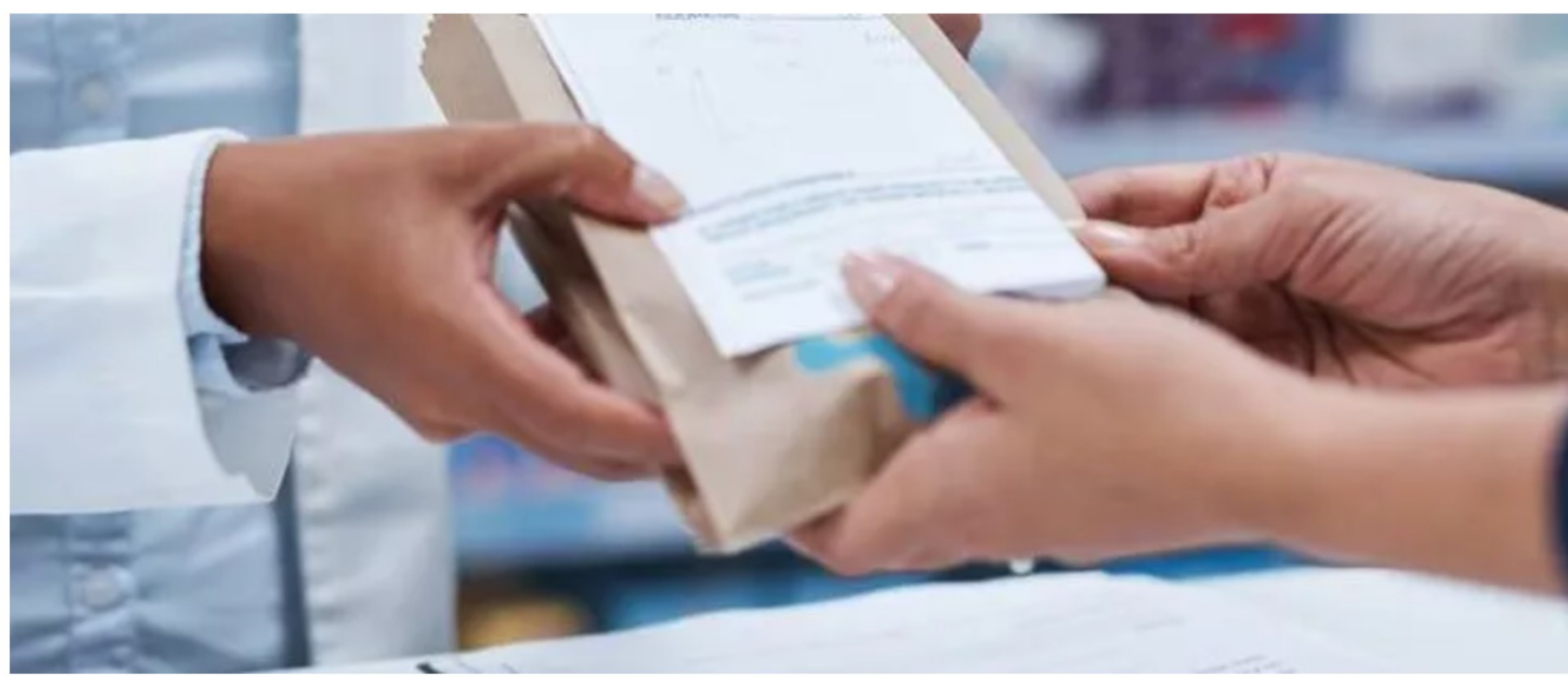


Specialty Drugs: Medical Benefit vs Pharmacy Benefit

OCTOBER 24, 2022 2 MIN UPDATED : OCTOBER 24



Over the past few decades, specialty drugs have evolved dramatically to become one of the fastest-growing medical industries, [projected to reach a value of \\$400 billion by 2025](#). These high-cost prescription medications treat complex, chronic conditions like rheumatoid arthritis, multiple sclerosis, and cancer and often require special handling or monitoring. The drugs represent ground-breaking medical advancements and can often significantly improve patients' quality and length of life. Paying for them is problematic, however, and an ongoing debate exists on whether they should be covered under a medical benefit vs. a pharmacy benefit.

How Are Specialty Drugs Different from Traditional Drugs?

Specialty drugs are developed to treat rare or complex conditions, including so-called "orphan" diseases affecting fewer than 200,000 people. Often, these [drugs are biologic compounds](#) created from living organisms to target a specific aspect of the disease. The drugs are marketed to specialists, rather than general physicians, because of storage protocols, administration requirements, and patient monitoring.

By comparison, non-specialty drugs treat diseases affecting larger population groups. The drugs are chemically synthesized and target disorders like cardiovascular disease, high blood pressure, and diabetes. Traditional drugs are less expensive than specialty drugs, which cost more because of smaller quantities, complex manufacturing processes, and lower marketplace competition.

Is Pharmacy Billing the Same as Medical Billing?

The billing process for specialty drugs differs under medical benefits vs. pharmacy benefits. Medical billing uses a different format and codes from pharmacy billing, claim reimbursement takes longer, and gathering documentation can be a lengthy process. Pharmacy claims are easier to submit, and approval and reimbursement are rapid if a drug is listed on the PBM's formulary.

Covering the Cost of Specialty Drugs

[Specialty drugs are expensive](#), often costing \$1,000 or more each month, and patient spending on them grows by 15-20% every year. Plans covering specialty drugs have a separate "tier" specifying how much patients must pay for the drugs. Co-pays are determined by health plans and the coverage they provide. Individuals may have to pay a percentage of the cost or a flat amount. Co-pays can run to several hundred dollars, but some states cap patients' out-of-pocket drug costs. Many manufacturers also offer patient assistance programs to help people access specialty drugs.

The cost of specialty drugs might be covered under one benefit or the other, or, in some instances, under both. The final allocation depends largely on whether the drug is self-administered or delivered in a clinical setting by a healthcare professional.

Specialty Drugs Under Medical Benefit vs Pharmacy Benefit

Specialty drugs can be covered by medical or [prescription drug insurance](#). Roughly, [50% of drugs covered under medical benefits](#) comprise those that are clinically administered, injected in outpatient facilities, or infused in infusion centers.

Drugs covered under pharmacy benefits are most often self-administered, such as oral medications, self-injectables, or medicines delivered by other methods that patients can manage at home. However, exceptions like cancer medications are typically covered by medical benefits.

There are also differences in utilization, depending on whether the drugs are covered under medical benefits vs. pharmacy benefits. When drugs are covered under a medical benefit, physicians can prescribe them for any purpose, including off-label use. However, under pharmacy coverage, utilization is closely controlled through PA reviews, including the use of step therapy (ST), co-payment differences, quantity limits (QL), and exclusion from plan formularies. The result of this is utilization management is notably more restrictive under the pharmacy benefit compared with the medical benefit.

Xevant provides an intelligent analytics platform geared at managing prescription drug distribution. Discover how this integrated system can help you optimize the use of specialty drugs, understand coverage under the medical benefit vs. pharmacy benefit, and improve patient outcomes. [Contact us to schedule a demo today.](#)

How Medical Benefits Cover Works

Medical benefits typically pay for the care and treatments delivered to patients in acute settings, such as hospitals, clinics, or healthcare providers' offices.

Common examples of these types of drugs are:

- Herceptin (trastuzumab),
- Ocrevus (ocrelizumab),
- Prolia (denosumab),
- Remicade (infliximab), and
- Xolair (omalizumab).

Drugs administered in such circumstances may be used to treat conditions ranging from arthritic psoriasis to non-small cell lung cancer ([NSCLC](#)). These drugs are usually given to patients with acute symptoms to stabilize them enough to discharge them and refer them back to their physician or a specialist for ongoing care. However, when a specialty pharmacy dispenses such drugs, they are not always covered under the medical benefit.

Some of the challenges involved in paying for these drugs include:

1. Visibility challenges resulting from J-codes. Some drugs don't have assigned J-codes and are billed under an unspecified or miscellaneous code. On occasion, J-codes apply to several different drugs, making tracking and evaluating the exact amount billed more difficult.
2. Incorrect billing, which is common and results in problems with payments at a later stage.
3. Fewer checks and balances exist under medical benefits than pharmacy benefits, resulting in limited opportunities to manage drug spend.
4. Lack of automation for both prior authorization (PA) and claims processing, which means payers have to continue to rely on faxes and phone calls.
5. Medical claims data lags behind the actual service and is often not available for days or weeks after a patient sees a provider or receives the medication. However, pharmacy claims are processed in near real-time, prior to the patient actually utilizing the medication.

All these factors make managing specialty drug spending challenging, regardless of coverage.

How Does Pharmacy Coverage Work?

A pharmacy benefit plan is an insurance policy covering the costs of prescription medications for members. Pharmacy plans work by either paying the pharmacy directly or reimbursing the patient for prescription medicines. Coverage depends on the member's plan and whether the drugs prescribed appear on the plan's formulary. The amount covered depends on how the health plan splits the cost between member and insurer.

Most formularies group drugs into tiers based on cost, and members' co-payments depend on the tier a drug falls under. Many medications are covered automatically for patients with a doctor's prescription. However, others are covered only under specific circumstances, such as when prescribed for particular conditions or limited to use only after another medication is tried.

Forward to the Future

It's always tricky to predict the future, but industry commentators believe an integrated, cross-benefit management system is the way to go when determining specialty drug coverage. As the number of specialty products increases, payors will likely develop new specialty management models. These could include Medicare Part B PA delegation and rebates on drugs adjudicated under the medical benefit.

Ultimately, it will be necessary to change the system to achieve improved results, but integration would be a step in the right direction. Through technology, providers can create an integrated, value- and outcomes-based system that delivers health care based on individual needs. Such a system would support stakeholder transparency, enabling organizations to make sound decisions and deliver quality care. This will benefit PBMs, pharmacy and medical providers, and patients.

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