



Soaring Specialty Drug Prices: Status & Solutions

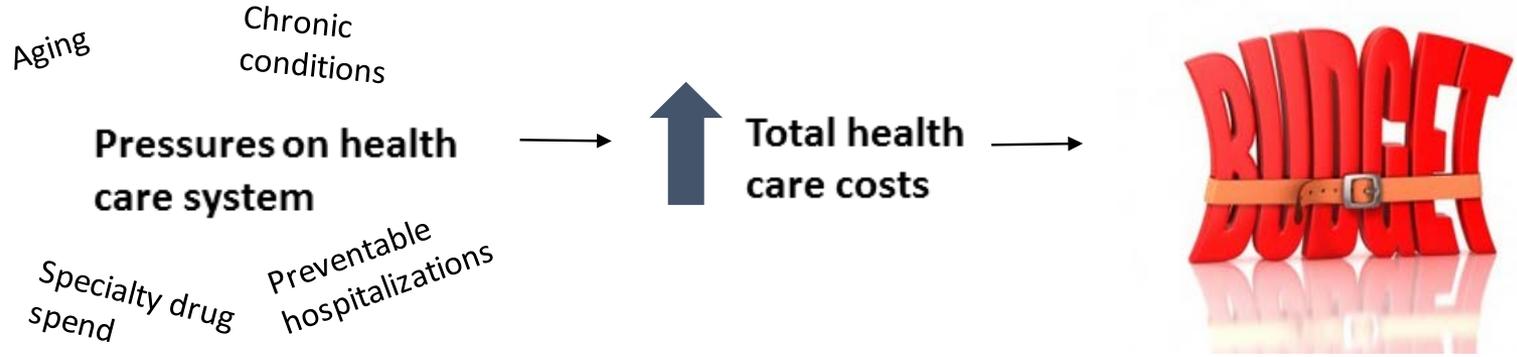
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Soaring specialty drug prices: status & solutions

- ▶ Prices of pharmaceutical drugs have been soaring.
- ▶ What is the status of this hyperinflation, & what are possible solutions to moderate the rise?
- ▶ What can you expect, & what can you do about this problem?

Soaring specialty drug prices



What is a specialty drug?

- ▶ No universally accepted definition
- ▶ Historically: expensive, injectable drugs to treat orphan conditions
- ▶ The specialty drug landscape is changing → more difficult to define

Specialty drug characteristics

Common qualities of specialty drugs:

- ▶ Treat specific, mainly chronic, & often rare conditions
- ▶ Prescribed by a specialist
- ▶ Injectable drug
- ▶ Requires special storage/handling
- ▶ Limited distribution (only available from certain pharmacies)
- ▶ High-touch patient-management required
- ▶ Patients require financial assistance
- ▶ Expensive!

Common specialty disease states

- ▶ Hepatitis C
- ▶ Multiple sclerosis
- ▶ Chronic inflammatory diseases (e.g., rheumatoid arthritis, ulcerative colitis, psoriasis)
- ▶ Oncology
- ▶ HIV
- ▶ Hemophilia
- ▶ Primary immunodeficiency

Social factors affecting health

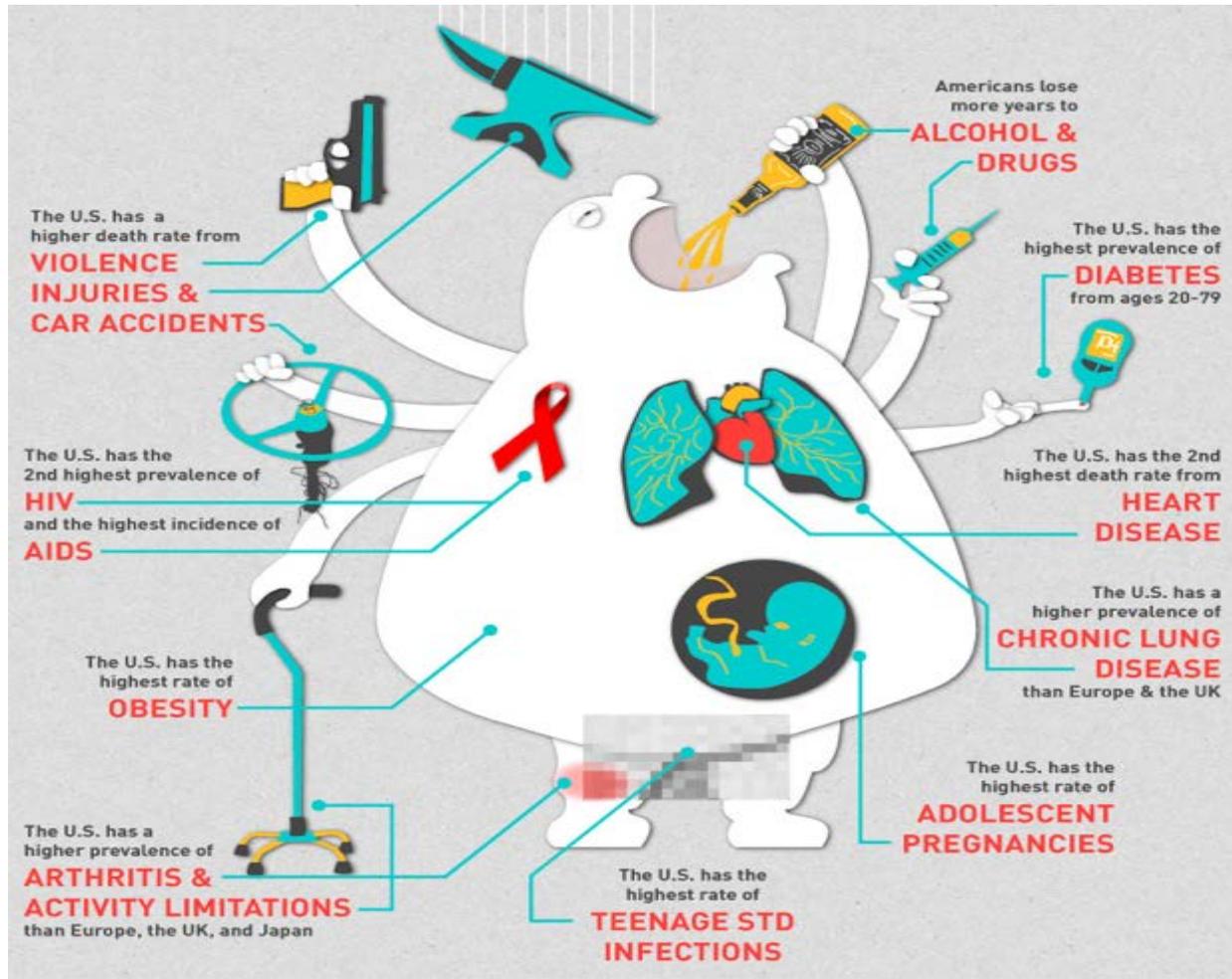


Image source: www.bestmasterofscienceinnursing.com

America's disadvantage

AMERICA'S HEALTH (DIS)ADVANTAGE

America spent
\$2.6 TRILLION on healthcare in 2010.
That's more than any other country in the world!

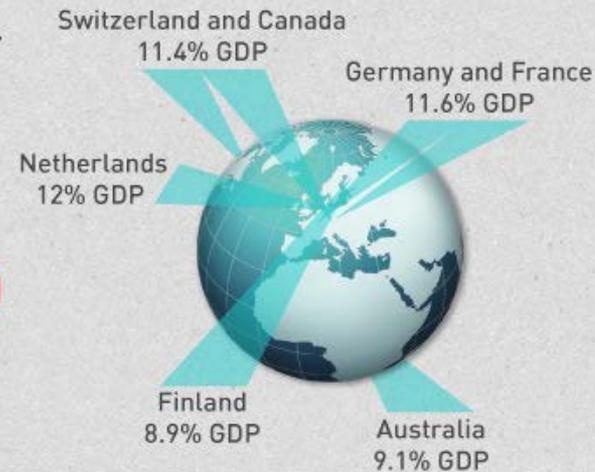


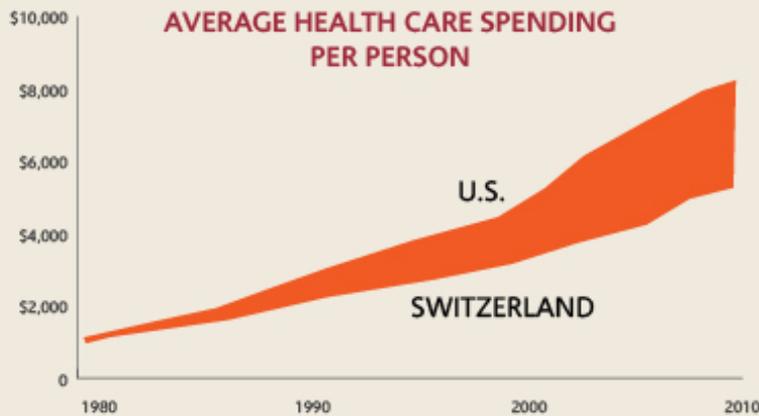
Image source: www.bestmasterofscienceinnursing.com

Healthcare costs: the opportunity



The U.S. Spends More on Health Care Than Any Other Nation

Here's What the U.S. Could Do Today
If It Spent Only as Much on Health Care Over the
Past 30 Years as the Second-Highest-Spending Country



The cumulative difference
in health spending
between 1980–2010 is
nearly **\$15.5 trillion**

Note: Per capita spending amounts are adjusted for differences in the cost of living; total U.S. savings are adjusted for CPI inflation.

With **\$15.5 trillion** we could:

Send **175,401,721**
students to a
four-year college



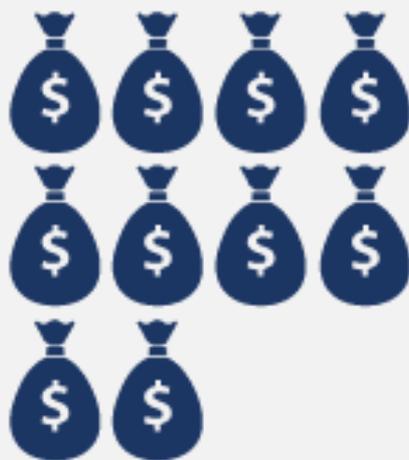
Buy everyone in the
world **4 iPads**



Healthcare costs

With the **\$2.8 trillion** America spends annually you could:

Buy the 10 most valuable companies in America



\$2.71 trillion

... *and* put on three London Olympics



\$45 billion

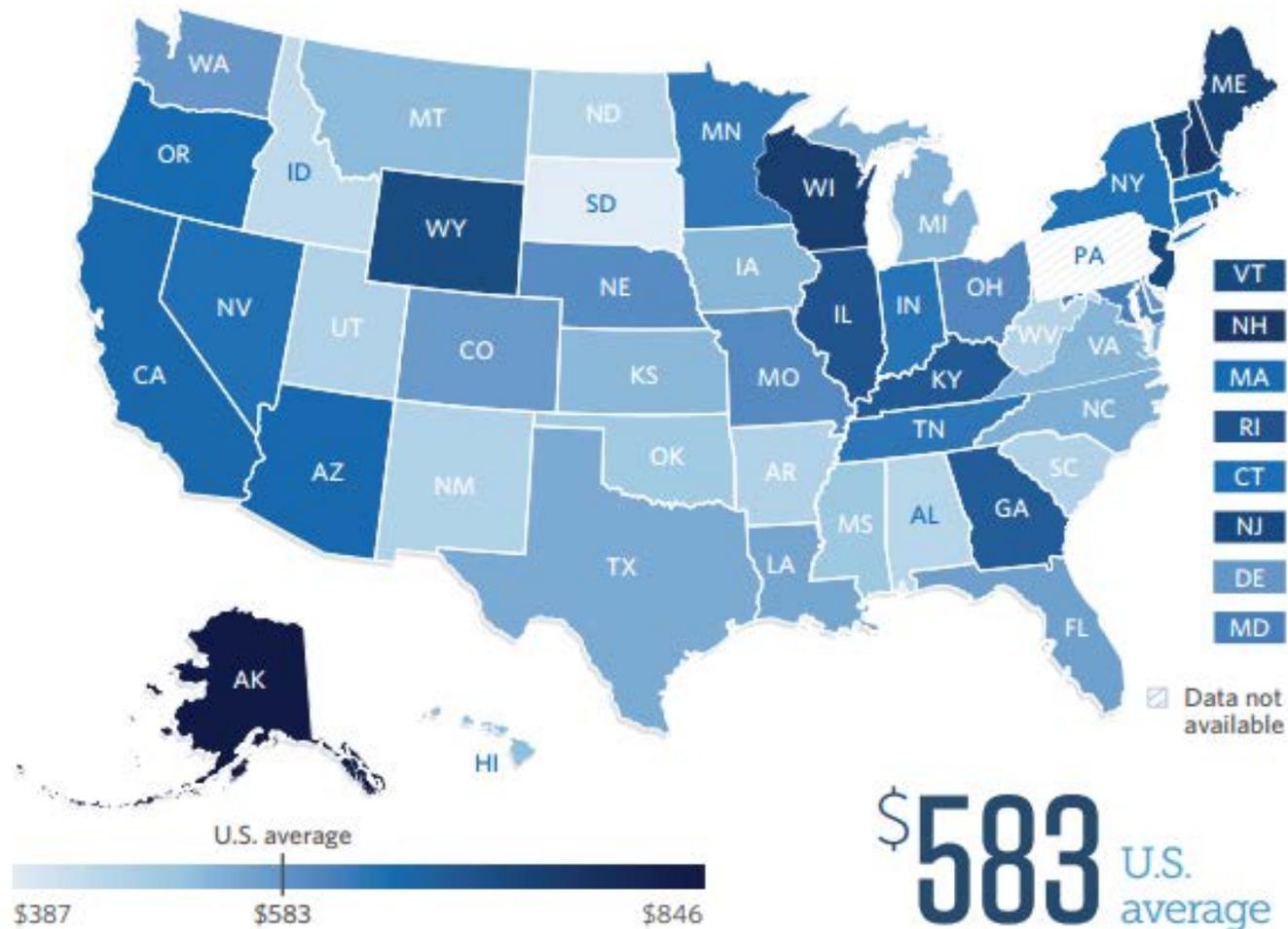
... *and* still be richer than Warren Buffett



\$44 billion

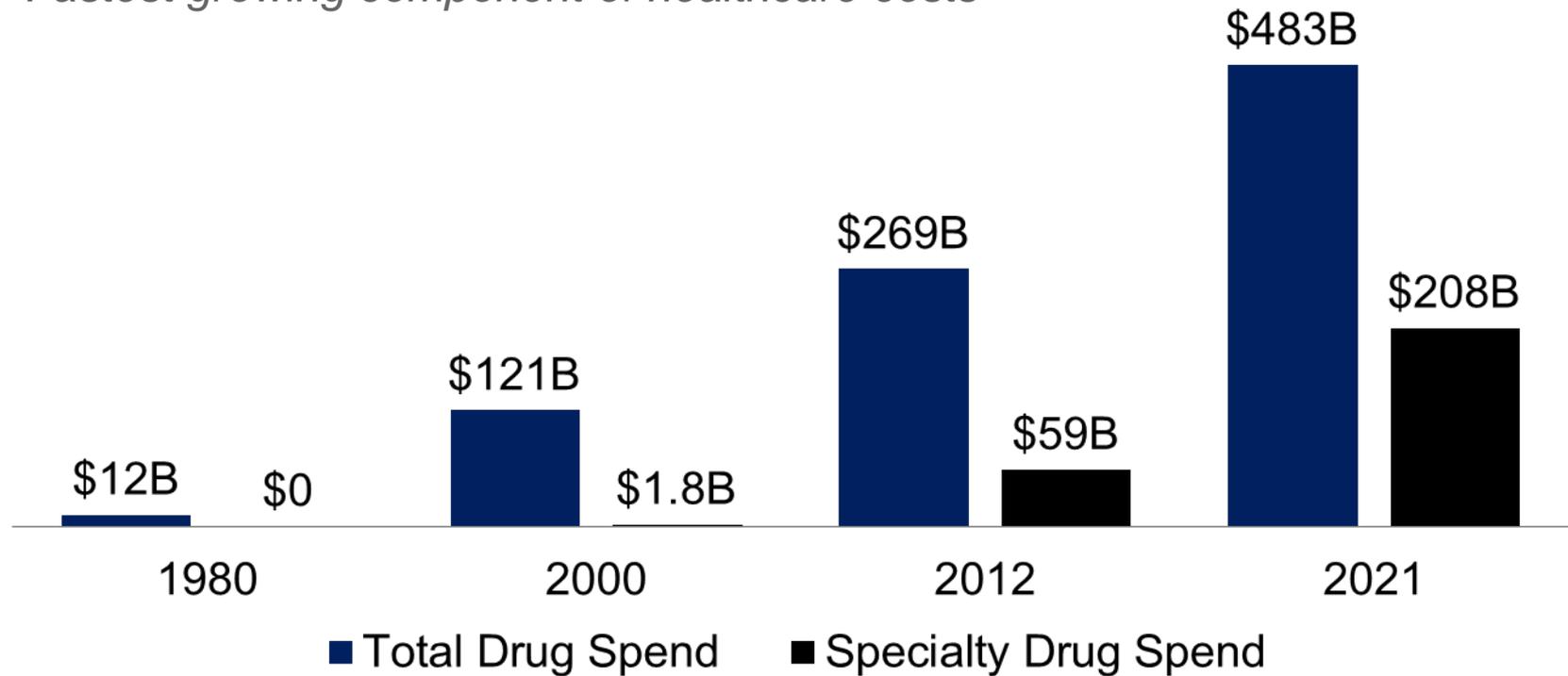
Sources: CNN: Fortune 500, "Top Companies: Biggest," 2012 ; CBS News: "London Olympics Billions Over Budget, Study Shows," 2012 ; Forbes: Profile: Warren Buffet, 2012

Average state health plan employee premiums (2013)



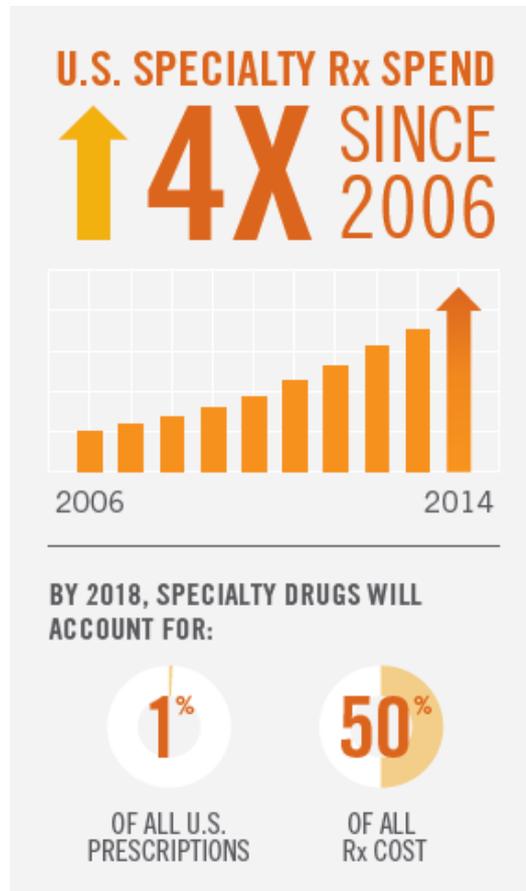
Specialty drug spend

Fastest growing component of healthcare costs



Source: JPMorgan

Specialty drug spend



Express Scripts; IMS 2014

Managing specialty drugs is critical

50% of the drug pipeline comprises specialty products

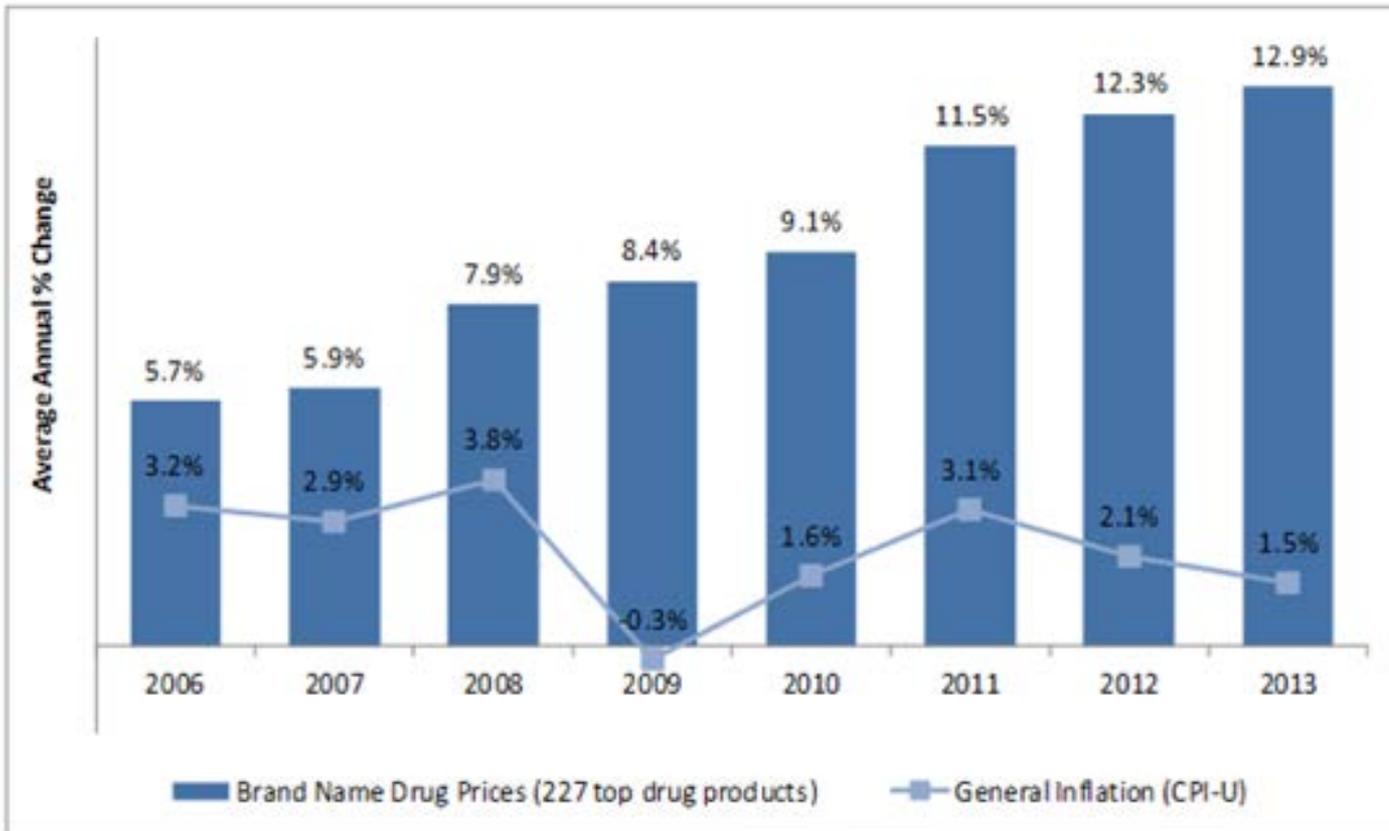
10x the average cost of a traditional branded prescription drug

Specialty drug costs are soaring



Price inflation: drugs outpacing general inflation

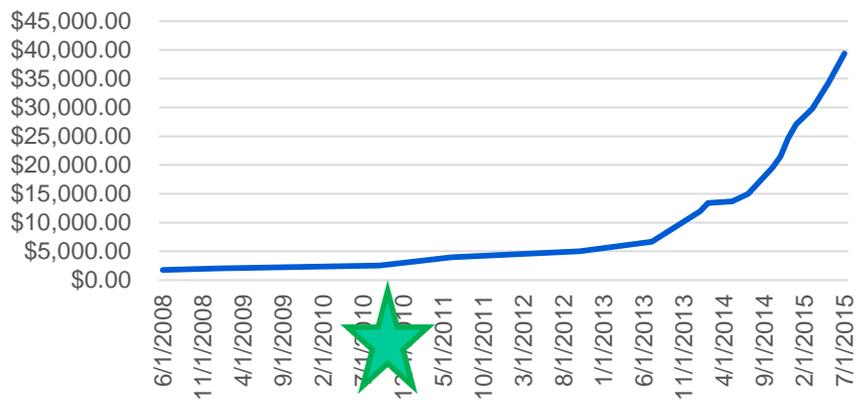
Average Brand Name Drug Prices vs General Inflation Rate by Year



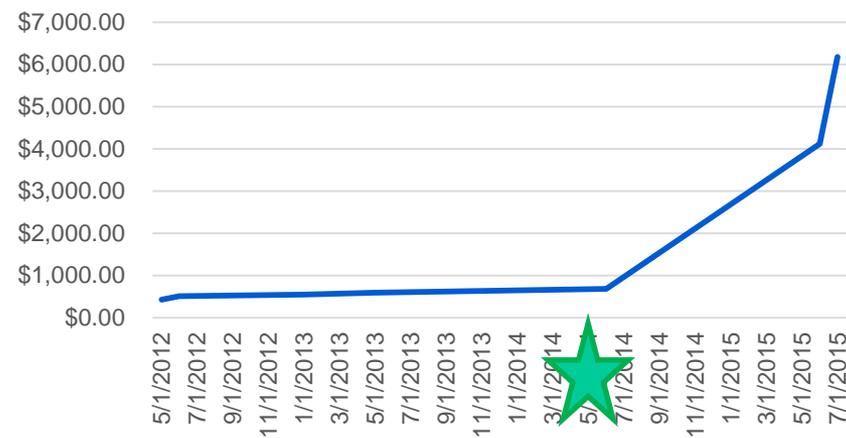
Mergers and acquisitions

Monthly costs of drugs after an acquisition

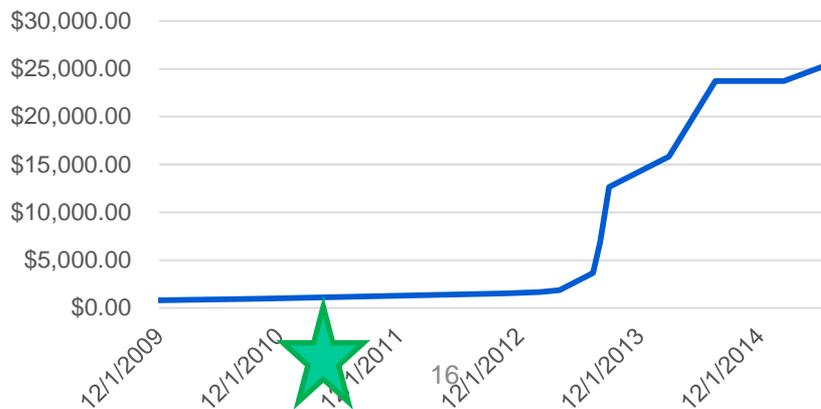
Drug 1



Drug 2



Drug 3

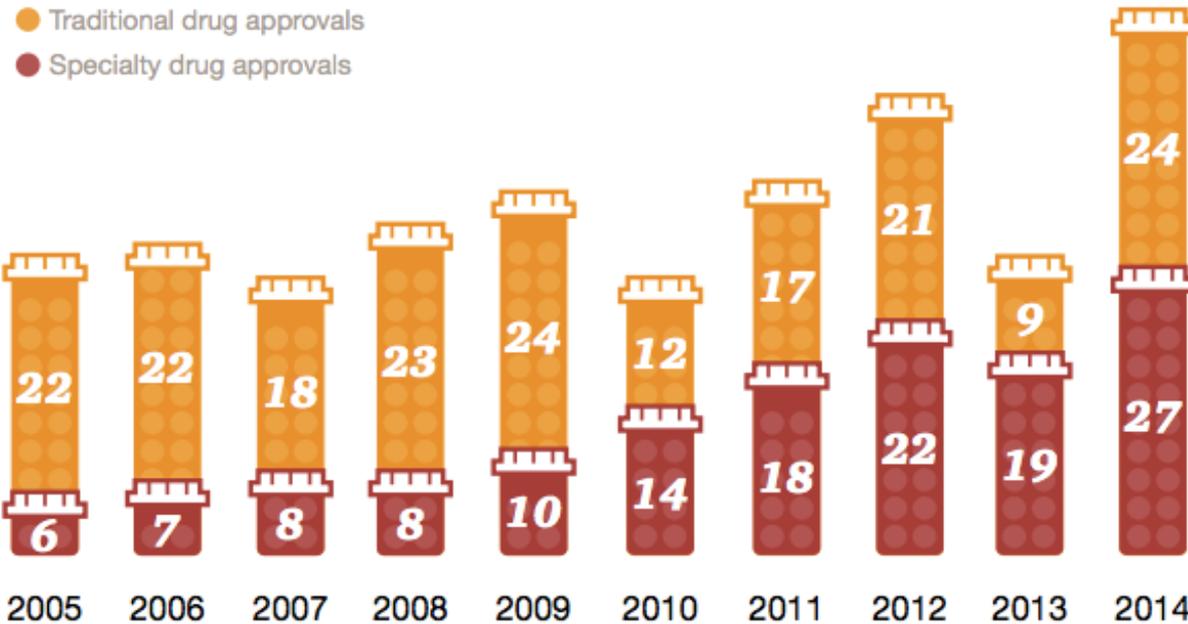


 = date of acquisition

New drug technologies drive increases as well

Figure 11: Specialty drug approvals continue to race ahead

Specialty drug approvals have surpassed traditional drugs in the past five years, and based on the FDA pipeline this trend will continue

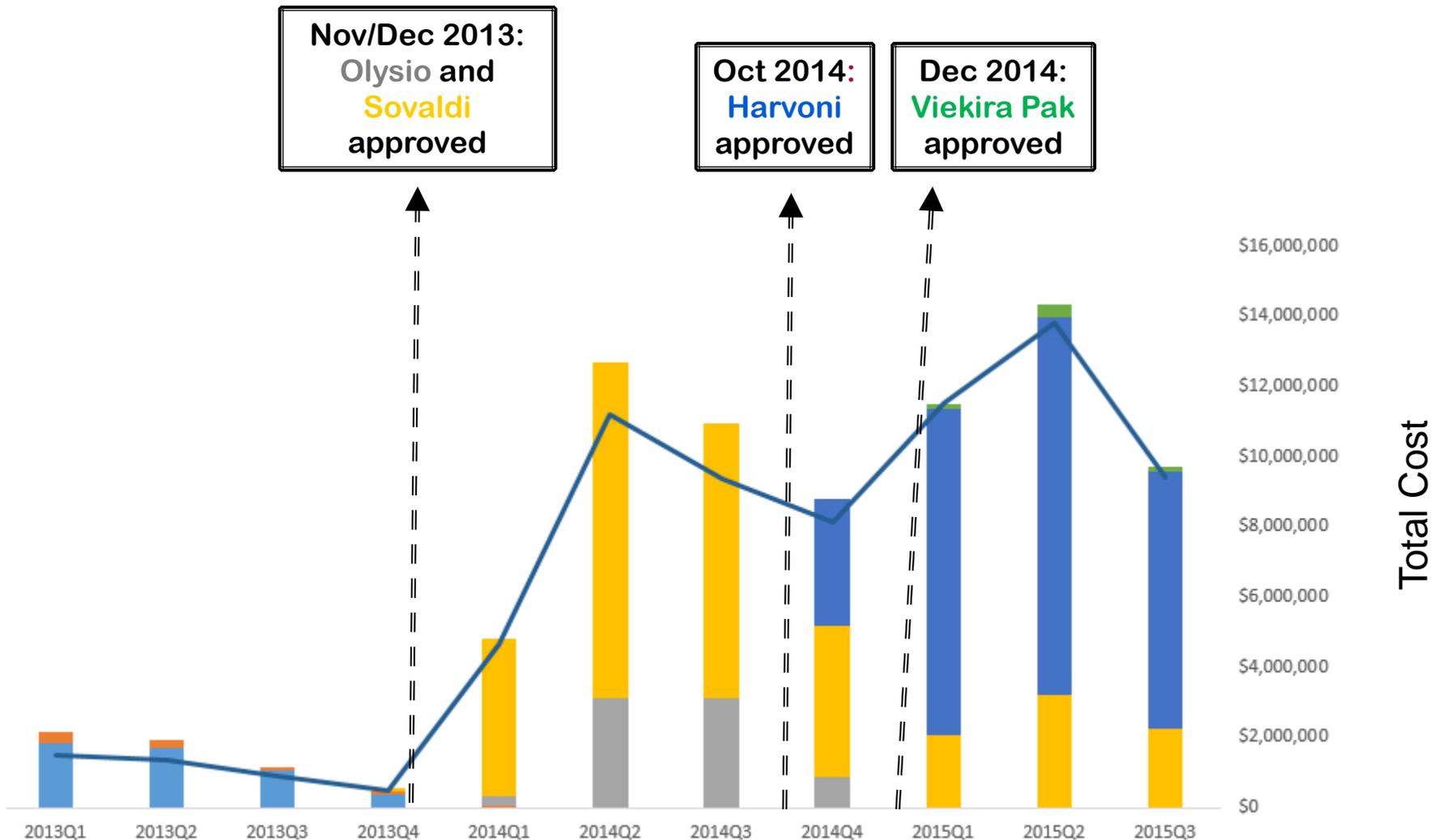


2016 Estimated sales for top 7 of 700 specialty drugs are \$9 Billion

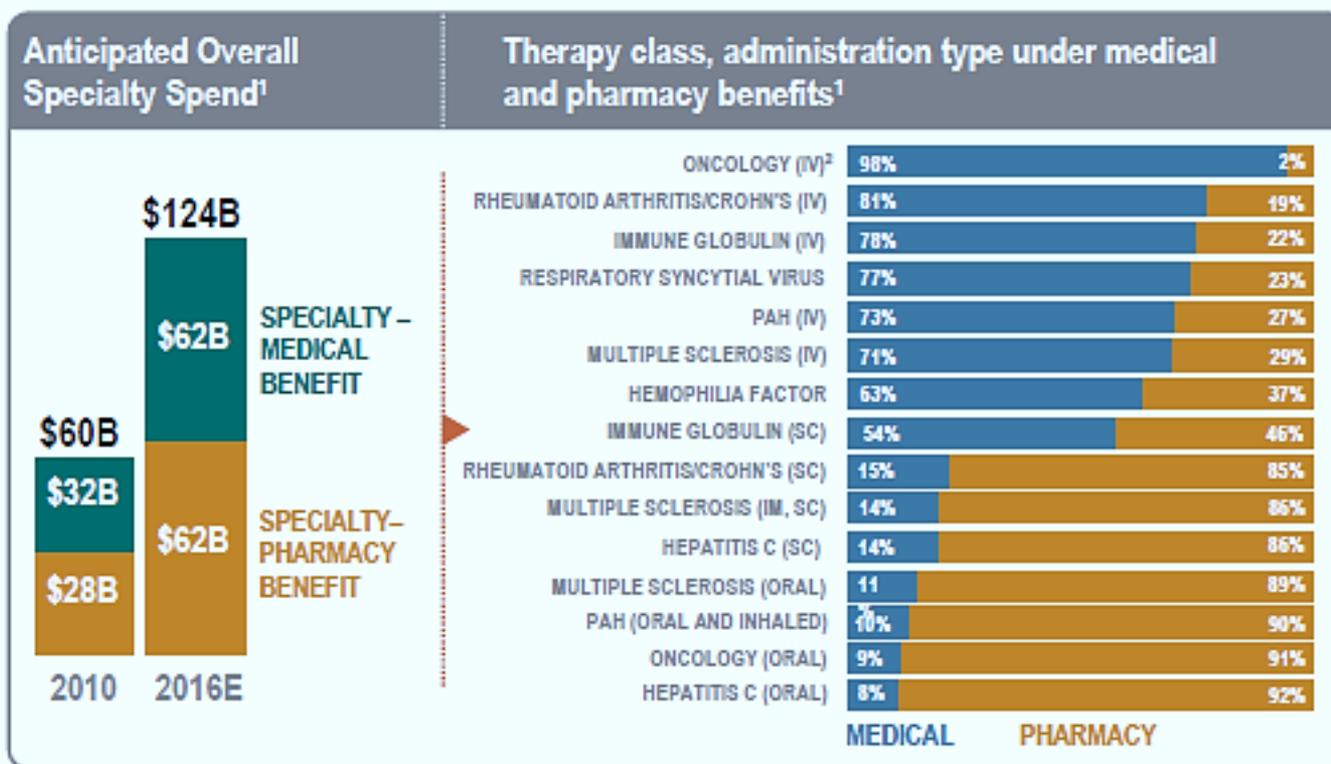
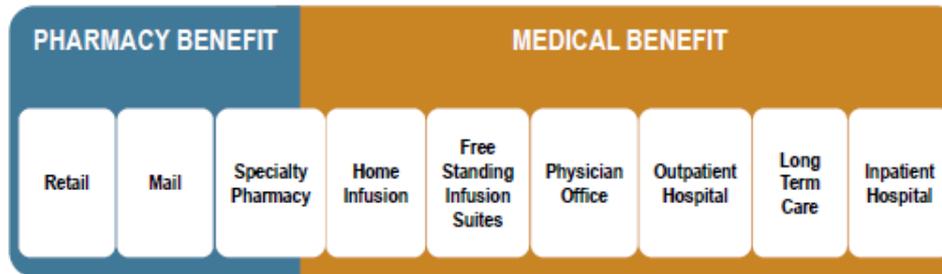
Viekira Pak (Hepatitis C)	\$3B
lumacaftor plus ivacaftor (Cystic fibrosis)	\$2B
Opdivo (Melanoma)	\$1.8B
Praluent (Hypercholesterolemia)	\$1.3B
Ibrance (Breast cancer)	\$0.8B
evolocumab (Hypercholesterolemia /Hyperlipidemia)	\$0.3B
Cosentyx (Psoriasis and psoriatic arthritis)	\$0.2B

Source: PwC Health Research Institute research based on data from the FDA, Express Scripts, Catamaran, and Thomson Reuters³³

Revolutionizing Hepatitis C treatment

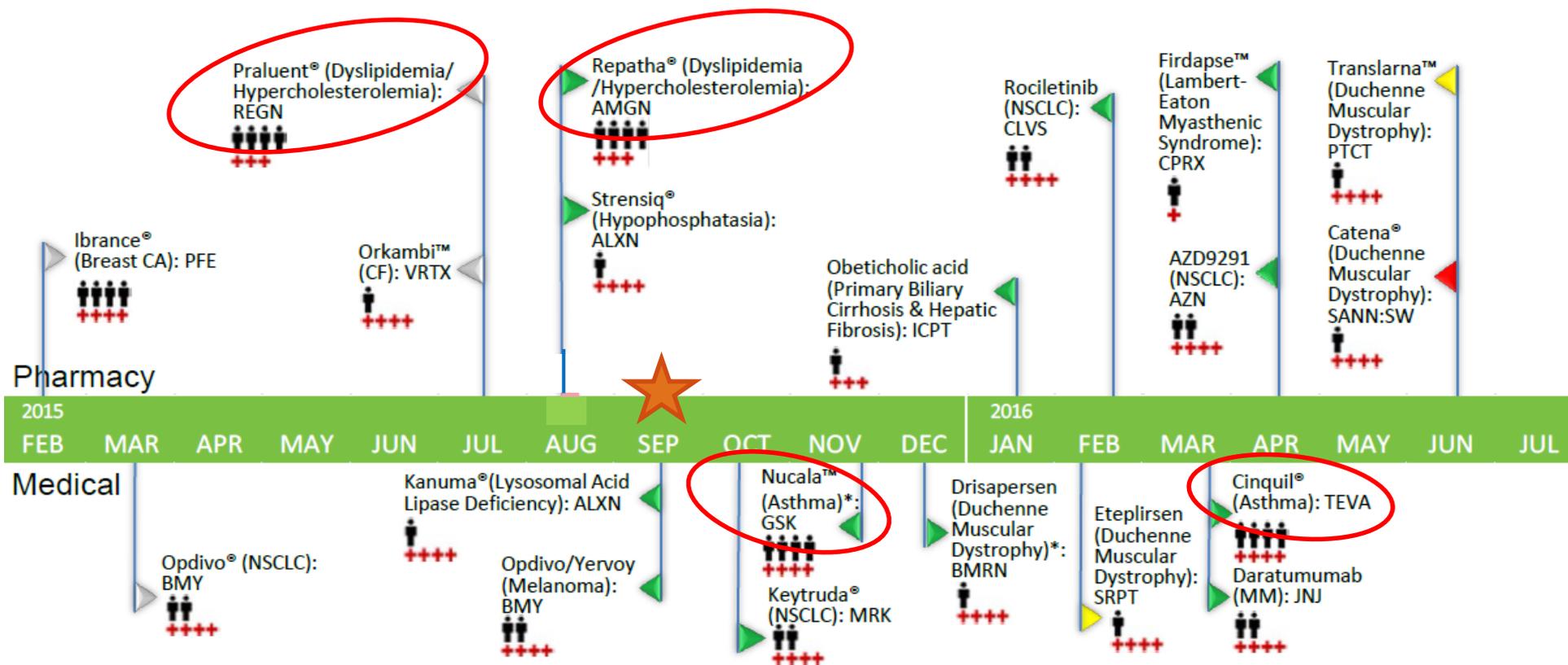


Medical benefit drugs: more difficult to manage



1. CVS Caremark BOB Data, CMS, IMS Health Report, US Census Bureau, Reuters, Credit Suisse, Buck Consultants, Health Affairs and National Health Spending Projections.
 1. EMO Serono 8th edition; 2. EMO Serono 9th edition.
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 2013

Upcoming specialty drug budget busters



Source: Walgreens



Specialty drug management

Challenges to managing specialty drugs

- ▶ Double-digit growth in specialty spend
- ▶ Lack of outcomes data for specialty drugs
- ▶ Managing across medical & pharmacy benefits
- ▶ Manufacturer copay coupons

A variety of methods are required to manage specialty drug costs

Specialty drug management strategies

Formulary/UM

- Formulary status
- Prior authorization/reauthorization
- Step therapy
- Quantity limits

Benefit Design

- Tiered copayments/cost-shares
- Specialty pharmacies

Contracting

- Provider reimbursement
- Manufacturer rebates

Clinical Case Management

- Care management via specialty pharmacy
- Health plan case management
- Cycle management program/split fill program

Formulary management

Be vigilant about managing drugs – make sure the right patients are receiving the right treatment

All new drugs (traditional & specialty) evaluated by Pharmacy & Therapeutics (P&T) committee

- Determines which drugs are included/excluded on the preferred drug list using the best available evidence
- Goal: provide members with medications that present the best treatment value in terms of efficacy, safety & cost
- Foundation of clinical management strategy

Utilization management

Steers patients to preferred, cost-effective products;
reduces inappropriate utilization

- Prior Authorization
 - Defines the appropriate population for treatment
 - Appropriate dose or length of therapy
 - Step therapy
 - Monitor efficacy and/or safety through re-authorization

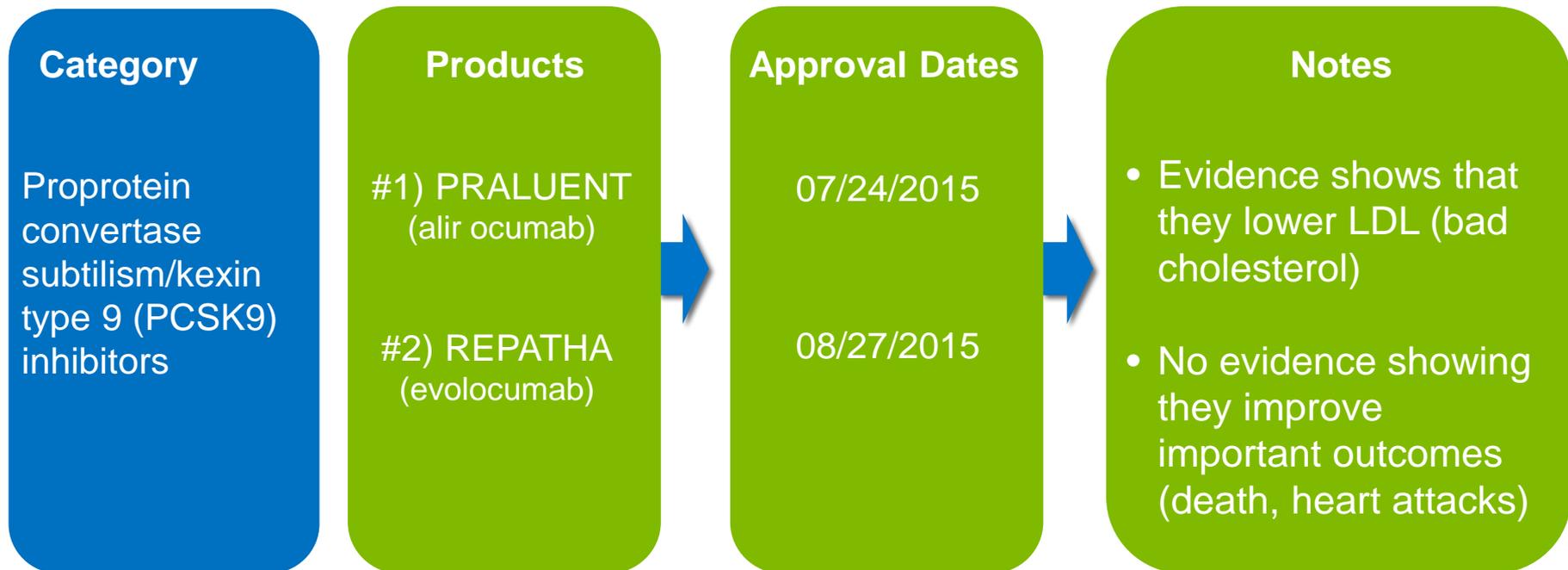
- Step Therapy
 - Ensures use of generics or other 1st-line alternatives

- Quantity limits, dose optimization

Drug pipeline update: specialty drugs for a common condition

PCSK9-inhibitors

1st specialty drugs approved for high cholesterol in high-risk patients



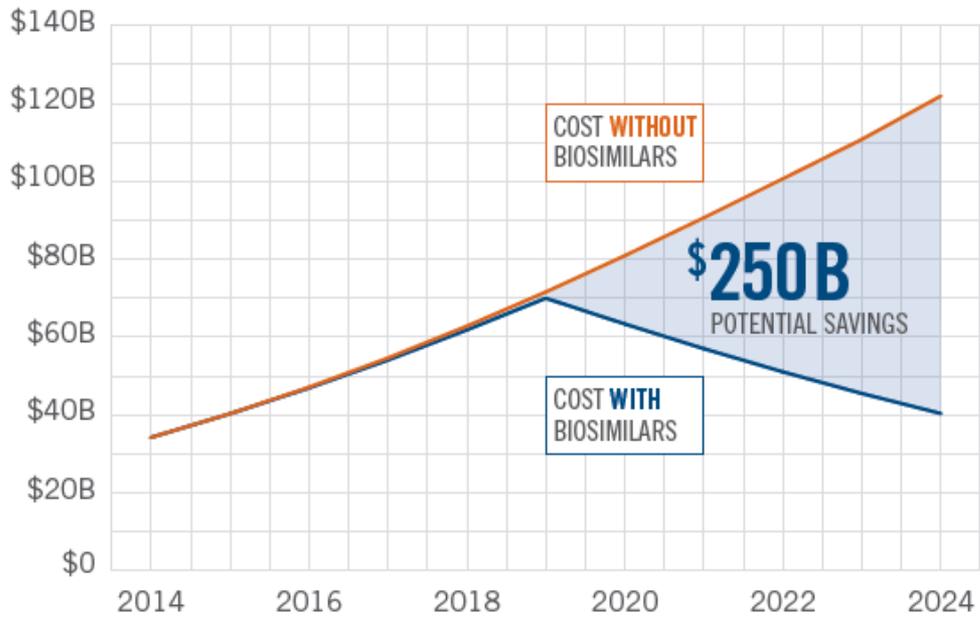
Proactively managing the specialty drug pipeline

Medication Name	Therapeutic Use	Supply Limit	Step Therapy	PA	Genetic Testing
Kanuma	Lysosomal Acid Lipase Deficiency	■	Not being considered	■	▲
Keytruda	Lung Cancer	■	■	■	■
Repatha	Hypercholesterolemia	■	■	■	■
Nucala	Asthma	■	■	■	Not being considered
Drisapersen	Duchenne Muscular Dystrophy	■	▲	■	▲
Cinquil	Asthma	■	■	■	Not being considered
Eteplirsen	Duchenne Muscular Dystrophy	■	▲	■	▲
Rociletinib	Lung Cancer	■	■	■	■
Strensiq	Hypophosphatasia	■	Not being considered	■	Not being considered

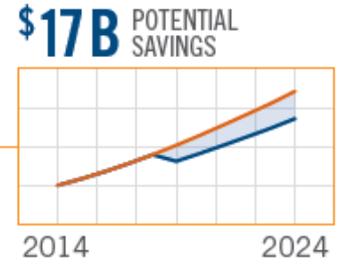
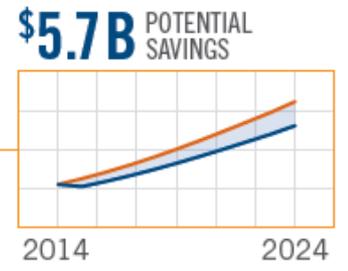
▲ = strategy under consideration ■ = strategy strongly considered

Biosimilars

\$250 BILLION COULD BE SAVED IN THE NEXT DECADE IF THESE 11 BIOSIMILARS ARE APPROVED



- Avastin® (*bevacizumab*)
- Epogen® (*epoetin alfa*)
- Herceptin® (*trastuzumab*)
- Humira® (*adalimumab*)
- Intron A® (*interferon alfa-2a*)
- Neulasta® (*pegfilgrastim*)
- Neupogen® (*filgrastim*)*
- Pegintron® (*peginterferon alfa-2b*)
- Procrit® (*epoetin alfa*)
- Remicade® (*infliximab*)*
- Rituxan® (*rituximab*)



*Awaiting FDA approval.

Source: Express Scripts

- Challenges:
- ▶ Legal issues (patent dance)
 - ▶ Pricing
 - ▶ Physician acceptance
 - ▶ Substitutability

Biosimilars

Encourage adoption of biosimilars when evidence shows they are interchangeable with branded drugs

- ▶ Regence will evaluate the evidence of all FDA-approved biosimilars
- ▶ Formulary status & utilization management will take into account evidence of similarity to the branded product & product cost

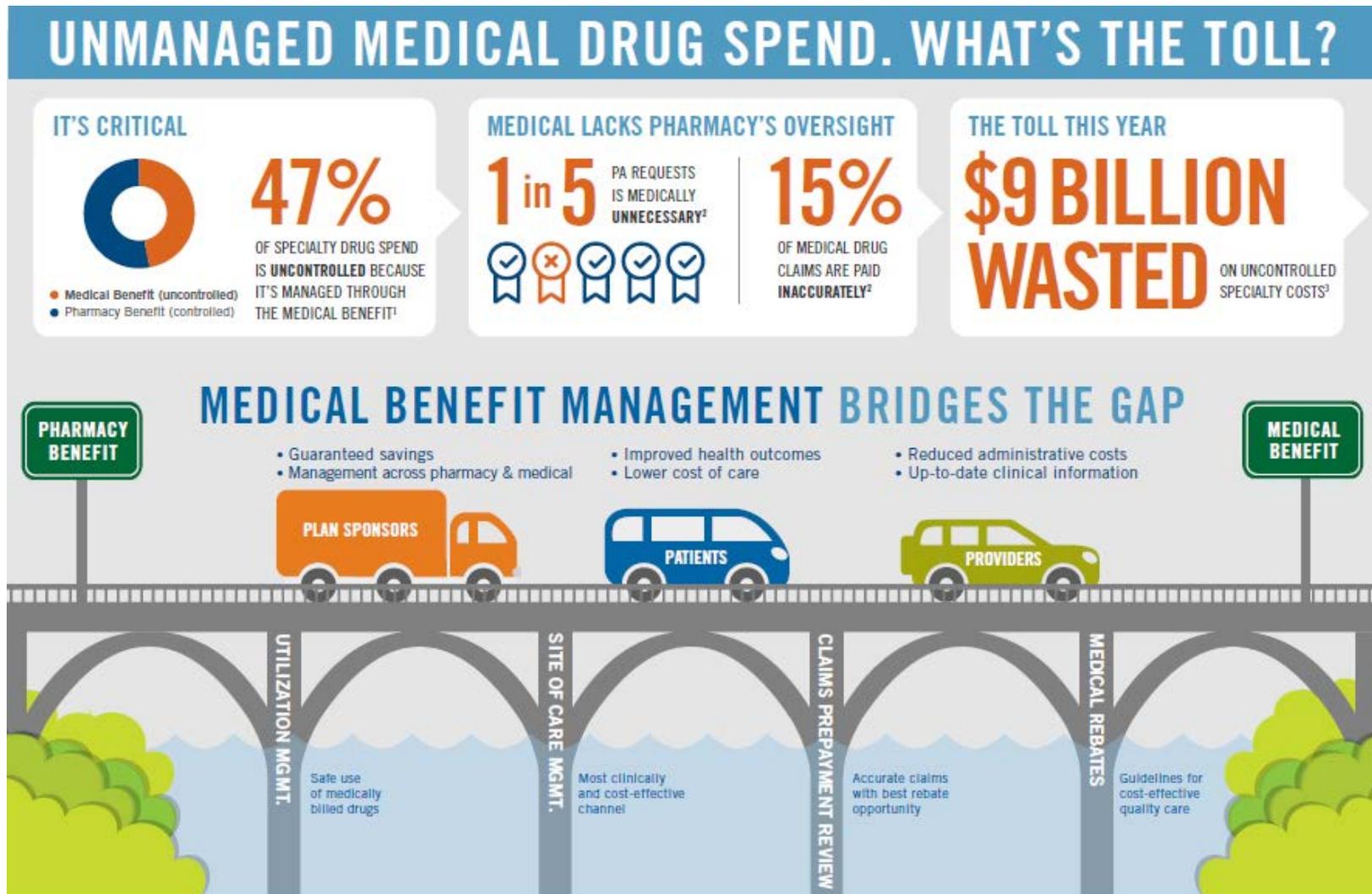
Benefit design

Support an integrated approach to benefit design & reimbursement across pharmacy & medical benefits

- ▶ Tiered cost-share, copayments
- ▶ Limiting to a 30-day supply
- ▶ Management of medical benefit drugs
 - Clinical management
 - Site-of-care management
 - Reduction of administrative waste

Regence's integrated PBM services are administered by OmedaRx

Medical + pharmacy benefits = valuable programs



Using specialty pharmacies

Advantages

- ▶ Lower drug costs
- ▶ Improved patient outcomes through care management
- ▶ More data on utilization & outcomes
- ▶ Management across benefits

Walgreens Specialty Select program

- ▶ Access
- ▶ Medical vs. pharmacy benefit
- ▶ Drug cost
- ▶ Practical considerations

Care management

Educate members about coverage options & support services, like those offered by specialty pharmacies

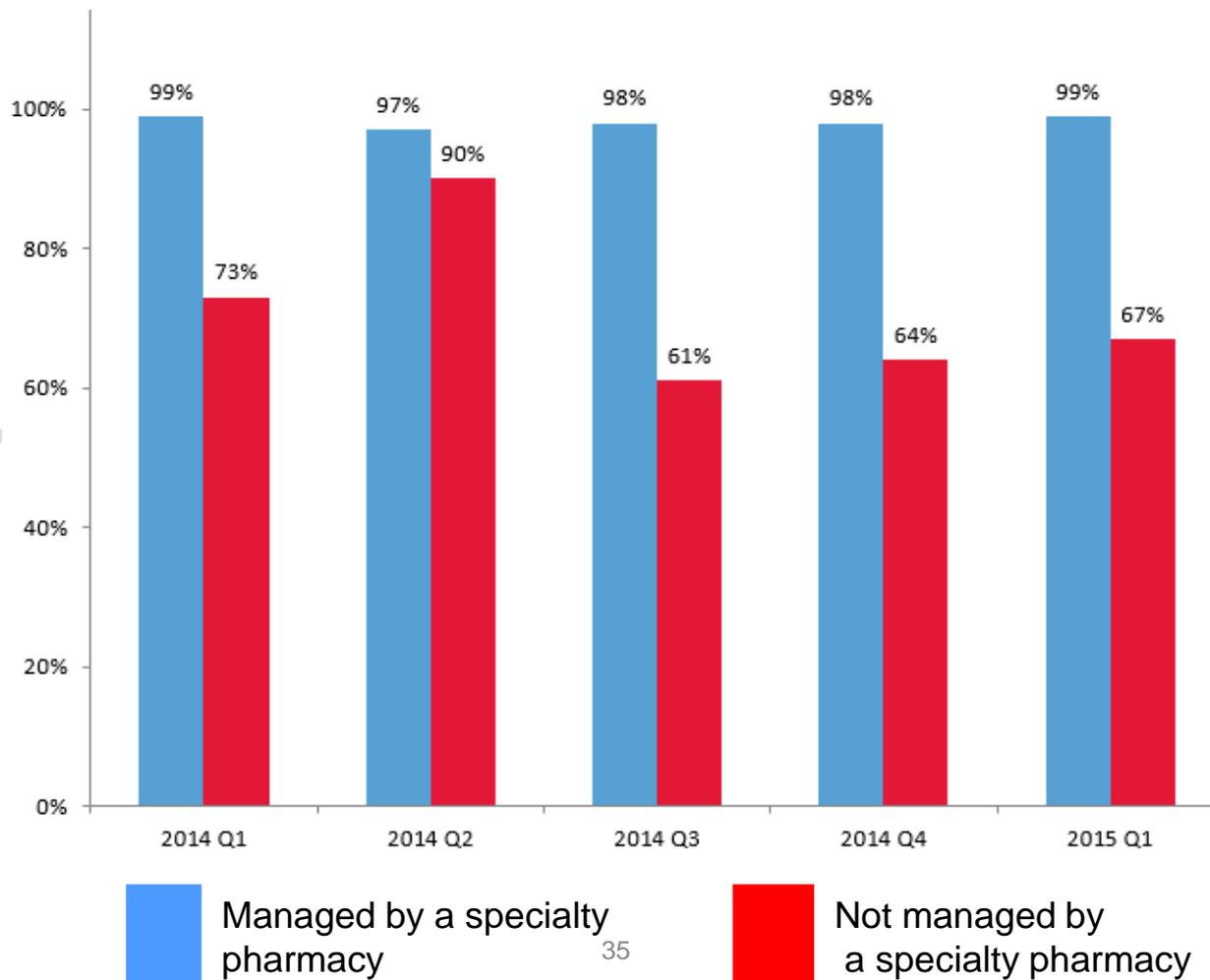
- ▶ Adherence is an issue for all chronic medications
- ▶ Larger problem with specialty drugs due to administration & drug costs
- ▶ A comprehensive approach to patient care is required to optimize drug therapy – many types of services offered by specialty pharmacies
- ▶ Adherence should be monitored closely to improve patient outcomes & reduce waste

Examples of care management programs

	Multiple Sclerosis	Chronic Inflammatory Diseases	Oral Oncology	Hepatitis C
Adherence Monitoring	√	√	√	√
Side Effect Management	√	√	√	√
Monthly Adherence & Compliance Calls	√	√	√	√
Full Clinical Assessments	Monthly	Monthly	Monthly	Monthly
Complete Medication History (Walgreens One Patient View)	√	√	√	√
Data Collection	<ul style="list-style-type: none"> • Relapses • Use of assistive devices (DME) • Depression Screening • Fatigue Screening 	<ul style="list-style-type: none"> • Disease Flares • Monitoring for Infection • Depression Screening 	<ul style="list-style-type: none"> • Type of Cancer • Pain • Fever 	<ul style="list-style-type: none"> • Genotype • Viral Load Collection • Length of Therapy • Depression Screening • Anemia Screening • Weight • HAV/HBV status • ETR/SVR achieved
Physician Communication	√	√	√	√
Educational Materials	√	√	√	√
Financial Assistance	√	√	√	√
Client Reporting	√	√	√	√
Client Trigger Reports (Case Managers)	√	√	√	√

Care management

Hepatitis C medication adherence



Source: Walgreens Specialty Pharmacy

What else can you do?

- Integrate high-quality case management, step therapy & prior authorization to help manage cost & outcomes
- Use knowledgeable service providers who understand your market trends, patient population & challenges
- Share clinical resources with employees to improve personal health accountability & engagement

<http://www.specialtyrxtoolkit.com/>



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