Thank you for downloading the 2018 State of Specialty Pharmacy Report. To compile these results, we surveyed all levels of specialty pharmacy professionals to uncover trends, opinions, and predictions for the future of the industry.

We’ve broken down this report into three sections to help you discover the analysis, insights, and findings from:

Section 1: Manufacturers
Section 2: Health Systems
Section 3: Specialty Pharmacy Professionals

Change has been a constant in specialty pharmacy for the last decade, and 2017 did not disappoint. As in recent years, the industry continued to experience significant growth. With consistent expansion and opportunity come new challenges—market dynamics that continue to evolve in new and compelling ways. Keeping up with, and forecasting future change is a key challenge facing industry stakeholders. Changes to affordability, payor networks, margins, accreditation, and access to limited distribution drugs (LDD) are all top-of-the-list factors affecting professionals across the specialty spectrum.

CSI Specialty Group is proud to be the sole organization in specialty pharmacy offering an educational resource of this caliber free of charge. We feel honored to act as the industry connector facilitating education, knowledge, and collaboration among all professionals in specialty. We reached out to industry stakeholders, and they provided invaluable feedback that will help specialty pharmacy thrive and evolve as we move toward 2025.

We believe CSI Specialty Group’s unique educational resources (including CSI University) play a key role in promoting communication among and broadening the horizons of all stakeholders, not the least of which includes letting specialty pharmacies know that they are not alone. The 2018 State of Specialty Pharmacy Report will also serve as a guide for those contemplating entering the specialty pharmacy realm.

You will always be able to find this report, as well as many additional valuable resources, at CSIgroup.net. If you have any questions or comments, please contact us. You are welcome to use the findings here as a resource in whatever media you wish. We merely ask that you cite and link to the report whenever possible.

Sincerely,

Suzette DiMascio, CHE, CMCE, CPC
President/Chief Executive Officer
CSI Specialty Group
Direct: 407.688.6727
Toll-Free: 866.484.4752
CSI Specialty Group is a globally recognized leadership consulting firm dedicated to delivering solutions that continually elevate the specialty pharmacy and manufacturing industries. By providing innovative consulting, workforce planning, and talent acquisition solutions, we uniquely tailor our service offerings to help clients drive sustainable, accelerated growth.

CSI is the provider of the industry’s first dedicated podcast for specialty pharmacy. The industry-leading consulting group is at the forefront of pioneering concepts to meet the changing needs of:

- Specialty pharmacy
- Home infusion
- Mail order/PBM
- Health systems
- Manufacturing and pharma/biotech clients across the USA and throughout Europe

In 2015 and 2017, CSI was named a Top 5 Consulting Firm by Consulting Magazine. And for the third year in a row, CSI, led by President and CEO Suzette DiMascio CHE, CMCE, CPC, was named one of the Top Women-Led Businesses in Florida in 2018.

With integrity as the cornerstone of all we do, we continually strive to position CSI Specialty Group as an organization of impeccable service and exceptional results—all teamed with a strong passion and a determination to achieve excellence and optimize patient-focused outcomes.

For more information about CSI Specialty Group, please visit www.CSIgroup.net.
EXECUTIVE SUMMARY AND ANALYSIS

The 2018 State of Specialty Pharmacy Report includes information gathered and evaluated via an online survey by CSI Specialty Group from across three main channels of specialty pharmacy: manufacturers, health systems, and independent specialty pharmacies. With 35% of those surveyed having at least 5-years’ experience in their current role, the information provided comes with a great deal of expertise.

The report also incorporates views and insights of some of the industry’s most prominent and influential stakeholders, as heard on CSI’s Specialty Pharmacy Podcast, the industry’s leading webcast.

CSI Specialty Group regularly taps into the pulse of the industry for vital information about market trends and specific challenges that our particular healthcare segment faces. Few would argue with the statement that market dynamics in specialty pharmaceuticals are changing rapidly, and by the year 2025, we can expect many new challenges and opportunities in this space.

The ever-changing winds of the market call for astute awareness. And perhaps the most important gust of change shaping the specialty marketplace is the recent spate of mergers and acquisitions as PBMs come increasingly under fire and financial pressure.\(^1\) With the pendulum now swinging in favor of health systems, it is imperative to quickly understand industry trends and market forces to ensure optimal near-term success.

CSI Specialty Group set out to uncover important opinions, trends, and impacts on today’s specialty pharmaceutical market in order to predict how our clients and other industry experts surveyed might need to prepare for what is on the horizon.

We believe that sharing experience and knowledge with peers provides exceptional opportunities to create awareness that can drive change. Those pharmacies aware of these factors will be primed to drive what is most important: patient adherence and compliance. And after all, isn’t it supposed to be about the patient?

The Bottom Line

The most significant conclusion from this year’s survey:

The reality is that the market is still trying to define itself during a time of dramatic change. Patients need compassionate, integrated and experienced specialty pharmacy providers to help them navigate the increasing complexities of reimbursement and treatment protocols. If you are part of the specialty pharmacy world, you have to continually be aware of these changes and CSI is committed to providing insight to help you help your patients and drive positive outcomes.

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\(^2\)DiMascio, Suzette (Producer). (2017, April 12th). An Interview with the CEO of One of the Leading Rare and Orphan Disease Specialty Pharmacies in the U.S. CSI Specialty Podcast [Audio podcast]. Retrieved from https://csigroup.net/
Manufacturer pipelines continue to demonstrate strength and robustness in specialty pharmacy. Competition has increased in most therapy areas, while more and more products for rare and orphan drugs are entering the marketplace—a huge win for patients. The impact of biosimilars and generics is just starting to be felt and dramatic changes are expected in the marketplace over the next five to ten years.

Manufacturers stand to benefit from the increased competition among different stakeholders as health systems and specialty pharmacies vie to improve efficiency and enhance patient care and outcomes. Many manufacturers are using limited distribution models to select their partners based on quality, patient touch, and how effectively they get a patient on a drug and keep them on therapy.

A key challenge for manufacturers moving forward will be choosing the right launch strategy due to patient complexity, the intricacy of treatment, and the need to understand what specialty pharmacy is about. It is also critical for manufacturers to have a solid foundation in specialty pharmacy and to choose the right partner to dispense their specialty products. As the complexity of the specialty pharmacy network increases, partner choice can ultimately make or break a product launch; therefore, understanding one’s place in the market is essential for success. As the industry moves toward 2025, manufacturers may be turning more of an eye to outcome-based contracting.

We found that 83.3% of manufacturers are managing some or all of their products through a limited distribution model. While there were more substantial levels of limited distribution drug (LDD) focus in some specialty areas, there is an increasing level of limited distribution activity across the board in all specialty areas.

The number of pharmacies included in each LDD program varied greatly, but if the market is any indicator, unless more pharmacies are able and willing to provide the data needed to effectively manage the patient experience, adherence, compliance and outcomes, the number of pharmacies in the LDD space will likely continue to shrink.

A pharmacy aiming for inclusion in a limited distribution network will want to begin discussions and express interest early in the process. While 25% of manufacturers are evaluating partner options during phase three and an additional 16.6% are still investigating their options after phase three, it will be necessary for the manufacturer to be aware of the pharmacy’s interest before that. Keep in mind that with 16.7% of manufacturers beginning the vetting process during phase one and 41.7% beginning it during phase two, often, waiting can be detrimental to an interested pharmacy’s efforts.

Two prominent areas of performance continue to dominate manufacturer priorities. The first is the capability and willingness of specialty pharmacies to capture and provide data to help the manufacturer realize optimal results and success. The second is robust access to lives. A pharmacy will want to demonstrate the ability to serve patients through managed care contracting. If a company stands out in one or both of these critical areas, it will likely earn a seat at the table when it comes time to evaluate finalists for access to LDD contracts. It also goes without saying: if you are not URAC accredited you will be at a severe disadvantage when it comes to what treatments you will be able to offer and what partners you’ll be able to work with.

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For pharmacies looking to break into LDD networks, there is hope and opportunity. The survey found that the marketplace is dissatisfied with the services provided today in a handful of areas, including:

- **Time to Fill**
- **Communication**
- **Responsiveness**
- **Data services and Reporting**
- **Flexibility**
- **Customer Service**
- **Transparency**

These key factors, if left unaddressed, have the potential to negatively impact patient experience and outcomes. Another area of focus was a desire for pharmacies to improve payor contracting, thus leading to greater access of lives. It was reported that 40% of those completing the survey believe their patients have challenges coming onto service 20% of the time. This represents significant dollars lost either in delays or in patients having to switch to other therapies.

A growing dynamic is the willingness of manufacturers to consider health systems or IDNs for inclusion in their networks, and of those surveyed, 83.3% have contemplated these entities. Where HUBs are used, almost half of manufacturers reported there was room for improvement in their current HUB model with respect to communication gaps (82%), process/workflow changes (63.6%), and technology solutions (54.5%). The responses mirrored the concerns mentioned above regarding LDD partnerships.

Looking to the year 2025, respondents feel there will be better integration between HUBs and specialty partners and increased potential to bring HUBs in-house. They also predict that the use of LDD networks will continue to flourish. Increased competition is also foreseen, as 75% of manufacturers reported new competition entering the market in 2017.
HEALTH SYSTEM SPECIALTY PHARMACY SUMMARY

Overview

The last five years saw the dominance of PBMs in the specialty pharmacy marketplace, but momentum is now clearly swinging toward health systems as they continue to explode onto the market. According to Sheila Arquette, Executive Director of the NASP, 2017 saw a tremendous response by health systems as they capitalized on their efficiency and interconnectivity between the patient, EMR, and at times, the prescriber. “Moving toward 2025,” said Ms. Arquette, “health systems will continue to streamline end-to-end care and endeavor to own and control all channels to better ensure patient care and compliance.”

Two major challenges face health systems moving forward. The first will be how to improve and enhance relationships with PBMs and plan sponsors to avoid losing access to specialty pharmacy drugs - especially with so many limited distribution products in the pipeline. The second will be to determine how they can capitalize on managing both pharmacy and medical benefits. Can health systems synthesize their data processes to provide optimal patient care and have an impact on the total cost of care, and at the same time demonstrate to employer groups and other payors the value and cost-effectiveness of having a comprehensive management program?

The burst of health systems into the specialty pharmacy space has repercussions for independent specialty pharmacies. As hospitals purchase more physician groups or employ more doctors, independent specialty pharmacies face greater hurdles in accessing patients since those physicians now have obligations to the hospitals.

Salient Highlights Among Health Systems Surveyed

The changing tide in specialty pharmacy was reflected in our health system survey results. Almost 86% of health systems surveyed reported that their patient census had grown over the past year; 28.5% reported that their census had grown by as much as 50%, while another 29% reported growth levels between 11% and 25%.

86% of health systems surveyed reported that their patient census had grown over the past year

Growth areas were noted in specialty areas across the board, with oncology/hematology, rheumatology, and neurology leading the way.

The number one challenge cited by respondents (47.6%) is access to payor contracts. This is a particular area of focus for healthcare system specialty pharmacies, and as progress is made, it should assist in gaining access to more specialty and LDD products. As mentioned in the manufacturer section, this has been one of the challenges in manufacturers considering health system specialty pharmacies for inclusion in their LDD networks.

Another common challenge was health system engagement. Healthcare system specialty pharmacies were overwhelmingly satisfied with physician engagement, with less than 5% of respondents reporting struggles with doctor commitment. The survey results suggest that doctors are willing to use health system specialty pharmacy to care for their patients and have confidence in the level of service they provide.

Almost 62% of those surveyed reported that they have access to LDD products. Health systems continue their efforts to position themselves for stronger consideration for, and ultimately gaining entry into limited distribution networks.

When it comes to accreditation, the two most prominent types of accreditation listed were Joint Commission and URAC, each at 40%, with ACHC coming in third at 20%. The trend toward dual accreditation is accelerating as more and more payors demand it.

Health systems that have succeeded in communicating effectively and marketing their capabilities have done extremely well with uptake, with over 57% of respondents reporting good or outstanding results in this area. A pharmacy should not overlook the importance of an effective and innovative marketing plan if it wants to perform to its potential.

There seems to be a disconnect between concerns manufacturers have about health system specialty pharmacies and how these pharmacies see themselves. We reported earlier that manufacturers believe services are inconsistent and that there is a lack of communication, coordination, and high-touch services. Health systems surveyed, however, strongly believe that high-touch services and the level of service they provide are advantages they bring to the table. This was communicated by 57% of the respondents to this arm of the survey.

An additional 26% of respondents felt their electronic health record (EHR) integration and their overall integration into hospitals is a significant benefit they offered. The direct line to physicians, the integration of the EHR, and the ability to pick up a phone and communicate with other departments appear to signify strong continuity of care. The level of internal communication may very well present a benefit in the form of reduced readmission rates, as compared to readmission rates for patients going to an outside pharmacy that does not enjoy the ongoing communication the health system offers.

Currently, these health system specialty pharmacies receive the majority of their referrals from doctors within their own health systems, with 66.7% reporting that 10% or fewer of the referrals they receive come from outside their health system. An additional 14.3% reported that 20% or fewer come from outside their health system. There is little preventing the health system specialty pharmacy from going outside the walls of its own institution, and more of them may begin doing so in the future. The question is, if they do, will they still be able to offer high levels of continuity of care and communication with providers?

As respondents look to 2025, they predict favorable changes on the horizon, with 52.6% seeing their industry growing, expanding, and capturing more of the market. It is also believed that most of the midsize to large integrated delivery networks (IDNs) will be in specialty pharmacy and that payors, as well as pharmaceutical manufacturers, will recognize the value they offer.

Health systems recognize and are now capitalizing on their capacity to provide complete care to patients. They believe they will be able to capture greater numbers of patients leaving the hospital with specialty needs. Health systems will need to develop new and improved ways to market to physicians in the system and increase capture rates while creating greater awareness of themselves throughout the health system as a whole.
INDEPENDENT SPECIALTY PHARMACY SUMMARY

Overview

Independent specialty pharmacies faced some significant challenges in 2017, from payor access and consumer awareness to DIR fees, and from shrinking margins and more demanding accreditation requirements to increased market competitiveness. However, these challenges also provided opportunities for independents to boost their efficiency, enhance patient outcomes, and strengthen payor relations.

The fact that hospitals/health systems now “own” more than half of all physicians in the United States has made it more difficult for independent specialty pharmacies to get access to payor contracts. However, this has propelled independents to develop efficient and more focused strategies to win payor contracts and overcome PBM lockouts. In addition, independents have been forced to hire and train strong sales teams that know how to mitigate challenges.

Specialty pharmacies need to embrace the role of accreditation and, more importantly, dual accreditation as a way to get their proverbial foot in the door of a very lucrative industry.

Brian Maxon, Director of Sales and Training at CSI Specialty Group, shared that specialty pharmacies struggle with brand awareness in the marketplace. “Consumers rarely know they exist until a medication is needed and they are handed a prescription form,” says Mr. Maxon. “Moreover, a lack of awareness among patients often leads to an absence of trust as consumers are hesitant to be served by a pharmacy they have never heard of.”

It is, therefore, critical for independent specialty pharmacies to find new and creative ways to create brand recognition and foster trust among consumers. In this, Maxon sees an opportunity for independents to use traditional advertising venues that have proven successful for some of the more prominent mainstream pharmaceutical chains.

“We all see commercials for CVS, Walgreens, and different direct-to-consumer medication ads,” he said. “So that could be an area of opportunity for independent specialty pharmacies to create some awareness.”

Increased competitiveness in the market and shrinking margins have also raised the hurdles to achieving success. However, according to NASP Executive Director Sheila Arquette, current market and financial realities have provided a beacon for independent specialty pharmacies, lighting their path to success.

“How do independent specialty pharmacies react to the challenges they face with respect to DIR fees, to any willing provider, or any challenging pharmacy provisions?” asked Ms. Arquette. “They have an opportunity to innovate and create efficiencies within their own businesses, strengthen the quality of patient care support, and get creative in marketing their services to prescribers.”

With more eyes on the industry, greater scrutiny, and barriers to success, the support the NASP can provide to independent specialty pharmacies is more valuable than ever before.

The bottom line for independent specialty pharmacies who want to drive success is to develop a long-term strategy. The days of flipping a specialty pharmacy after a few years are over. Independents need to know who they are, be committed to patient outcomes, understand what their strategy is, and have the patience and wherewithal to get through the first few years until they have established themselves in the marketplace.

Moving toward 2025, Suzette DiMascio, CHE, CPC, CMCE, President and CEO at CSI Specialty Group, sums up what successful pharmacies will need to do to drive success now and well into the future.

“Not everyone needs to be a specialty pharmacy, but everyone needs to have a specialty pharmacy strategy,” she says. “The pipeline is peppered with

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more high-touch products driving specialty growth. I believe you’ll see the lines of ‘specialty pharmacy’ and ‘pharmacy’ blurred even more as they converge to serve the patient’s needs and it will just become the new norm to term everything ‘pharmacy’.”

**Highlights Among Independent Specialty Pharmacies Surveyed**

Responses from independent specialty pharmacy professionals accurately reflected the current winds in the marketplace.

Despite some of the barriers to accessing certain products, the census of these companies is clearly growing, with 93.1% of the respondents reporting they are experiencing growth. Although the market is developing quickly, so too is the predominance of the LDD approach. The demands for data, communication, relevant expertise, and REMS programs will eventually force these companies to increase their levels of service to manufacturers or risk becoming obsolete in the market. The other challenge will be their capacity to earn contracts with payors.

The most common disease states for which medications were offered by independent specialty pharmacies were in the area of gastroenterology, identified by 87.9% of respondents. The second-most-common areas reported were oncology/hematology and dermatology, each with 75.9% of respondents working in that space. The oncology focus would likely be higher if it were not for the large numbers of LDD programs in that area.

The most significant challenge that traditional specialty pharmacies face is crystal clear: 37.9% of respondents are challenged in some way by access to payor contracts. Companies are frustrated by being unable to serve patients even when the clinician and the patient have chosen them. Administratively, it is challenging to meet goals in an environment where a company can serve only three to four out of every ten patients they receive from a prescriber. The second-most-reported challenge is being excluded from LDD networks, as reported by more than 20% of the respondents.

While LDD products are one of the biggest challenges for traditional specialty pharmacies, this does not mean there is no access to LDD products within the survey group. 50% of respondents reported that they do have access to these types of products and almost 30% reported gaining access to new LDD products in 2017.

Respondents cited manufacturers as the greatest challenge to access LDDs. It seems that although manufacturers are not overly satisfied with their current LDD networks, they continue to replicate similar programs and do not step outside the box and implement real change in partners and offerings.

Many respondents felt not getting a seat at the proverbial table has put them at a disadvantage, as they have something to offer but have not been given the opportunity to be heard. Respondents report they believe that the smaller census of patients they currently serve is one of the key reasons manufacturers have not given them the opportunity to prove themselves.

While some specialty pharmacies are not currently equipped to provide data to manufacturers, they are willing, given the availability of technology, to meet this obligation. Still, 82.8% of respondents report they do provide data to manufacturers. Many are eager to offer more services, but again, they believe they need a seat at the table to understand what is being requested, and then they can build around the need.

In this survey, 44.8% of respondents reported an average turnaround time from receipt of referral until the product is provided to a patient of four to seven days. Another 37.9% reported the process takes them an average of two to three days. Almost 14% reported this entire process is not measured in days but rather in weeks. While there are exceptions to every rule, this process should not be measured in weeks; it should be measured in days, with a goal to hire, train, and implement personnel and procedures that minimize this time span.

Earlier, we identified payor challenges as a primary issue for all respondents in each segment of the survey. Among traditional specialty pharmacies, 37.9% reported that network exclusions and an
effort to cut out independent pharmacies have a negative impact on their ability to service patients. Another 25% indicated underpayment, contracting, and fair market value as critical challenges.

Another common response included the fact that PBMs are carving out their own mandated specialty pharmacies. The trifecta of a reduction in accessible contracts, the lack of appropriate payments by payors, and the network lockouts by PBMs is making it extremely difficult for pharmacies to compete. The trend is that these challenges are not easing, so pharmacies will need to become extremely efficient and more targeted in their efforts to excel in the market.

With the role of accreditations becoming more challenging and more complex, pharmacies have focused on completing this process in an effort to feel they can gain entry to more payor contracts. Increasingly, the PBMs require dual accreditations for entry into network contracts. The one misconception by many pharmacies is that if they complete one or two accreditations, they will win entry into payor networks.

It is important to note that accreditation alone is not enough for access to most plans. It will only give pharmacies a better chance to earn a seat at the table. The bottom line is that if a pharmacy does not have any accreditations, in most cases this will create a significant obstacle to success in today’s market. In the traditional specialty pharmacy segment, the two most common accreditations sited were URAC at 67.2% and ACHC at 65.5% (a 27.6% jump from last year).

The survey looked at how effective sales teams were within their companies. This is an important component because a pharmacy can do everything else right, but with an unqualified or untrained team, the referrals will not come.

In this survey, only 15.5% believe they have an “outstanding” sales team; 27.6% stated their sales team was “good,” and 44.8% rated their sales team as “average.” 12% of respondents believe their sales teams are somewhere between “below average” and “unacceptable.” It is important to note that unless someone is actively spending time in the field with sales representatives, observing, coaching, and holding everyone accountable, it is difficult to assess a team’s capabilities and skill level.

It is disappointing to see the mediocre perceptions of so many sales teams, and this could signal a lack of investment by companies in training and coaching to optimize their teams’ performance. CSI Specialty Group has addressed this need with CSI University, a groundbreaking, cutting-edge, and on-demand training platform for specialty pharmacy sales professionals.

Moreover, the perception of mediocre sales teams is often confused with a pharmacy’s lack of realistic goals and expectations. Sales leadership needs to avoid the trap of focusing solely on the quick hits. Because of the crowded and competitive landscape in specialty pharmacy, it can often take up to several months for a new sales representative in a territory to build relationships that will lead to referrals.
Therefore, it is critical that sales leadership be patient and look at longer-term goals and results.

We found that 30.4% of respondents believe payor hurdles and their sales team’s lack of understanding of payors and PBMs pose the most serious challenges to sales staff. Over 16% cited regional or larger pharmacies as a challenge in sales representatives’ ability to drive success. It is important for salespeople to understand their competition and have a succinct message that is effective at contending with each competitor.

When asked to identify what set their pharmacy apart, it was no surprise that 60.7% of respondents said their personalized and efficient level of customer service was a key differentiating factor for their pharmacy. Following that, 32.1% of respondents felt their communication with patients, turnaround, and delivery set them apart.

The challenge we see here is that the number one response was customer service. If a company feels customer service sets them apart, it needs to take a deep internal look and determine what that unique service offering is. In other words, customer service is not a differentiator because so many specialty pharmacies have it. If a pharmacy offers prior authorization services, for instance, is that a differentiator? If most other pharmacies are doing the same thing, it is unlikely this is setting any pharmacy apart from others. A company should find something unique that it can take to the market to truly differentiate itself.

It is significant to see the impact payors are having on the ability to service patients in large numbers, as 41% of respondents said they could only service between 40% and 60% of the patients they receive. Companies may consider spending time to evaluate where to play and how to win to improve the conversion percentage. Focusing on areas with higher conversion rates, both geographically and in specialty focus areas, could increase the chance of higher conversion rates.

By improving conversion rates, finding ways to truly differentiate a pharmacy, developing the capability to provide more robust data, and implementing adherence and compliance programs, all while proving outcomes, a pharmacy will put itself in a better position when it comes to both payors and LDDs.

Traditional specialty pharmacy survey participants also see many changes coming to the market by the year 2020. The outlook in this arm of the survey was more tempered from over 46% of the respondents. They identified large PBMs and health plans as continuing to drive more patients to one another and fewer in their direction. Many believed there would be more consolidation and fewer specialty pharmacies in the future. There is also a belief that reform is needed for smaller pharmacies and independents to be able to compete well into the future.

Becoming efficient and nimble, while developing the offerings that will allow them to compete, will bode well for independent specialty pharmacies in the future.
SECTION 1

MANUFACTURER SURVEY
MANUFACTURER SURVEY

What Is Your Job Title?

Of the manufacturers who participated in the 2018 State of Specialty Pharmacy Report, respondents reported job titles in the following categories:

- Account Director
- CEO
- Director, Access & Reimbursement
- Manager
- National Account Director, Specialty
- National Account Director
- Program Manager
- Senior Director, Channel Management
- Vice President, Market Access

How Long Have You Been with Your Company?

When asked how long they have been with their current company, 25% of respondents indicated that they have been with their employer for more than ten years, 41.7% said between five and ten years, 25% said between one and two years, and 8.3% said less than six months.

What Specialties Use Your Products?

When asked what specialties use their products, an overwhelming majority (66.7%) of manufacturers said their products are used in oncology/hematology. Other specialty areas where manufacturers reported their products are employed included:

- Immunology - 41.7% of manufacturers
- Rheumatology - 41.7%
- Dermatology - 41.7%
- Respiratory - 33.3%
- Infectious Disease - 25%
- Pediatrics - 25%
- Gastroenterology - 25%
- Neurology - 16.7%
- Other - 41.6% (including Cardiometabolic, Ophthalmology, Pain Management, and Rare Disease)

Are Any of Your Products Managed by Limited Distribution?

When asked if any of their products were managed by limited distribution, 83.3% of manufacturers reported they did have products managed by limited distribution.
With What Specialty Areas Are Your LDDs Associated?

As for the particular specialty areas associated with those limited distribution drugs (LDDs), oncology/hematology again topped the list, with 58.3% of manufacturers having LDDs in that category.

Other top categories linked to LDDs included:
- Respiratory - 33.3% of manufacturers
- Infectious Disease - 25%
- Rheumatology - 16.7%
- Ophthalmology - 16.7%
- Neurology - 8.3%
- Dermatology - 8.3%
- N/A - 8.3%

Have You Made Changes to Your LDD Partnerships in the Past Year?

When asked if they had made any changes to their LDD partnerships in the past year, 75% of manufacturers surveyed said they had expanded their number of partners, 16.7% had not made changes, and 8.3% had reduced their number of LDD partnerships.

If You Made Changes to Your LDD Partnerships, What Drove the Change?

The major driving forces behind changes to LDD partnerships cited by manufacturers were:
- 41.7% - access, control, and data capabilities
- 41.7% - dissatisfaction with support services
- 33% - scale of network/payor relationships
- 25% - innovation and reliability
- 25% - conversion rates
- 16.7% - lack of therapeutic experience
If You Changed Your LDD Partners, How Was the Process?

Of those manufacturers who changed LDD partners, 41.7% reported that the process was moderately difficult and 25% said the process was simple with few challenges.

How Many Specialty Pharmacies Do You Have in Your LDD Network?

There was a wide variance in the number of specialty pharmacies manufacturers had in their LDD networks:

- 50% of manufacturers reported having 10 or fewer specialty pharmacies
- 16.7% of manufacturers stated they had more than 20 specialty pharmacies
- 16.7% of manufacturers possessed multiple pharmacy ranges for different products (i.e., some products had only a couple of SPs, and others had 10 or more SPs)
- 8.3% of respondents were not able to provide accurate information

What Have Been the Biggest Challenges in 2017 versus 2016?

Manufacturers cited a wide range of significant challenges in 2017 versus 2016.

Heading the list were the consistency of patient service and access to accurate data, which were each cited by 25% of manufacturers. Other challenges mentioned included:

- Slow time-to-clear and time-to-ship rates
- Generic competition
- Marketing opportunities
- Adherence
- Not being in the LDD space
- Reimbursement
**MANUFACTURER SURVEY**

**At What Stage of Product Development Did You Begin Evaluating Your Specialty Pharmacy Partners?**

When asked at what stage of product development they begin evaluating their specialty pharmacy partners, 41.7% of manufacturers reported having done so at Phase 2, while others reported as follows:

- 25% at Phase 3
- 16.7% at Phase 1
- 8.3% at product launch
- 8.3% at post-marketing

**What Are the Top Reasons You Chose the Specialty Pharmacy Partners in Your Network?**

Choosing the right specialty pharmacy partner is a detailed and complex process that involves multiple criteria and depends on each manufacturer’s unique situation. When asked what the most important reasons for choosing the specialty pharmacy partners in their network were, 41% of manufacturers indicated access to payors and payor relationships as the leading factor.

Other factors mentioned included:

- Access, control, and data capability
- Clinical indication, level of innovation, and maturity/size of the competitive landscape
- History
- Quality, competition, access
- Ad board customer feedback

*16.7% of respondents did not answer*
MANUFACTURER SURVEY

How Can the Specialty Pharmacies in Your Current LDD Network Improve?

When asked how the specialty pharmacies in their current LDD network could improve, manufacturers provided some candid advice, with 50% of respondents indicating a desire for enhancement of manufacturer services across the board including problem-solving, communication, responsiveness, data services, flexibility, reporting, customer service, and time to fill improvements.

Secondly, 16.7% of manufacturers suggested that SPs in their current LDD network improve access to and quality of data.

Other recommendations included:

- Get more payor contracts to help patients
- Get better at quicker starts
- Increase transparency
- Implement proactive copay application and better data granularity
- Shift to a brand-centric philosophy as opposed to a one-size-fits-all solution
- Provide greater clinical services
- Be more responsive and personal to collaborate better with specialty programs

What Percentage of Patients Referred to Your LDD Partners Are Not Able to Be Serviced by Those Specialty Pharmacies Due to Payor/Access Challenges?

Seven out of 10 of manufacturers reported their patients had some sort of issue being serviced by their LDD partner specialty pharmacies. Although the percentage of patients with issues varied among respondents, 30% of manufacturers reported that more than 40% of their patients had difficulties with service.

- 20% reported a 10% difficulty rate with patient service
- 20% reported a 20% difficulty rate with patient service
- 20% reported a 40% difficulty rate with patient service
- 10% reported a greater-than-50% difficulty rate
**MANUFACTURER SURVEY**

### Have You Considered Health System-Owned Specialty Pharmacies for Inclusion in Your Limited Distribution Network?

An overwhelming 83.3% of respondents reported that they have considered health system-owned specialty pharmacies for inclusion in their limited distribution network, while 16.7% reported that they have not.

### Have You Given Any Health Systems Access to Your LDD Product in 2017?

We found that 72.7% of manufacturers gave health system specialty pharmacies access to their LDD products in 2017, with 27.3% of manufacturers reporting they did not do so.

### Over the Past 12 Months, Has the Number of Health Systems Gaining Access to Your LDD Products Increased?

When asked if the number of health systems gaining access to their LDD products had increased or stayed the same, 63.6% of manufacturers reported an increase and 36.4% said they had maintained their existing number.
**Do You Currently Provide Any Type of HUB Model Solutions for Your Patients and Prescribers?**

Almost 73% of manufacturers provide HUB model solutions for their patients and prescribers.

**What Kind of HUB Service Model Do You Have?**

Almost half of all manufacturers surveyed (45.5%) indicated that they work with a third-party vendor for their HUB service model, 18.2% own their own HUB, 9.1% have a hybrid model involving working with internal resources and external vendors, and 9.1% are exploring their HUB options for 2018.

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**Overall, How Satisfied Are You with Your Current HUB Model?**

Interestingly, 45.5% of all manufacturers surveyed indicated that there is room for improvement in their current HUB model.

- 27.3% stated they would actively research other options in 2018
- 9.1% said they were thrilled and it couldn’t be better
- 9.1% indicated they were not pleased at all and were pursuing other options
MANUFACTURER SURVEY

What Area(s) of Your Patient’s Journey Is Your HUB Provider Working on Today to Improve Your Program’s Effectiveness?

Our survey found that 63.6% of all manufacturers reported that process and workflow changes were the main areas their HUB provider(s) were working to improve.

- 54.5% - technology solutions
- 54.5% - communications with the provider
- 27.3% - communications with the patient
- 16.7% - cost
- 16.7% - payor engagement and access
- 9.1% - FTE/resource review

What’s Missing Today in the Current HUB Model Offerings? What Would You Like to See Changed/Updated?

Of total manufacturer respondents, 33.3% said they would like to see better and more effective communication and coordination among pharmacy, provider, and patient; improved data flow; and faster turnaround time (patients on therapy) when it comes to their HUB. Other answers and suggestions include:

- 11.1% - consistency in staffing and training
- 11.1% - cost and consistency of service level
- 11.1% - EHR integration

22.2% of respondents did not answer
What Do You Believe Is the Biggest Consideration in Deciding Which Health System-Owned Specialty Pharmacy to Add to Your Distribution Networks?

A majority of respondents indicated that patient access, data sharing, payor access, communication, and coordination of care are the most significant considerations when considering a health system-owned specialty pharmacy.

- 40% - patient access and coverage
- 30% - ability to provide data and alignment to patient records
- 30% - payor contracts and access
- 20% - patient communication and coordination of care

What Would Potential Drawbacks Be When Including Health System-Owned Specialty Pharmacies in Your Network?

Respondent concerns centered around three main categories:

Network (cited by 30% of respondents)
- Payor blocks and network exclusion plans
- Less control over distribution
- Access to payors
- Limited coverage areas

Data (mentioned by 20% of respondents)
- Access to data and data sharing
- Lack of data insights and reporting ability
- Higher data costs and risks

Other (mentioned by 20% of respondents)
- Risk of health system using GPO contract to purchase a product at a discounted rate
- Difficult to contract with IDNs

20% of respondents did not answer
How Do You Anticipate Your Company’s Needs and Expectations Will Evolve into 2020 When It Comes to Establishing Your Limited Distribution Channels and Why?

In our survey, 20% of manufacturers reported they anticipate more IDN-owned specialty partners as well as better integration between HUBs and specialty partners. In addition, 10% of manufacturers cited more focus on getting full services for their fees versus a line-item payment for each enhanced service offered.

When asked, 10% of respondents expect new and different therapies to evolve and that the use of LDD networks will continue to grow and flourish.

40% of respondents did not answer
SECTION 2

HEALTH SYSTEM SPECIALTY SURVEY
What Is Your Title?

Health system specialty pharmacy professionals who participated in the 2018 State of Specialty Pharmacy Report reported job titles in the following categories:

- Director of Pharmacy - 28.6.7%
- Manager of Pharmacy - 23.8%
- Vice President of Pharmacy - 9.5%
- Staff Pharmacist - 9.5%
- Procurement/Purchasing - 4.8%
- Other - 23.8% (including Assistant Director, Specialty Pharmacy; Director Business Development)

How Long Have You Been in the Health System Specialty Pharmacy Industry?

When asked how long they have been in the health system specialty pharmacy, respondents reported the following:

- 23.8% - between 2 and 5 years
- 19% - between 5 and 10 years
- 19% - more than 10 years
- 19% - less than 6 months
- 9.5% - between 1 and 2 years
- 9.5% - between 6 months and 1 year
What Disease States Do You Service?

When asked about the particular disease states that they serve in their specialty pharmacies, 85.7% reported diseases in the area of oncology/hematology, more than 76% said that they service rheumatology patients, and over 71% of respondents said that they service gastroenterology patients.

Other disease states serviced by health system specialty pharmacy professionals included patients being treated for the following disease states:

- Neurology - 61.9%
- Infectious disease - 61.9%
- Respiratory - 52.4%
- Dermatology - 52.4%
- Pediatrics - 42.9%
- Immunology - 42.9%
- Other - 38.1% (including Pulmonology, Rare disease, Transplant, Growth Hormone, Women’s Health, Hemophilia, HIV, Psychiatry, and Cardiology)

Has Your Pharmacy Patient Census Grown in the Last Year?

When asked if their patient census had grown in the last year, an overwhelming 87.5% of specialty pharmacies reported that yes, their pharmacy patient census had indeed grown in the past year.
How Much Has Your Patient Census Grown in the Past Year?

As a follow-up question, respondents were asked by how much their patient census has grown. Their answers:

- 23.8% - growth of 0%-10%
- 28.6% - growth of 11%-25%
- 19% - growth of 26%-50%
- 4.8% - growth of 51%-75%
- 4.8% - growth of 91%-100%
- 9.5% indicated the question was not applicable
- 9.5% of respondents did not know

Which Specialties Are Driving Growth in Your Specialty Pharmacy?

When asked which specialties were fueling growth in their specialty pharmacies, 71% of respondents indicated oncology/hematology, 52.4% reported rheumatology, and 33% identified neurology.

Other specialties driving growth included:

- Infectious disease - 28.6%
- Gastroenterology - 28.6%
- Respiratory - 28.6%
- Dermatology - 19%
- Pediatrics - 19%
- Other - 19% (including CF, Gerontology, Psychiatry, Rare diseases, Transplant, and Growth Hormone)
In Light of Recent 340b Changes, How Likely Are You to Expand Outpatient Specialty Pharmacy Services?

When asked about the likelihood of their expanding outpatient specialty pharmacy services in light of the recent 340b changes, more than half of all respondents (52.4%) indicated that they would maintain their current levels of service, 28.6% of all health systems indicated that they would be more likely to expand outpatient services, and 14.3% reported that they would be less likely, while 4.8% were not interested in having an outpatient specialty pharmacy.

What Has Been the Biggest Challenge to Your Growth in 2017 Versus 2016?

Health system specialty pharmacy professionals were asked what their greatest challenge to growth has been this year compared to last year, and 47.6% indicated their biggest challenge was access to payor contracts, while 14.3% said that health system engagement was their most significant challenge in 2017.

Other notable challenges included:
- 9.5% - access to specialty medications
- 4.8% - physician engagement
- 4.8% - having enough staff to handle growth
- 19% - other factors, including no in-house pharmacist, back orders, and having just entered the marketplace
Do You Have Access to Limited Distribution Drugs (LDDs)?

A majority of health system respondents (61.9%) said they do have access to LDDs, while 38.1% said they do not, almost a complete reversal from last year’s State of Specialty Pharmacy 2017 Report.

List the LDDs You Have Access To

Respondents were asked to list the LDDs that their health system pharmacy has access to. Results were as follows:

- Acthar Gel
- Alecensa
- Aubagio
- Austedo
- Bayer Oncology Products
- Bethkis
- Bosulif
- Cayston
- Cerezyme
- Cosentyx
- Erivedge
- Ibrance
- IFP drugs
- Ilaris
- Ingrezza
- Inlyta
- Lenvima
- Lumizyme
- Lynparza
- Mekinist
- Oralair
- Orkambi/Kalydeco
- Pfizer Oncology
- Plegridy
- Revlimid
- Rubraca
- Spinraza
- Sutent
- Tecfidera
- Tafinlar
- Tasigna
- Tetrabenazine
- TNTC
- TOBI Podhaler
- Votrient
- Xalkori
- Xtandi
- Zejula

Over half of the respondents did not provide names of drugs; some did not have access to any LDDs while others could not disclose them or were unable to provide accurate information.
What Accreditation Do You Currently Hold?

Health system specialty pharmacy professionals were asked what accreditation they currently hold. Their answers:

- 40% - Joint Commission accreditation
- 40% - URAC accreditation
- 20% - ACHC accreditation
- 20% - no accreditation yet
- 10% - in the process of URAC accreditation

How Successful Has Your Health System Been in Increasing the Use of Your Specialty Pharmacy?

Respondents were asked how successful their health system has been in driving up the use of specialty pharmacy. Their answers:

- 33.3% - good
- 28.6% - average
- 23.8% - outstanding
- 14.3% - poor

What EMR/EHR Do You Currently Use?

Epic software was the overwhelming choice for managing EMR/EHR for the majority (60%) of health system respondents, with Cerner and McKesson both coming in a distant second place, with only 10% of respondents employing each software.

Other software including Evident, Intalere, and homegrown software was used by 25% of respondents.
What Attributes Set Your Specialty Pharmacy Apart in the Marketplace?

Respondents were asked what attributes set their specialty pharmacy apart in the marketplace. Their answers:

- 42.1% - level of service, high touch, continuum and coordination of care
- 26% - electronic health record (EHR) integration and overall integration into hospitals
- 21% - location and the ability to provide care close to home
- 10.5% - clinical pharmacists and liaisons embedded in specialty clinics
- 10.5% - their status as an ACO specialty pharmacy
- 21% - other factors, including their brand, dual accreditation, and internal support from providers

What Is a Benefit of Using the Health System Specialty Pharmacy Compared to a Specialty Pharmacy That Is Not Part of the Health System?

When asked to compare using the health system specialty pharmacy with using a traditional specialty pharmacy outside the health system, almost 58% of respondents indicated continuity, comprehensiveness and coordination of care, and speed to therapy as the main benefits of the former. Other answers included:

- 26.3% - access to data, EHR, and health record integration
- 15.8% - other factors, including ease of billing, safety, and their relationships with their physicians
- 10.5% were unable to provide accurate information
Approximately What Percentage of Referrals Come From Doctors Outside of Your Institution?

When asked what percentage of referrals come from outside their own health system, a majority of respondents (46.7%) reported that only 10% come from elsewhere. Other answers include:

- 26.7% - 20% of referrals come from outside their own health system
- 13.3% - 30%
- 6.7% - 70%
- 6.7% - 50%

Do You Own or Partner with an Outside Entity to Run Your Outpatient Home Infusion?

Almost 43% of health system specialty pharmacies surveyed own and run their outpatient home infusion programs, while 28.6% partner with other institutions and 28.6% do not currently offer the service.
Do You Feel Your C-Suite/Leadership Is Satisfied with Your Specialty Pharmacy’s Performance So Far?

Respondents indicate 81% of health system specialty pharmacies feel their C-suite/leadership is satisfied with their performance. Only 19% felt that their C-suite/leadership was not satisfied.

What Are Areas of Potential Expansion of Most Interest to Your Health System Leadership in Regard to the Specialty Pharmacy Business?

Health system specialty pharmacies surveyed reported an array of potential expansion areas for the future, with 10.5% interested in gastroenterology and oncology, 10.5% looking for a broader portfolio of payor contracts and an increased access to payors, and 10.5% interested in increasing specialty pharmacy presence in new clinics.

Other areas of interest include:
- Biosimilars - 5.3%
- MS - 5.3%
- Pediatrics - 5.3%
- Neurology - 5.3%
- Infusion - 5.3%
- Inflammatory diseases - 5.3%
- Psychiatry services - 5.3%
- Pulmonary and hypertension - 5.3%
- Better practices and compliance - 5.3%
- Partnering with other IDNs - 5.3%

15.8% of respondents did not answer
How Do You See Health System Specialty Pharmacy Evolving into 2020?

A majority of respondents (57.9%) see the industry growing, expanding, and capturing more of the market moving toward 2020, provided that health system SPs are not locked out by payors. They also see health system specialty pharmacies playing a more important and influential role in the industry.

Other respondents believe as health systems and IDNs are forced to assume more risk and provide value-based care, the health system specialty pharmacy will be a key player in that model. Other respondents think health system specialty pharmacies will become the preferred method of specialty pharmacy service delivery due to the increased potential for collaboration with providers and better awareness of efficacy and adherence.

Other health system SP professionals believe both payors and pharma will recognize their value in lowering the overall cost of care while improving patients’ lives.

On the other hand, 15.8% of respondents have a more tempered outlook and see limited growth due to drug accessibility, more products with fewer profit margins, and the possibility of having to get out of the market based on payor and PBM trends and practices.

Other responses included:
- Increased access to LDD drugs
- Increased requirement for dual accreditation

10.5% of respondents did not answer
SECTION 3

INDEPENDENT SPECIALTY PHARMACY
What Is Your Title?

The general specialty pharmacy professionals who participated in the 2018 State of Specialty Pharmacy Report reported job titles in the following categories:

- CEO - 15.5%
- Director of Pharmacy - 15.5%
- Vice President of Operations - 15.5%
- Pharmacist in Charge - 10.3%
- Vice Presidents of business development, clinical/compliance, industry and pharma relations, CPO, and managed care - 10.3%
- General Manager - 3.4%
- Other - 43.3% (including Assistant Director, Chief Pharmacy Officer, Compliance Officer, Chief Clinical Officer, Director of Operations, Patient Care Coordinator, Reimbursement Director, Sales & Marketing, Trade Relations, Supervisor, Pharmacy Operations)

How Long Have You Worked in Specialty Pharmacy?

Respondents were asked how long they have been in specialty pharmacy. Their answers:

- 32.8% - between 5 and 10 years
- 31% - more than 10 years
- 25.9% - between 2 and 5 years
- 6.9% - between 1 and 2 years
- 1.7% - between 6 months and 1 year
- 1.7% - less than 6 months
What Disease States Do You Service in Your Specialty Pharmacy Model?

Gastroenterology and rheumatology were the most frequently mentioned specialties treating disease states, with each serviced by 87.9% of respondents. Oncology/hematology and dermatology were the second-most-cited specialties, with 75.9% of respondents currently serving each. Infectious disease was mentioned by 72.4% of respondents, neurology by 67.2% of respondents, and immunology by 63.8% of respondents.

Other results included:
- Pediatrics - 34.5%
- Respiratory - 31%
- Other - 22.4% (including Cardiovascular, Cystic Fibrosis, Hyperlipidemia, Rare and Orphan diseases, Transplant, Fertility, Addiction, OB/GYN, PAH, and Pain Management)

Has Your Patient Census Grown in the Past Year?

When asked if their patient census had grown in the last year, an overwhelming 93.1% of respondents answered affirmatively.
Which Specialties Are Driving Growth?

Asked which specialties were driving growth, specialty pharmacy professionals reported disease states across the board including in:

- Rheumatology - 67.2%
- Oncology/Hematology - 56.9%
- Dermatology - 43.1%
- Gastroenterology - 41.4%
- Immunology - 34.5%
- Neurology - 32.8%
- Infectious Disease - 19%
- Respiratory - 6.9%
- Pediatrics - 6.9%
- Other - 12.1% (including Cystic Fibrosis, Hyperlipidemia, Obstetrics, Rare and Orphan, Fertility, Addiction and Pain Management)

What Has Been Your Biggest Challenge to Growth?

When asked what has been their biggest challenge to growth, 36.2% of respondents named insurance companies, being excluded from insurance networks, and PBMs and PBM practices as their most significant challenges to growth. Almost 35% cited access to patients, limited distribution drugs, limited payor access, and payor mandates to specific specialty pharmacies as the greatest hurdles to overcome. We found that 12.1% of respondents are challenged by margins, pricing controls, DIR fees and reimbursement rates, while 10.3% reported maintaining levels of patient care, competition, technology, and staffing.

Other responses included:

- In-house SP
- Corporate restructuring
- Creating relationships
- Mail order
- Manufacturers’ understanding of the pharmacy landscape

3.5% of respondents did not answer
What Has Been Your Second Biggest Challenge to Growth?

Specialty pharmacy respondents were then asked to describe their second biggest challenge to growth, and 48.3% of them cited access to patients, limited distribution drugs, limited payor access, and payor mandates to specific specialty pharmacies.

Another 15.5% of respondents named insurance companies, being excluded from insurance networks, and PBMs and PBM practices as their second greatest challenges to growth; 13.8% identified marketing, competition, resources, technology, staffing and pricing; and 12.1% named DIR fees and reimbursement rates.

Other responses included:
- Bandwidth
- Accreditation
- Prior authorization criteria and physicians directing prescriptions to their own pharmacy or infusion pharmacy

6.9% of respondents did not answer

What Have Been the Biggest Challenges in 2017 versus 2016?

When comparing their greatest challenges in 2017 to those in 2016, 48.3% of specialty pharmacy respondents cited the negative effects of DIR fees, reimbursements, pricing controls, and PBM practices on margins, which are increasingly being squeezed. 32.8% reported closed networks, access to patients and medication, limited distribution drugs, limited payor access, and being excluded from insurance networks.

Our survey found that 13.8% of respondents are increasingly challenged by managing and balancing growth with staffing needs and quality, technology, and other resources.

Other responses included:
- Accreditation requirements
- Cost of medications
- Marketing
- Competition
Do You Have Access to Limited Distribution Drugs (LDDs)?

When asked if they had access to limited distribution drugs (LDDs), 50% of specialty pharmacy professionals answered affirmatively. Respondents were asked to list the LDDs to which they have access. Answers included:

- Aubagio, Cosentyx, Xolair
- Benlysta, Nucala, Adcetris
- Orkambi, Kalydeco, Cayston, TOBI, Hemangiol, Levulan
- Revlimid, Thalomid, Pomalyst, Kuvan, Sabril, Soliris, Xenazine, Northera
- Tarceva, Afinitor, Entyvio, Exjade
- Tecfidera
- Acthar, Siliq
- Oncology, fertility, sodium imbalance
- Talz, Tarceva
- Plegridy

Have You Gained Access to Any New LDD Products in 2017? If So, Which Product(s)?

Of specialty pharmacies surveyed, 55.2% reported that they had gained access to new LDD products in 2017. Examples included:

- Entyvio
- Kitabis
- Rubraca, Idhifa, Cabometyx
- Siliq
- Tecfidera, Plegridy, Imbruvica, Kymriah, Yescarta
- Oncology and sodium imbalance
- Hemophilia, MS, and Oncology
What Are Your Biggest Challenges in Obtaining Access to LDDs?

When asked, 31% of respondents indicated that closed networks were a major challenge in obtaining access to LDDs. Also, 21% mentioned manufacturers as key hurdles in gaining access to LDDs. They cited a range of factors such as an unwillingness by manufacturers to meet, difficulty determining when manufacturers are reviewing their networks, problems getting the attention of manufacturers, existing manufacturer perceptions, and simply convincing the manufacturers to sell to them.

A related obstacle was revealed by 19% of respondents, who cited low volume, smaller size, and patient populations as key factors in preventing them from getting into the network. Some went on to describe that, depending on the manufacturer, it can be difficult to get access to LDDs for disease states that are new to one’s specialty pharmacy, especially when there is not enough current patient volume to warrant inclusion.

Also mentioned, by 13.7% of respondents, were larger competitors, margins and profitability, size, and lack of recognition and respect from peers as obstacles to access. One specialty pharmacy representative stated that getting approval and access from Pharma poses a particular challenge.

Other responses included:
- PBMs and certain PBM practices
- Accreditation
- Celgene
- Legal delays
- Contracting as a hospital system

8.6% of respondents did not answer
Do You Provide Data for Manufacturers?

When asked if they provide data for manufacturers, 82.87% of specialty pharmacy professionals answered affirmatively.

If You Answered Yes to Question 12, Which Data Aggregator Do You Use?

Of those specialty pharmacies surveyed that use a data aggregator, 21.4% said they use IMS. The next-most-used data aggregators, each cited by 5.4% of respondents, were Symphony, Prometrics, and in-house systems, while 3.6% use both Liquid Hub and Asembia.

Of specialty pharmacies surveyed, 35.7% do not use a data aggregator, and the remaining 26.8% reported using a wide assortment of data aggregators, including:

- Value Centric
- CPR+
- Qlik business analytic software
- The aggregators contracted by Pharma
What Is the Average Time from the Receipt of a Referral until the Product Is Shipped to the Patient in a Situation Where a Prior Authorization Is Required?

A majority of respondents (44.8%) indicated that 4, 5, 6, or 7 days is the average time from the receipt of a referral until shipment when a prior authorization is required. Other responses include:

- 37.9% - 2 or 3 days
- 12.1% - between 1-2 weeks
- 3.4% - 1 day
- 1.7% - more than 3 weeks

What Software Does Your Specialty Pharmacy Use?

The most widely used software programs by respondents were:

- CPR+/Caretend - 50%
- Developed own software - 19%
- Asembia - 17.2%
- Rx30 - 13.8%
- McKesson Enterprise - 8.6%
- Pioneer Rx - 8.6%
- Therigy - 6.9%
- ScriptMed - 5.2%

Others:

- New Leaf
- ScriptPro
- Micro Merchant
- QS1
- Cerner
- PDX
- Compass
- mHealth
What Have Been the Two Biggest Challenges to Adding Access to Lives in 2017?

When asked about the two greatest hurdles to adding access to lives in 2017, almost 42% of specialty pharmacy respondents mentioned that payors would not respond, 25.9% indicated that they were too small, 24.1% said they are not dual accredited, and 20.7% said they do not have someone dedicated exclusively to the role in their company.

Of those surveyed, 19% were not sure which contracts to go after, 10.3% think the process is too complicated, and 10.3% noted reimbursement fees and practices.

Other challenges include:

- Building infrastructure fast enough to support quick growth
- Closed networks
- Competition by the big players in the marketplace
- Determining what lives to approach
- Manufacturers
- LDDs
- Intense PBM accreditation requirements
- Payors limiting access to contracts
What Are the Top Two Challenges You Have Encountered with Contracting Payors (Both PBMs and Medical)?

Specialty pharmacy health professionals were asked about the top two challenges they have faced with regard to contracting payors (both PBM and Medical).

When asked, 39% of respondents cited network access and exclusion, cutting independent pharmacies out of networks without substantiation, inability to get into the network, preferred networks already in place, and network requirements. Another respondent mentioned that some payors need to be closely monitored for theft of patients.

Reported by 21.4% of respondents were underpayment, pricing, and reimbursement rates and requirements, including some reimbursement plans that fall below cost, and 10.7% of respondents mentioned PBM practices and the fact that PBMs have their own mandated specialty pharmacies or try to carve out for themselves.

Other challenges mentioned by respondents included:

- Accreditation process and requirements
- Coverage area too small
- Fines
- Managed care and managed Medicaid
- Name recognition
- Time, resources, and staffing requirements

12.5% of respondents did not answer
How Many New Payor Networks Did You Gain Access to or Contract with in 2017?

Of specialty pharmacies surveyed, 27.6% gained access or contracted with two new payor networks in 2017, 17.2% did not gain any new payor networks, 13.8% added only one new network, and 15.5% reported adding 10 or more payor networks, revealing some disparity in the marketplace.

Other reported figures include:
- 8.6% gained three new networks
- 10.4% gained four or five new payor networks
- 6.9% added between five and 10 new networks

What Accreditation Do You Currently Hold?

Specialty pharmacy professionals were asked what accreditation they currently hold. Their answers:
- URAC - 67.2%
- ACHC - 65.5% (a climb of almost 30 percentage points from 2016)
- Joint Commission - 13.8%
- CPPA - 8.6%
- The Compliance Team - 1.7%
- Others - 22.4% (including VIPPS, VAWD, PCAB, and HQAA)

Our survey found that 3.5% of respondents have no accreditations and another 3.5% of respondents indicated they were currently in the process of applying for URAC accreditation.
If You Do Not Have Dual Accreditation, Would You Say That Has Negatively Impacted Your Company in Any Way?

When asked if the lack of dual accreditation has negatively impacted their specialty pharmacy, 63.2% of respondents indicated that it has not. Over a third of respondents (36.8%) felt that the lack of dual accreditation has had a detrimental effect on their company.

Have You Changed the Size of Your Sales Team in 2017?

When specialty pharmacy officers were asked if they had changed the size of their sales team in 2017, 43.1% reported that their sales teams had stayed the same. 41.4% said they had added members to their sales teams, and 15.5% stated they had reduced the size of their sales force.

If the Size of Your Sales Team Changed, Why Did the Shift Occur?

There were diverse reasons specialty pharmacy respondents gave for changes in the size of their sales teams: 21.2% of respondents indicated that added responsibilities, diversification, and geographic expansion drove sales team growth; 15.2% stated that restructuring and budgetary planning drove the change; and 12.1% reported that their sales force increased due to a desire to grow and the need to compete against big-box SPs and to add referrals and experience. Opportunity to offer 9% of respondents the opportunity to utilize our contract sales offering.

Other responses included:
- DIR fees and reduced margins
- Focus on orphan diseases
- Growth in new therapies
- Merger
- Poor performance and low return on investment

9.1% of respondents did not answer
How Successful Would You Say Your Sales Team Has Been at Winning Referrals?

Of respondents surveyed, 44.8% said their sales team has been average at winning referrals. Almost 28% of respondents rated their sales team referral performance as good. Other responses include:

- Outstanding - 15.5%
- Below average - 8.6%
- Unacceptable - 3.4%

CSI University, a groundbreaking, cutting-edge, and on-demand training platform for specialty pharmacy sales professionals, helps CSI’s clients build the ultimate in specialty pharmacy sales teams.

What Are the Biggest Challenges to Your Sales Team’s Ability to Win Referrals?

A wide array of factors were cited as the most significant challenges facing sales teams. Challenges in accessing networks, patients, and payor contracts were mentioned by 32.1% of respondents; 30.4% of respondents indicated competition from other regional specialty pharmacies, hospital SPs and larger pharmacies, preferred vendors, and from lack of physician awareness and MDs sending patients to their own pharmacy as significant challenges faced by their sales teams. Another 12.5% mentioned lack of experience, small size, and staff quality and turnover.

Sales teams also face difficulties with new pharma HUBs, PBM-owned pharmacies, and LDDs. Other challenges mentioned include:

- In-house SP growth
- Reimbursement
- Marketing

12.5% of respondents did not answer
What Attribute Sets Your Pharmacy Apart in Your Marketplace?

The largest number of respondents (60.7%) said their personalized and efficient level of customer service was a key differentiating factor for their pharmacy. Next, 32.1% of respondents felt their communication with patients, turnaround, and delivery set them apart in the marketplace. Following that, 25% felt their local and independent attributes set them apart.

Many specialty pharmacies felt that they are able to provide a high level of continuity of care, local access, faster and more flexible service, quality communication that only a smaller team can provide, and quick access to MD records.

Another 12.5% cited their clinical knowledge and expertise and creative adherence programs.

Other responses included:
- A consultative approach
- Payor agreements
- LDD access
- Location

5.4% of respondents did not answer

What Are the Top Three Reasons an Office Chooses a Particular Specialty Pharmacy?

Customer service and flexibility (56.4% of respondents); trust, communication, and relationships, including habit and familiarity (38.1%); and ease of referral and access to medication (20%) were the most frequently cited reasons an office chooses a particular specialty pharmacy. Twenty percent of respondents mentioned payor access, insurance mandates, and LDDs.

Other responses included:
- Big name, visibility, and notoriety
- Location
- Mandated by PBMs and insurance companies
- Knowledgeable staff and patient education

7.2% of respondents did not answer
What Percent of Referrals Are You Able to Convert to Prescriptions You Can Service?

When it comes to actually servicing referrals with prescriptions, respondents reported varying levels of success. However, 51.8% of respondents reported being able to service between 50% and 70% of converted referrals.

- 8.9% service 10%
- 5.4% service 20%
- 7.1% service 30%
- 8.9% service 40%
- 16.1% service 50%
- 16.1% service 60%
- 19.6% service 70%
- 10.7% service 80%
- 5.4% service 90%
- 1.8% service 100%

Please Indicate if You Have Been Subject to the Following Anti-Competitive Behavior during Your Interactions with a PBM that Also Owns a Specialty Pharmacy and Provide Concrete Examples of Such

- 84% of specialty pharmacy respondents report having been subject to Patient Steering
- 62% report abuse of the Any Willing Pharmacy (AWP) process and requirement
- 58% have undergone detailed audits performed by the PBM1-SP as a condition of network participation
- 44% report being required by PBM1-SP, as a condition for network participation, to have a brick-and-mortar facility within a specified radius of the geographical location being serviced, whereas the PBM1-SP’s own SP does not have the same requirement
- 42% report leveraging of the formulary
- 24% have been subject to certain staffing, drug inventory, and adjudication time requirements that are not practical in the potential service area
Do Your Current PBM Contracts Allow You to Discuss Options to Make a Patient’s Drug Therapies More Affordable?

We found that 40.4% of specialty pharmacy respondents have current PBM contracts that do allow them to discuss ways to make a patient’s drug therapies more affordable; 21.1% have current contracts that do not permit them to do so, and 38.6% of respondents were unsure.

In Response to DIR Fees, What Programs Have Been Reduced/Eliminated by the SP that Were Established to Improve Patient Care?

- Equipp MTM program, Medication adherence
- SP specializes in pediatric patients so exposure to DIR fees is minimal; DIR fees would kill their ability to provide the service levels they now offer
- Triage scripts if they are not profitable
- Reductions in clinician staff or hours, reduced time per patient allotted for counseling/formulary review/optimization of therapies, understaffing of non-core clinical roles (nurse educators, dietitians, wellness coordinators, etc.)
- HCV
- Taking care of some “underwater” claims in the interest of patient care
- There is less staff, which affects everything
- Invested in more tech and reduced labor, process changes to reduce service, eliminating some payor contracts
- Some adherence programs are being scaled back or eliminated
- Reduction of therapies and transfer of patients
- Reduction in time with patients
- Reduction in financial support to key foundations
- Broadening care plan assessment process, reduction of some questions (minimum) in order to maintain the cost of operations
- Almost a third (32.1%) of respondents reported no programs had been eliminated or reduced, while 21.4% were unsure or did not answer.
As a Result of DIR Fees, Have You Had to Decline Participation in Any Medicare Part D Networks?

Two-thirds (66.7%) of respondents have not had to decline participation in any Medicare Part D networks, 19.3% have had to decline participation, and 14% were not sure or gave other answers, including:

- Evaluating which Part D Networks should be declined
- No, but they don’t get paid commission on Humana Part D or Caremark Part D, which represents a substantial part of their business

As a Result of DIR Fees, Have You Had to Reduce Staff and if So, How Many People Have Lost Their Jobs as a Result?

Nearly three-fourths (73.7%) of respondents said they did not need to reduce staff as a result of DIR fees. Fourteen percent reported they did need to cut staff by the following numbers:

- 20
- 30
- 60
- Have not been able to hire more staff
- No staff restrictions but limited hiring
- Have not reduced staff as yet
How Do You See Specialty Pharmacy Evolving into 2020?

Despite strong growth in recent years, respondents have mixed feelings on the industry as it heads toward 2020.

A large number of respondents (46%) shared a tempered outlook on the industry as it moves toward 2020. They identified large PBMs and health plans as continuing to drive more patients to one another and fewer in their direction. Many believed that with shrinking margins and greater network restrictions there will be more consolidation and fewer specialty pharmacies in the future as the big players usurp smaller ones. Lower margins have meant that smaller SPs are less and less able to offer the high-touch services they provided in the past, taking away one of their key competitive advantages in the market.

There is also a belief that reform is needed (particularly where PBM practices are involved) for smaller pharmacies and independents to compete well into the future.

There was also a feeling that with more specialty products coming to market, they will bring increased restrictions and tighter networks with them. In addition to some of the feedback, this group is also concerned about the impact that the increasing position of health system specialty pharmacies may have on their business.

However, there was a feeling of optimism expressed by 26.8% of respondents. They see the industry growing, with new drug approvals enhancing the importance of specialty pharmacies in the marketplace. These respondents see biosimilars having a great impact on prescribing patterns, and they predict that there will be greater scrutiny across the board of PBM practices and DIR fees. They also feel that there will be more players, better customer outcomes, higher rates of adherence to therapy, leveling out of prices, and more manufacturers competing against each other in the same therapeutic class.

A small number (7.1%) of respondents did not answer.