Pharmacy Trends & Managing the Cost of Specialty Drugs

May 2, 2017
Introduction

Why am I here?

- Managed Care experience (health plan, PBM)
  - 6-years in managed care
  - Introduced closed formulary to the State of Utah
    - Drove industry leading trends and rebate performance
    - Site of care initiatives
  - Introduced lowest net cost HCV formulary, POS opioid program, first in-class diabetic program

- Other experience
  - Retail
  - Hospital
  - Consulting
  - Long-term care
Agenda

What are we going to discuss?

- Trends in the market
  - Pharma trends
  - Market trends
- Specialty medications
  - Define specialty medications
  - Year-over-year specialty trend
    - Tools
  - Pharma trends
  - New Tools
What’s Going On?

Cost vs Copay

Medication to treat depression
Average Member Copayment

PMPM

*Express Scripts: Drug Trend Report
https://www.express-scripts.com/research/research/dtr/archive/
Trends In The Market

Pharma Trends

- Pharma is intelligent...
- Inflation
  - Turing Pharmaceuticals, Valeant Pharmaceuticals, Poor Mylan
  - Not a new phenomenon
  - Where is the outrage for Copaxone and Xyrem?
- New medications or indications
  - Prove effectiveness
  - Create a need
  - Rebates, rebates, rebates
- Manufacturer consolidations
  - Create a monopoly
Trends In The Market

Pharma Trends

- Combine for convenience
  - Take existing products and combine them
  - Nexium® and Aleve®, Pepcid® and Motrin®
- Compounds for Pete’s sake
  - Combine ingredients
  - Flonase and Salt Water
  - Capsaicin and menthol
- COPAY cards
  - It’s not important what you pay only the member
- When all else fails legislate changes
  - School Access to Emergency Epinephrine Act
  - ADFs

https://www.drugs.com/pro/dermacinrx-prizopak.html
Trends In The Market

Client Trends

- Member share
  - Coinsurance, CDHP
  - More tiers
    - Non-preferred generics
    - Reference pricing
- Utilization management strategies
  - Prior authorization
  - Step-therapy
  - Site-of-service
  - Narrow network
  - Non-grandfathering
- Exclusions
Questions?

Fun Fact

- Banging your head against the wall burns 150 calories per hour

Specialty Medications

**Specialty definition**

- **CMS definition**
  - Those drugs in which total AWP exceeds six hundred dollars ($600.00), biotech, biological or other products or pharmaceuticals, including but not limited to growth hormones, blood factors, interferon, etc., which may require special handling, distribution, administration, monitoring or patient education and counseling.

- **Other definition**
  - Medication used chronically with at least 3 of the following
    - LD
    - Need for monitoring
    - Specialized handling, shipping and storage
    - Risk of significant waste
My definition

- Expensive medications used to treat a condition which may impact only a small population
  - Examples: Humira®, Enbrel®, Exondys® 51, Harvoni®
- Average cost > $3,000 per script
- Specialty inflation ranges from 15-20% annually
- Expected to consume 50% of the benefit within 2 years
- Blockbuster status driven by cost
Specialty Medications

Specialty Manufacturing Trends

- Specialty medications that aren’t so special
  - Generate cheap products for specialty populations
    - Examples: Rayos®, Tecfidera®, Hetlioz®, HCV agents
- Orphan Drugs
  - 7 year patent exclusivity, impacting 200k
  - ½ of new drugs approved, with higher approval rates
    - Examples: Exondys®51, Spinraza®, Humira®
- Inflation, inflation, inflation
- Avoid POS systems
  - Jcodes vs NDC codes
- Alleviate member and physician frustration
Specialty Medications

Existing Tools

- Utilization management
  - Prior authorization
    - Ensure appropriate prescribing
  - Quantity limits
    - Limit to safe and effective doses
- Narrow networks
  - Provide specialty medications through specialty pharmacies
- Benefit design
  - Add specialty tiers
Specialty Trend

Specialty Medications

Existing Tools

- Traditional tools fail
  - Prior authorization
    - Pharma circumvents PAs through samples
    - All PA criteria are not created equal
  - Quantity limits
    - Provide checkpoint to billing errors
- Step therapy
  - Limited ability to prefer cheaper alternatives
- Narrow networks
  - Provide specialty medications through specialty pharmacies
- Benefit design
  - Pharma offsets benefit designs through copayment assistance
Questions?

Cartoon

"This probably won’t work, but we do have medications that will take care of the side effects."

www.cartoonstock.com
Specialty Medications

New Tools

- Site-of-service management
  - What are you paying today?
    - ASP plus, percentage of billed charges, AWP minus
  - Move patients to the safest, most cost effective sit of service
    - Home health vs physicians office vs hospital infusions
    - 50% of specialty medications adjudicate under the medical benefit
      - 20% require a PA under the medical benefit
      - UM strategy alignment
  - Simple solutions
  - Complex solutions
## Specialty Medications

### New Tools

- Sometimes say NO formulary?
  - Pay for outcomes or significant improvement to SOC
  - Rebates vs net cost

<table>
<thead>
<tr>
<th>Genotype 1</th>
<th>Genotype 2</th>
<th>Genotype 3</th>
<th>Genotype 4</th>
<th>Genotype 6</th>
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<td>Epclusa</td>
<td>Epclusa</td>
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<tr>
<td>95-98% cure</td>
<td>100% cure</td>
<td>95% cure</td>
<td>98% cure</td>
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<td>Savings</td>
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<td>• $20,000 per patient</td>
<td>• Up to $70,000 per patient</td>
<td>• $20,000-$60,000 per patient</td>
<td>• $30,000 per patient</td>
<td>• $20,000 per patient</td>
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Case Example 1
- Patient is a 35 yo pregnant female. She is on a $3,000 high deductible plan with 100% coverage following meeting her $3,000 deductible. Her plan renews 1/1 and she gives birth to a beautiful baby girl at an in-network hospital on 1/3. After adjusting for allowed amounts her stay was $5,000.
  - What was the patient’s OOP responsibility for this stay?

Case Example #2
- Same as above except now she has a diagnosis of multiple sclerosis as well and fills her Copaxone, which costs $7,900 per month, on 1/2 prior to delivering.
  - What was the patient’s OOP responsibility for this stay?
# Specialty Medications

**Copay Assistance**

- Traditional copayment assistance
  - Circumvents benefit design
  - Provides low cost medications to members

<table>
<thead>
<tr>
<th>MEMBER</th>
<th>MEMBER COPAY</th>
<th>COPAY ASSISTANCE PAID</th>
<th>MEMBER ACTUALLY PAID</th>
<th>PLAN COST</th>
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</thead>
<tbody>
<tr>
<td>JOHN SMITH</td>
<td>$10/$25/$50</td>
<td>$25</td>
<td>$20</td>
<td>$224.96</td>
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<tr>
<td>Viibryd 40 mg</td>
<td>$25</td>
<td>$5</td>
<td>$20</td>
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<tbody>
<tr>
<td>JAYNE SMITH</td>
<td>$10/30%/50%</td>
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<td>$20</td>
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<td>Viibryd 40 mg</td>
<td>$74.98</td>
<td>$54.98</td>
<td>$20</td>
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### Specialty Medications

**Copay Assistance**

- Traditional copayment assistance
  - Higher value
  - Based on plans having flat copays

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- Member JOHN SMITH:
  - Viekira
  - Member Copay: $10/$25/$50
  - Member Actually Paid: $5
  - Plan Cost: $33,327.60

- Member JAYNE SMITH:
  - Viekira
  - Member Copay: $8,332/$8,332/$5
  - Member Actually Paid: $5
  - Plan Cost: $25,000.60

*Proprietary and Confidential*
Specialty Medications

Copay Assistance

- Strike while the iron is hot
  - Coupons could leave at any minute
  - Solutions are in place currently
- Biosimilars
  - $250 Billion in savings
  - 15% ingredient cost savings
    - Early adoption
  - Current market biosimilars of importance
    - Inflectra®
    - Basaglar®
  - If you are currently paying for more than 1 insulin you aren’t ready for biosimilars
Jeremy Meyer, SVP of PBM of Operations
Rory Davies- VP, Clinical Programs
Stephanie Putz – Implementation Manager
Orsi Teodorovic- Director of Business Development