

Managing Costly Prescription Drugs and Cell and Gene Therapy in 2024



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Market Outlook

Employers' health plans have increasingly been pressured by rising prices of new specialty drugs and existing ones—and pharmacy costs are not expected to slow down this year. Two specific specialty drug trends are propelling the increase of specialty drug spending: Weight loss drugs and new cell and gene therapies (CGTs) are receiving accelerated approvals. Undoubtedly, employers will continue to struggle with controlling rising health care costs and providing employees with affordable and quality care options. Also, as more employees demand these types of drugs and treatments, employers may consider ways to include them in their benefits offerings to attract and retain more talent. Ultimately, understanding weight loss drugs and CGT and their potential impacts on health care costs allows employers to better prepare and implement effective cost-mitigating strategies.

Weight Loss Drugs

Part of the reason for higher costs associated with weight loss drugs is due to increased use. GLP-1 drugs, which suppress hunger and make a person feel full longer, were originally designed to treat diabetes but are now also being used off-label for weight loss treatment. GLP-1 drugs are typically priced at around \$1,000 per patient per month. Despite the rising popularity of GLP-1 drugs for weight loss, employers remain divided on coverage, especially because of their off-label use. Off-label use isn't likely covered by health insurance, which could force workers to pay for out-of-pocket treatment. Also, many employers are concerned that these high-cost weight loss drugs will further contribute to rising prescription drug costs.

More employers are exploring weight loss drugs as this option for weight loss becomes more popular among workers. This pressure will likely further increase in 2024 as some GLP-1 drugs are being approved for weight loss treatment by the Food and Drug Administration. However, covering these drugs may increase the cost of health insurance for all employees at a time when prescription drug prices are already soaring, leaving employers with much to consider.

Cell and Gene Therapy

The recent rise of CGT may create even more concern for employers as it relates to pharmacy costs. These treatments typically range from \$250,000 to \$3.5 million per individual. One of the main reasons CGT is extremely costly is that developing and manufacturing the treatment takes a significant amount of time and resources. Additionally, these treatments are manufactured using manual processes and are typically produced in small quantities. This limits the production capability of these therapies. As a result, the current demand for CGT is outpacing manufacturing capacity. By 2025, it's estimated that nearly 100,000 patients in the United States will be eligible for CGT, which could cost \$25 billion. The increased demand in CGT forces therapy developers to outsource treatment production and manufacturing, which is often very complex, resulting in increased production time and costs.

Employer Strategies for 2024

As organizations face skyrocketing prescription drug costs, more employers are considering the following strategies for managing specialty drug and treatment costs:



Managed access—Some employers have started to use independent third parties when prior authorization is required for expensive specialty drugs and treatment. This helps employers mitigate against pharmacy benefit managers' use of rebates and prior authorization, which can result in increased approval for CGT, creating more savings for employers.



Exclusions—Some employers have limited or outright excluded plan coverage of certain specialty drugs. However, limiting or excluding specialty drugs like CGT from health plan coverage may result in compliance risks.



Cost sharing—Some employers may implement higher cost sharing, including deductibles, copays, coinsurance and premium contributions, for high-cost or low-value specialty medications.

For most employer-sponsored health plans, the cost of specialty drugs is their fastest-growing expense. As these treatments become more widely available, employers will likely be forced to address even higher specialty drug costs.