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Sightlines

Pharmacy Benefit Market Update

March 21, 2023

Pharmacy Benefit Conference

Sessions now available as webinars.

Actionable and value-based PBM strategies from:

IPD Analytics, Real Endpoints,
CBIZ Employee Benefits, HUB International,
Excelsior Solutions and more.

Register at employershealthco.com/events.

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Events

On Demand
PBM Fundamentals

On Demand
PBM Contracting

March 30, 2023 3:00 pm ET
Specialty Management Strategies

View all upcoming events and register at
employershealthco.com/events.

Sightlines

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Headlines

- Big 3 PBMs’ model under attack, but still growing market share and profitability.
- Rebates continue to drive the financial discussion; clouded by Big 3 GPOs.
- Price cuts by insulin makers impact rebate yields and guarantees.
- Brand drug price inflation of 5% - 5.5% to start 2023.
- Biosimilars for Humira will either drive higher rebates or lower list prices, more so in 2024.
- Manufacturers making changes to copay programs, impacting popular copay maximization programs.
- Gene therapy risk growing. No great options yet.
- Employers flooded by third party solutions providers. Varied opinions on efficacy.
- Mark Cuban, Amazon, GoodRx

Where our attention is…

Diabetes

Specialty

Legislative / Regulatory

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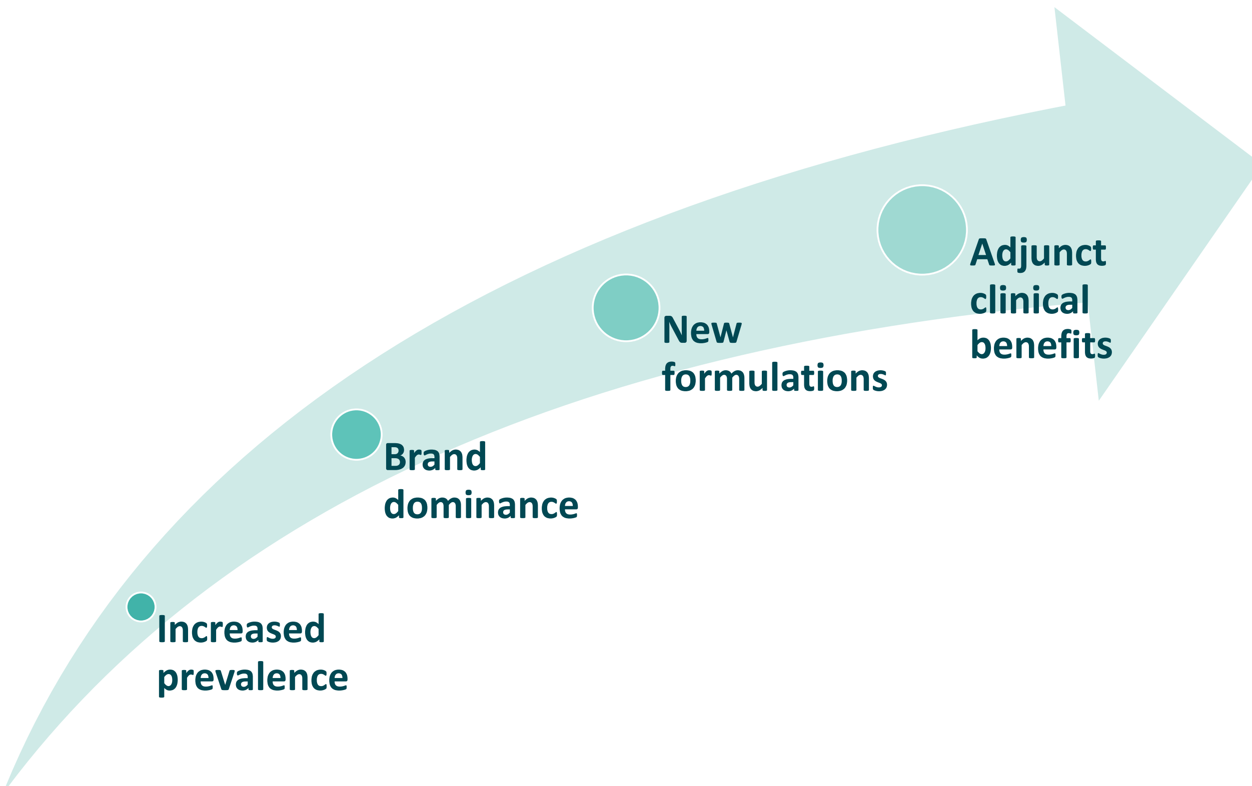
Diabetes

Top 10 Therapeutic Classes – YTD

BY GROSS COST

Current Rank	Therapeutic Class	Gross Cost	Utilizers	Gross Cost PMPM
1	Antidiabetics	$198,752,134	61,950	$26.24
2	Analgesics - Anti-Inflammatory	$152,158,510	96,534	$20.09
3	Dermatologicals	$146,436,557	108,937	$19.34
4	Antineoplastics	$66,706,145	9,604	$8.81
5	Antiasthmatic And Bronchodilator Agents	$49,003,103	80,222	$6.47
6	Adhd/Anti-Narcolepsy/Anti-Obesity/Anorexiants	$48,662,875	43,281	$6.43
7	Psychotherapeutic And Neurological Agents - Misc	$47,900,048	5,350	$6.32
8	Antivirals	$41,136,005	42,948	$5.43
9	Endocrine And Metabolic Agents - Misc.	$36,047,880	7,504	$4.76
10	Migraine Products	$26,766,446	17,776	$3.53

Antidiabetic Costs Continue to Rise



Many employers are turning to diabetes & wellness programs to help manage costs

Program Evaluation

- ❑ Attention to adherence?
- ❑ Are fees based on engagement?
- ❑ Are savings based on pharmacy or medical outcomes?
- ❑ What type of digital tools are involved?
- ❑ Does it affect formulary placement?
- ❑ Do they focus on other conditions related to diabetes?
- ❑ Do they offer patients free test strips or meters?

GLP-1s: diabetes or weight loss?

GLP-1s have a wide range of effects.

- Increases insulin secretion.
- Inhibits post-meal glucagon release.
- **Decreases gastric motility.**
- **Increases satiety.**

Side effects.

- Nausea, vomiting, headache, “Ozempic face.”

Why are they growing in popularity?

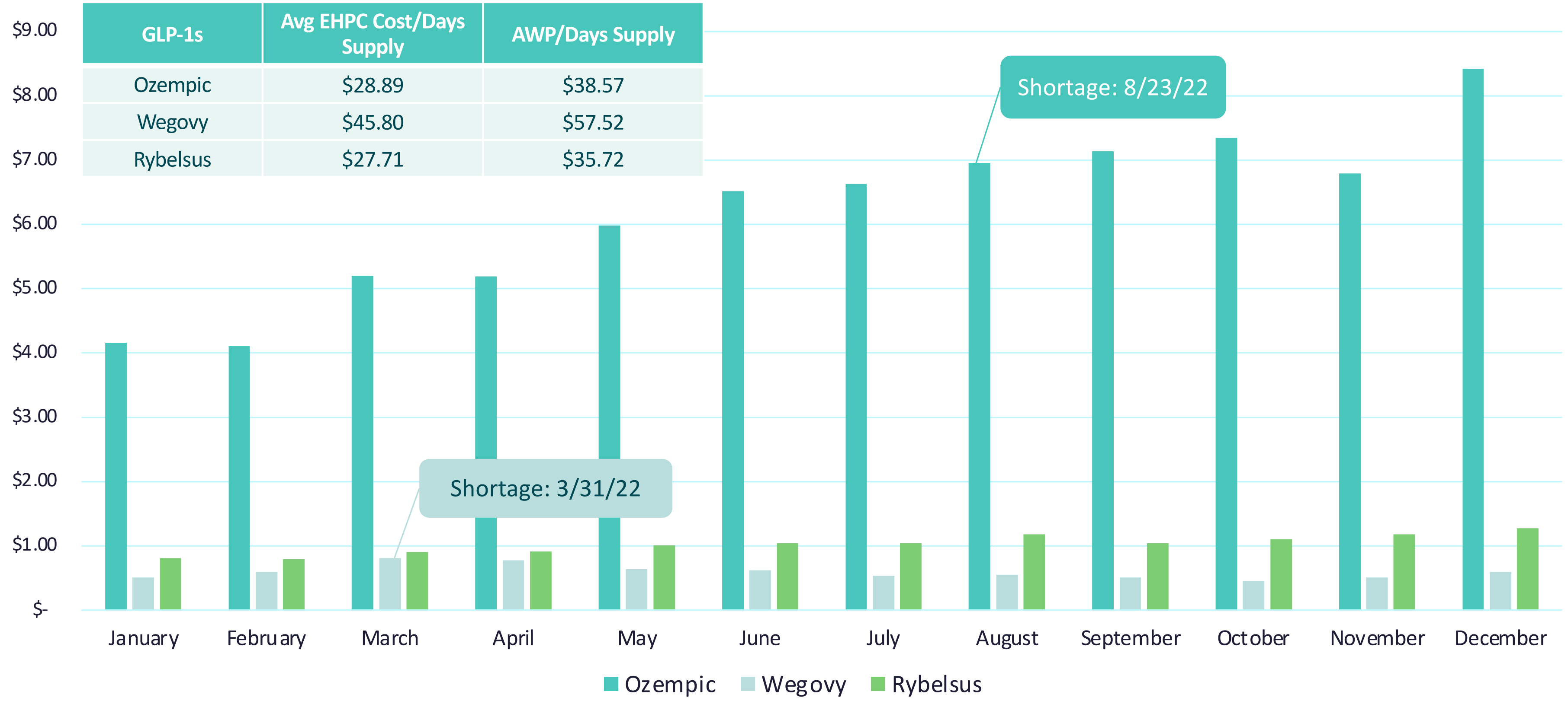
- Safe and effective option for diabetics.
- Profound effects on weight loss.
- Social media, direct-to-consumer advertising.
- Same chemical, different name (Ozempic and Wegovy).

DIABETES	WEIGHT LOSS
OZEMPIC 0.5 | 1 | 2 mg Novo Nordisk	WEGOVY 0.25 | 0.5 |1 |1.7 |2.4 mg Novo Nordisk
RYBELSUS 7 | 14 mg Novo Nordisk	NONE Currently in Phase III

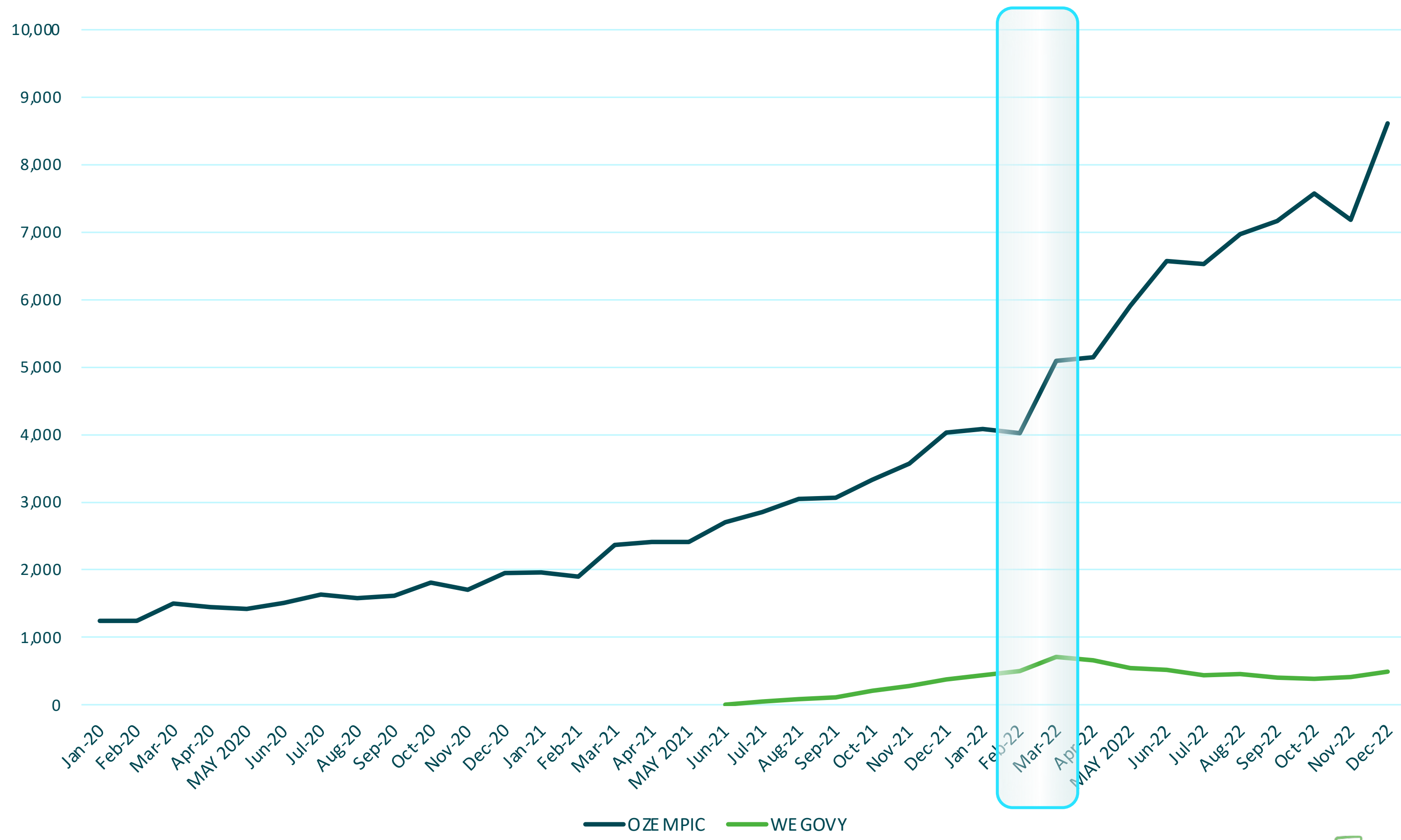
active ingredient: semaglutide

2022 Semaglutide Gross Cost PMPM Trend

GLP-1s	Avg EHPC Cost/Days Supply	AWP/Days Supply
Ozempic	$28.89	$38.57
Wegovy	$45.80	$57.52
Rybelsus	$27.71	$35.72



Ozempic & Wegovy Rx Count 2020-2022



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Diabetes Drugs of Note

Rybelsus
Avg Cost/Rx = $1,196

Type 2 Diabetes

Oral version of Ozempic

Mounjaro
Avg Cost/Rx = $1,098

Type 2 Diabetes

Dual mechanism of action

Currently being studied for weight loss

Tzield
Avg Cost/Rx = $194,000

Type 1 Diabetes

Weight based one-time IV infusion

Semglee/Rezvoglar
Avg Cost/Rx = $353

Type 1 & 2 Diabetes

Interchangeable biosimilars to Lantus
Approved by FDA

Diabetic Medical Devices

What are these products used for?

Continuous Glucose Monitors (CGMs).

- Devices that track blood sugar levels 24/7.
- Allows for real-time, informed decision-making.
- Components:
  1. Sensor – *inserted underneath the skin.*
  2. Transmitter – *attaches to sensor to transfer data.*
  3. Receiver – *device or smartphone and displays data.*

Disposable Insulin Pumps (DIPs).

- On-body devices that administer insulin injections.
- Also known as "patch pumps" & are disposed of after single use.
- Smaller than traditional pump systems & does not have external tubing.
- Can be compatible with CGMs.

Diabetic Medical Devices

What is recommend from a coverage and management perspective?

- CGMs and DIPs were traditionally only covered under the **medical benefit.**
- Some DIPs now only available at pharmacies (e.g., Omnipod 5).
- Pharmacy access should create more opportunities for oversight and convenience for patient access.

- **Recommendation:** PA management under pharmacy benefit.
  - Reserving use in patients with intensive insulin regimens and appropriate quantity limits on individual components.

Continuous Glucose Monitor

RECEIVER
1 per year

SENSOR
24-48 per year

TRANSMITTER
2-4 per year

Disposable Insulin Pump

STARTER KIT
1 per year

PODS
182-365 per year

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Virtual
April 26, 2023
3:00PM - 4:00PM ET

Managing Diabetes Spend

Trends and Tools for Employers

Tu Doan, PharmD | Kevin Wenceslao, PharmD

https://www.employershealthco.com/events

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Specialty / Biosimilars

Specialty Drug Management

Prudent Contracting

- Clear definitions.
- Aggressive discounts.
- Rebate guarantees that include LDDs and retail specialty claims.
- Appropriate discounts and rebates for biosimilars.
- New-to-market definition.
- No days' supply requirements for rebates.

Sound Clinical Management

- Review of PBM specialty criteria for appropriateness both initially, and for continuation of therapy.
- Aggressive formulary strategies.
- Inclusion of biosimilars.
- Ask for reporting.

Cost-saving Innovation

- Copay coupons don't accumulate towards deductibles or MOOP.
- Copay maximization strategies alter plan design to take advantage of the full value of copay programs.
- Reinsurance options for the highest cost and rarest conditions.

Specialty Economics

1,000 drugs considered specialty with AWP of $5,000,000

Specialty OED of AWP -20%

Rebate of $1,000 per Rx

$3,000,000

800 drugs considered specialty with AWP of $4,000,000

Specialty OED of AWP -21%

Rebate of $1,100 per Rx

200 drugs not considered specialty w/ AWP of $1,000,000

Retail AWP – 17.5%

Rebate of $120

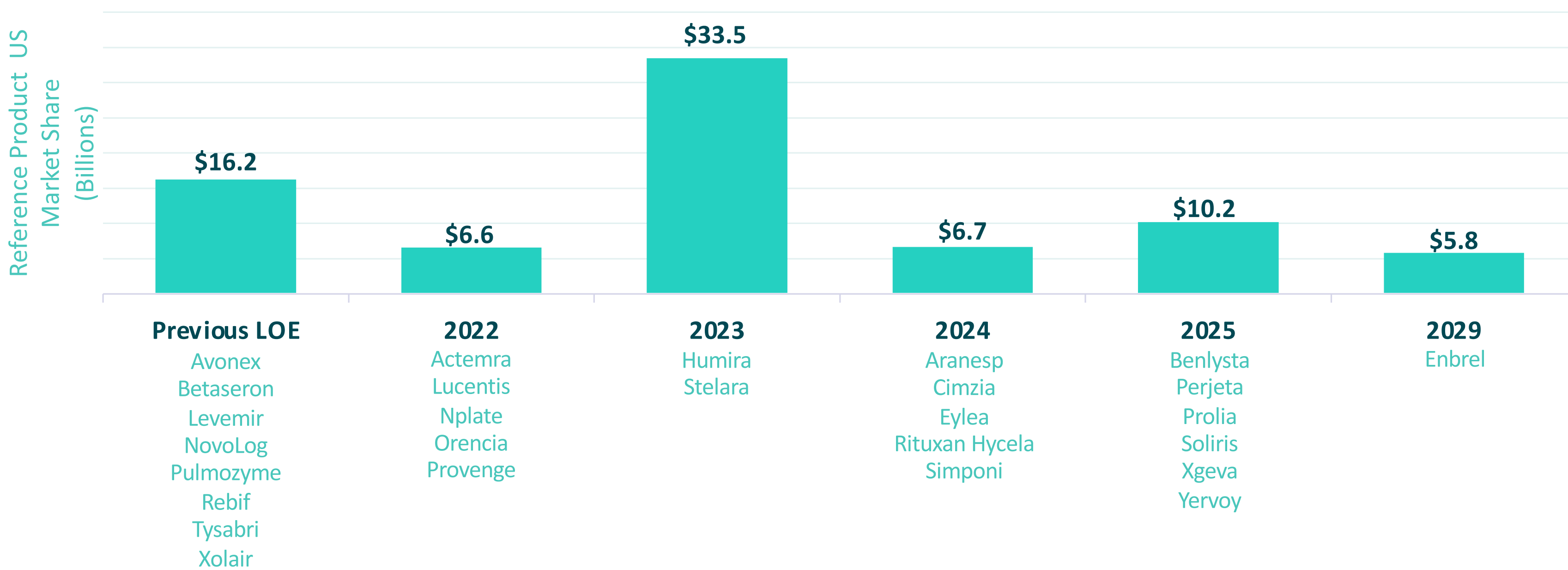
$3,081,000

The specialty drug list administered by the PBM matters!

Biosimilar Opportunity Pipeline

>100 PATENT EXPIRATIONS THROUGH 2029

$71B IN MARKET SHARE OPPORTUNITY



Sources: U.S. Drug spend estimates are based on IQVIA data for 2020.
Adapted from Specialty Pharmaceuticals in Development by Aimee Tharaldson at NEXUS 2022.
IPD Executive Edge. Market Share. 2022.

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Humira Biosimilars: 50mg/mL Concentration

This formulation makes up **15% of Humira's total market share**

DRUG NAME	CITRATE-FREE	Interchangeable Status	MANUFACTURER	PROJECTED LAUNCH DATE	STATUS
Amjevita **(adalimumab-atto)**	Yes	Not at launch	Amgen	January 31, 2023	**Approved** September 2016
Hadlima **(adalimumab-bwwd)**	No	Seeking (likely post-launch)	Samsung Bioepis & Organon	July 1, 2023	**Approved** July 2019
Cyltezo **(adalimumab-adbm)**	Yes	Yes	Boehringer Ingelheim	July 1, 2023	**Approved** August 2017
Abrilada **(adalimumab-afzb)**	Yes	Seeking*	Pfizer	July 1, 2023	**Approved** November 2019
Yusimry **(adalimumab-aqvh)**	Yes	No	Coherus BioSciences	July 1, 2023	**Approved** December 2021
Hulio **(adalimumab-fkjp)**	Yes	No	Viatris	July 2023	**Approved** July 2020
Hyrimoz **(adalimumab-adaz)**	No	No	Sandoz	July 2023	**Approved** October 2018
Idacio (MSB11022)	Yes	No	Fresenius	July 1, 2023	**Approved** December 2022

IPD Rx Insights. Humira Biosimilar Management. 2022. *Expected to have interchangeability at launch. FDA decision was anticipated Q4 2022

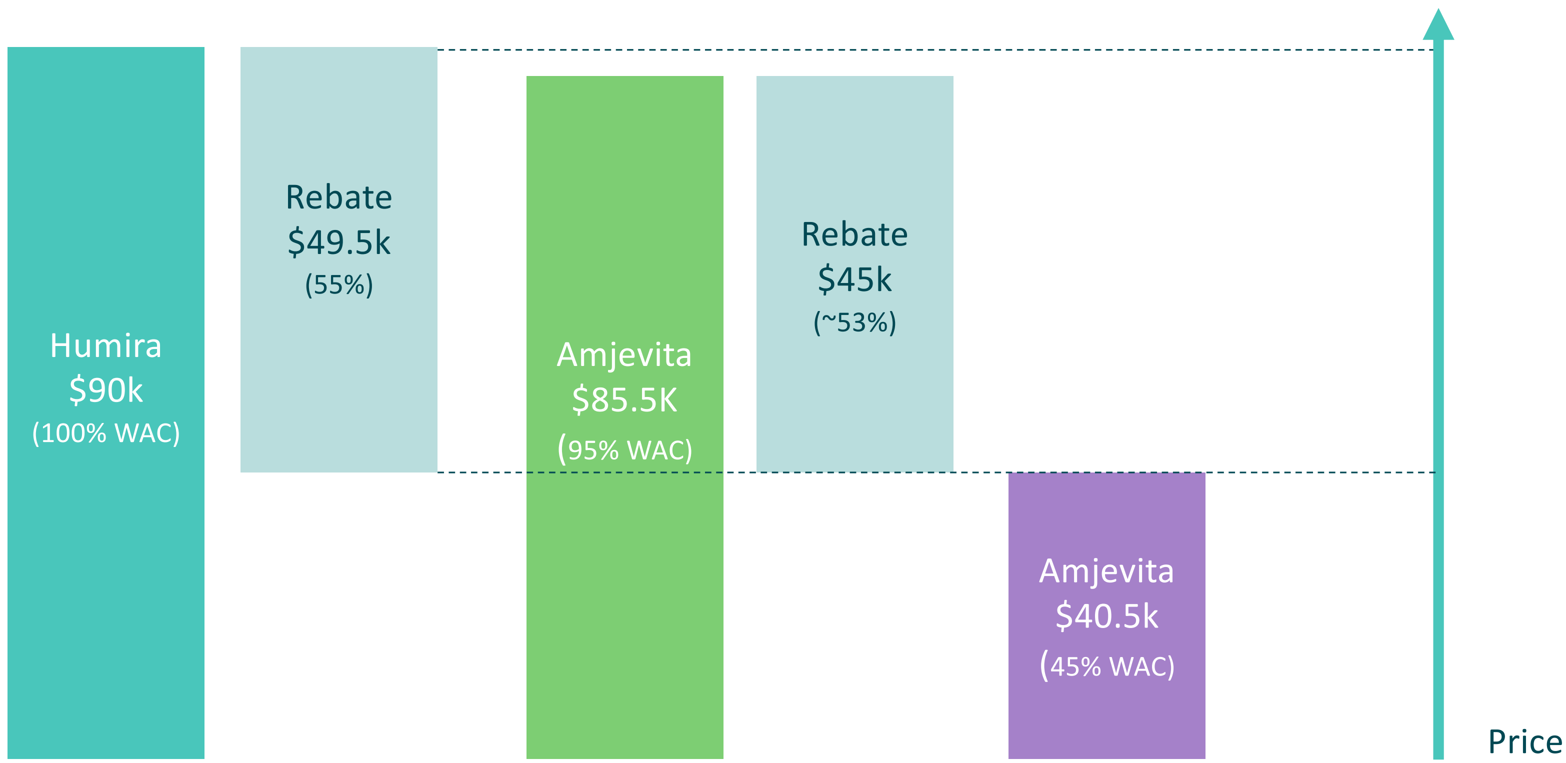
Humira Biosimilars: 100mg/mL Concentration

This formulation makes up **85% of Humira's total market share**

DRUG NAME	CITRATE-FREE	Interchangeable Status	MANUFACTURER	PROJECTED LAUNCH DATE	STATUS
Hadlima HC (adalimumab-bwwd)	Yes	Seeking (likely post-launch)	Samsung Bioepis & Organon	July 1, 2023	**Approved** August 2022
Yuflyma (CT-P17)	Yes	Seeking (likely post-launch)	Celltrion	July 1, 2023	Pending Approval
AVT02	Yes	Seeking*	Alvotech/Teva	July 1, 2023	Pending Approval April 2023
Hyrimoz HCF	Yes	Unclear	Sandoz	July 2023	Pending Approval March 2023
Amjevita HC (APB 501 HC)	Yes	Seeking	Amgen	2024 or after	Phase III 2024 or after
Yusimry HC	TBD	TBD	TBD	TBD	TBD

IPD Rx Insights. Humira Biosimilar Management. 2022. *Expected to have interchangeability at launch. FDA decision was anticipated Q4 2022

Humira/Amjevita Illustration



Approved Gene Therapies

Name	Indication	Approval Date	WAC	Prevalence (per 1,000 lives)
Adstiladrin	Non-muscle invasive bladder cancer	12/16/2022	N/A	0.243
Hemgenix	Hemophilia B	11/22/2022	$3,500,000	0.004
Skysona	Cerebral adrenoleukodystrophy (CALD)	09/16/2022	$3,000,000	0.005
Zynteglo	Beta Thalassemia	08/17/2022	$2,800,000	0.004
Zolgensma IV	Spinal muscular atrophy	05/24/2019	$2,125,000	0.053
Luxturna	Inherited retinal disease (IRD)	12/19/2017	$850,000	0.00001

Source: IPD Analytics

Cell and Gene Therapy Outlook

Probability of at Least One Gene Therapy Claim in Plan Year:						
# of Members	2024	2025	2026	2027	2028	2029
500	0.2%	0.4%	0.6%	1.2%	1.6%	2.0%
1,000	0.5%	0.7%	1.3%	2.4%	3.2%	3.9%
2,500	1.2%	1.8%	3.2%	5.8%	7.9%	9.4%
5,000	2.4%	3.6%	6.7%	11.3%	15.1%	18.0%
7,500	3.6%	5.4%	9.2%	16.4%	21.8%	25.7%
10,000	4.8%	7.1%	12.1%	21.2%	27.9%	32.7%
20,000	9.4%	13.7%	22.7%	38.0%	48.1%	54.7%

Sources: Brown & Brown Q1 2023 Market Trend Report – reference to Optum

About
1 in **100**

About
1 in **10**

Source: Wes Smith – Putting the Data Together: What's Driving High-Cost Claimants?

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Legislative Update

Inflation Reduction Act: Key Healthcare Provisions

- Medicare Part D Plan Design Changes
  - Limits monthly cost sharing for insulin to $35 per month
  - Increased pressure for commercial market to do the same (Eli Lilly, Sanofi and Novo Nordisk to also cap costs)

Medicare Prescription Drug Price Negotiation Program

  - Requires the Secretary of HHS to negotiate prices for 10 drugs in 2026 and an additional 15 drugs in 2027 (exclusions apply)
  - Drugs selected for initial negotiation to be published September 1, 2023
  - CMS issued initial guidance last week, seeking public comments through April 14, 2023

Medicare Inflation Rebates

  - January 1, 2023 - began first quarterly period for which drug companies will be required to pay rebates for raising prices that outpace inflation on certain Part B drugs
  - CMS to begin sending invoices to drug companies for 2023 and 2024 rebates in 2025

- Further Delay of Trump Administration's Rebate Rule
  - Originally delayed until 2027, Rule is now further delayed until 2032

Preparing for the End of the COVID-19 Emergency Orders

- ***Public Health Emergency considerations***
  - Will plans cover tests without cost-sharing or prior authorization?
  - Will plans continue to impose a $12 reimbursement limit on out-of-network tests?
  - Wills plans ever reimburse for out of network tests?
  - Will plans cover OTC tests?
  - Will plans cover vaccines from out-of-network providers?
- ***National Emergency considerations***
  - Temporarily modified certain requirements related to Medicare, Medicaid and Children's Health Insurance Program
  - Extended certain plan-related time frames such as COBRA elections and premium deadlines
- ***Other considerations***
  - Commercialization of COVID vaccines and depletion of the federally purchased supply

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Employers Health: Collaborative Purchasing Strategies

Contracting Together

- Use the leverage of the group for better contractual terms and pricing.
- $2.5 billion in drug spend.
- Full pass-through of what's negotiated.
- Annual renegotiations ensure contract adapts to market changes and inflation.
- Growth strengthens our position each year.
- Audits & reconciliations ensure client-level guarantees are fulfilled.

Aligned, Proven Model

- Founded by employers
- No owners
- PBM purchasing since 1995
- 300+ clients & growing
  - Including hospitals, providers and health systems

Delivering an Exceptional Experience

- CVS teams dedicated to EH clients
- CVS is your primary point of contact.
- Participants call CVS customer care.
- EH teams support your experience with CVS to ensure high levels of satisfaction.
- Identify and proactively act to avoid issues.
- Escalate and expedite issue resolution when they occur.
- Work with consultants to identify opportunities to implement strategies.

4.8 / 5.0

Client Satisfaction

Contract Best Practices

- Have a clear definition for brands and generics, tied to a third-party source such as Medi-Span. PBMs should NOT be allowed to use a proprietary algorithm to determine brand versus generic.
- The definition of Average Wholesale Price (AWP) should be tied to an external source such as Medi-Span, the date the drug was dispensed, use the National Drug Code (NDC) of the actual package size dispensed and not allow repackaged NDCs by the PBM.
- The definition of a Specialty Drug should be clear within the contract and inclusive of language that prevents PBMs from moving drugs on and off the specialty drug list throughout the year. A specialty drug list by NDC should be provided.
- Limited Distribution Drugs (LDD) should be clearly defined. Is there a difference when the PBM has access to an LDD or does not have access to an LDD? Can a specialty drug that previously wasn't considered to be an LDD move to LDD designation? The PBM should provide the LDD list by NDC.

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Contract Best Practices II

- ❑ Biosimilars should include those drugs approved through the biosimilar pathway and also designate in the reconciliation between biosimilars that are specialty versus traditional.
- ❑ New to Market drugs should include a duration – when do they come off the list? Does a new indication for an existing drug constitute New to Market?
- ❑ Ensure harmony among your definitions for Brands, Claims and Covered Products. Are devices included?
- ❑ Your Effective Rate should not include participant cost share, coupons, rebates, etc.… Ensure your definitions and reconciliation language matches each other as PBMs will often define things one way and then override those definitions later in the contract.
- ❑ Rebates should be clearly defined, including what "pass-through" means and what types of manufacturer revenues are included in the term.

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Contract Best Practices III

- Specialty drug guarantees should be based on no more than a 30-day supply.
- The maximum allowable cost (MAC) prices used at mail (and specialty) should be equal or more aggressive than MAC used at retail for the same medication.
- No pricing exclusions for "rural" pharmacies or high-cost states and territories.
- Traditional deals should not allow offsetting among component level guarantees or channels.
- Guarantees should include a dollar-for-dollar true up with no limit on payouts.
- Medical rebates should be guaranteed under the medical benefit and not used to cross-subsidize pharmacy rebates.
- If a drug is considered Specialty for discounts, it should be considered Specialty for rebates.
- Specialty claims dispensed at retail (or outside the PBM's preferred specialty pharmacy) should receive the Specialty rebate.

Contract Best Practices IV

- ❑ The same methodology for determining brand and generic claims applies to rebates as well as discounts.
- ❑ For "per-brand-claim" rebate guarantees, multi-source brands, including those dispensed as a DAW 1 and 2, are included in the guarantee. DAW 5 claims, also known as "House Generics" may be considered generic and not subject to the rebate guarantee.
- ❑ Retail pricing is clearly tied to a specific network and any chains excluded are clearly identified.
- ❑ Rebate guarantees are clearly tied to a specific formulary.
- ❑ There are no minimum days' supply tied to mail order pricing.
- ❑ Claims filled at a PBM-owned dispensing pharmacy shall not be considered 340B.
- ❑ Claims with no plan liability (HDHP) get pricing guarantees.
- ❑ Annual market check permitted.
- ❑ Annual audit permitted.
- ❑ Termination for convenience.

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