Session 103PD, A Prescription for Success: Using Pharmacy Transparency to Improve Outcomes

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2018 SOA Health Meeting

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Gregory Warren, FSA, MAAA, Optum

Session 103, A Prescription for Success: Using Pharmacy Transparency to Improve Outcomes

June 26, 2018
Agenda

• Current Rx Landscape
• Defining and Measuring Value
• Transparency Solutions
• Potential Limitations to Transparency
• Transparency Success Stories
Poll: What is your area of practice?
What is your area of practice?

- Pharmacy: 3%
- Pricing of Health Plans, excluding drugs: 19%
- Valuation of Health Plans, excluding drugs: 9%
- Medicare Part D: 19%
- Other: 53%
Poll: Does your employer use patient-facing transparency service?
Does your employer use patient-facing transparency service?

- Yes: 44%
- No: 26%
- Don't Know: 29%
Poll: Who has used a transparency service for medical or medication information (Pricing, Quality)?
Who has used a transparency service for medical or medication information (Pricing, Quality)?

- Yes: 43%
- No: 57%
Current Rx Landscape
Top concerns in prescription medications 2018
Poll: What drives prescription costs?
What drives prescription costs?

- Unscrupulous PhRMA manufacturers: 47%
- Direct to Consumer Marketing: 47%
- Prescribers lack "skin in the game": 23%
- Demographics (aging population): 27%
- PBM middleman rebates: 30%
- Science and Innovation: 43%
Drug prices in the news

Lawsuit accuses drug makers of conspiring to hike insulin prices

Congress Squares Off Over Drug Pricing And A Controversial Drug Discount Program

Tired of the cost of prescription drugs? Share your story.

FDA's Gottlieb blames industry 'Kabuki drug pricing' for high costs

Biogen's $375K Spinraza price puts a Sovaldi-style spotlight on rare disease meds

When It Comes to Abusive Drug Pricing,
CENTER FOR DRUG EVALUATION AND RESEARCH

ADVANCING HEALTH THROUGH INNOVATION

2017 NEW DRUG THERAPY APPROVALS

Impact | Innovation | Predictability | Access | Engagement

Are medications being rushed through the FDA?

More Medications are approved via “expedited” approval pathways than traditional pathways

Number of New FDA Approvals by type, 2011 through 2017

- Expedited
- Traditional

www.fda.gov
### Biosimilars

<table>
<thead>
<tr>
<th>Biosimilar</th>
<th>Compound</th>
<th>Similar to:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cyltezo</td>
<td>Adalimumab-adbm</td>
<td>Humira</td>
</tr>
<tr>
<td>Ixifi</td>
<td>Infliximab-qbtx</td>
<td>Remicade</td>
</tr>
<tr>
<td>Mvasi</td>
<td>Bevacizumab-awwb</td>
<td>Avastin</td>
</tr>
<tr>
<td>Ogivri</td>
<td>Trastuzumab-dkst</td>
<td>Herceptin</td>
</tr>
<tr>
<td>Renflexis</td>
<td>Infliximab-abda</td>
<td>Remicade</td>
</tr>
</tbody>
</table>

### Innovation

<table>
<thead>
<tr>
<th>Product / Grade</th>
<th>Condition</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yescarta</td>
<td>B cell Lymphoma</td>
<td>$373 - $500 K</td>
</tr>
<tr>
<td>Kymriah</td>
<td>acute lymphoblastic leukemia; B cell Lymphoma</td>
<td>$373 - $500 K</td>
</tr>
<tr>
<td>Aliqopa (I)</td>
<td>relapsed follicular lymphoma</td>
<td>$15 K / Month</td>
</tr>
<tr>
<td>Besponda (I)</td>
<td>acute lymphoblastic leukemia</td>
<td>$90 K / Cycle (x3)</td>
</tr>
<tr>
<td>Calquence (I)</td>
<td>mantle cell lymphoma</td>
<td>$17 K / Month</td>
</tr>
<tr>
<td>Idhifa (I)</td>
<td>acute myeloid leukemia</td>
<td>$24 K / Month</td>
</tr>
</tbody>
</table>

### Price Competition??

<table>
<thead>
<tr>
<th>Product / Grade</th>
<th>Condition</th>
<th>Note:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mavyret (A)</td>
<td>Hep C</td>
<td>$26 K (8 weeks)</td>
</tr>
<tr>
<td>Ocrevus (A)</td>
<td>Multiple Sclerosis</td>
<td>Beat Interferon $8 K per month</td>
</tr>
<tr>
<td>Tremfya (A)</td>
<td>Psoriasis</td>
<td>Beat Humira $5 K per month</td>
</tr>
<tr>
<td>Xadago (B)</td>
<td>Parkinson’s Disease</td>
<td>Similar to generics $800 per month</td>
</tr>
</tbody>
</table>
Defining and Measuring Value
Poll: We often associate cost with quality and/or value. However, in the pharmacy world, does value pertain to
We often associate cost with quality and/or value. However, in the pharmacy world, does value pertain to:

- The effectiveness of the drug, regardless of cost: 21%
- The price of the drug to the insurance company, net of rebates: 15%
- The cost of the drug to the individual: 6%
- All of the above: 79%
Defining the Value of a Treatment or Program

**Clinical Value**
Improving clinical measures such as lab test results, medication adherence, etc.

**Financial Value**
Reducing a health payer’s medical claim costs and/or total cost of care in current or future time periods.

**Quality of Life Value**
Increasing a patient’s quality of life through reduced pain, lengthened lifespan, or improved functionality.

**Societal Value**
Increasing productivity, relieving caregiver burden, lessening reliance on social programs.
Measuring the Value of a Treatment or Program

Common Foundations

- Calculus-Based Statistical Theory
- Measuring Results
- Health Economic Impact
- Dealing with Uncertainty
- Model-Building Experts

Divergent Approaches and Applications

Actuaries

- Law of Large Numbers (minimize statistical variation)
- Estimate Confounding Factors
- Financial Outcomes
- Book of Business Focus
- Identify Correlations
- Short/Intermediate-Term Horizons
- Up-front iterative

Health Economics & Outcomes Research

- Characteristic-Matched Studies (minimize confounding factors)
- Eliminate Confounding Factors
- Clinical & Economic Outcomes
- Disease Focus
- Identify Causations
- Intermediate/Long-Term Horizons
- Back-end iterative
Complications of diabetes:
Increased risk of a heart attacks, damage to eyesight, nerves and the kidneys

Ivokana (approved 2013):
- More costly
- No proven impact on outcomes
- Unproven track record of safety
- FDA warning of increased amputations (5/2017)
Traditional Rx coverage dilemmas

Open Access (non-managed)

- Doctor prescribes it, it’s covered

Managed Care (highly managed)

- High Deductibles
- Greater Copays
- Tight Formularies
- Prior Authorization
- Mail Order
- Narrow Networks

Image: http://www.versatile-ag.ca/NA/imgs/Product-Tractor/HHT/Hyd-Controls-lb.jpg
What’s the new prescription?

Put the patient at center of decision-making

> 60%
actively seek information to select treatments

Empowering Resources

37% asked MD or RPh for less expensive generic

Coordinate with Providers

Americans with a Smartphone:

Accessible and Person-Focused

http://www.consumerreports.org/cro/news/2015/08/are-you-paying-more-for-your-meds/index.htm
http://www.pewinternet.org/fact-sheet/mobile/
Payer ROI Model for a Treatment or Program

Typical ROI Model Inputs Include:

1) Cost Trend
   • Applied to project annual costs

2) Interest Rate
   • Used to calculate net present value of potential savings

3) Churn Rate
   • Simulates the population that will stay with the plan each year

4) Initial Investment
   • Anticipated contract costs/initial plan investments

5) Medical Offset
   • Potential medical cost savings

6) Risk Adjustment
   • Applied to cost estimates to account for population risk

Common ROI Model Outputs are:

### Typical Condition Results

<table>
<thead>
<tr>
<th>Primary Population</th>
<th>Comparison Population</th>
<th>5 Year NPV</th>
<th>Yr 1 Patient Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>IP Admissions</td>
<td>IP Admissions</td>
<td>251</td>
<td>63</td>
</tr>
<tr>
<td>w/ Prim Cond Dx</td>
<td>w/ Conditn On</td>
<td>251</td>
<td>63</td>
</tr>
<tr>
<td>ER Visits</td>
<td>ER Visits</td>
<td>835</td>
<td>3,036</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cost</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost A</td>
<td>$100</td>
<td>$120</td>
<td>$140</td>
<td>$180</td>
<td>$200</td>
</tr>
<tr>
<td>Cost B</td>
<td>$100</td>
<td>$120</td>
<td>$140</td>
<td>$180</td>
<td>$200</td>
</tr>
<tr>
<td>Cost C</td>
<td>$100</td>
<td>$120</td>
<td>$140</td>
<td>$180</td>
<td>$200</td>
</tr>
<tr>
<td>Cost D</td>
<td>$100</td>
<td>$120</td>
<td>$140</td>
<td>$180</td>
<td>$200</td>
</tr>
<tr>
<td>Cost E</td>
<td>$100</td>
<td>$120</td>
<td>$140</td>
<td>$180</td>
<td>$200</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Utilization per 1,000 (IP Admission &amp; ER Visits)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Population</td>
</tr>
<tr>
<td>Comparison Population</td>
</tr>
</tbody>
</table>

### Aggregate Savings

- Net Present Value (NPV)
- Yearly Patient Count (Yr 1 Patient Count)

Optum

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## Value Case Study for New Brand Medication

### What is the ROI?

<table>
<thead>
<tr>
<th></th>
<th>Existing Generics</th>
<th>New Brand</th>
<th>Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Ingredient Cost</td>
<td>$400</td>
<td>$4,000</td>
<td>A</td>
</tr>
<tr>
<td>Rebate Percent</td>
<td>0%</td>
<td>20%</td>
<td>B</td>
</tr>
<tr>
<td>Annual Rebate Amount</td>
<td>$0</td>
<td>($800)</td>
<td>C=AxB</td>
</tr>
<tr>
<td>Annual Net Cost</td>
<td>$400</td>
<td>$3,200</td>
<td>D=A+C</td>
</tr>
<tr>
<td>Payer &quot;Investment&quot; Per Patient</td>
<td>$2,800</td>
<td>E=D2-D1</td>
<td></td>
</tr>
<tr>
<td>Hospitalization Frequency *</td>
<td>10%</td>
<td>8%</td>
<td>F</td>
</tr>
<tr>
<td>Hospitalization Cost</td>
<td>$20,000</td>
<td>$20,000</td>
<td>G</td>
</tr>
<tr>
<td>Hospitalization Cost Per Patient</td>
<td>$2,000</td>
<td>$1,600</td>
<td>H=FxG</td>
</tr>
<tr>
<td>Payer &quot;Return&quot; Per Patient</td>
<td>$2,000</td>
<td>$400</td>
<td>I=H1-H2</td>
</tr>
<tr>
<td>Payer &quot;Return on Investment&quot;</td>
<td>0.142857</td>
<td>J=I/E</td>
<td></td>
</tr>
</tbody>
</table>

* Clinical Trials show 20% reduction
Value Case Study for New Brand Medication

What type(s) of value exist?

**Clinical Value**
Improving clinical measures such as lab test results, medication adherence, etc.

**Financial Value**
Reducing medical claim costs and/or total cost of care in current or future time periods.

**Quality of Life Value**
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Value Case Study for New Brand Medication

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**Financial Value**
- Reducing medical claim costs and/or total cost of care in current or future time periods.

**Quality of Life Value**
- Increasing quality of life through reduced pain, lengthened lifespan, or improved functionality.

**Societal Value**
- Increasing productivity, relieving caregiver burden, lessening reliance on social programs.
Build it, but they won’t come (previous attempts at transparency)

The Market Still Needs to be Informed

Dilemmas for transparency services:
- Low uptake
- Many point solutions
- Many consumers unaccustomed to driving decisions in health care
- Consolidation among providers may impact steerage
- No/Minimal impact on overall costs among previously marketed services

10 to 12% of people use services >1 time

Only 1% of people who got imaging used service

12-15 months

Road to “Return on Investment” for transparency services

- PHASE 1: Initial Awareness
- PHASE 2: Targeted Engagement
- PHASE 3: Target Opportunities
- PHASE 4: Routine Engagement

**User Trust and Familiarity**
- Low
- Med
- High

**Product launch**
- Registers
- Learns basic capabilities and offerings
- Receives, responds to outreach
- Benefits from outreach
- Promotes, regularly uses service

**Opportunity analyses**
- Registration Rates
- Activity Metrics
- Claims impact
- ROI / V

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Opportunities for improvement

Attributes of successful transparency services
- Individualized
- Easy to use (Supported)
- Trustworthy
- Partnering with employer, health plan

>30% registration

12-15 months

Poll: For patient facing cost transparency service, how long might you expect it to take before ROI can be seen?
For patient facing cost transparency service, how long might you expect it to take before ROI can be seen?

- 6 months: 10%
- 1 year: 38%
- 2 years: 31%
- 5 years: 10%
- I don't know: 10%
ROI Challenges for patient-facing cost transparency services

Moving beyond associations and proving causal effect

• IT infrastructure
  • May have difficulties with PHI and linking the transparency app to claims data

• Linking use for dependents

• Time Sync
  • Capturing when someone has used the tool and made a change vs attrition, eligibility

• Resulting approaches
  • Manually assessing what the insured has researched and to check against claims to determine what was done → need a better long term, scalable evaluation strategy
  • Use a PMPM approach, and assess confounders
Provider Transparency: Confusion

Ambiguity and uncertainty at the point of prescription

- Multiple Formularies
- UM and Clinical Programs
- Benefit Designs
- Pharmacies
- Utilization History
Provider Transparency: Empowering Physicians

Visibility at the point of care | Cost share | Formulary placement | Real-time prior authorization | Clinical alerts

Streamlining prior authorizations

Finding lower cost alternatives

>20% of physicians switched to an alternative drug¹

>30% Prior authorizations were avoided or initiated¹

Improving plan performance

¹ 2017 PreCheck MyScript program results
Provider Transparency: Clarity

The right information at the right time

- about coverage
- about price
- about prior use
- to help patients stay on track
Member Transparency: Digital Member Tools

Key Features:

- Refill, renew or transfer
- Adherence Reminders
- Pharmacy Locator
- Order history and claims detail
- Family and Caregiver Management
Member Transparency: Consumer Dashboard

Opportunity alerts:
Algorithms go through hundreds of potential opportunities for each consumer and display three most relevant for the “next best health action.”

Available programs:
- Health Savings Account (HSA)
- Flexible Spending Account (FSA)
- Health Reimbursement Account (HRA)
- Health Incentive Account (HIA)

Financial Overview Summary:

<table>
<thead>
<tr>
<th>Account Type</th>
<th>Eligible</th>
<th>Bank Name</th>
<th>Open</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Savings Account (HSA)</td>
<td>Yes</td>
<td>Optum Bank</td>
<td>Yes</td>
</tr>
<tr>
<td>Flexible Spending Account (FSA)</td>
<td>N/A</td>
<td>Optum Health Advantage</td>
<td>Yes</td>
</tr>
<tr>
<td>Health Reimbursement Account (HRA)</td>
<td>N/A</td>
<td>Optum Health Advantage</td>
<td>Yes</td>
</tr>
<tr>
<td>Health Incentive Account (HIA)</td>
<td>N/A</td>
<td>Yes</td>
<td></td>
</tr>
</tbody>
</table>

Member Overview:

<table>
<thead>
<tr>
<th>Action Items for Shelley</th>
</tr>
</thead>
<tbody>
<tr>
<td>Event</td>
</tr>
<tr>
<td>1. Cancer Risk Svc</td>
</tr>
<tr>
<td>2. Specialty Medication</td>
</tr>
<tr>
<td>3. Lower-Cost Alternative</td>
</tr>
<tr>
<td>Offer Program</td>
</tr>
<tr>
<td>Speciality Pharmacist Consultation</td>
</tr>
<tr>
<td>Offer Alternative</td>
</tr>
</tbody>
</table>

Contact History:

<table>
<thead>
<tr>
<th>Event</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>09-09-2015</td>
<td>Blood pressure elevated.</td>
</tr>
<tr>
<td>09-10-2015</td>
<td>Informed call with question on diagnosis of Amoxicillin Rx. Confirmed diagnosis is correct.</td>
</tr>
<tr>
<td>09-10-2015</td>
<td>Follow-up call to physician appointment.</td>
</tr>
</tbody>
</table>

Real-time accumulation data:

<table>
<thead>
<tr>
<th>Deductible Amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Out of Network: $2,000</td>
</tr>
<tr>
<td>Spent-to-date: $0</td>
</tr>
<tr>
<td>Balance: $2,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Out of Pocket Maximums</th>
</tr>
</thead>
<tbody>
<tr>
<td>Out of Network: $5,000</td>
</tr>
<tr>
<td>Spent-to-date: $0</td>
</tr>
<tr>
<td>Balance: $5,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Copy of Receipts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Out of Network: $0</td>
</tr>
<tr>
<td>Spent-to-date: $0</td>
</tr>
<tr>
<td>Balance: $0</td>
</tr>
</tbody>
</table>

Tools & Resources:

- Drug Pricing Tool
-[attraction]
- Initial Engagement Tools
- Member’s Fulfillment
- Provider Directory
- Secure Messaging

History of contact:

Connecting back to consumer data and goals:

Available programs:
-薬款情報
-住院
-处方

<table>
<thead>
<tr>
<th>Program Name</th>
<th>Accepted Referral</th>
</tr>
</thead>
<tbody>
<tr>
<td>Case Management</td>
<td>Yes</td>
</tr>
<tr>
<td>Disease Management</td>
<td>Yes</td>
</tr>
<tr>
<td>OptumRx Home Delivery</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Displaying real-time Rx+ Medical claims history:

*Different levels of data available. For illustration only. Contains no actual personal information.
**Payer Transparency: Payer Clinical Dashboard**

Date filled: Jan 2017 – Oct 2017

**Generic Dispensing Rate**
- Actual: 85.1%
- Benchmark: 87.0%

**Percent of Total Ing Cost**
- Traditional: 53.6%
- Specialty: 36.0%

**Key Performance Indicators**

<table>
<thead>
<tr>
<th>Measure</th>
<th>Actual</th>
<th>Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand Avg Ing Cost</td>
<td>$644.21</td>
<td>$609.75</td>
</tr>
<tr>
<td>Gen Avg Ing Cost</td>
<td>$22.18</td>
<td>$28.31</td>
</tr>
<tr>
<td>Total Avg Ing Cost</td>
<td>$115.02</td>
<td>$104.05</td>
</tr>
<tr>
<td>Specialty Avg Cost</td>
<td>$3,677.31</td>
<td>$3,511.87</td>
</tr>
</tbody>
</table>

**Opioids**

<table>
<thead>
<tr>
<th>Measure</th>
<th>% of All Claims</th>
<th>% of All Members</th>
<th>% of Opioid Members with MED &gt; 120/day</th>
</tr>
</thead>
<tbody>
<tr>
<td>OXYCODONE HCL</td>
<td>3.4%</td>
<td>10.0%</td>
<td>7.4%</td>
</tr>
<tr>
<td>HYDROCODONE/ACETAMINOPHEN</td>
<td>1.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OXYCODONE/ACETAMINOPHEN</td>
<td>1.3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TRAMADOL HCL</td>
<td>1.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SUBOXONE</td>
<td>1.3%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Top 5 Drugs by Claims**

1. OXYCODONE HCL
2. HYDROCODONE/ACETAMINOPHEN
3. OXYCODONE/ACETAMINOPHEN
4. TRAMADOL HCL
5. SUBOXONE

**Top Disease States**

1. **Inflammatory Conditions**
   - #1: Chronic Inflammatory Disease
   - #2: Inflammatory Bowel Disease
   - #3: Gold Compounds

2. **Diabetes**
   - #4: Insulin
   - #5: Injectable Diabetic Meds
   - #6: DPP-4 Inhibitors

**Top Traditional Classes % of Ing Cost**

- Insulin: 0%–20%
- ADHD & Narcolepsy: 0%–20%
- Inhaled Asthma/COPD: 0%–20%
- Anticonvulsants - 2nd: 0%–20%
- Impotence Agents: 0%–20%
Transparency Success Stories
Measuring Impact

Opportunity
- Therapeutic category
- Dollar value

Activities
- Registration
- Outreach
- Communication

Outcome
- PMPM trend
- Impact on product mix
Example: Therapeutic category market basket

Opportunity
• $17,000 potential savings

Activities
• Frequently viewed
• High frequency of activity
• Mature therapy category

Outcome
• Fewer “High cost” prescriptions used relative to low cost options
• Market Basket Changes (less opportunity over time; accounts for lower cost use within product groupings)

2016 Switch Opportunity: $17,000
- Low Cost 84%
- High Cost 16%

2017 Switch Opportunity: $11,000
- Low Cost 86%
- High Cost 14%

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Example Actual Case: Psoriasis switch via customer service dashboard (“Jane”)

JANE DOE HISTORICALLY USED STELARA REGULARLY TO TREAT PSORIASIS

1. In May and June, Jane contacted call center twice re: pharmacy questions
2. In late July, Jane had a dermatologist appointment and subsequently had a refill for Stelara
3. Less than a week later, Jane navigated to MedSavvy thru the Employer Dashboard
4. On MedSavvy, she compared Stelara and Humira
5. After a subsequent dermatologist appointment, Jane was prescribed Humira at a savings of ~$2,000/mo.
6. No subsequent prescriptions for Stelara were filled
Example Actual Campaign Case: Switch

1. Employee taking Oracea® (PA required) @ $626 / mo

2. Alert recommending consideration of alternative

3. Employee switched to alternative (different dose) saving >$600 per month

Why do opportunities exist despite prior authorization?

- “Grandfathering”:
  - New members to plan
  - Medication pricing changes
  - Already established on therapy (samples)

- Prior Authorization Efficiencies
  - Electronic Algorithms
  - 3rd Party Vendors

- Unaware of potential savings

- Errors
Example Assessment: Employer bottom line financial impact analysis

![Graph showing Rx PMPM for Target Group and Other OR ASOs](chart)

- **Baseline Rx PMPM**
- **Implementati**
- **Other Oregon ASO**
- **Targeted Group**

**Baseline**
- **1-6 months post**
- **7-12 months post**
- **13-18 months post**
Potential Limitations of Transparency
Impact of opioids on America

U.S. Therapeutic Opioids

Unprecedented Impact
- >42,000 deaths 2016, ~64,000 in 2017
- Leading cause of deaths of Americans under 50
- 20% of decline in labor force participation due to opioid abuse
- US uses 80% of global opioid supply

What works
Restricting access
- DEA Rescheduling (22% decline)
- Prescriber, pharmacist re-training
- Revising protocols / quality metrics
- Drug screening by providers, employers

Conclusions

- Costs continue to rise despite tight managed care controls
- Cost transparency websites alone will not lead to change
- Members seek personalized information, support
- Reimbursement, provider incentives coupled with transparency can instill market forces on prices
- Employer and plan engagement augment success of transparency
- Surfacing support services to members at right time can facilitate change
THANK YOU

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