

EPIC ALERT: OCTOBER 2019 SELF-FUNDED PLAN RISK MANAGEMENT

We are in a time of great medical innovation and specifically the rapid expansion of genomic and specialty pharmaceuticals. While these new medications are exciting developments for patients and their families, the exponential rise in pharmaceutical costs can quickly overwhelm the budgets of a self-funded employer group.

Gene therapies are not just another new class of drugs. Unlike most conventional pharmaceuticals which treat symptoms of a given disease, gene therapies aim to cure diseases by correcting the underlying genetic abnormalities causing the disease. As the name implies, gene therapies work by modifying a stretch of DNA on a gene. Scientists use highly targeted techniques to actually change the genetic code of specific tissues.

As additional gene therapies are developed for more common diseases, it is reasonable to expect overall spending in the class to rise. EPIC closely monitors and evaluates the drug development pipeline for upcoming drug approvals, and new treatment classes. As gene therapies continue to enter the market, EPIC would like to proactively recommend risk strategies to manage these potential expenses before it affects the overall business model.

EPIC suggests proactively managing this risk using the following tools:

1. Partnering with a Pharmacy Benefit Manager that includes appropriate prior authorizations and case management capability.
2. Steering medications through the Pharmacy Benefit Manager rather than a medical facility.
3. EPIC negotiates the best in market stop loss contracts for our clients. We strongly encourage investing in additional protection through your stop loss provider to mitigate plan risk. This is the only “true” insurance you have on a self-funded plan:
 - a. Purchase the “No New Laser” renewal provision: This protects your plan from higher deductible exposure in the case one of the gene therapies or other very expensive drugs are utilized in your group
 - b. Purchase a renewal rate “CAP”: We suggest purchasing this provision to have a known worst case renewal which allows time and flexibility for managing plan risk

Below is a list of articles detailing gene therapies currently on the market:

- NY Times Article: The \$6 Million dollar drug claim
<https://www.nytimes.com/2019/08/25/health/drug-prices-rare-diseases.html>
- FDA has approved a gene therapy for a rare childhood disorder that costs \$2.125 million per patient.
<https://www.cnbc.com/2019/05/24/fda-approves-novartis-2-million-spinal-muscular-atrophy-gene-therapy.html>
- Hemophilia gene therapy
<https://www.cnbc.com/2018/05/07/uss-first-drug-priced-at-more-than-1-million-may-be-on-the-horizon.html>
- FDA has approved a gene therapy curing certain forms of blindness.
<https://www.reuters.com/article/us-spark-icer/sparks-price-for-luxturna-blindness-gene-therapy-too-high-icer-idUSKBN1F1298>

For further information, please contact:

Nick Favro

Underwriting Director | Western Region Employee Benefits

Email: nick.favro@epicbrokers.com

Phone: 925.822.9129