



Insights

Asembia Conference Recap
May 2024

Navigating the Complexities of the Specialty Drug Market

*Challenges, Opportunities, and Insights from Asembia's
AXS24 Conference*

Key Takeaways



The specialty drug market is experiencing rapid growth and there is increasing commercial optimism in the space. There are clear opportunities to streamline drug delivery and improve patient access and adherence.



To address the complexities of the specialty drug market –pricing, reimbursement, and access, to name a few – stakeholders can take a hybrid approach by leveraging both innovative technologies and specialized services.



THL's Healthcare team recently attended Asembia's annual conference on specialty pharmacy to discuss these themes and other trends in the space.

When people think about drug development, they often think about the many years and billions of dollars that it takes to get a typical drug from discovery to clinical trials to regulatory approval. Of course, approvals aren't the final hurdle – especially for specialty therapeutics. Designed to treat rare or chronic conditions like cancer, autoimmune diseases, and genetic disorders, specialty drugs play a crucial role as pharma stakeholders look to address unmet medical needs and improve outcomes for patients.

Because these drugs are as complex as the conditions they treat, they present a myriad of challenges for all stakeholders. Manufacturers navigate intricate regulatory, pricing, and reimbursement complexities; pharmacies manage logistical hurdles; physicians keep up with evolving treatment modalities; and patients confront access barriers and complex treatment regimens.

Asembia's 20th annual healthcare conference, AXS24 addressed these topics and THL's Healthcare team spent several days at the conference meeting with companies, investment bankers, and other sponsors across the specialty drug sector.

“The specialty drug ecosystem is a complex, rapidly evolving market that requires highly specialized solutions providers to address the unique needs of each party,” said Josh Nelson, Managing Director and Head of Healthcare, THL. “The Asembia Conference shed light on growing commercial optimism in this space and highlighted key opportunities to improve drug delivery, patient access, and medication adherence.”

Growing commercial optimism in the specialty drug market

As biotech funding has stabilized and the development of specialty drugs has accelerated, we have seen increasing commercial optimism in the space. Recent data suggests that the specialty drug market is outpacing the traditional drug market in terms of drug development, spend, and sales:

01

55 novel drugs were approved by the Center for Drug Evaluation and Research (CDER) in 2023, the second highest number of approvals so far.¹

02

80% of FDA-approved drugs in 2023 were for specialty drugs, which now account for 56% of drug spend.²

03

Specialty drugs represent around 51% of total market sales.³

04

In 2023, the specialty pharmaceutical market was valued at around USD 68.3 Billion and is expected to reach approximately USD 1,532.8 Billion by 2033.⁴

Given the ongoing growth in this space, it is more important than ever to streamline drug delivery and improve patient access and adherence.

Significant regulatory, reimbursement, and logistical complexities impact delivery of specialty drugs

Drug manufacturers must navigate a variety of regulatory, reimbursement, and logistical complexities to bring innovative therapies to patients. Each specialty drug that gets approved has specific requirements for storage, handling, and administration — and it may compete with a reference drug already in the market. So in addition to getting their therapies to the right patients in the right manner, manufacturers need to also figure out competitive cost structures and where they stand with payers.

An added layer of payer complexity is that many of these specialty therapies may be covered under either medical or pharmacy benefits – and sometimes, both. Insurance companies often have separate policies for medical and pharmacy benefits, so reimbursement structures typically aren't as straightforward as they would be for a traditional drug.

Pricing and reimbursement aside, the specialty drug supply chain demands precision throughout the logistics value chain. Manufacturers need to make sure that specialty drugs get where they're supposed to be, when they're supposed to be there, and in the right amounts – while also adhering to specific handling requirements, like refrigeration or protection from light.

“Manufacturers, physicians, pharmacies, and families all want to ensure that patients have timely access to life-changing therapies,” said Joan Thompson, Vice President, THL. “These have specialized supply chain and patient care requirements, so companies need to partner with investors and vendors who can bring knowledge, sophisticated technology, and quality service to market.”

Ensuring patient access and adherence to specialty drugs has never been more important – or more challenging

Specialty drugs rarely include a bottle of pills a patient can pick up from their local pharmacy. Delivery might be via injections or hours-long infusions administered in a hospital or doctor's office. They are also expensive and sometimes not covered by insurance. These logistical and cost-related obstacles often lead to delays or difficulties in accessing medications, particularly for patients navigating this complex system for the first time or those without adequate insurance coverage.

There is a clear need for solutions, both services-based and technology-driven, to help patients access and stay on therapy. Patient services, often called “hubs,” exist to support patients in accessing and adhering to their prescribed medications through personalized assistance, financial support programs, medication education, non-commercial pharmacy services, and ongoing monitoring. Specialty pharmacies often provide overlapping patient support services.

This support ecosystem notwithstanding, pharmaceutical companies must continuously adapt their market access, patient support, and pricing strategies amidst the rise of new benefit designs, including copay accumulators, copay maximizers, and alternative funding programs.



“Manufacturers already work with third-party vendors to create specialized programs for their specialty therapeutics, with engagement strategies that align with the target patient’s journey, access challenges, and communication preferences,” said Ben Stern, Vice President, THL. “There is tremendous opportunity to do more to address access, affordability, and adherence challenges, especially with the growing adoption of generative AI in healthcare.”

As a start, generative AI and other technologies can be used to improve the overall effectiveness of hub services and make patient engagement more personalized at scale. By analyzing vast datasets to identify patterns and predictors of adherence behavior as well as patients’ needs and preferences, AI-driven systems can personalize support functions like medication reminders and educational content. They may also optimize the channel and timing of each communication. These efficiencies can improve patient adherence. In fact, McKinsey predicts a 5 to 10 percent decrease⁵ in the number of patient drop-offs through better patient assistance and engagement programs.

Opportunity for solutions providers to increase transparency across the specialty drug market

The specialty drug ecosystem is not just a straight line connecting a drug manufacturer to a pharmacy to a patient. It’s a much more interconnected system involving payers, policymakers, suppliers and distribution networks, solutions providers, and other stakeholders.

Recognizing the interdependence and complexity inherent in this market, pharmaceutical manufacturers are increasingly seeking partners that offer a holistic approach combining both services and technology. While no single vendor can fulfill all needs, there is a growing emphasis on rationalizing vendor relationships to streamline operations and enhance efficiency.

This trend reflects the network effect of the market, where the scale and scope of vendor capabilities directly impact the overall effectiveness of the healthcare delivery system. Importantly, as they consolidate their service provider relationships, pharmaceutical companies increasingly look to their preferred vendors as strategic partners and not just point solutions.



“Each stakeholder has their own incentive to get patients on their prescribed therapies as quickly as possible and to ensure adherence to the full course of treatment – and that includes the patients themselves,” said Megan Preiner, Managing Director, THL.

“Because it’s such a complex ecosystem, manufacturers don’t necessarily know which physician is trying to get which drugs to which patients and at what cost. There’s an opportunity here for vendors to create more transparency and information fluidity to streamline drug delivery. And you can only do that with a combination of services and software.”

Looking ahead: The future of specialty therapeutics

The specialty drug market is high-cost, high-touch in nature. As such, we believe its future lies in a hybrid model of technology and services where specialized vendors help each stakeholder in unique ways. For example:



Manufacturers successfully commercialize products and earn a return on their investment. Physicians optimize specialty treatment plans for their patients;



Pharmacies and central fill facilities get the right amounts of a specialty drug at the right time and in the right condition; and



Patients get the targeted therapies they need, when they need them.

“We think the hybrid approach — where players leverage both technology and services — is going to prevail,” said **Megan Preiner, Managing Director, THL**. “It’s too complex an issue for technology to solve alone or for services to solve alone.”

By embracing this approach, manufacturers and pharmacies can navigate the complexities of the specialty drug market more efficiently, ultimately driving better outcomes for patients and stakeholders alike.

To learn more about the specialty drug market and THL’s involvement in the Healthcare space, contact our team today:

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¹Total number of novel drugs approved by CDER from 2008 to 2023. Statista. January 16, 2024.

²A Deep-Dive into Specialty Pharma. Diane Faraone, PurpleLab Healthcare Analytics. March 21, 2024.

³Insights Into the 2023 U.S. Pharmaceutical Market. Scott Biggs, Doug Long. IQVIA. July 24, 2023.

⁴Specialty Pharmaceutical Market Report. Market.us. January 2024.

⁵Generative AI in the pharmaceutical industry: Moving from hype to reality. McKinsey & Company. January 9, 2024.