biotechnological advances and bio-derived medications offer highly promising new therapies. Biotech medications provide employers with an opportunity to improve their workers' health status and functionality, thereby increasing productivity and decreasing presenteeism. Some biotech medications are costly, and it is predicted that the number of biotech drugs on the market will double in the next decade. To ensure that employers and employees derive optimal value from these medications, employers must seek innovative approaches to benefit design and coverage options for newer drug therapies. Pitney Bowes, Eastman Kodak, and El Paso Corporation are some of the organizations currently developing innovative benefit design programs. The insights offered by these organizations will help employers of any size better understand the issues and challenges and integrate proven solutions for obtaining maximum value from biotech medications.

Managing Health and Costs Through Strategic Investments

David Hom and Jack Mahoney, MD

The use of high-cost biotech medications has increased substantially in the past several years and is expected to accelerate. As more biotech medications for chronic conditions enter the market, the effectiveness and appropriateness of copayments have come into question. Copayments are a classic cost-sharing tool, but they may not work when trying to manage costs for employees with chronic conditions.

Internal studies show that larger copayments prompt members to take fewer medications or forgo them altogether; this can translate to more illness or higher healthcare costs. These studies suggest that the higher the copayment, the less likely it is that patients who stand to gain the most from appropriate biotech therapies will use them.

If this is true, how do employers establish the right balance? The following case study describes one way employers might be able to incorporate these therapeutic agents into their healthcare plan in a focused, prudent manner.

Creating a Balance

Pitney Bowes (PB) is a Fortune 500 company that has more than 35,000 employees globally. PB has determined that when employees
Leading Employers Share Strategies for Managing Promising, High-cost Biotech Medications

who suffer from chronic health conditions have access to medications—including some of the newest biotech medications—for specific chronic illnesses, PB receives a solid return on investment (ROI). PB observed that improving employees’ access to biotech medicines resulted in fewer acute cases, fewer hospitalizations, and less absenteeism. Like many employers, PB wondered how to manage the health risks associated with chronic conditions such as asthma, diabetes, and hypertension in conjunction with its total healthcare expenses. These chronic conditions, like many, demonstrate strong associations between disease progression and low utilization of prevention or screening services (diagnosis) and/or low possession rate of target medications (adherence).

Faced with these challenges, PB developed a strategic investment plan to manage healthcare costs of employees with asthma and diabetes more effectively. This required creating a total cost picture that included expenses related to inpatient and outpatient treatment, pharmacy, disability, absenteeism, and workers' compensation; removing barriers by expanding coverage for pharmacy benefits; promoting adherence; and tracking total costs over time.

First, PB looked at its pharmacy benefit design in the context of its population’s health trend and made the following determination:

- IF chronic disease prevalence is growing,
- …AND pharmaceuticals are an integral part of managing most chronic conditions,
- …AND a low possession rate of target medications is a key predictor of future disease burden and costs,
- THEN companies can reduce future health claims by making sure employees with chronic disease remain on their medications.

When evaluating the best way to ensure that employees with chronic disease continued to take their medications, PB established the following:

- IF prescription drugs are subject to the price elasticity of demand,
- …AND prescription drugs’ demand elasticity is a function of costs,
- …AND medication adherence is a function of drug access and affordability,
- THEN putting target chronic disease medications in the most affordable tier is a solution for improving adherence to a disease management program.

What PB Achieved

As a result of this strategic planning, PB elected in 2001 to replace the existing copayment system for prescription drug coverage with coinsurance. Coinsurance requires employees to pay a share of each prescription’s price, rather than a flat dollar amount regardless of price. PB found that, from a behavioral standpoint, copayments had desensitized employees to the true cost of their medications and physician visits. PB implemented a 3-tier coinsurance plan for both mail order and retail prescriptions, managed by a pharmacy benefits manager, which allowed PB to monitor the delivery, receipt, and duration of prescribed medications and educate patients on their appropriate use. To cushion employees’ OOP expense, the higher cost medications used in treating asthma and diabetes were reassigned from tiers 2 and 3 to tier 1.

An analysis of the effects of PB’s decision to switch medications for specific chronic conditions to the lowest tier produced these preliminary findings:

- Decreases in annual costs of care for asthma (15%) and diabetes (6%);
- Decreased pharmacy costs;
- Fewer hospital admissions for members with asthma;
- Fewer emergency department visits made by members with diabetes (disability costs decreased by 50%); and
- Changes in the medication possession rate for patients with diabetes and those with asthma (improved adherence and the use of more controllers [49% vs 61%] was noted, as well as reduced use of rescue medications [51% vs 39%]).

By employing an investment strategy instead of a cost-containment strategy, PB has experienced a better return on its investment in terms of employees’ health. Since 2000, the compound annual growth rate of PB’s gross healthcare cost per employee has been 7%, versus 12% for benchmark companies. Overall savings in the first year were
$1 million; overall savings in the third year were $2.5 million. Employees benefit from these savings in the form of reduced premium costs.

In its approach to managing biotech drugs, PB decided that data specific to the organization should be analyzed from a totally integrated perspective and the analysis used to target employers' interventions. This should be a continuous process. PB concluded that using an investment strategy—not a cost-containment strategy—is key to returning value (ROI) in employee health and engagement. PB took a proactive approach to managing health issues and their associated costs, making strategic investments that facilitated access to appropriate care. By doing so, PB was able to employ important therapeutic agents (eg, biologic medications) in a better focused and more prudent manner.

Jack Mahoney and David Hom coauthored the 2006 book Total Value, Total Return: Seven Rules for Optimizing Employee Health Benefits for a Healthier and More Productive Workforce.

Revisiting Centers of Excellence: How the Concept Can Complement Future Benefit Strategies

Kenneth D. Wells, MD

The concept of Centers of Excellence (COE) dates back to the mid-1980s. Many institutions claim the “COE” title, but the designation has become commoditized and diluted over time. El Paso Corporation (EPC) has taken a fresh look at the COE approach, including its fundamental goals and the ways it can complement and supplement existing benefit strategies. EPC’s foray into COE has increased positive health outcomes and, more importantly, improved employee functionality and health status.

Overview of El Paso Corporation’s Approach

Houston-based EPC owns North America’s largest natural gas pipeline system; it traverses ~43,000 miles and transports about one fourth of the natural gas used in the United States each day. The current COE program is a hybrid, incorporating a legacy program acquired through a merger with Tenneco Energy. The principal objectives of EPC’s program have always been high-quality healthcare and cost savings, achieved effectively and efficiently. The company firmly believes that “quality with reduced cost” is not a mutually exclusive concept.

Focus on Catastrophic Cases

In its original iteration (pre–managed care in the 1980s), the program effected savings through contracting directly with COE providers. At times, this saved the company >40% above “reasonable and customary” fees. The magnitude of savings allowed the company to finance costs related to transporting employees and their family members to the COE and providing them with lodging.

El Paso Corporation’s Program

In time, the program evolved and is now known as the “Select Plus Program.” The program qualifies those healthcare service providers offering the best quality medical care (best physicians, hospital, support teams, etc) and assistance decreasing high out-of-pocket medical expenses to become part of the company’s network.

To be eligible for the Select Plus Program, an employee must opt in and maintain primary coverage through one of the company’s preferred provider organizations. Approximately 1% of employees (~60 per year) take advantage of the Select Plus Program. The program continues to grow and is one of EPC’s most popular benefits.

Then and Now: Incorporating Today’s Benefit Features

Following the program’s inception, it went from offering discounted rates on reasonable/customary fees to stipulating prenegotiated fees established by the third-party administrator (TPA)/carrier. Components remaining from the original program include the savings generated from the concept of “doing it right the first time,” superior outcomes, and shorter treatment durations, which allow employees to return to work sooner. In addition, employee satisfaction with their healthcare benefit has increased and presenteeism has improved.

In the past few years, the COE program began including biotech drugs, which often delay onset of some conditions and are used to treat many high-cost diseases, such as lung cancer and transplants.
Leading Employers Share Strategies for Managing Promising, High-cost Biotech Medications

Wayne M. Lednar, MD, PhD

Employers are well aware of the costs associated with diabetes, heart disease, and depression. Many are unaware, however, of the costs and implications of coincident diseases, also known as comorbidities. Comorbidities are defined as concomitant and related pathological or disease processes. Ill employees often have not just 1 disease, but 2, 3, or more serious and costly illnesses.

To improve employee benefits, safeguard plan dollars, and enhance the quality of care provided to employees, employers must begin to anticipate and recognize emerging comorbidities early on. They must incorporate strategies to address these concomitant conditions effectively, as part of the healthcare benefit. Incorporating biotech drugs into the benefit design at explicit, predetermined points in the care continuum is a proven approach to managing comorbidities. Managing the use of biotech medications is also vital.

To help ensure that a benefit program adequately addresses the issue of comorbidities, employers can discuss the following with clinical staff and benefit managers:

- What are common comorbidity combinations and related cost trends in the beneficiary group (including numbers, joint treatment costs, and year-on-year cost trends)? The following are possible combinations:
  - Elevated cholesterol and diabetes
  - Acute myocardial infarction (MI) and depression (after acute MI)
  - Cancer and depression
  - Congestive heart failure and diabetes
  - Joint disorders and overweight/obesity
  - Elevated cholesterol and hypothyroidism
- What disorders in the beneficiary population can be treated with existing or soon-to-be-released biotech treatments?
- How many plan beneficiaries would benefit from using biotech treatments?
- What is the overall cost of using biotech treatments? (Ask the health plan to provide cost estimates; note that there are new predictive tools to determine cost.)
- When is it appropriate in the clinical course to begin biotech medications, to discontinue them should they fail to produce clinical benefit, and to monitor their costs and clinical effectiveness? (Ask for data summarizing current use of biotech medications across all medical and prescription drug plans used at any treatment location, including hospitals, outpatient settings, and self-administration at home.)
- What options would allow the employer/plan sponsor to reduce costs to the plan and employees? These might include increasing mail order use; taking advantage of pharmacy benefits manager volume purchasing discounts; or delivering biotech medication to the provider for administration.

Employers seeking to develop optimal benefit programs must take the steps outlined here to address the issue of comorbidities. Employers must also carefully examine current trends in use and adopt new approaches to ensure that they secure optimal benefits from emerging health technologies.
• Analyze existing claims data to identify the medical/COE resources employees will need. Focus efforts on finding centers that provide this care.
• Reach out to other employers and leading physicians who can help identify centers that have been prequalified or screened.
• Ensure that benefit design is appropriate. The COE component of the benefit should be accessible and affordable for all employees. It should complement other benefit components, such as coverage for biotech medications.
• Focus on assisting employees through each phase of the process. Remember, it is not just about getting employees to the best institution. Making the process seamless and not adding to employees’ current concerns by requiring them to deal with paperwork, insurance, and other details are key.

EPC believes that its approach to COE has benefitted the company and its employees significantly. EPC’s philosophy of benefits is that a program’s single greatest attribute is not what it says but rather how it treats employees. Fortified by this belief, EPC is confident that its COE program, which has been tested and refined over time, will continue to provide value for all employees who participate in it.

**Conclusion**

Targeting potentially disabling and life-threatening conditions with biotech medications limits their progression, decreasing the overall severity or effects of a disease. Biotech medications may allow employees with potentially disabling conditions to remain on the job and function more effectively, resulting in longer and more productive working lives. The employers’ experiences and recommendations outlined in this article highlight the value of developing an approach that facilitates employee access to biotech medications. Although the companies mentioned are all major employers, the lessons they learned can be applied by a company of virtually any size. Companies that successfully implement a comprehensive, multidisciplinary, rational policy for the use of biotech medications ensure that employers, health plans, and employees all benefit from advances in biotechnology and that limited healthcare benefit dollars continue to be spent properly.

**Acknowledgment:** The authors wish to acknowledge Brenna Harrington and Christe Bruderlin-Nelson for their contributions to this supplement.

**Funding Source:** This supplement is supported by funding from Amgen Inc.

**Author Affiliations:** Pitney Bowes, Stamford, Connecticut (DH, JM); El Paso Corporation, Houston, Texas (KDW); Eastman Kodak Company, Rochester, New York (WML).

**Authorship Disclosures:** Consultant/Advisory Board: Amgen Inc (KDW); Honoraria: Amgen Inc (KDW). These authors have nothing to disclose (DH, WML).

**Authorship Information:** Concept, design, and drafting of the manuscript and critical revision of the manuscript for important intellectual content (DH, JM, KDW, WML).

**Address Correspondence to:** Sofia B. Manoussakis, Director of Communications & PR, Integrated Therapeutics Institute, LLC, PO Box 416, Greenfield Center, NY 12833. E-mail: smanoussakis@integtx.com.