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

<table>
<thead>
<tr>
<th>Evaluate and address specialty drug costs and utilization performance through the medical benefit</th>
<th>Today</th>
<th>In three years*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>42%</td>
<td>82%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Implement coverage changes to influence site of care for specialty pharmacy through your medical benefit (e.g., home infusion)</th>
<th>Today</th>
<th>In three years*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>23%</td>
<td>62%</td>
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</table>

<table>
<thead>
<tr>
<th>Evaluate plan design incentives/requirements to promote use of biosimilars, as opposed to branded specialty medications, when available</th>
<th>Today</th>
<th>In three years*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>26%</td>
<td>64%</td>
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<thead>
<tr>
<th>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)</th>
<th>Today</th>
<th>In three years*</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>4%</td>
<td>27%</td>
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Note: **“Used in 2018”; “Planning for 2019” or “Considering for 2020”**

Sample: Companies with at least 1,000 employees

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

<table>
<thead>
<tr>
<th>Concern</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Of plans are concerned about increased financial hardship of members due to higher cost sharing</td>
<td>68%</td>
</tr>
<tr>
<td>Of plans are concerned about medical complications due to decreased medication adherence (such as members skipping doses, splitting medications, etc.)</td>
<td>68%</td>
</tr>
<tr>
<td>Of plans are worried about the uncertainty of their organization’s ability to continue providing a high-quality health plan</td>
<td>55%</td>
</tr>
</tbody>
</table>
Most recent survey results

Controlling costs

- Respondents already using targeted strategies to control Specialty drug costs: 100%
- Use Prior Authorization across all, or some, Specialty Categories: 91%
- Use exclusive or carve-out Specialty Distribution to yield narrow-network savings: 77%
- Use a separate copay or coinsurance tier for Specialty Medications: 55%
### 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.

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<thead>
<tr>
<th>Negotiate Price</th>
<th>Tighten Formulary</th>
<th>Optimize Site of Care</th>
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<tbody>
<tr>
<td>Negotiate aggressive exclusive discount guarantees</td>
<td>Exclude “me too” products in high-cost therapy categories (e.g., rheumatoid arthritis, multiple sclerosis, anemia)</td>
<td>Route prescriptions to the lowest net cost site of care across major infusible therapy classes (e.g., IVIG)</td>
</tr>
<tr>
<td>All inclusive rebate guarantees with disclosed inflation caps</td>
<td>Cover all generics and biosimilars with limited brand coverage</td>
<td>✓ Specialty Pharmacy</td>
</tr>
<tr>
<td>Trend and savings guarantees</td>
<td>Step therapy protocols requiring use of generics or biosimilars</td>
<td>✓ Narrow Retail Network</td>
</tr>
<tr>
<td>Performance guarantees</td>
<td></td>
<td>✓ Physician Office</td>
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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.

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<thead>
<tr>
<th>Ensure Quality Care</th>
<th>Manage Utilization</th>
<th>Narrow Physician Network</th>
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<tbody>
<tr>
<td>Leverage outreach to members who are filling prescriptions for the first time</td>
<td>Require prior authorization for all specialty drugs</td>
<td>Develop low-cost physician network with aggressive fee schedule to dispense select specialty medications</td>
</tr>
<tr>
<td>Establish regular follow ups to ensure members are leveraging low-cost drug options</td>
<td>Develop consistent criteria and pre-certification protocols across medical and pharmacy benefits</td>
<td>Route members through plan design and health plan protocols to Preferred Physician Specialty Network</td>
</tr>
<tr>
<td>Review co-morbidities and route patients to wellness and disease management programs, as appropriate</td>
<td>Introduce split fill protocols across oral products</td>
<td>Monitor regular physician benchmarking</td>
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<tr>
<td></td>
<td>Reduce self injectable days supply to 30 – 60 days</td>
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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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