

Third Annual Medical Pharmacy Trend Report Illuminates Hidden Healthcare Costs

Industry reporting on specialty pharmaceuticals has historically left out medications covered and paid for under the medical benefit.

This is the only detailed drug trend report available for those medicines administered by providers and billed under the medical benefit.

Specialty drug costs increased 16 percent for the top 25 therapies.

AVON, Conn.--(BUSINESS WIRE)-- Today, Magellan Pharmacy Solutions, a division of Magellan Health Services (NASDAQ: MGLN) released its third annual [Medical Pharmacy Trend Report](#). The report is the only industry benchmark of its kind to analyze medical drug data, explaining the trends surrounding specialty medications such as those used to treat complex chronic conditions like cancer, rheumatoid arthritis and multiple sclerosis.

"No other source exists that directly measures the trends for injectables that are paid under a payor's medical benefit, where top drugs, such as Neulasta, Remicade, Avastin, Rituxan, and Tysabri are almost entirely paid," said Michael Waterbury, President of ICORE Healthcare (a subsidiary of Magellan Pharmacy Solutions).

As much as 50 percent of specialty pharmaceuticals are managed and paid for under the medical plan benefit today, a significant increase compared to previous years. This is driven by several factors, most notably the ability of manufacturers to maintain patent protection for the top 25 specialty drugs. Increases in price and utilization are also key drivers of increased trend. The year-over-year cost increase for specialty drugs was 16 percent for the top 25 therapies.

"Site of service continues to be a threat to cost containment with almost half of all specialty injectables spend being administered in hospitals where their costs can almost double," said Waterbury. "The trend of larger health networks buying up smaller physician practices will compound this issue. Commercial plans spent more than \$251 million in medical benefit injectable costs for every million lives covered across all sites of service in 2011, and there was a 22 percent cost increase from 2010 to 2011 for the top 25 therapies."

Key findings of the trend report

This report demonstrates increased activity and awareness by payors across the country to manage medical pharmacy spend. Due to the complexity, the payors that were surveyed experienced continued challenges to ensure these programs improve quality and reduce costs.

The key findings of the trend report include:

Specialty drug costs are rising dramatically, with an increase of 16 percent for the top 25 therapies

Lucentis, an injectable therapy for treating Macular Degeneration, is now among the top 5 drugs in cost covered under the medical benefit. Remicade, used to treat Rheumatoid arthritis, generated the largest overall spend with a 27 percent year-over-year increase; while the top 25 therapies accounted for more than 69 percent of total medical injectable spend. There was also a significant increase in formulary management for metastatic breast cancer (97% in 2012 vs. 59% in 2010) attributed to the FDA labeling of Avastin and the approval of other high-cost oncology agents like Halavan

Coinurance and copays continue to significantly increase consumer out of pocket costs

Using a more expensive site of service negatively impacts consumers as trend report data shows health plan members had to absorb co-insurance increases of 20 to 26 percent last year for medical injectables, with consumer copays increasing between \$46 and \$75 per administration, demonstrating the plans' interests in increasing member cost contributions.

The approval of biosimilars streamlined by the FDA

The FDA issued three guidance documents in February 2012 for the approval of biosimilars that add clarity to the shortened pathway for approval. They also present new challenges and questions for payors in terms of utilization management, reimbursement, rebates, and formulary. Also, fewer health plans are receiving rebates for medical benefit drugs today than in the past. This is thought to be a result of the restructuring of key rebate opportunities for biological response modifiers paid under this benefit.

Data shows Genomic testing is now the established norm

Four out of every five health plans nationwide now cover Genomic testing, which continues to play an important role in determining patient potential for positive treatment outcomes, with HER2 testing for breast cancer therapy and KRAS testing for colorectal cancer therapy.

Methodology

To compile the report, Magellan Pharmacy Solutions surveyed 50 top U.S. commercial health plans representing 157.2 million lives, and evaluated paid claim files for health plans' medical benefit injectables. This third edition also provides a comparison between data from 2011 and 2010.

For more information about the 2012 Medical Pharmacy Trend Report and to download a copy, please visit www.ICOREHealthcare.com.

About Magellan Health Services

Headquartered in Avon, Conn., Magellan Health Services Inc. is a leading specialty health care management organization with expertise in managing behavioral health, radiology and pharmacy programs. Magellan delivers innovative solutions to improve quality outcomes and optimize the cost of care for those we serve. As of September 30, 2012, Magellan's customers include health plans, employers and government agencies, serving approximately 33.8 million members in our behavioral health business, 17.3 million members in our radiology benefits management segment, and 8 million members in our medical pharmacy management product. In addition, the specialty pharmaceutical segment served 40 health plans and several pharmaceutical manufacturers and state Medicaid Programs. The Company's Medicaid Administration segment served 24 states and the District of Columbia. For more information, visit www.MagellanHealth.com.

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