Welcome to the SIG University HR Roundtable Series

Understanding the Changing Rx Landscape

Cory Easton, Principal, HORIZON Health Ventures, LLC

April 25, 2018

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Speaker: Rachel Druckenmiller, Director of Wellbeing, SIG

MAY 31: Building a Thriving Culture at Work

Speaker: Rachel Druckenmiller, Director of Wellbeing, SIG

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2018 Mid Atlantic Benchmarking Survey

If you are a Mid Atlantic employer with 50 or more employees, then you are invited to participate in the 2018 Mid Atlantic Benchmarking Survey

Our survey provides companies with comparable benchmarking data for:

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- Dental, Life, and Disability Benefits
- Innovative Benefits & Strategies
- Wellness & Vision
- Other Specialty Benefits

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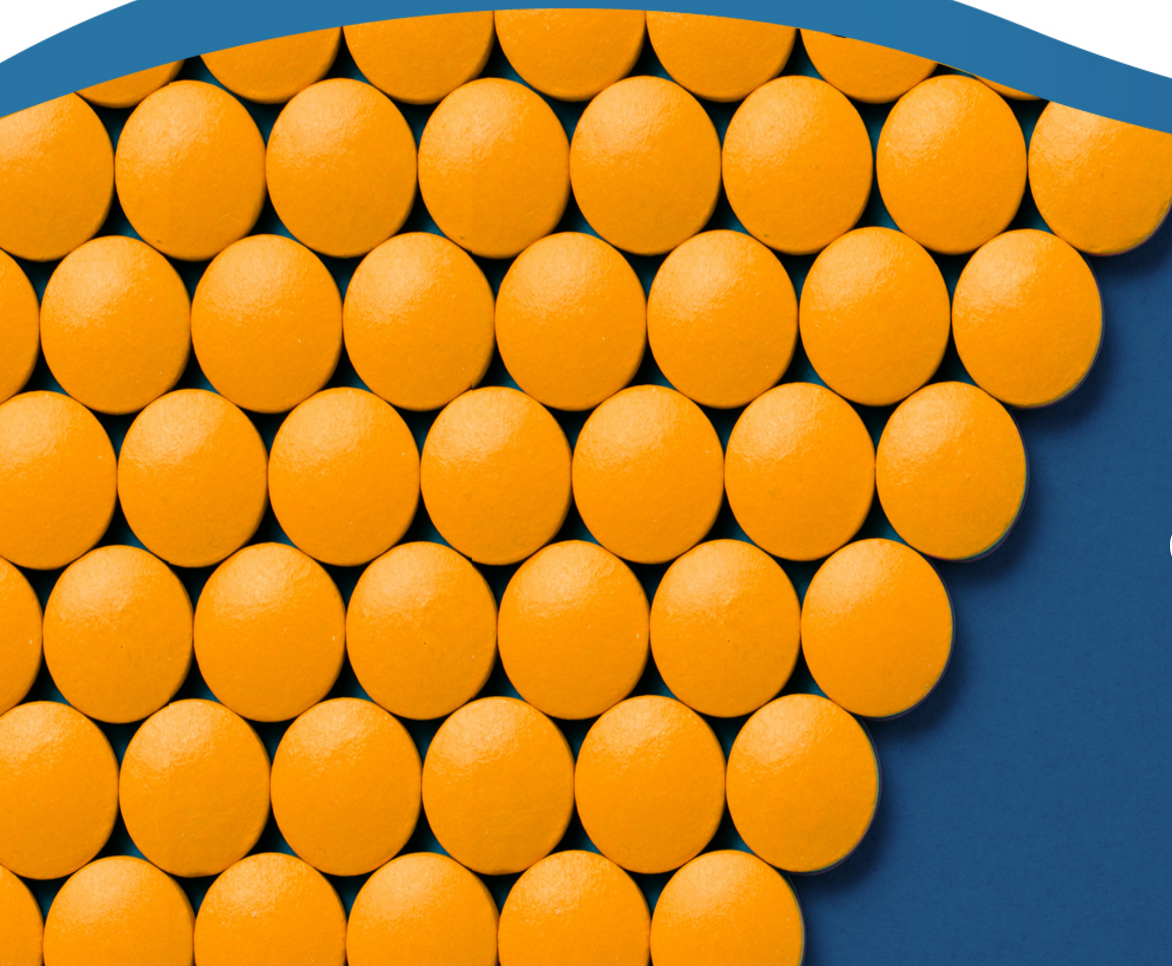
April 2018



Understanding The Changing Rx Landscape

PERFORMANCE PHARMACY SOLUTIONS

Pharmacy Trend & Important Metrics

Projected '17 Trend (Gross)

11.8%

Cost Drivers

Specialty Trend, New Rx's & New Indications Introduced

Specialty

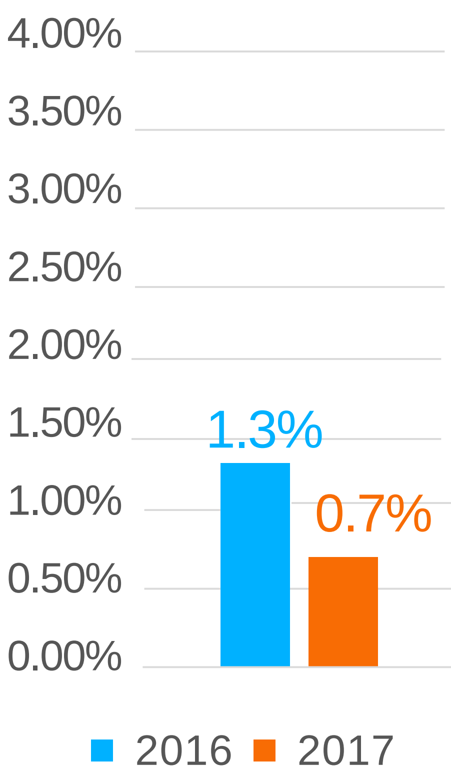
16%-25% Year over Year Trend until 2025

GDP

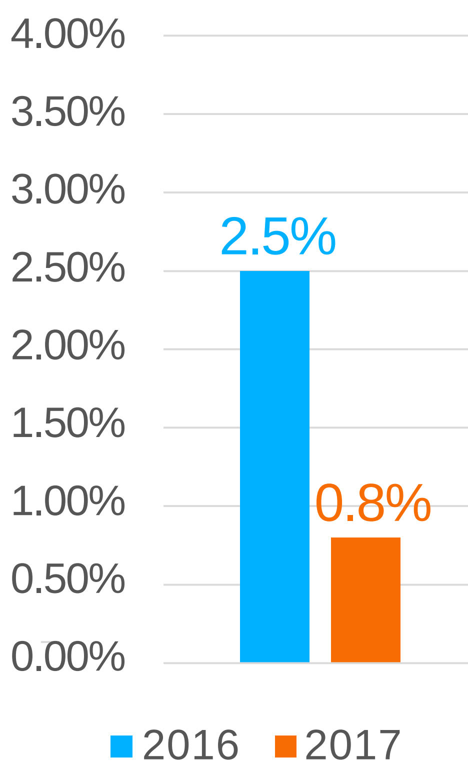
$597B by 2025 or 20% of Gross Domestic Product (GDP)

2017 Commercial Trend

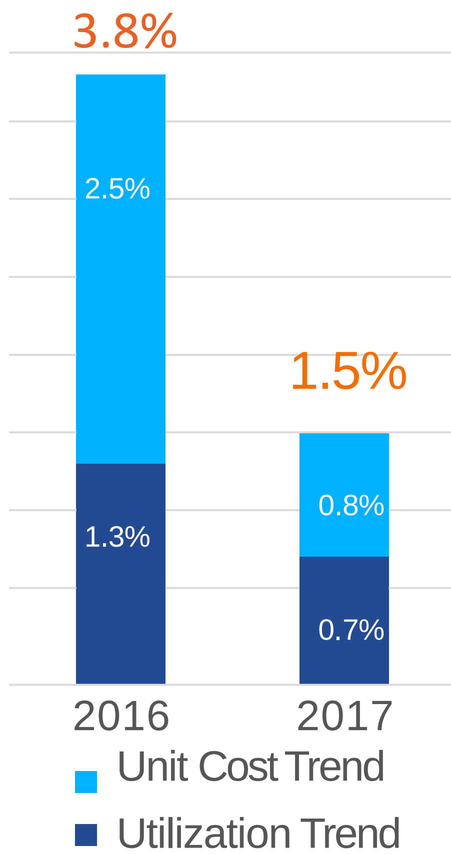
Utilization Trend 2016 vs. 2017



Unit Cost Trend 2016 vs. 2017



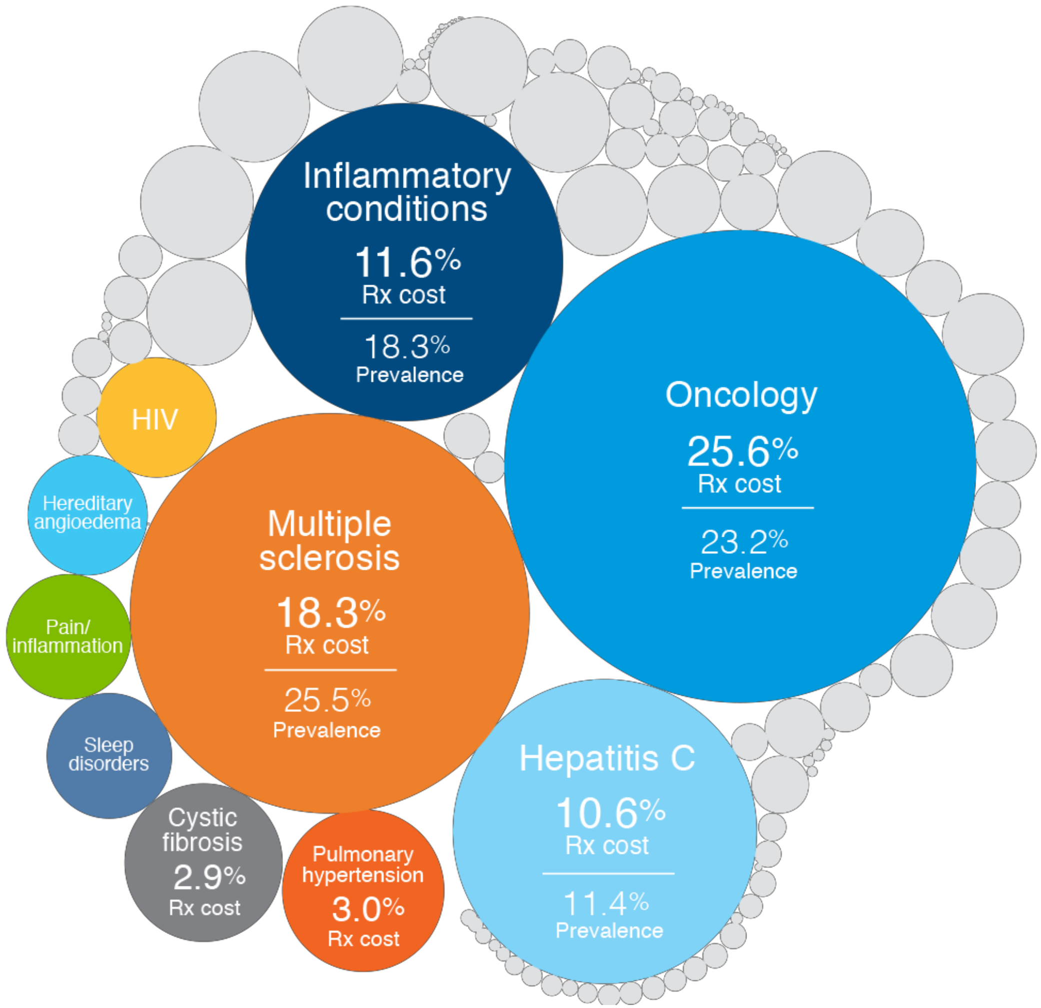
Total Trend 2016 vs. 2017



2017 **Unit Cost Trend** is **68% Lower** Than in 2016

Therapy classes of people with $50,000+ in Rx cost

9 OUT OF 10 REQUIRE SPECIALTY MEDICATION



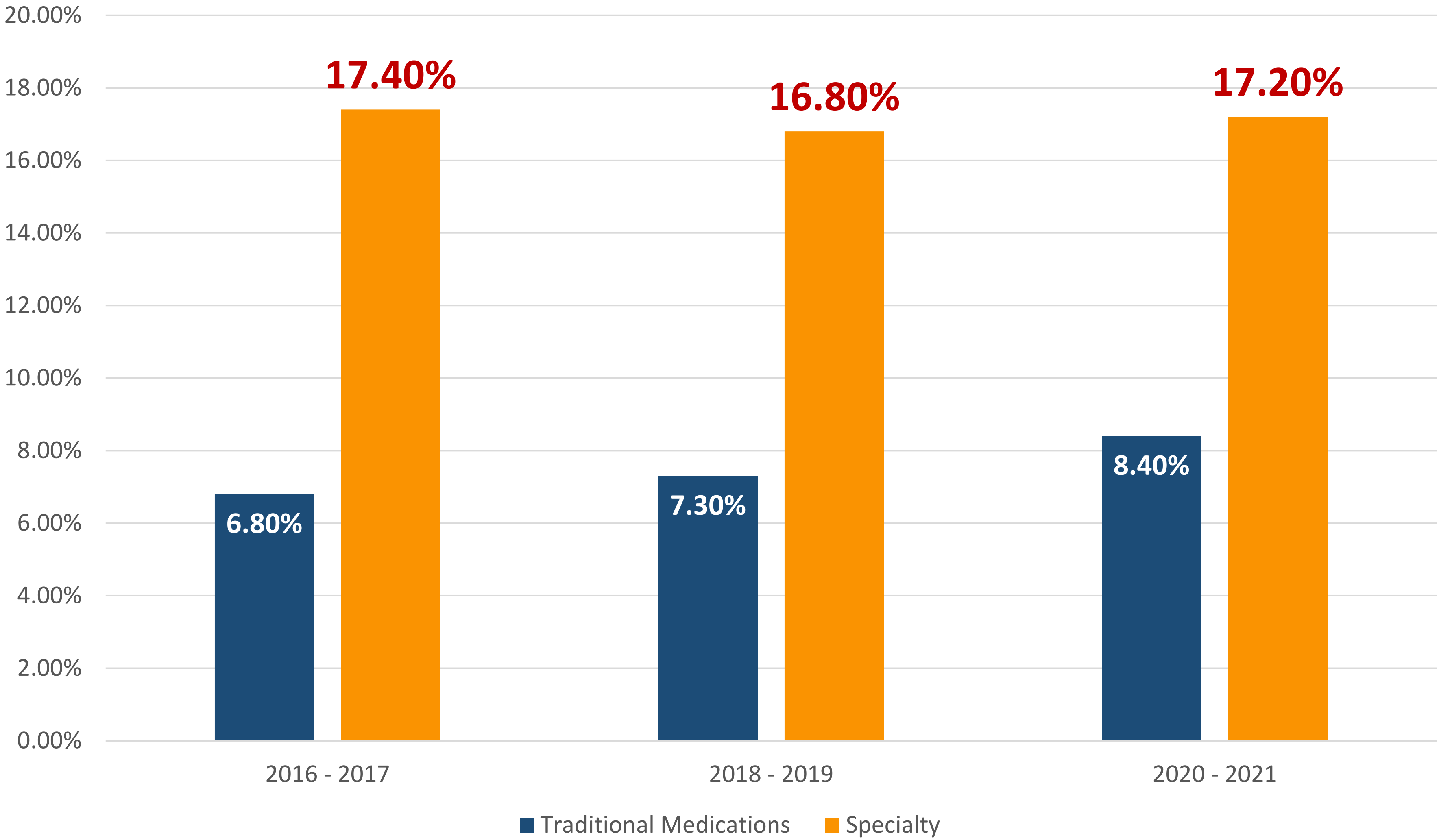
Source: *Super spending: U.S. Trends In High-Cost Medication Use,* Lab.express-scripts.com

Specialty Trend Drivers

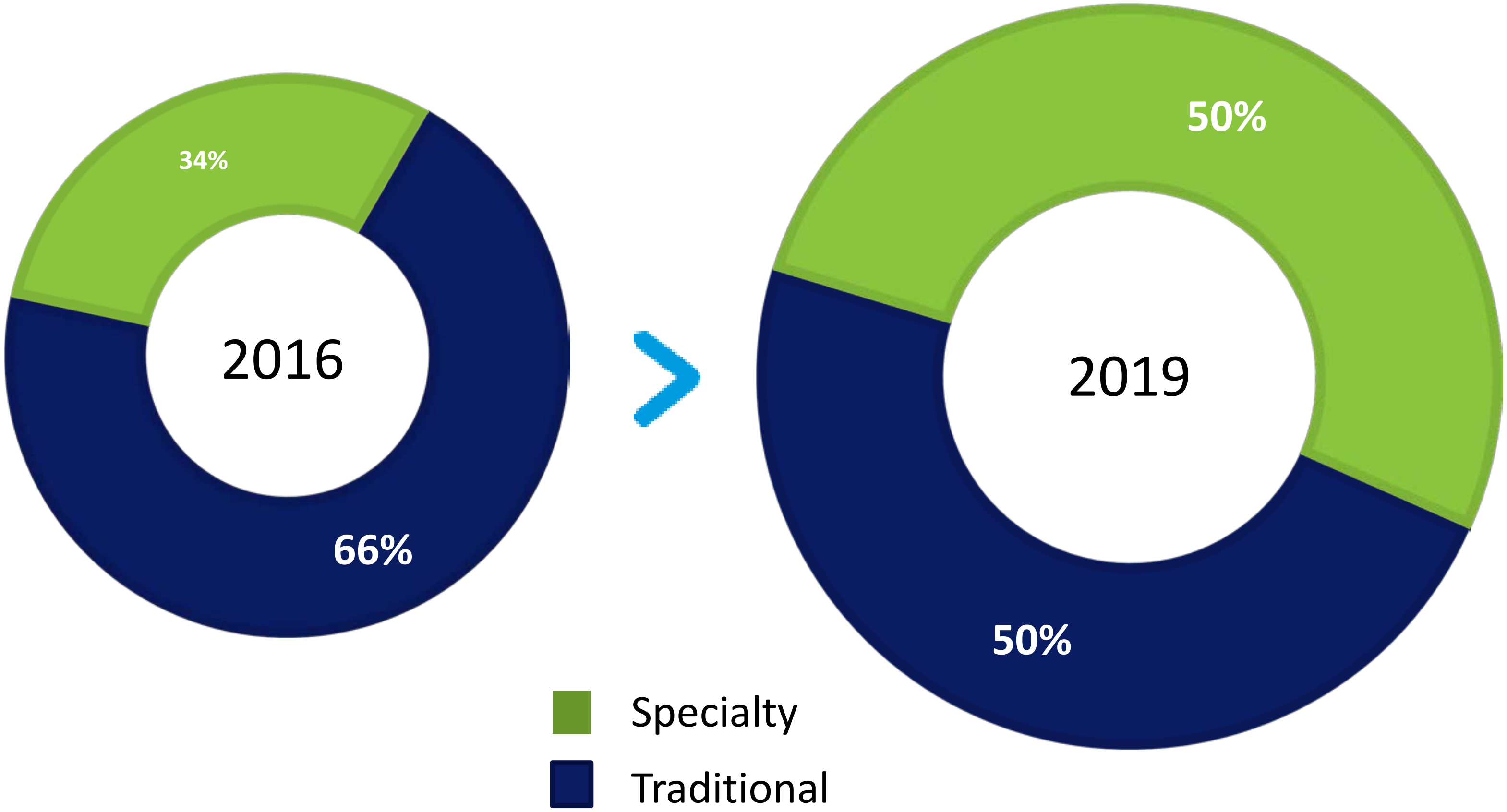
AGING POPULATION	NEW DRUGS FOR UNMET NEEDS	NEW INDICATIONS
10,000 Americans will turn 65 every day until 2030[1]	**88** New drugs 2015-2016[2] **220** New drugs 2017-2019[2]	**101** New indications 2017-2019[2]

CVS/Caremark Data

Projected Specialty Trend



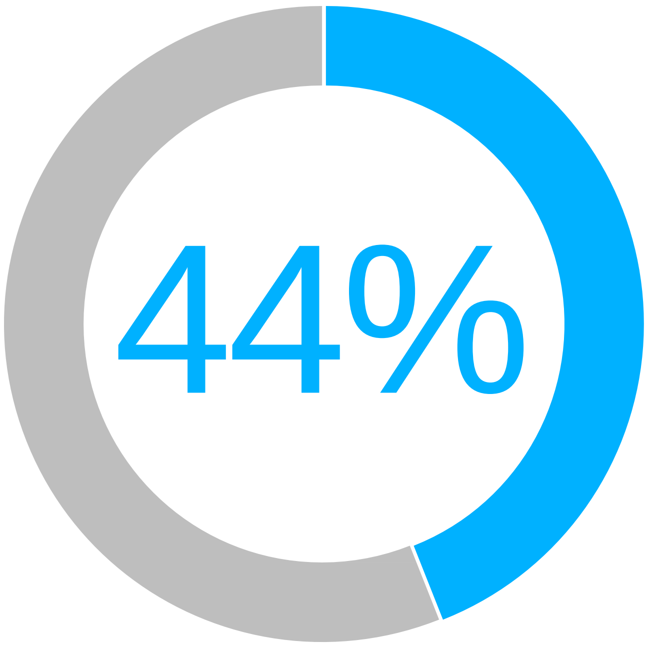
PERFORMANCE PHARMACY SOLUTIONS



Source: Express Scripts Research

Leading the way for patients and plans in 2017

- Record low commercial net trend for 2017
- Low increases for Medicare and Medicaid
  - 2.3%
  - 3.7%
- Decrease for Health Insurance Exchanges
  - -3.3%



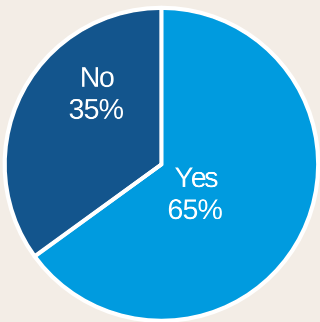
OF PLANS SPENT LESS PER PERSON ON PRESCRIPTION DRUGS IN 2017

Management Trends

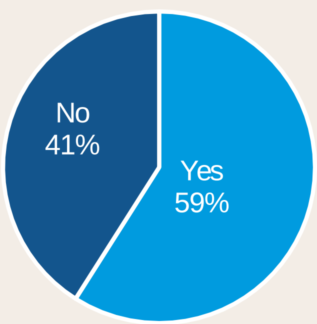
PERFORMANCE PHARMACY SOLUTIONS

Exclusive Specialty

Do you have a restricted network for specialty drugs?

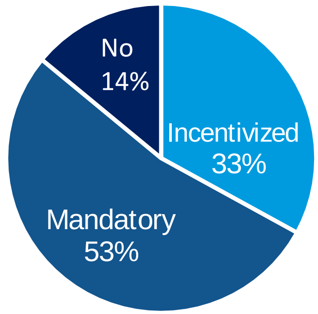


If no, would you be willing to implement one in the future?

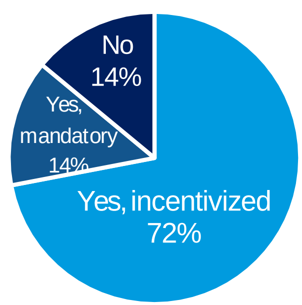


Home Delivery

Do you have a home delivery program in place?

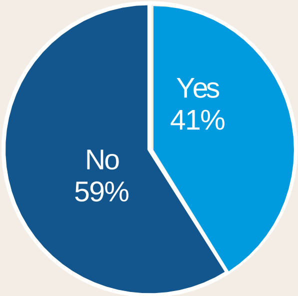


If no, would you be willing to implement a program?

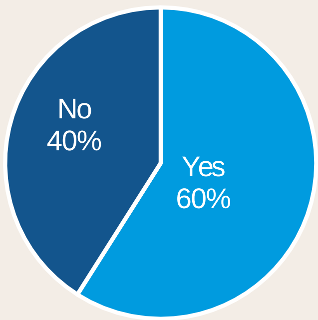


Narrow Networks

Do you have a preferred retail pharmacy network design?

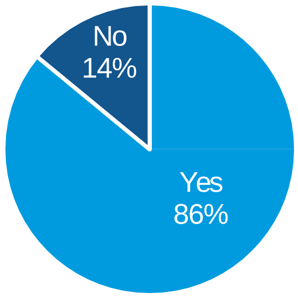


If no, would you be willing to implement one in the future?

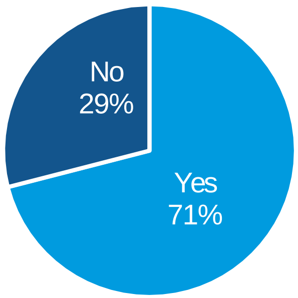


Step Therapy

Do you implement Step Therapy?



If no, do you plan to implement step therapy in the future?



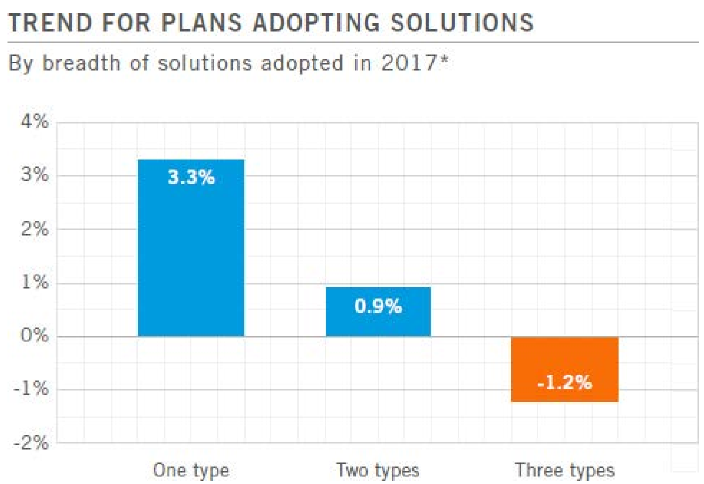
Payor problems create market opportunities

Source: JPMorgan 22nd Bi-annual Proprietary PBM Survey, 12/2017. Surveys were fielded electronically by 51 respondents who are responsible for making benefit decisions for leading U.S. companies. In aggregate, the respondent companies comprised ~700,000 employees and had aggregate annual drug spend of roughly $2 billion.

PERFORMANCE PHARMACY SOLUTIONS

Value of Clinical Management

- Plans that adopted a broader variety of clinical, specialty and other core PBM solutions had lower trend than those adopting fewer types of solutions.
- Spending for plans that implemented all three types of solutions in 2017 decreased 1.2%.



Plans adopting all three types of solutions in 2017 had

-1.2%

trend

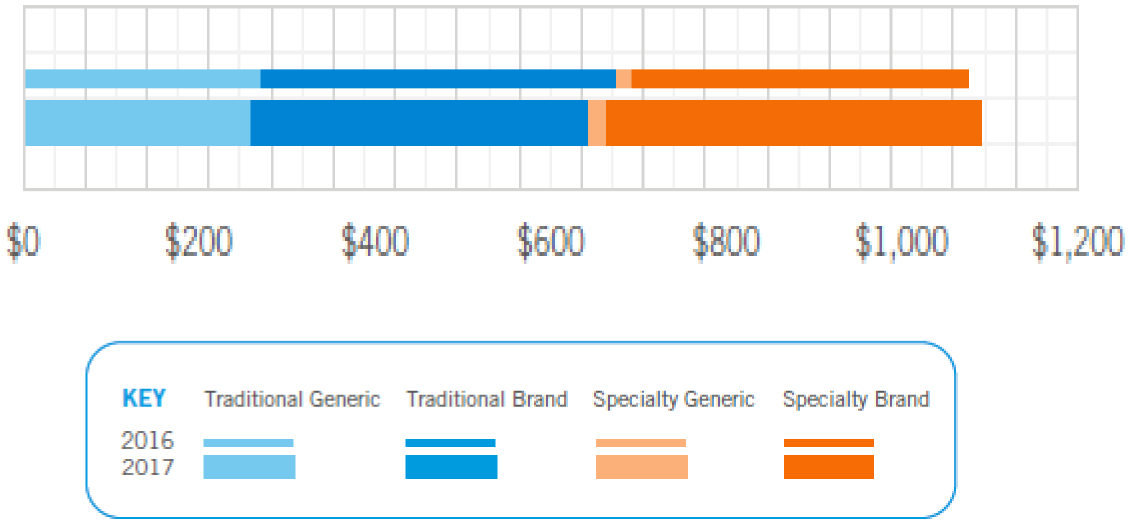
Trend and Spend Overview for

COMMERCIAL

UTILIZATION TREND	UNIT COST TREND	TOTAL TREND
↑0.7%	↑0.8%	↑1.5%

Total per-person spending increased 1.5% (net), with inflammatory conditions leading all classes

COMPONENTS OF PMPY* SPEND



Trend and Spend Overview for COMMERCIAL

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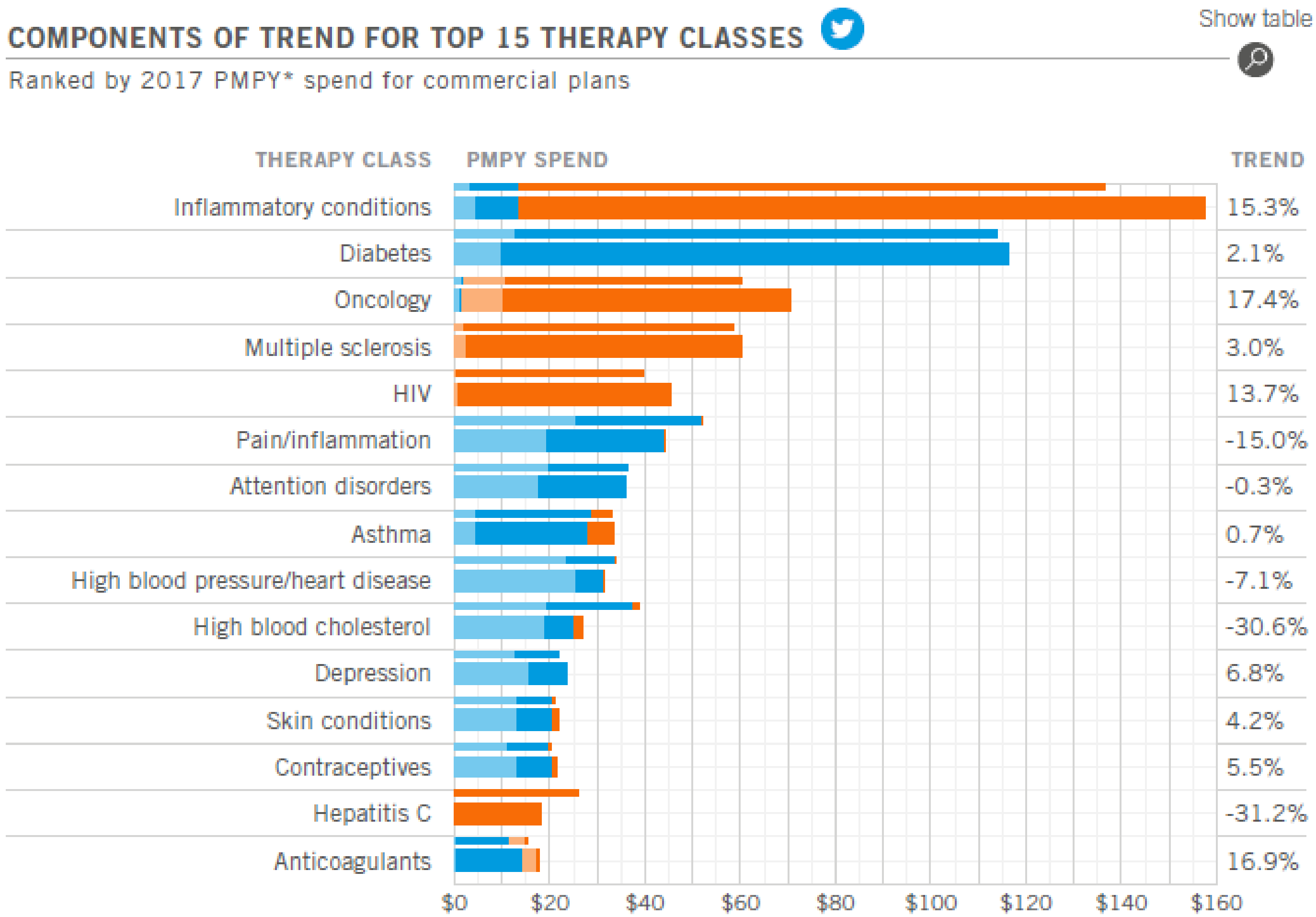


PERFORMANCE PHARMACY SOLUTIONS

Trend and Spend Overview for COMMERCIAL

Total per-person spending increased 1.5% (net), with inflammatory conditions leading all classes

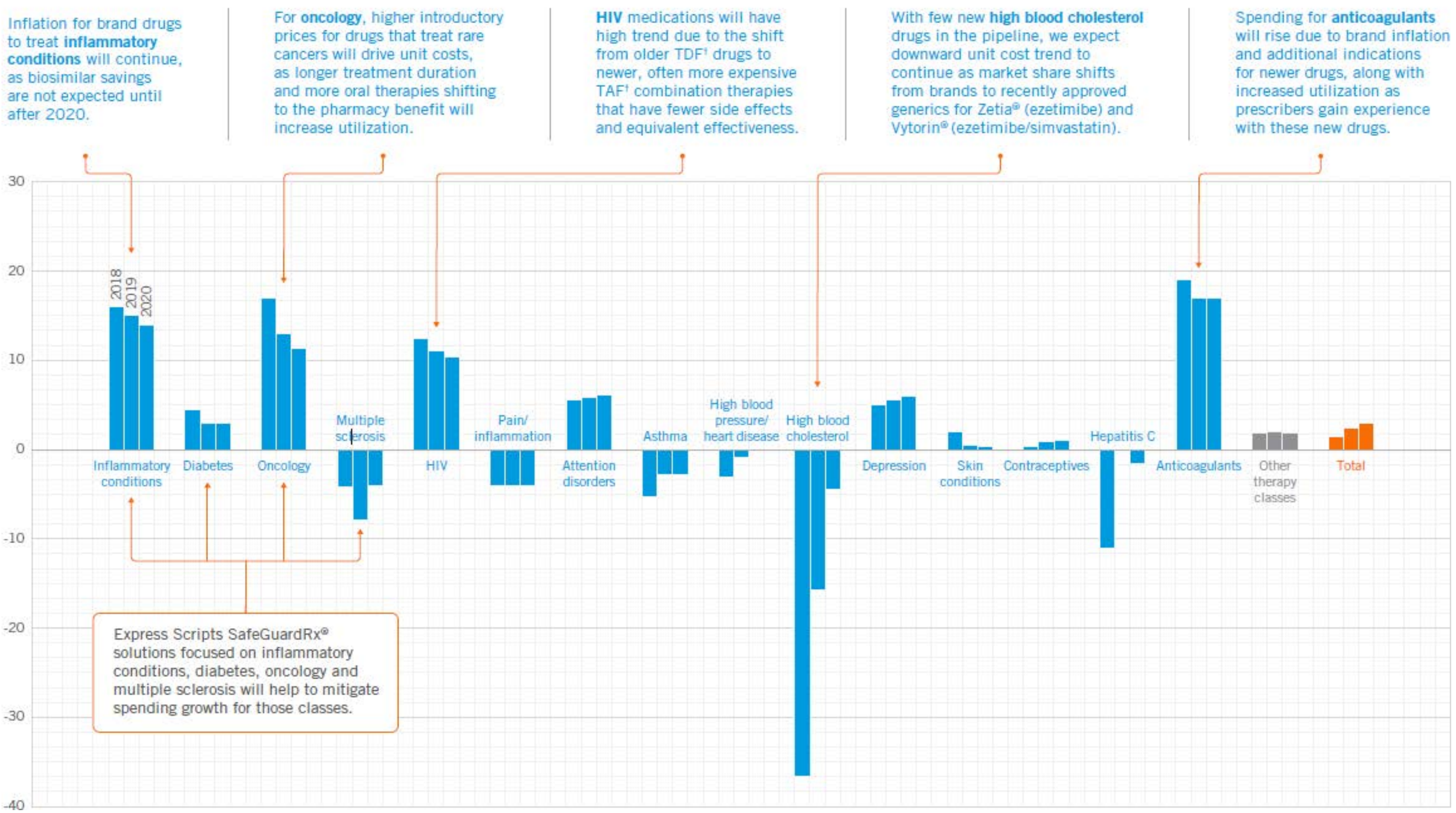
			TREND		
RANK	THERAPY CLASS	PMPY SPEND	UTILIZATION	UNIT COST	TOTAL
1	Inflammatory conditions	$157.49	3.9%	11.4%	15.3%
2	Diabetes	$116.23	4.2%	-2.1%	2.1%
3	Oncology	$70.66	4.3%	13.2%	17.4%
4	Multiple sclerosis	$60.20	-3.4%	6.4%	3.0%
5	HIV	$45.20	2.5%	11.1%	13.7%
6	Pain/inflammation	$44.06	-2.1%	-12.9%	-15.0%
7	Attention disorders	$36.12	2.9%	-3.2%	-0.3%
8	Asthma	$33.40	2.6%	-1.9%	0.7%
9	High blood pressure/ heart disease	$31.41	0.6%	-7.6%	-7.1%
10	High blood cholesterol	$26.82	0.3%	-30.9%	-30.6%
11	Depression	$23.68	4.4%	2.4%	6.8%
12	Skin conditions	$21.80	2.2%	1.9%	4.2%
13	Contraceptives	$21.44	2.6%	2.9%	5.5%
14	Hepatitis C	$17.90	-40.4%	9.2%	-31.2%
15	Anticoagulants	$17.67	3.0%	13.9%	16.9%
	Other therapy classes	$365.63	-0.9%	0.6%	-0.3%
	TOTAL FOR ALL THERAPY CLASSES	$1,089.75	0.7%	0.8%	1.5%

PPS PERFORMANCE PHARMACY SOLUTIONS

Forecasting trend for commercial plans

TREND FORECAST FOR KEY THERAPY CLASSES

2018-2020, ranked by 2017 PMPY* spend



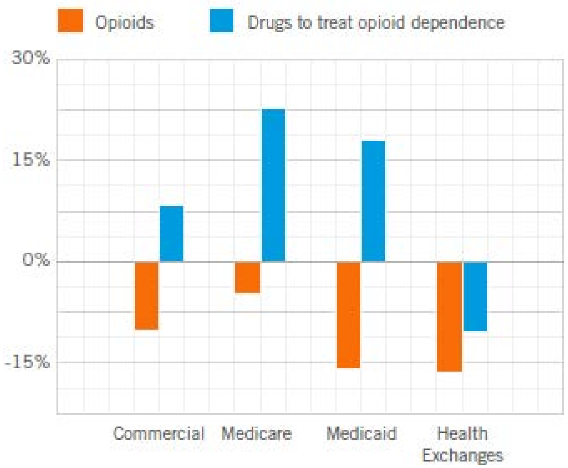
PERFORMANCE PHARMACY SOLUTIONS

Curtailing the opioid epidemic

Average days' supply **declined nearly 60%** in just 90 days for patients in our programs receiving first-time opioid prescription

UTILIZATION TREND

2017, for patients across plan types



AVERAGE DAYS' SUPPLY PER INITIAL FILL

2017, for patients in Advanced Opioid Management

~96%

Of patients in the program filled a seven-day supply or less for an initial opioid prescription

Focused on patient care and value

At risk diabetes patients added medication to prevent heart attacks.

15.1% of patients added statin therapy to Diabetic Care. If this was a standard plan requirement, nearly 13,000 patients over the next 10 years could prevent heart attack.

Average member out-of-pocket cost for a 30-day prescription was $11.24

Members saw a modest 12¢ increase in OOP costs per Rx vs. 2016.

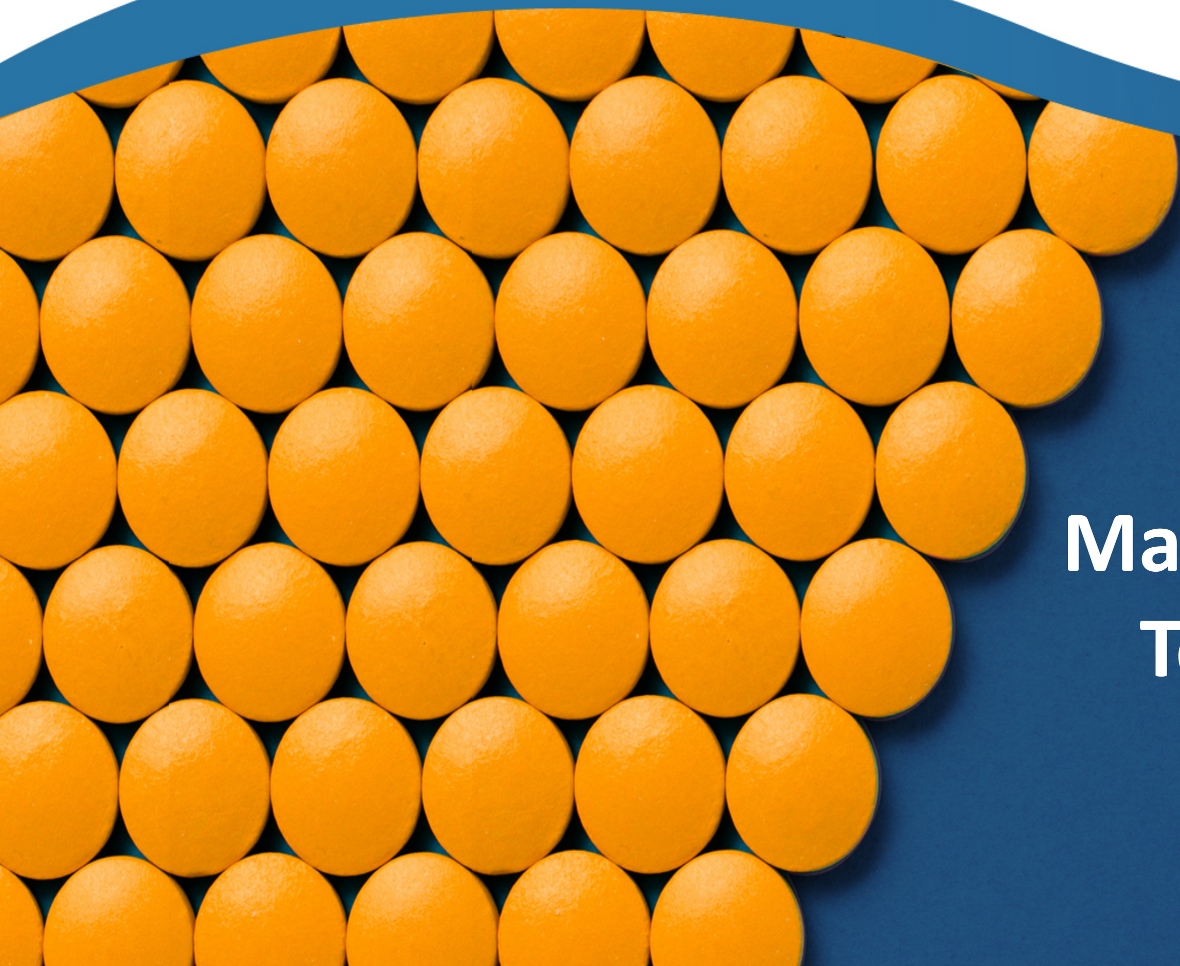
Share of costs per prescription paid by members held steady

Commercial members paid 14.3% of total prescription costs in 2017, **the same as in 2016**.

Patients in high-deductible plans have higher OOP costs

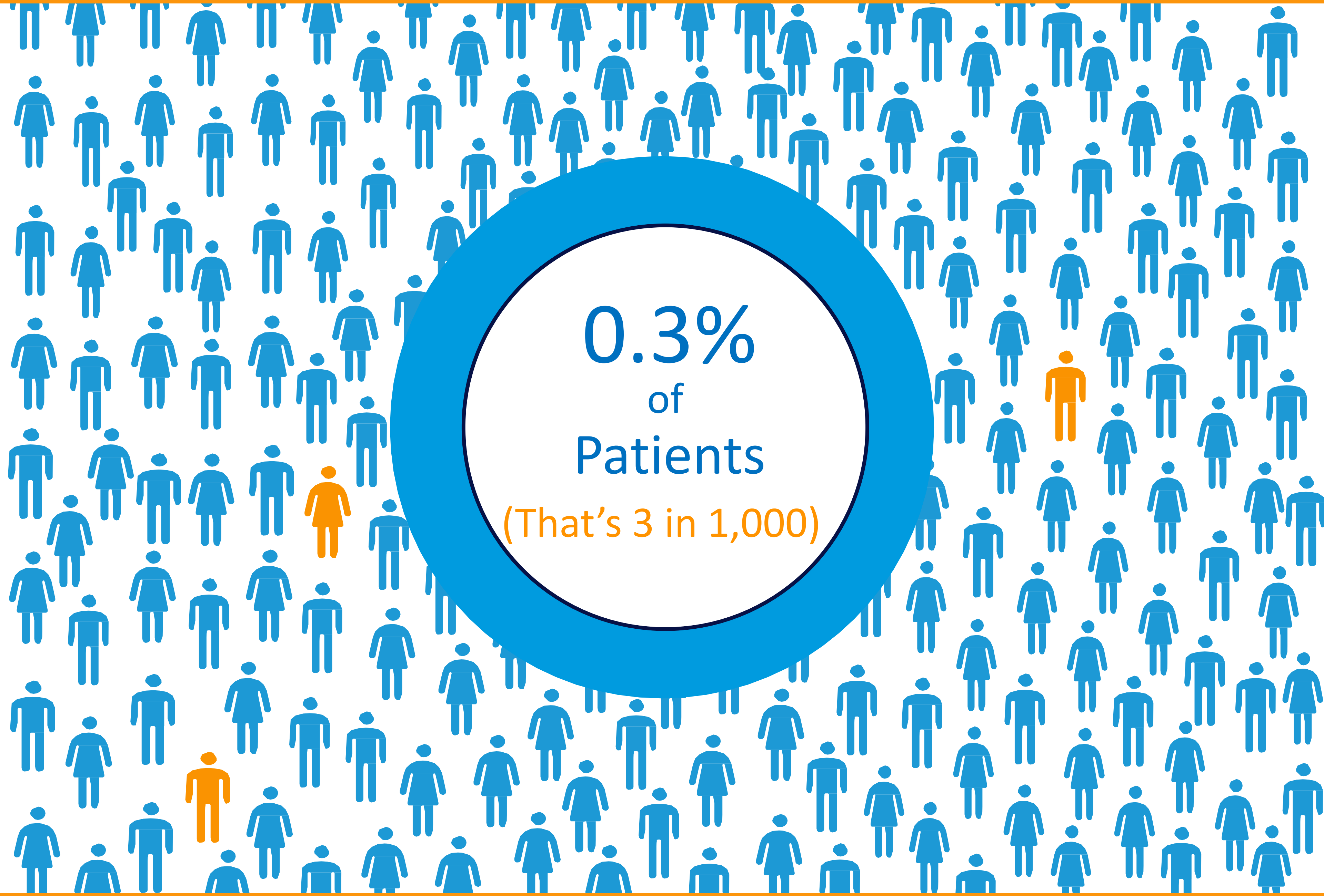
Patients in high-deductible consumer-directed healthcare (CDH) plans paid more in average yearly out-of-pocket costs ($268.86) than those in standard commercial plans ($200.24), despite 23.5% lower utilization.

PERFORMANCE PHARMACY SOLUTIONS



Managing Pharmacy: Today & Tomorrow

Do you know someone with more than $50,000 in annual Rx costs?


0.3%
of
Patients
(That's 3 in 1,000)

21.3%

of

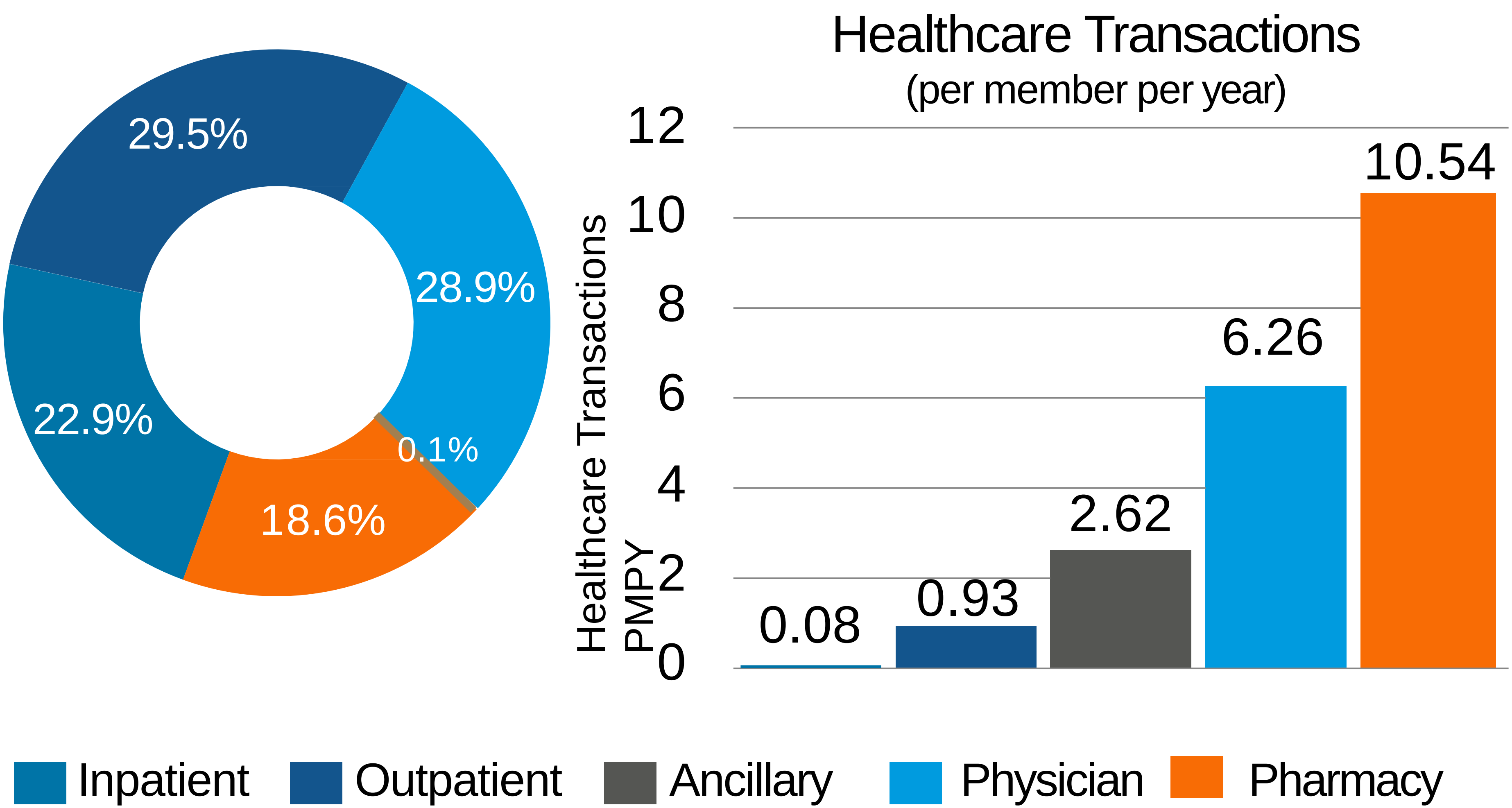
Total Spend

$80

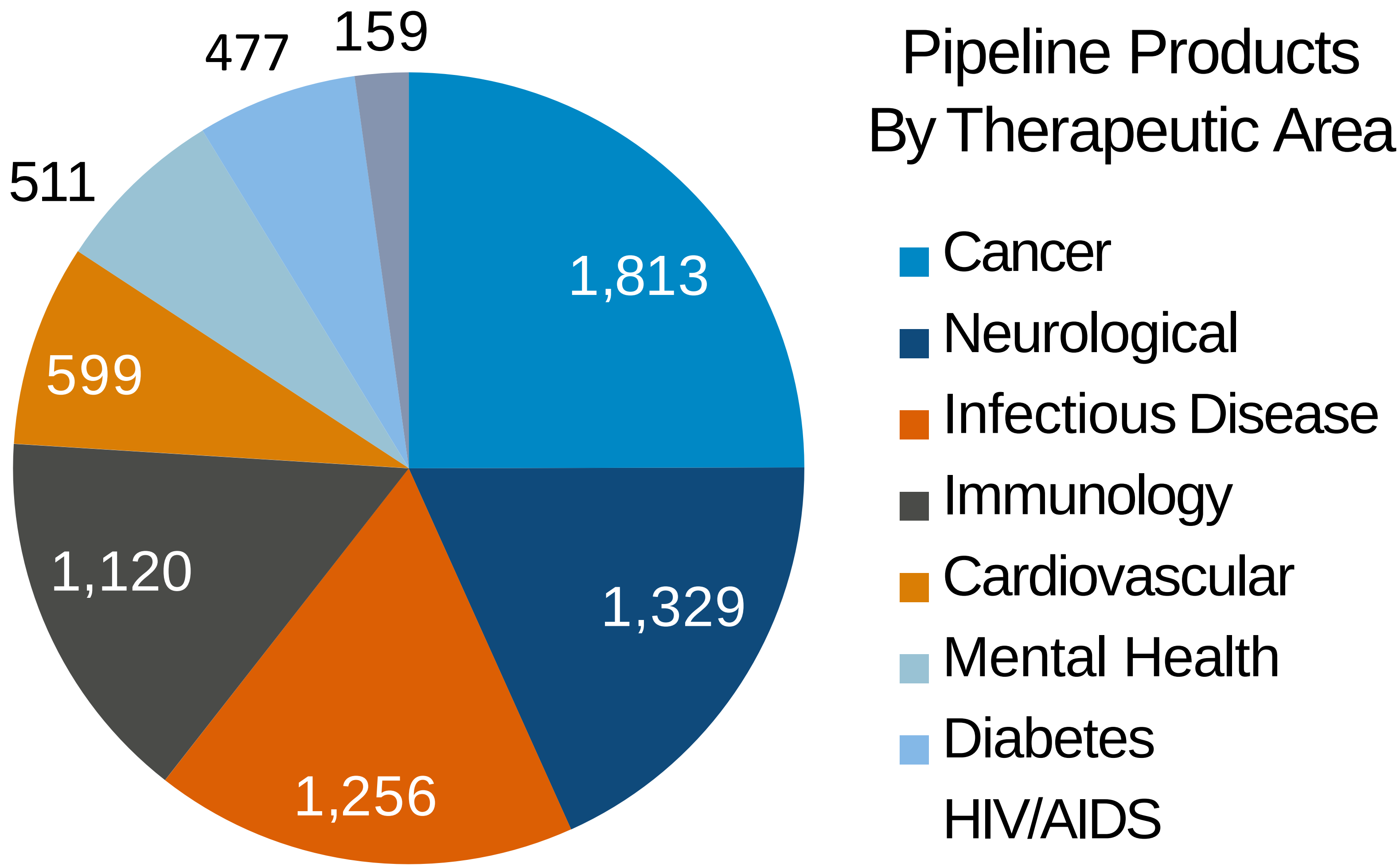
Billion

PERFORMANCE PHARMACY SOLUTIONS

Pharmacy is the most widely used benefit



7,000 potential drugs in development



Source: *2015 Profile Biopharmaceutical Research Industry*, PhRMA

Biosimilars

A biosimilar is defined as “a biological medicinal product that contains **a version of the active substance** of an already authorized original biological medicinal product.

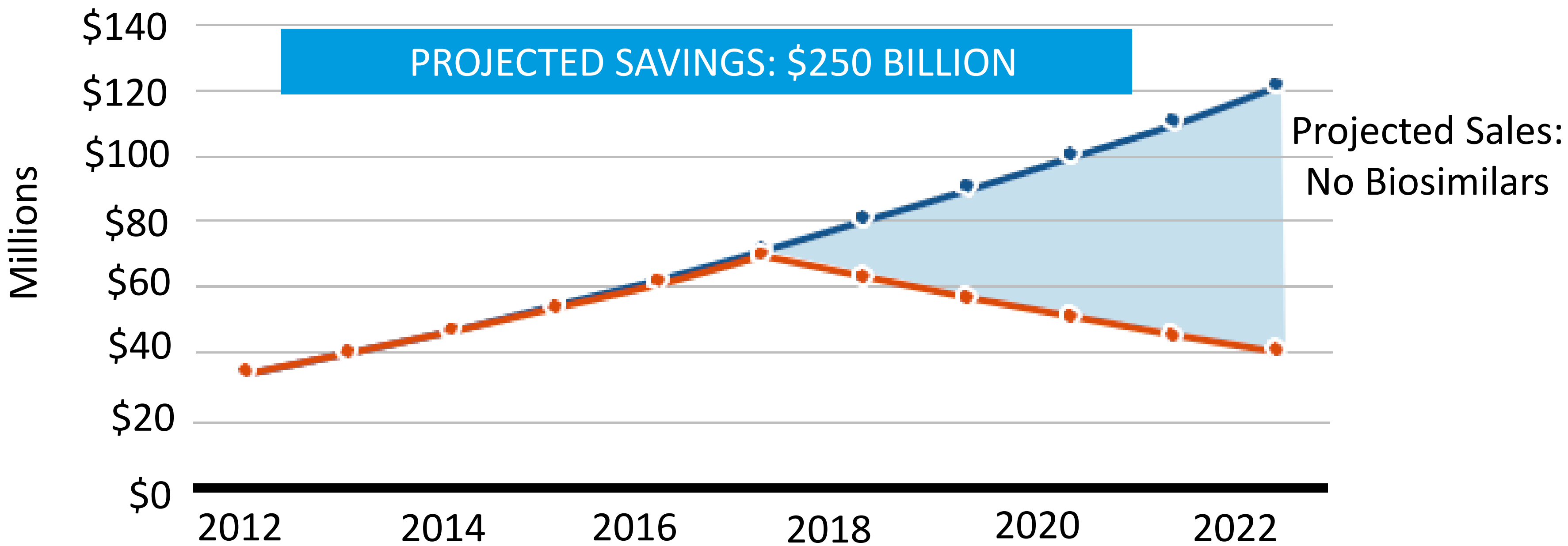
A biosimilar **demonstrates similarity** to the referenced medicinal product in terms of quality characteristics, biological activity, safety and efficacy based on a comprehensive comparability exercise.”

IMS Health, 2014

Biosimilars

Longer Term….

Biosimilars could create headroom for funding expensive, innovative therapies

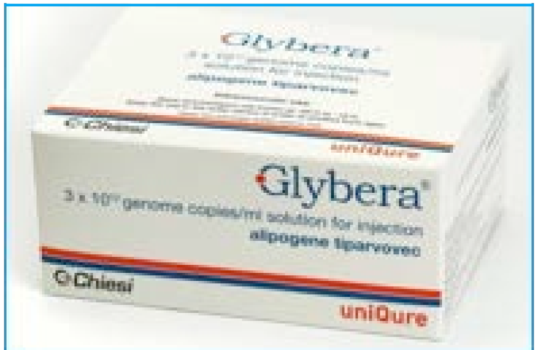


Source: Potential Savings of Biogenerics in the United States, S Miller, J Houts - Express Scripts, 2007

A new frontier: Gene therapy

- Repairs, deactivates or replaces dysfunctional genes that cause disease
- 4,000 diseases linked to gene disorders
- High cost: $475k-$1.5M per patient
- Single administration
- Very small patient populations
- Durability periods vary

First products reached the European market, but few patients received treatment



$1.4 Million

failed

Strimvelis

$665,000

Money-back guarantee

Nevertheless, there is plenty of interest

Gene Therapy (20+)

CAR/TCR/T Cell (25+)

Gene Editing (8+)

1,500+ products in development
>75% are at discovery or preclinical phase

First U.S. gene therapy OK'd

One-time treatment for lymphoblastic leukemia

- Lethal blood and bone-marrow cancer
- 3,100 diagnoses in the U.S. each year
- Affects children and young adults

$475,000

Cost, guaranteed clinical results

Targeting ultra-rare diseases

- Lipoprotein lipase (LPL) deficiency – inhibits fat digestion
- ADA-SCID ("bubble boy disease") – inability to fight infection in children
- MLD (metachromatic leukodystrophy) – destroys brain white matter in children
- Leber Syndrome – causes blindness
- Hemophilia – bleeding disorder

Next 18 months – 3+ approvals possible in the U.S.

PPS PERFORMANCE PHARMACY SOLUTIONS

"Toto, we're not in Kansas anymore…"

Carve-In vs Carve-Out

Carve-In

HEALTH PLAN

Medical Pharmacy

Dental Vision

Employer has a single bundled contract for all services

Carve-Out

HEALTH PLAN

Medical
Dental
Vision

PBM

Pharmacy

Employer maintains two separate contracts/vendors each with specific and unique expertise

PBM tools can improve care and drive value

PERFORMANCE PHARMACY SOLUTIONS

Key Takeaways

8-15% Savings	• Effective PBM contracting
% Savings	• 80%-100% of Rebates
10-30% Savings	• Evaluate the carve out potential
2-10% Savings	• Early adopter of management programs: •Mandatory generic programs •PBMs exclusionary formularies •Step Therapy •Exclusive Specialty Pharmacy •Compound management program
2% Savings; w/channel Management addl 3%+	• Exclusive Specialty Pharmacy and specialty management programs; medical channel management

Save money now so that you can afford the high cost drugs of tomorrow

Savings are estimates only

Basics of Pharmacy Contracting

- Do you have a contract ***specific*** to your pharmacy benefit?
- Does your contract clearly list out the discounts/fees/rebates that are applied and guaranteed to **your** claims utilization?
- Does your contract clearly define under what circumstances those discounts/fees/rebate guarantees are applied to **your** claims?
- Does your contract clearly state what detailed information you will have access to relative to **your** claims utilization and experience?
- Does your contract contain audit rights allowing you to validate that your carrier or PBM is compliant with their financial & operational obligations under the terms of the contract?

Key Takeaways

Savings	Strategy
8-15% Savings	• Effective PBM contracting
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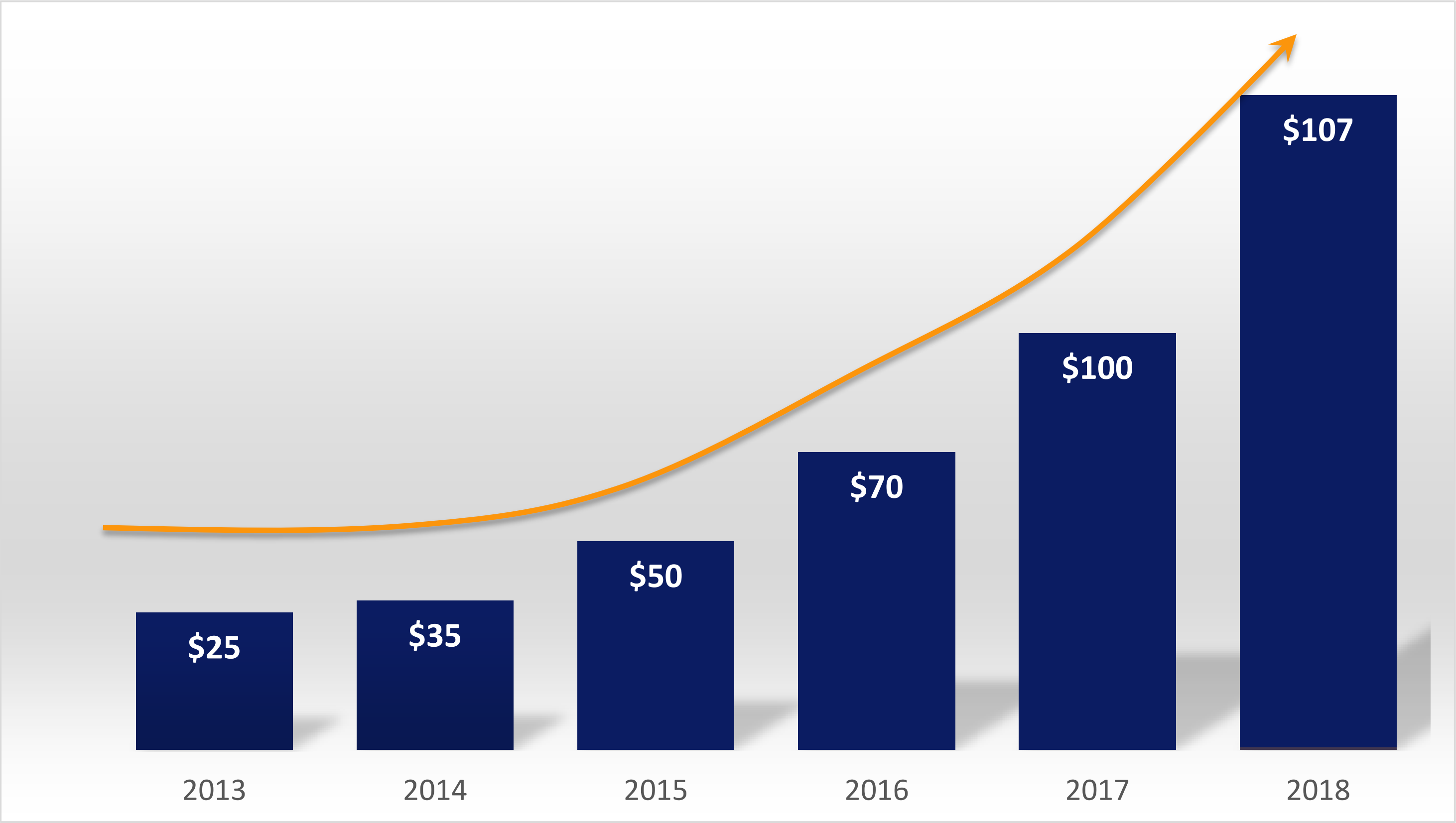
PERFORMANCE PHARMACY SOLUTIONS

Rebate Value Over Time

Rebate per Brand Claim (100% of rebates)



PERFORMANCE
PHARMACY
SOLUTIONS

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Savings are estimates only

PERFORMANCE PHARMACY SOLUTIONS

Understand your options & opportunity

Have you performed an analysis to understand the value of PBM carve out?

250 employees and 500 Members

Incumbent:

	Financial Costs
Ingredient Cost	$997,640
Dispensing Fees	$7,245
Member Contribution	-$144,871
Administration Fees	$0
Rebates	-$62,560
Net Plan Cost	**$797,454**

Proposed: PBM Option 1

	Financial Costs
Ingredient Cost	$941,304
Dispensing Fees	$4,561
Member Contribution	-$144,871
Administration Fees	$21,930
Rebates	-$85,921
Net Plan Cost	$737,003

Savings

$60,451

7.6%

Proposed: PBM Option 2

	Financial Costs
Ingredient Cost	$932,038
Dispensing Fees	$5,293
Member Contribution	-$144,871
Administration Fees	$21,930
Rebates	-$131,127
Net Plan Cost	$683,263

Savings

$114,191

14.3%

Key Takeaways

8-15% Savings	• Effective PBM contracting
% Savings	• 80%-100% of Rebates
10-30% Savings	• Evaluate the carve out potential
2-10% Savings	• Early adopter of management programs: •Mandatory generic programs •PBMs exclusionary formularies •Step Therapy •Exclusive Specialty Pharmacy •Compound management program
2% Savings; w/channel Management addl 3%+	• Exclusive Specialty Pharmacy and specialty management programs; medical channel management

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Savings are estimates only

Specialty Pharmacy Benefit Management
Spectrum of Solutions

BENEFIT PLAN DESIGN	Reduce waste and encourage adherence through formulary strategy, days' supply design, and member cost share recommendations
NETWORK MANAGEMENT	Savings on unit cost discounts through Exclusive Specialty program
UTILIZATION MANAGEMENT	Significant savings through programs like Prior Authorization, Drug Quantity Management, and Preferred Specialty Management
MEDICAL BENEFIT MANAGEMENT	Savings through management of medical-billed specialty drug spend

Full spectrum of specialty drug management programs to reduce waste for plan sponsors

Medical Channel Management

PERFORMANCE PHARMACY SOLUTIONS

MEDICALLY BILLED SPECIALTY-DRUG CHALLENGES

- Lack of program control
- Limited reporting and utilization management
- Inconsistent clinical protocols between pharmacy and medical
- J-code billing format
- Delays in billing

MEDICAL CHANNEL MANAGEMENT SOLUTION

- Better visibility and control of specialty spending
- Increased savings from coverage and therapy management
- Real-time adjudication
- Tracks spending at NDC level
- Improved reporting

47% OF ALL SPECIALTY DRUG SPEND

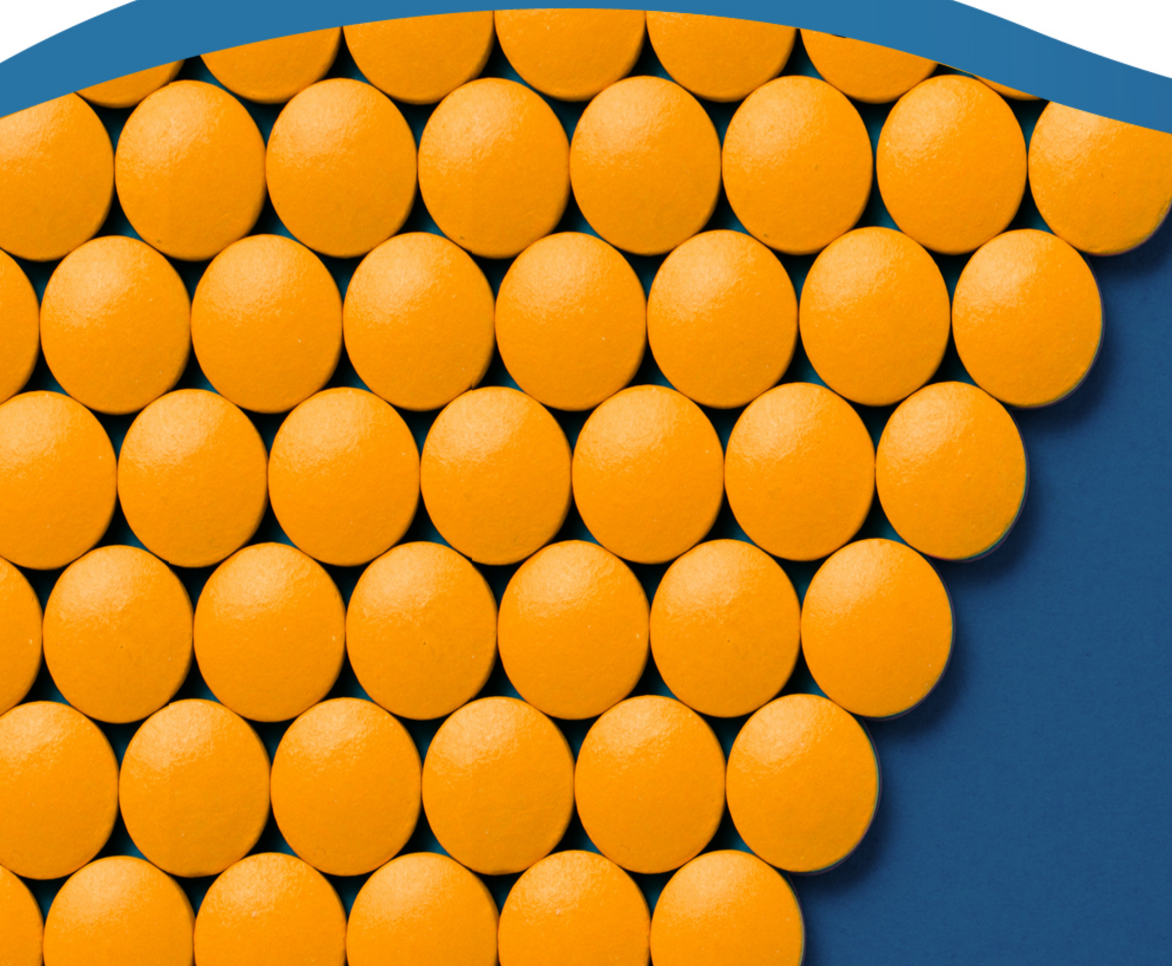
is billed through the medical benefit

These novel treatments/solutions raise many questions

Policy	Value	Financing
What new frameworks do we need?	How will it be measured? Who will measure it?	What options exist beyond lump-sum payments?

We must address critical issues to bring new therapies within reach

PPS PERFORMANCE PHARMACY SOLUTIONS



And If That’s Not Enough….

PERFORMANCE PHARMACY SOLUTIONS

Acquires or partners with a large PBM

Re-engineers the wheel with a small PBM(s)

Becomes a bricks & mortar pharmacy in order to become a mail order distributor

Supply Chain – Direct Contracting

EXPRESS SCRIPTS

Cigna

OPTUMRx

CVSHealth

What will Anthem do now?
How does OptumRx respond?
What does the Aetna integration mean to existing CVS clients?
Who could be the alternative winners?

How does all of this affect me?

HOW WILL YOU TAKE ADVANTAGE OF THE CHAOS?!

Takeaways

> Fewer people are driving an increasing share of cost

> We’ll need every available tool to improve care and manage costs

> New solutions will evolve and keep pace with data & technology

> The ecosystem of pharmacy is changing – understand your options

Now What?

"The reasonable man adapts himself to the world: the unreasonable one persists in trying to adapt the world to himself. Therefore all progress depends on the unreasonable man."

-George Bernard Shaw

Reminders

BRING A FRIEND OR GUEST!

COMPLETE YOUR SURVEY

TAKE YOUR HRCI/SHRM CERTIFICATE

Thank You for Attending!

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