

# High-cost drugs

**Soaring prices for innovative therapies create health inequities and prompt questions about who will bear the costs**

For over a decade, the United States has consistently had the highest per capita spending on prescription drugs compared to other countries.<sup>1</sup> In the past few years, specialty medications and targeted gene therapies have demonstrated remarkable clinical advancements. But their high costs are simply unaffordable for some and create new health disparities for many more.

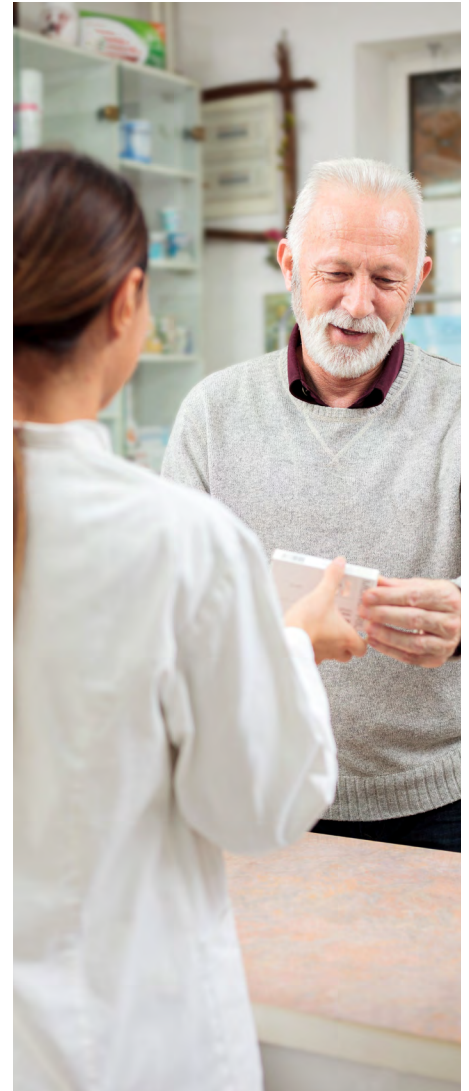
Today, we are in an era of life-science innovation with new therapies continually emerging. But a recent report noted the median annual list price for these new specialty drugs in 2023 was a stunning \$300,000.<sup>2</sup> While the eligible patient population for each high-cost drug is typically small, the increasing number of high-cost drugs means every year a payer has an even greater likelihood of experiencing unpredictable high-cost claims. The emerging dilemma is who will pay for it and how?

In the past 12 months, there has also been an acceleration in overall drug spend that is primarily coming from new treatments for diabetes and obesity. In many cases, the rising demand for expensive GLP-1 agonist drugs is so great it is causing measurable upward changes to trend projections. Whether or not GLP-1's will reduce total cost of care in the long term will be determined over the next few years.<sup>3</sup>

Increasing drug costs and utilization are driving many employers and insurers to shift costs to consumers through higher copays, deductibles and premium costs. Many consumers cannot afford this added spend, with some likely avoiding or delaying treatments altogether.

## Forces driving drug coverage decisions in 2024

Actuaries are still studying the costs and health benefits of GLP-1 agonist drugs to treat diseases. While effective at weight loss, the current price point does not offset the direct cost of downstream events such as cardiovascular disease or strokes.



Though these medications are effective at weight loss, there's no evidence that patients can get off these drugs in the long term and maintain a long-term benefit. At this price point, the medical cost offset is not enough to financially justify the cost of the drugs. But that does not mean consumers shouldn't have them. It means ongoing analysis and achieving affordability is key.

According to contributing experts, as manufacturing ramps up and shortages ease, competitive offerings will create more leverage for health plans to encourage manufacturers to negotiate their prices for formulary position and/or coverage criteria that allows plans to appropriately manage coverage. New products are expected to gain FDA approval over the next several years and bring needed competition to current GLP-1 agonist drugs.<sup>4</sup>

## High-cost drugs: Progress, challenges and what to watch

The GLP-1 class of drugs continues to gain traction because they are effective for most people. New therapies and new clinical evidence continue to emerge, and providers will have to stay current with those evolving guidelines. It is likely data relative to the dosage and length of treatment will adjust. Chronic weight management best practices will continue to emerge over time. We may find that what is clinically effective the first year may not be appropriate or necessary for the second year. As these drugs are now used on an increasingly broad scale, we will learn more about who they help, what doses are best over the long term and which patients may be able to manage long-term weight loss without needing a drug.

But truly delivering a long-term health benefit requires more than the medicine. Providers will need to use this drug benefit to help patients make additional behavioral modifications that improve their health. Providers and health plans need to be ready with wraparound programs that address the whole health needs of these consumers. They need to make sure every consumer has access to the right clinician, health coach and information that will help them make the most of this investment and lead to the health outcomes they seek.

To get there, the industry as a whole needs to advocate for more affordability and allow for more flexibility in the coverage criteria for different patient populations.

Managing costs of high-cost drugs over the long term presents unique challenges, as the dollar swings are much more dramatic, sometimes even from a single claim. For example, you might be a health plan with 1,000 lives covered, allowing for \$1 to \$2 million per year in drug spend. Suddenly, you have one claim that presents for \$3 million dollars. It's unaffordable. The infrastructure does not yet exist for how to pay for these high-cost specialty events and how to amortize the costs over time.

Many smaller health plans, state exchanges and small to mid-sized employers are simply unable to take on the risk and fund the high cost of these drugs. Employers are forced to make hard choices between retirement funding and salary increases or drug coverage. These are tough choices forced upon them by current price points.



Affordability is key to improving access to innovative therapies, and as more competitive products enter the market, our ability to negotiate with drug manufacturers improves.

– **Michael Einodshofer**  
Chief Pharmacy Officer  
Optum Rx

To achieve real progress, there needs to be more competition, more advocacy for affordability and more alignment of financial incentives across the health care ecosystem. Consider a provider group or a prescriber group taking risk on pharmacy. They would find ways to remove waste within current prescribing habits. They'd be financially motivated to keep patients adherent to therapies that have a meaningful medical impact. And they would be working with the most current clinical guidelines to identify the low-cost medication that can achieve the quality outcome everyone seeks.

## Moving forward on high-cost drugs



Consider a stop loss policy, specialty risk protection or a gene therapy risk protection program to protect against sudden financial exposure to high-cost drug claims.



Financially prepare for covering obesity drugs in the future, especially as clinical indications expand and affordability improves.



Advocate for more affordability, price transparency and more clinical studies of new therapies.



Employ data analytics to understand the prevalence of need within the consumers you serve.



Make sure those who do need a high-cost drug have the affordability and the access they require.



Develop the wraparound services that will generate the most benefit out of the drug coverage.

## Why the time to act is now

Specialty drugs, gene therapies and many other drugs can be lifesaving. GLP-1 agonists can be lifechanging. The industry must work quickly to provide equitable access to breakthrough medications for patients who need them.

Health plans and employers need to protect against unseen risk, as one claim can leverage a tsunami of financial risk. Providers must stay alert to new studies and guidance that impact the efficacy of these new drugs.

Everyone needs to examine the value driven between stakeholder relationships in the prescription drug system, build resilience in the supply chain and engage in transparency. These actions with policy reform will support improved access and affordability.

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### High-cost drug sources

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