Session 116 PD, Specialty Pharmacy Pipeline Update

Moderator:
Gregory L. Warren FSA, MAAA, FCA

Presenters:
Kathryn Bronstein
Michael Einodshofer
Andrew Erwin Kirchner, FSA, MAAA

SOA Antitrust Disclaimer
SOA Presentation Disclaimer
A Patient Perspective on Specialty Pharmacy Medication

Kathryn Bronstein, PhD, RN
VP Health Outcomes
Navigating the Specialty Pharmacy Roadway

Most individuals don’t know Specialty Pharmacies exist

- Take to regular pharmacy
- Told must be filled at SP
- Determine which SP in plan

SP reaches out to patient
- Script sent to SP
- Patient learns about PA from insurance
- Awaits MD completion
- Approved

New prescription given to patient

Take Meds
- Storage
- Injection
- Side effects
- Monitoring
- Disease management
- REMS

Start

Get Meds

Adherence
Improved outcomes
Member satisfaction

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2017 SOA Health Meeting

Michael T. Einodshofer, RPh, MBA
06/14/2017
Specialty Pharmacy Impact to an Employer:

Affording the things to come
What we must protect....

Maintaining access to pharmaceuticals for all patients is essential to managing chronic disease for the many, and managing rare disease for the few.
Today’s reality about drug costs for employers

‘Typical’ Commercial Rx Per Member Per Year: $800 - $1300

This employer = ~$800 PMPM (low)

Most expensive patient = $467,000 (5.3% of total)

- What if that employee quits?
- What if you are the owner of a small 100 employee company and you hire him/her?

![Distribution of Drug Costs in a 11,000 Life Employer](chart.png)

60% of drug spend from 1.6% of all utilizers
Employers face a real affordability issue.

- Already 50%+ of many employer’s drug trend

- Top 2% of pharmacy utilizers often drive 50%+ of employers total drug spend

- “Stop loss” is not a long-term answer

- Increasing risk of employers walking away from offering coverage

- Will high-risk pools re-emerge?
Medical Cost Offset from Chronic Disease Management

• “The money has to come from somewhere”

• Maximize PBM economics

• Eliminate all waste from traditional pharmacy benefits

• Appreciate, measure, and improve metrics around medical cost offset due to pharmacotherapy.

• Allocate these resources to afford new to market treatments
Cost of non-adherence in chronic disease

<table>
<thead>
<tr>
<th>Disease</th>
<th>Estimated cost per year</th>
<th>Estimated excess medical spend impact to a 1000 life employer?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diabetes</td>
<td>$4007 - $6000 per year</td>
<td>~$75,000</td>
</tr>
<tr>
<td>Hypertension</td>
<td>$1836 - $4170 per year</td>
<td>~$45,000</td>
</tr>
<tr>
<td>High Cholesterol</td>
<td>$1342 - $2306 per year</td>
<td>~$20,000</td>
</tr>
</tbody>
</table>

If a patient is non-adherent with their medication regimen for these diseases... Their overall health care costs will be higher by approximately

Sokol et al, Roebuck et al

http://content.healthaffairs.org/content/30/1/91.full.pdf+html

Estimates based on typical non-adherence rates of patients within each disease state. Maxor data on file.
Key Areas of Pipeline Growth

• **Oncology**
  - 40% of pipeline entities in PhII and beyond

• **Respiratory Diseases**
  - Bronchiectasis
  - Non-tuberculin Mycobacterium (NTM)
  - Cystic Fibrosis label expansion

• **Rare / Orphan**
  - Enzyme replacement therapies
  - Seizure disorders
Bronchiectasis Pipeline

About NCFBE:
- 80% of patients 50+ years of age
- 60% female
- 1st FDA Approved product for BE on market by 2018
- 40,000 potential patients / year

Number Of Drugs by Phase (Top 10 Companies)

- Bayer: 2, 1, 1
- Grifols: 2, 1, 1
- Insmed: 2, 1, 1
- Altair: 2, 1, 1
- Pharmaxis: 2, 1, 1
- Kamada: 1, 1, 1
- Vertex: 1, 1, 1
- Polyphe: 1, 1, 1
- Basilea: 1, 1, 1
- Horizon Pharma: 1, 1, 1

www.biomedtracker.com
Employers Shifting Risk by Increasing Cost-Sharing – but does it work to control Specialty costs?

Percent of Covered Workers Enrolled in a Plan with a $1,000+ Deductible by Firm Size

![Graph showing percent of covered workers enrolled in a plan with a $1,000+ deductible by firm size.](image)

Average In- and Out-of-Network Deductibles for Group Plans

![Average in- and out-of-network deductibles for group plans.](image)


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Forecasting and Pipeline Analytics

June 13, 2017
Drew Kirchner, FSA, MAAA
Actuarial Director, Optum
Topics

1) Forecasting the Drug Pipeline

2) Monitoring Projection Accuracy
Forecasting the Drug Pipeline
Health Technology Pipeline: Overview

Created in 2003 with the purpose of tracking potential “blockbuster” medical technologies that are to be approved in the next 18-24 months

Used by major healthcare payers and pharmaceutical manufacturers in the U.S. to support various activities

• Trend forecasting, pricing
• Medical technology assessment, medical policy, reimbursement policy
• Management strategy, tier placement

Provides an estimated, unbiased PMPM financial analysis of new medical technologies before they come to market

Categories of Selected Technologies include:

• New Medications
• New Medical Devices
• New Screening, Diagnostic, and Companion Tests
• New and Revised Clinical and Treatment Guidelines
• Brand-to-Generic, Brand-to-OTC, Brand-to-Biosimilar Switches
Health Technology Pipeline (HTP) Functionality

- Enables proactive versus reactive management as new technologies enter the market
- Provides critical information for medical policy, P&T preparation and medication management
- Delivers timely information for trend forecasting, contracting and claims administration
- Provides access to a combination of clinical and actuarial expertise to facilitate the understanding of PMPMs, cost trends and budget impact
- Delivers consolidated research so staff can focus on other priorities
# HTP Components

## Clinical Content
- Clinical Snapshot Articles
- Operational Impact Articles (coding)
- Monthly Alerts
- Watch-List Reports

## Financial Forecasts
- Economic Assumptions
- PMPM Projections by:
  - Calendar Year
  - Benefit class

## Customization Tools
- Tailor model assumptions:
  - Demographics
  - Ultimate Utilization
  - Direct Costs
  - Offsetting Costs
  - Grade-In
  - Launch Date

## Additional Information
- Forecasts and Customization tools for both Private Payer and Medicare
- New and revised Information updated quarterly
- Categorized by therapeutic area
- Specialty, Test/Device and Biosimilar designations
- Roll forward reports
HTP Process

Technology Identification
- Horizon Scanning
- FDA resources, routine meeting with Rx manufacturers, pharmaceutical blogs, clinical trials websites, professional associations’ websites, press releases

Research & Clinical Information
- Extensive use of primary references
- Peer review by clinician experts

Data Analysis & Research for Modeling Assumptions
- Reconciliation between external and internal data sources
- Assumption-setting by clinical and actuarial staff

Projection Modeling & Customization
- View from both Private payer and Medicare perspectives
- Peer review by actuarial staff
Projection Accuracy

Back-testing the Forecast
Commercial Findings

• The variance in Commercial PMPM cost is quite symmetrical, implying PMPM cost is not consistently overestimated or underestimated.

**PMPM Variance Metrics**

<table>
<thead>
<tr>
<th>Metric</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>Mean</td>
<td>$0.01</td>
<td>$(0.03)</td>
<td>$0.09</td>
</tr>
<tr>
<td>Variance</td>
<td>$0.00</td>
<td>$0.11</td>
<td>$0.30</td>
</tr>
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</table>

**PMPM Variance (Commercial)**

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Medicare Findings

- The variance in Medicare PMPM cost is relatively symmetrical with a median PMPM variance near $0.00 for all years

### PMPM Variance Metrics

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<tr>
<td>Mean</td>
<td>$0.03</td>
<td>$0.38</td>
<td>$0.37</td>
</tr>
<tr>
<td>Variance</td>
<td>$0.06</td>
<td>1.66</td>
<td>5.34</td>
</tr>
</tbody>
</table>

#### PMPM Variance (Medicare)
Medicare Findings (cont.)

The charts below demonstrate cost per util is typically underestimated in 2014 & 2015. Red denotes the # of overestimates; Blue denotes the # of underestimates.

**PMPM**

<table>
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<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
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<tbody>
<tr>
<td>Overestimates</td>
<td>7 (50%)</td>
<td>18 (47%)</td>
<td>17 (44%)</td>
</tr>
<tr>
<td>Underestimates</td>
<td>7 (50%)</td>
<td>20 (53%)</td>
<td>22 (56%)</td>
</tr>
</tbody>
</table>

**Utilization**

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<td>7 (50%)</td>
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**Cost per Util**

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<tbody>
<tr>
<td>Overestimates</td>
<td>7 (50%)</td>
<td>13 (34%)</td>
<td>9 (23%)</td>
</tr>
<tr>
<td>Underestimates</td>
<td>7 (50%)</td>
<td>25 (66%)</td>
<td>30 (77%)</td>
</tr>
</tbody>
</table>
Generic Cost per Utilization

For both Commercial & Medicare markets, cost per utilization for generic drugs is consistently underestimated by about 50% on average.
Thank you.

Contact information:

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