

2019 Public Sector HealthCare Roundtable

Specialty Drug Impact and Survey Results

Assessing the impact of Specialty Drugs
on Public Sector health plans

June 25, 2019



Agenda

- Specialty Drug challenges and trends
- Public sector overview
- The Public Sector HealthCare Roundtable survey
- Action steps taken to address Specialty Drugs

The challenge of defining Specialty Drugs

Common Characteristics:

- Biologicals, derived from a living cell or plant
- Large molecules
- Expensive – the average specialty medication may cost over \$2,500 per prescription
- Infusible or injectable
- Frequent dosing adjustments, or subject to wastage
- Limited or exclusive distribution channels

The challenge of defining Specialty Drugs

Common Characteristics:

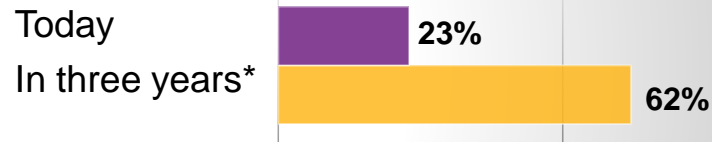
- Require special handling or temperature control requirements
- Require a greater amount of pharmaceutical oversight and clinical monitoring
- Require significant side effect management
- Require training and support for administration of the medicine
- Often cannot be replicated as generic medications; but biosimilars are becoming more available

Trends in the management of Specialty Drugs

Evaluate and address specialty drug costs and utilization performance through the medical benefit



Implement coverage changes to influence site of care for specialty pharmacy through your medical benefit (e.g., home infusion)



Evaluate plan design incentives/requirements to promote use of biosimilars, as opposed to branded specialty medications, when available



Add value-based or outcome-based drug agreements (e.g., pay for the cost of a drug or preferred drug coverage based on patients' outcomes or adherence to medication)



Note: *"Used in 2018"; "Planning for 2019" or "Considering for 2020"

Sample: Companies with at least 1,000 employees

Source: 2018 Willis Towers Watson Best Practices in Health Care Employer Survey

Specialty Drug challenges



Increasing Specialty Costs

- 1% of patients require specialty drugs but still account for between 30% and 40% of total drug spend
- Annual costs per patient can exceed \$500k per year
- 100% price increase for some drugs in 5 years
- Gene Therapies can cost \$1-2 M

Growing pipeline of specialty medications

- 700 Specialty meds under development
- More than two-thirds of new drug approvals in 2018 were for Specialty drugs



Delayed entry of biosimilars

- Only 19 US Biosimilars; 54 are available in Europe
- Exclusivity periods for Specialty drugs are often extended by litigation

Specialty Drugs affect many types of conditions

- Some affect very small populations (orphan drugs)
- Some are common conditions, like atopic dermatitis, which affects nearly 3 million Americans
- Common conditions include arthritis, psoriasis, cancer, multiple sclerosis, and HIV



Public sector overview

» **22.3 million** public sector workers are employed at the Federal, State and Local level

» Over **15%** of the American workforce is employed by the public sector

» The public sector offers comprehensive health care coverage to employees and retirees **more frequently** than other domestic industries

2015-2019 Public Sector HealthCare Roundtable Surveys

Conducted in partnership with Willis Towers Watson and the Public Sector HealthCare Roundtable since 2015.

The survey has been completed by members three times over the last four years. The most recent survey represents:

22

Plan Sponsors

138

Health Insurance Plans

6.4 Million

Lives

\$7.8 Billion Total Drug Spend

\$3.7 Billion Specialty Drug Spend

Reasons for conducting this survey



Collaborate on innovative strategies to address the challenge



Share results and experiences with similar plans



Quantify the impact of Specialty Drugs



Convey the scope of the environment to those in a position to make a change

Most recent survey results

»» Total Drug costs (Non-Specialty and Specialty Drug costs) increased **3.04%**

»» Non-Specialty Drug costs decreased slightly, by **-0.53%**

»» Specialty Drug costs increased **8.72%**

»» Approximately **1.0%** of claims were for Specialty Drugs

»» Four year average Specialty Drug costs increased almost **16%** each year

Most recent survey results

Plan Sponsor Concerns

68%

of plans are concerned about increased financial hardship of members due to higher cost sharing

68%

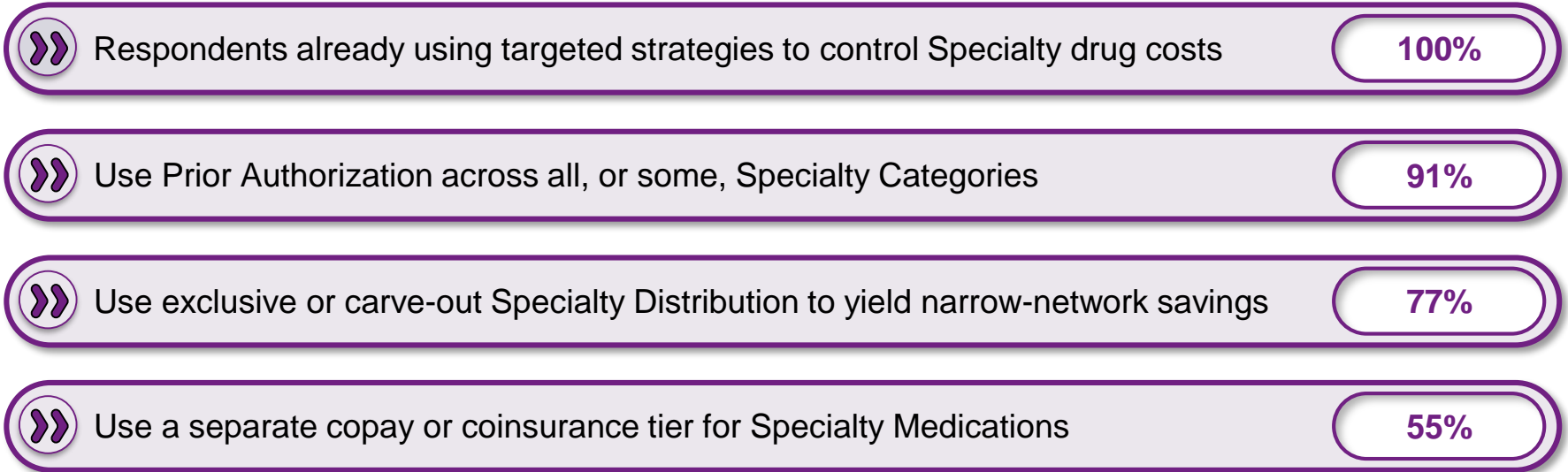
of plans are concerned about medical complications due to decreased medication adherence (such as members skipping doses, splitting medications, etc.)

55%

of plans are worried about the uncertainty of their organization's ability to continue providing a high-quality health plan

Most recent survey results

Controlling costs



Action steps taken to address Specialty Drugs

Managing the high cost of Specialty pharmaceuticals requires Plan sponsors take a multi-prong approach in addressing all of the levers influencing the price of these products, what products patients take, and where they access them

Negotiate Price	Tighten Formulary	Optimize Site of Care
<ul style="list-style-type: none"> ▪ Negotiate aggressive exclusive discount guarantees ▪ All inclusive rebate guarantees with disclosed inflation caps ▪ Trend and savings guarantees ▪ Performance guarantees 	<ul style="list-style-type: none"> ▪ Exclude “me too” products in high-cost therapy categories (e.g., rheumatoid arthritis, multiple sclerosis, anemia) ▪ Cover all generics and biosimilars with limited brand coverage ▪ Step therapy protocols requiring use of generics or biosimilars 	<ul style="list-style-type: none"> ▪ Route prescriptions to the lowest net cost site of care across major infusible therapy classes (e.g., IVIG) <ul style="list-style-type: none"> ✓ Specialty Pharmacy ✓ Narrow Retail Network ✓ Physician Office ✓ Home Infusion ▪ Restrict access to high-cost sites of care to pre-certification approved exceptions

Ensuring that patients are receiving *the right drug at the right time at the right dose* is essential to managing total health care costs associated with these products and conditions

Ensure Quality Care	Manage Utilization	Narrow Physician Network
<ul style="list-style-type: none"> ▪ Leverage outreach to members who are filling prescriptions for the first time ▪ Establish regular follow ups to ensure members are leveraging low-cost drug options ▪ Review co-morbidities and route patients to wellness and disease management programs, as appropriate 	<ul style="list-style-type: none"> ▪ Require prior authorization for all specialty drugs ▪ Develop consistent criteria and pre-certification protocols across medical and pharmacy benefits ▪ Introduce split fill protocols across oral products ▪ Reduce self injectable days supply to 30 – 60 days 	<ul style="list-style-type: none"> ▪ Develop low-cost physician network with aggressive fee schedule to dispense select specialty medications ▪ Route members through plan design and health plan protocols to Preferred Physician Specialty Network ▪ Monitor regular physician benchmarking

Conclusion

While public sector plan sponsors have taken extensive actions to try and mitigate the impact of specialty drug cost increases, they cannot solve the problem by themselves.

The importance of measuring and addressing the cost of specialty medication is critical and, if not addressed by public policy actions, will continue to place a significant burden on the affordability of these drugs for American citizens, plan sponsors, and government agencies.

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