,650	\$350	96.5%
Apr \$10,000	\$10,000	\$0	100.0%
May \$10,000	\$10,000	\$0	100.0%
Jun \$10,000	\$10,000	\$0	100.0%
Jul \$10,000	\$10,000	\$0	100.0%
Aug \$10,000	\$10,000	\$0	100.0%
Sep \$10,000	\$10,000	\$0	100.0%
Oct \$10,000	\$10,000	\$0	100.0%
Nov \$10,000	\$10,000	\$0	100.0%
Dec \$10,000	\$10,000	\$0	100.0%
<b>TOT \$120,000</b>	<b>\$113,650</b>	<b>\$6,350</b>	<b>94.7%</b>

*Effective Coinsurance reduced to only **0.0%** for the **REST OF THE YEAR.***

*Full-year effective Coinsurance averages to a mere **5.3%**.*

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Oct \$10,000	\$7,000	\$3,000	70.0%
Nov \$10,000	\$7,000	\$3,000	70.0%
Dec \$10,000	\$7,000	\$3,000	70.0%
<b>TOT \$120,000</b>	<b>\$84,000</b>	<b>\$36,000</b>	<b>70.0%</b>

*The unintended consequence of the MOOP creates a **very different** result from the INTENDED net cost of the Rx therapy.*

*Proyecto del Senado*  
**1204**

## *What does Bill 1204 propose?*

- **Reduce Base Cost of Specialty Medications** – the bill makes reference to a uniform 40% coinsurance with the specific intent of allowing the pharmaceutical industry's **Copay Assistance Programs** to fully cover the member cost-share without being accumulated toward the MOOP.
- **Mandatory Specialty Medication Reinsurance Program** – the bill also creates an island wide reinsurance coverage that assumes the risk for 90% of the cost of Specialty Medications in excess of the first \$600 per drug per month, for all fully-insured commercial health insurance in Puerto Rico. The bill excludes Medicare and Medicaid programs.

## *What does Bill 1204 propose?*

The legislation effectively reduces the base cost of Specialty Meds by allowing Copay Assistance Programs to do their job, while also diluting the cost even further by pooling Specialty Med risk among **ALL** commercial members. More important, it actually promotes the use of Specialty Meds among the patients that most need them by not directly penalizing group plans that have those patients, during the group's renewal rating process.

## *Revised Case Study of a High-Impact Rx Drug*

- Employer Group Plan with 250 employees and a Premium Rate of \$400 PEPM
- Monthly Premium is \$100,000 (250 employees x \$400 Premium Rate)
- Monthly Claims average approximately \$85,000—an **MLR of 85%**.
- A dependent is diagnosed with **Hemophilia A** and now needs Clotting Factor VIII replacement therapy at a cost of **\$45,000 per month**.
- Under the *P. del S. 1204* reinsurance, this amount is reduced to **\$5,040 per month** (the first \$600 + 10% of the excess).
- Average Monthly Claims for the Group goes from \$85K/month to \$90K/month—and the Group's MLR goes from 85% to 90%, resulting in a more reasonable **rate increase of +12% to 15%** to cover the cost of the new risk level and reinsurance.



# Thank You

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