

More than 1,000 pack Armada Specialty Pharmacy Summit

By ROB EDER

LAS VEGAS — Specialty pharmacy has emerged as a separate and distinct trade class, Armada Health Care CEO Larry Irene told attendees of the sixth annual Armada Specialty Pharmacy Summit on May 4 at the Wynn resort and casino in Las Vegas.

It was estimated that well more than 1,000 executives, including specialty pharmacy providers, pharmaceutical and biotech manufacturers, payers, managed care companies and various other affiliated healthcare organizations, were on hand for the three-day meeting. The conference kicked off in earnest the morning of May 5, with opening remarks from Irene and a presentation from CVS Caremark VP biotech and specialty industry relations Albert Thigpen, who discussed the state of the specialty pharmacy business — where the market is today and where it's going in the future — and a presentation by Christopher Goff, CEO and general counsel for the Employers Health Coalition of Ohio, on current trends in large employer benefit strategies for managing specialty pharmacy.

Goff, who also oversees the organization's Employers Health Purchasing Corp. subsidiary, which includes employers in Ohio as well as 11 other states, representing more than 2 million covered lives in all, talked about the concerns that employers have as it relates to managing specialty pharmacy spending. Chief among those concerns, Goff noted:

- Specialty pharmacy spending is growing 3.5 times faster than traditional pharmacy spending;
- Specialty pharmacy costs run six to 11 times more than traditional pharmacy costs; and
- Total drug costs are running \$15,000 to \$110,000 per year.

What are big employers doing to mitigate those costs? According to data compiled by Goff's organization, among other methods:

- 61% are using exclusive specialty pharmacy networks;
- 41% are employing methods to reduce inappropriate utilization by following evidence-based guidelines; and
- 40% carve out specialty drugs from the medical benefit.

As for the state of the specialty pharmacy/biotech market, CVS Caremark's Thigpen shared growth estimates in excess of \$112 billion by 2014, with a robust pipeline of approximately 145 to 150 biocompounds in phase-3 development. Yet despite the meteoric growth, Thigpen believed the specialty pharmacy market "is not well-defined or organized," he said, with a message to all attendees: "If you don't create change, change will create you."

Among the key trends Thigpen believed will continue in the near future, is the continued



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(Below) Armada Health Care president Robert Irene, former Massachusetts governor Mitt Romney, Armada CEO Larry Irene and Armada chairman and founder Sandy Irene



merger and acquisition activity between large pharmaceutical companies and small biotech companies with rich research and development pipelines; the continued shift in reimbursement models, including a shift to more fee for service — fee for service contracts increased more than 50% over the last three years, he said; and the continued contraction of specialty pharmacy networks — since 2005 the number of plans that use just one specialty pharmacy provider has increased significantly, while the number of plans using three or more has decreased, Thigpen said.

Certainly, a major highlight of the program was keynote speaker Mitt Romney. The former Massachusetts governor focused his remarks on the qualities he believed define American greatness — such as the work ethic that helped build the country and the drive to become educated, which for decades had separated Americans from the rest of the world — and how government in recent years has created policies that discourage Americans from aspiring to those qualities.

Using the examples of the desires to work and become educated, Romney pointed to two specific data points that illustrate how policy-makers are undermining America's greatness: in Massachusetts, the former governor was shocked to learn that 85% of the commonwealth's welfare recipients had absolutely no work requirement to receive the benefit, and today, American students in grades K-12 score in the bottom quartile among children in developed countries around the world.

Similarly, health care is another area where the United States is trailing its peer nations across the globe. Here, healthcare spending represents about 18% of the nation's total gross domestic product, versus the 12% average among modern industrialized nations. By comparison, defense spending represents just 3.6% of U.S. GDP.

Romney also discussed key differences between President Barack Obama's 2,400-plus-page health-

reform plan and the 70-page Massachusetts universal healthcare plan created under Romney's administration. While the federal plan Congress recently approved will fall dramatically short of covering all of the country's 40 million uninsured, and at considerable costs approaching nearly \$1 trillion, the Massachusetts plan managed to cover 98% of all state residents at a cost of roughly 1.5% of the total budget for the state — which was within the original scope of the plan.

One key worry that Romney feared about the country's current healthcare system is what many have called the misalignment of incentives both for patients and providers. "One decision-maker, the physician, wants to provide more and more services," because he or she is billing for each, while the other, the patient, "doesn't care what the cost is," beyond his or her co-pay, Romney said. The solution, he believed is a consumer-directed model where patients have more stake in holding down the total costs of care, versus Obamacare, which he believed has created a mechanism for government to manage rising costs by controlling it at the federal level.

One special addition to the program was a presentation from Armada to the 24 original specialty pharmacy providers that attended the first summit five years ago. Executives from each of the companies, including MOMS, Amber, Axium, CVS Caremark, Walgreens Specialty Pharmacy, CommCare, Bioscrip and others, were called up on stage and were presented with special commemorative crystal plaques by Larry Irene; Robert Irene, Armada Health Care president; and Thomas Cohn, Armada's chief strategy officer.

For more photos from the Armada Summit, see next page.

ARMADA SUMMIT



Kevin O'Donnell of Aetna and John Caulfield of Accredo with Mark Johnson and Mike MacDonald of U.S. Bioservices



Kelly Finegan, Scott Friedman and Lisa Mymo of BioScrip with Marcia Yu of Genentech



Armada CEO Lawrence Irene delivers his welcoming remarks.



"Saturday Night Live" alum Joe Piscopo headlined the welcome reception.



Ron DelGaudio of King's Specialty Pharmacy, Ray Macioci of Pilgrim Pharmacy, Robert Makhani of MDR Pharmacy, Russell Gellis of Apthorp Pharmacy, John Hass of UCB and Bob Lederer of MDR Pharmacy



Former Massachusetts governor Mitt Romney delivered the keynote address.



Albert Thigpen of CVS Caremark presented on the "State of the Specialty Pharmacy Industry."



Enoch Strollo (left) and Stephen Vogt (right) of BioPlus Specialty Pharmacy with special guest Joe Piscopo.