



New Orleans Business to Business Forum on Healthcare Solutions



Louisiana



GREATER NEW ORLEANS
INC.
REGIONAL ECONOMIC DEVELOPMENT



The Value of Pharmacy Coverage

Milam Ford, Vice President, Blue Cross Pharmacy Services



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Trends That Affect Drug Costs



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The Blue Cross Premium Dollar on Drugs



2009

36¢

HOSPITAL

29¢

PHYSICIAN AND
CLINICAL SERVICES

19¢*

Rx DRUGS

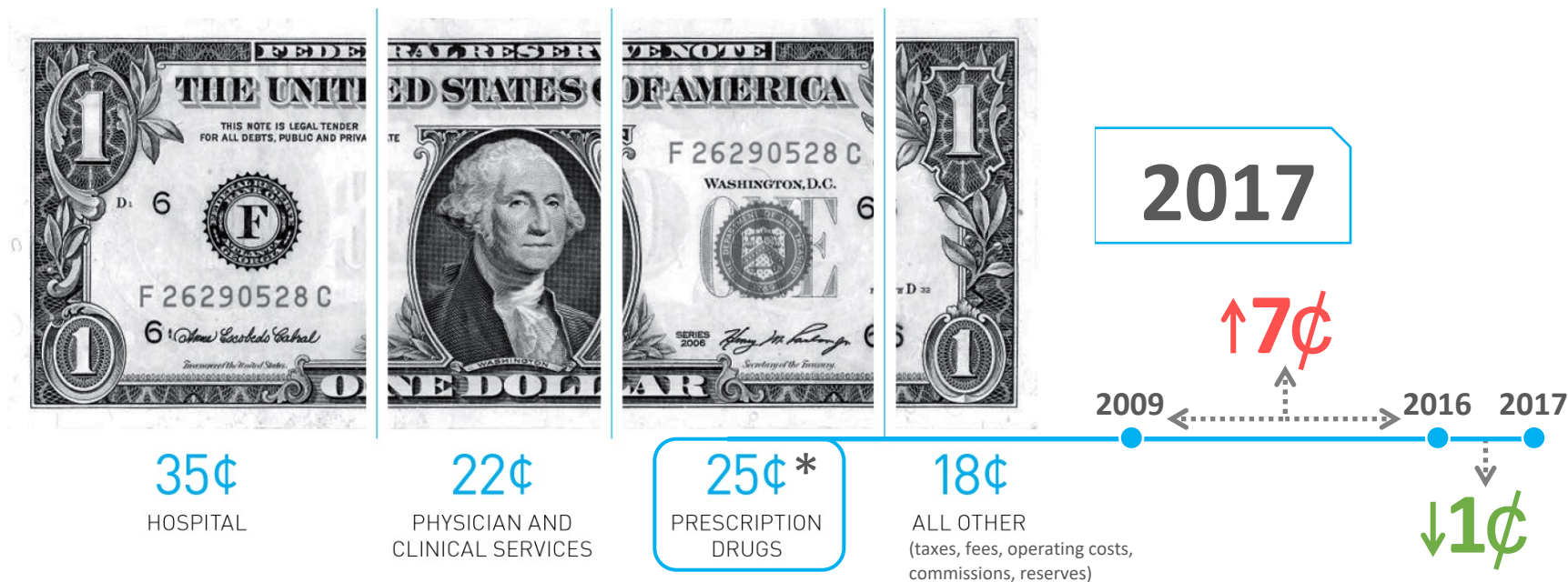
16¢

ALL OTHER

(taxes, fees,
operating costs,
commissions,
reserves)

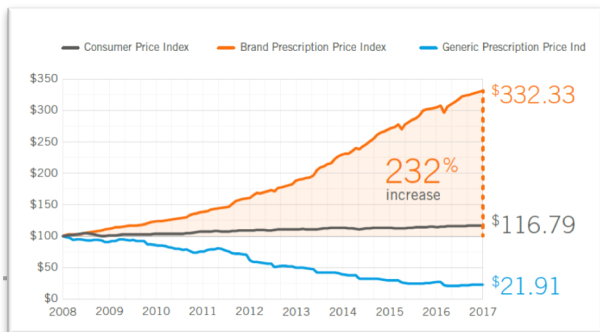
Represents fully insured group and individual members of both Blue Cross and Blue Shield of Louisiana and HMO Louisiana, Inc. *Includes the cost of prescription drugs administered in physician offices and for outpatient hospital care. Drug costs are net of all discounts and rebates. *Blue Cross and Blue Shield of Louisiana 2009 Financial Data*

The Blue Cross Premium Dollar on Drugs



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Macro Trends Threatening Pharmacy Benefit Affordability



Drug Price Changes:
Drug companies' dramatic & sudden price changes

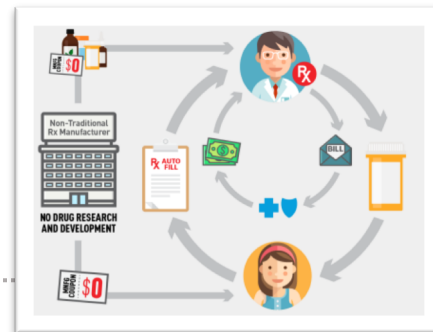


Coupons/Copay Assistance:
Hide true costs from physicians & patients



SPECIALTY DRUGS MAKE UP
1% OF DRUGS AND 38% OF COST

Specialty Drugs:
Costs are expected to rise to ~ 50% of total Rx drug costs by 2020



Captive Pharmacies:
Create auto fill programs for a limited mix of mostly low-value, high-priced drugs that cost plans & employers nonstop

Moving Toward Precision Medicine

The new drug landscape is moving from “**blockbuster**” drugs designed to treat all patients with a particular disease toward more personalized medications for each patient.

Blockbuster Drug Trial & Error Design



Treat large populations
Cost/RX relatively low

Blockbuster Drug Target-oriented Design



Treat smaller populations
Cost/RX High

Target-oriented Design Requires Genetic Testing



Heterogeneous populations
Cost/RX Very High

Target Agnostic, Biologic Pathway Dependent



Populations defined by genetic
mutation - \$\$\$\$

Many of today's new specialty drugs are moving further down the path of “**precision medicine**” in which drugs are designed to target specific biomarkers present in a biologically defined subgroup of the population. Ultimately drugs will be designed to affect entire biologic pathways and/or correct genetic abnormalities.

Precision Medicine



Gene Therapy

- Introduces genetic material into a person's cells to edit or replace faulty or missing genetic material.
- One dose provides long-term benefit or cure for conditions with high rates of mortality or progressive co-morbidities.

Luxturna™ = \$425,000 per eye

Only gene therapy drug available today. One-time eye injection to restore some vision caused by a certain form of blindness.



Cellular Immunotherapy

- Immunotherapy (biologic) is a treatment where immune cells from the patient or a donor are collected, reprogrammed to fight the disease, and administered to the patient.
- Uses substances made by the body or in a lab to improve or restore immune system function.

Kymriah® (tisagenlecleucel) = \$475,000

Yescarta® (axicabtagene ciloleucel) = \$373,000

Two T-Cell immunotherapy drugs for blood cancer + hospital fees, supportive care and doctor visits, which could drive the cost up to **\$1+ million**.

23
gene therapies
in Phase 3 trials

140
gene therapy
studies in progress

39 ±4
gene therapies
expected

2018



Large B-cell non-Hodgkin lymphoma

2019



Spinal muscular atrophy (SMA)

2020



Severe hemophilia A&B



Prostate cancer

2021



Severe angina/chronic myocardial



Transfusion-dependent patients beta-thalassemia & sickle cell

2022



High-grade glioma



Cancers



Rare Disease



Blood Disorders

References:

Express Scripts | clinicaltrials.gov
MIT NEWDIGS FoCUS (Nov 2017)

The Cost of Prescription Drugs



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The Cost of Prescription Drugs



COST

≠



PRICE

The buck does not stop here.



COST

=



PRICE

+



MANAGEMENT

Focus on management tools to save money and control costs going forward



Comparing Quotes Is Complicated

- It's easy for consultants and employers to focus on price first, based on a **spreadsheet exercise** of discounts.

Remember, cost does not equal price!

Ask about how and which management solutions will control costs best for your company to get a clear view.

- **Definitions vary among quotes.** Ask how each benefit is defined by each PBM.

Questions to Ask:

- How brands & generics defined?
- How are rebates quoted?
- Which cost-saving management solutions can be included?
- What are the fees to employ management solutions?

Per Claim	PBM #1	PBM #2	PBM #3
Retail Brand Discount	17%	16.5%	16%
Retail Generic Discount	77%	79%	80%
Mail Brand Discount	23%	22%	22%
Mail Generic Discount	81%	80%	80%
Administrative Fee	\$5	\$0	\$0
Retail Brand Dispensing Fee	\$0.75	\$1	\$0.80
Retail Generic Dispensing Fee	\$0.75	\$1	\$0.80
Mail Brand Dispensing Fee	\$0	\$0	\$0
Mail Generic Dispensing Fee	\$0	\$0	\$0

Managing Drug Costs



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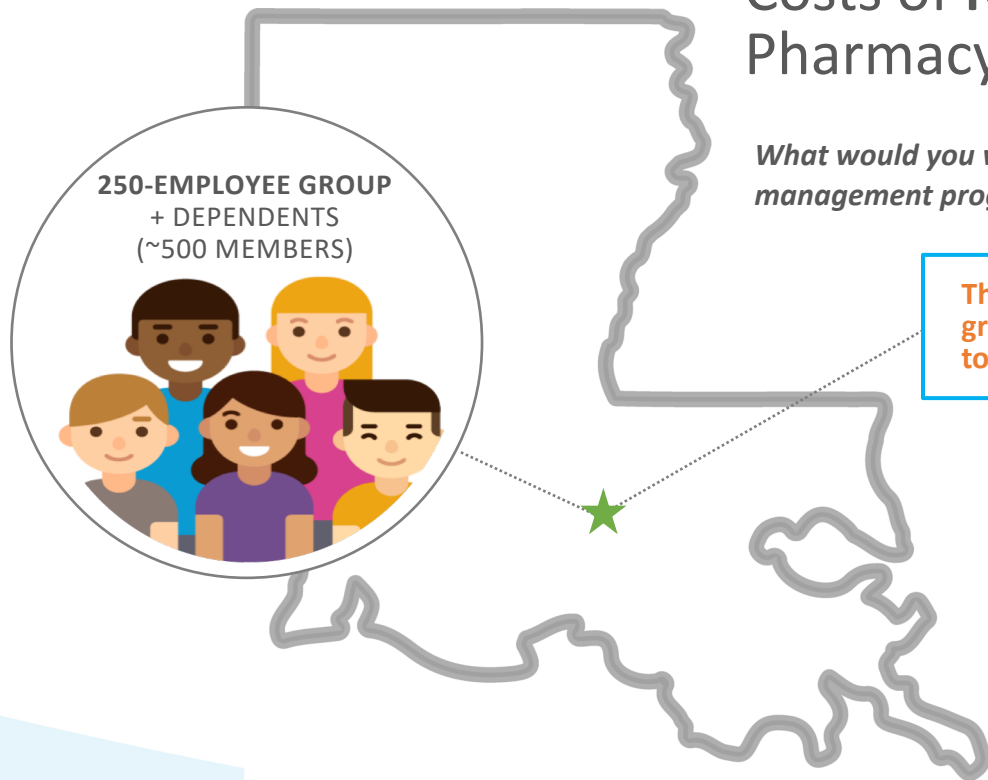


Program Savings Estimates Per Member Per Year



Costs of **Not** Managing Pharmacy Benefits

What would you would pay if you didn't have pharmacy benefit management programs?



This sample employee group could expect to spend an extra ...

\$172,750
EACH YEAR

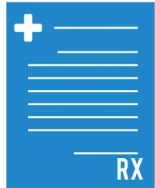


Employers could face tough choices such as...

- Lay off employees
- Cut wages
- Reduce other employee benefits
- Relocate out of state

... if pharmacy benefit management tools went away.

Tighter Formulary Management



- A formulary is a **covered drug list**.
- “**Closed**” formularies are designed to squeeze as much waste as possible out of the pharmacy benefit.

PHARMACY AND THERAPEUTICS (P&T) COMMITTEE

- Louisiana physicians and pharmacists who guide our development of formulary and utilization management programs, and review new drugs, changes to existing drugs and therapy classes.

DRUG FORMULARY TIER

- A tier is a category we put drugs in based on cost and how many other drugs there are that treat the same health problem. Generally, Tier 4 drugs cost members most, Tier 1 drugs cost least.

2

MAIN FUNCTIONS OF A CLOSED FORMULARY:

1) Keeps costs down.

- ☒ Low-value, high-cost drugs that have lower-cost alternatives.
- ☒ Multi-source brand drugs that have exact generic, lower-cost copies.

2) Members get the drugs they need to manage their health.

- ☒ Drugs not on the formulary may still be covered through an exception process.



Utilization Management



Prior Authorization

\$90 PMPY SAVINGS

- A member's doctor must ask for prior authorization for some drugs before they may be covered.
- This is required when drugs have serious side effects, are harmful when taken with other drugs, should only be used for certain health problems, or when less expensive drugs may work.



Fill This First Step Therapy

\$14 PMPY SAVINGS

- For drugs in the **Fill This First** step therapy program, members must first try certain prescription drugs (Step 1) before their plans will cover other drugs (Step 2).
- If Step 1 drugs are not appropriate, doctors may request a prior authorization for a Step 2 drug.



Quantity Per Dispensing Limits

\$42 PMPY SAVINGS

- Members can get a limited amount of certain drugs filled at one time covered under their plans.
- Limits are based on the FDA, safety, the drug maker, studies on the drug and more.

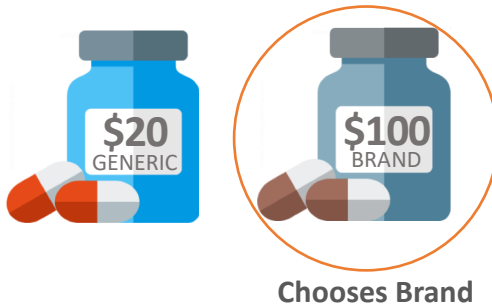


Benefit Design: Mandatory Generics

\$20 PMPY SAVINGS

Mandatory Generics (*Blue Cross' program is called "Brand Buy-Up"*): Employers may choose to implement this program to encourage generic use.

- When some brands lose patent and generic equivalents become available, members may be required to pay more for the brand.
- When a brand is subject to this program, a member may have to pay his or her Tier 1 (lowest) cost share, plus the difference in cost between the brand and the generic drugs.



Example of Mandatory Generics:

MEMBER PAYS

\$10

TIER 1
COST SHARE



\$80

DIFFERENCE
BETWEEN BRAND
& GENERIC COST



\$90

AT THE
PHARMACY

Chooses Generic

MEMBER PAYS

\$10

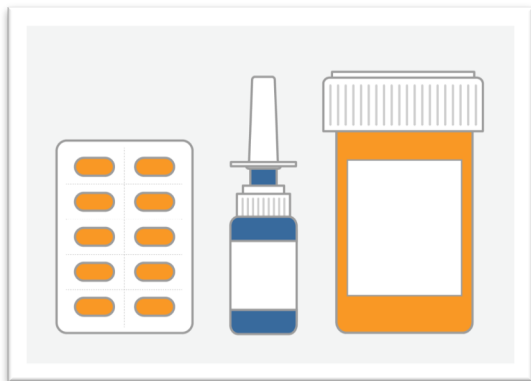
TIER 1 COST SHARE
AT THE PHARMACY

Generic Equivalent: A generic drug with the same active ingredient, strength and dosage as a brand.



Benefit Design: Excluded Drugs

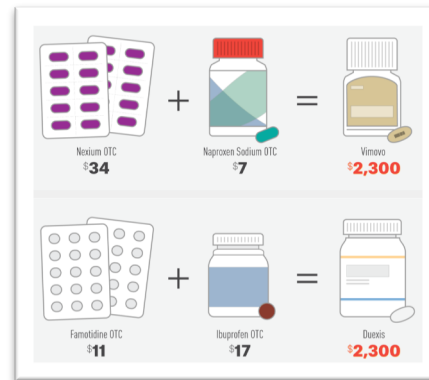
Select Drugs Excluded: Employers may choose to exclude high cost, low value prescription drugs from coverage.



Select prescription **drugs with over-the-counter** equivalents or similar alternatives.



Select **prescription drug kits** that include or are packaged with a non-prescription product, but the prescription drug may be covered when purchased alone.



Select **combination drugs** that include common (often over-the-counter) ingredients, packaged together then sold at a much higher price than the ingredients' cost if purchased separately.



Network Management



Select Retail Pharmacy Network

\$18 PMPY SAVINGS

- Maximizes savings through deep discounts.
- Provides access to pharmacies in urban, suburban and rural areas.
- Facilitates member engagement and support.



Exclusive Specialty Pharmacy

\$2 PMPY SAVINGS

- The exclusive specialty pharmacy fills drugs that treat chronic, rare and complex health problems.
- The specialty pharmacy's team includes specialty-trained pharmacists, nurses, patient care advocates, social workers and insurance coordinators to provide specialized support.



Retail 90 & Home Delivery

\$7.50 PMPY SAVINGS

assumes 5% lift

Retail 90 and home delivery work best for members when filling maintenance drugs for chronic conditions such as high blood pressure, diabetes or high cholesterol.

- Improve adherence, which leads to healthier outcomes.
- Save time and money.



RETAIL 90

- Members may get up to 90-days' worth of a drug at one time.
- This is an easy way to make sure maintenance drugs are conveniently on hand to treat chronic health problems.

Features:

- Fewer trips to the pharmacy.
- If a drug is on hand, the member is more likely to stay on it as the doctor directs.



HOME DELIVERY

- If members take a drug that can be filled by mail, they may order refills online or by phone.
- The mail order pharmacy may remind members when the drug should be refilled and delivered, avoiding gaps in treatment.

Features:

- No extra cost for shipping.
- Access to a pharmacist 24/7 for questions.

More Ways to Save



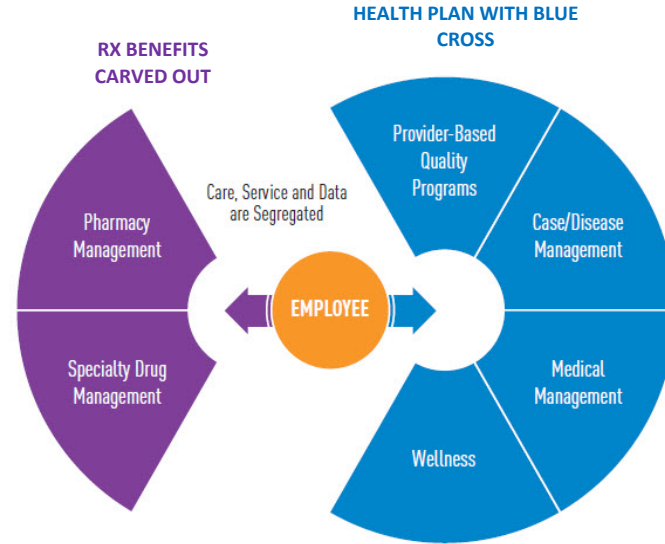
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Integrated Benefits

Carving-out creates fragmented benefits that result in:

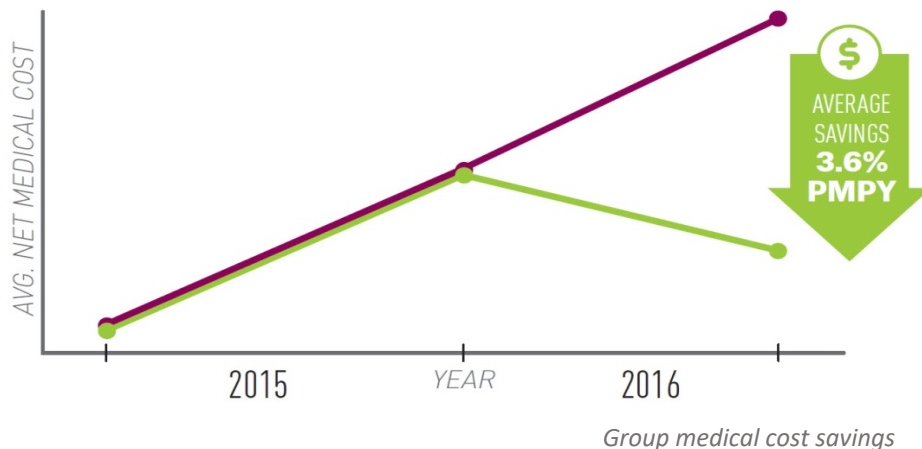
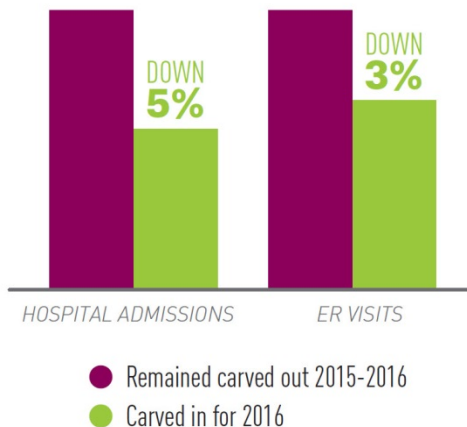
- More ER visits and hospital admissions
- Higher medical costs
- Compromised health outcomes
- Inconsistent data and reporting
- Increased administrative burden
- More complicated member experience





Blue Cross Study and Results

Blue Cross compared the cost of medical claims data for members of self-funded groups who transitioned from carved out (2015) to carved in (2016) against those who continued to carve out pharmacy benefits in both years.



Both populations were statistically matched in the base year of 2015 to ensure that there were no statistically significant differences in terms of age distribution, gender distribution, risk categories, net payment categories, ER visits or hospital admissions. Population size = 4,725. Full survey methodology is available upon request.

Success Stories

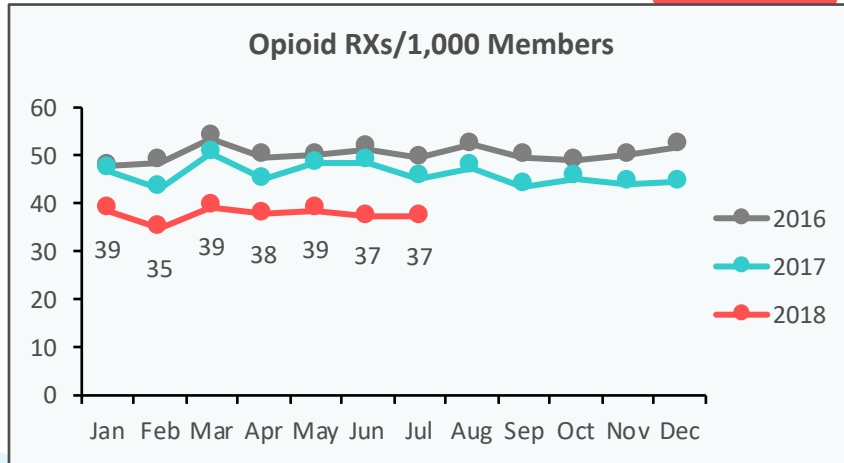


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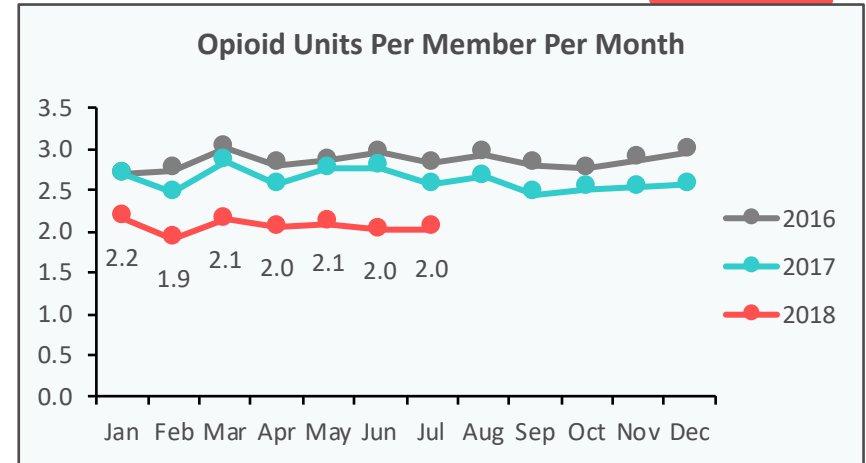
Opioid Prescriptions Decreased

Since Blue Cross' implementation of its opioid overutilization program, there has been a 20% reduction in opioid prescriptions per 1,000 members and a 23% reduction in the number of opioid units* per member/per month.

↓20%



↓23%



*In general, an opioid unit is equivalent to a single pill, capsule or tablet.

Reduced Costs

through education and sharing clinical research findings

- Sharing information with doctors to help them and their patients make decisions about which drug to take to treat health problems more effectively and at a lower cost.
- We include the most common drugs prescribed, the **number needed to treat** and the estimated cost it would take to get just one cure.

Methodology: What is “number needed to treat?”

The number needed to treat (NNT) is a measurement of the impact of a medicine or therapy by calculating the number of patients that need to be treated in order to have one desired outcome on one person. The calculation is $NNT=1/\text{absolute risk reduction}$.

The higher the number needed to treat, the less effective the treatment is.

DRUG COST ALERT

What does it take to cure a toenail?

Onychomycosis treatment can be challenging—and costly. Studies have provided data on the cure rates for onychomycosis of the toenail. The following information may help you and your patients make decisions about which drug to take to treat their nail fungus more effectively and at a lower cost.

We've included the most common drugs prescribed, the “number needed to treat, or NNT” and the estimated cost it would take to get just one cure. Cost estimates are based on average gross cost using Blue Cross pharmacy claims data from Aug. 26, 2015, to Feb. 26, 2016.

COST TO CURE

\$50-100



TERBINAFINE (Generic Lamisil)

\$9 per month, 30 tablets, oral treatment taken once/day for 12 weeks

Study 1: NNT = 4, **65%** cure rate¹

Study 2: NNT = 2, **65%** cure rate²

COST TO CURE

\$5,500-10,000



CICLOPIROX (Generic Penlac)

\$38 per month, [7 mL], topical treatment applied once/day for 48 weeks

Study 1: NNT = 12, **5.5%** cure rate³

Study 2: NNT = 22, **8.5%** cure rate³

DATA UNAVAILABLE



ITRACONAZOLE (Generic Sporonox)

\$374 per month, 200 mg oral treatment taken once/day for 12 weeks

Comparison cure rates not reported = **14%** cure rate⁴

COST TO CURE

\$85,000-111,000



KERYDIN (Brand tavaborole)

\$545 per month, 4mL [or \$1,362 10 mL], topical treatment applied once/day for 48 weeks

Study 1: NNT = 13, **6.5%** cure rate⁵

Study 2: NNT = 17, **9.1%** cure rate⁵

COST TO CURE

\$46,500-66,500



JUBLIA (Brand efinaconazole)

\$554 per month, 4 mL [or \$1,109 for 8mL], topical treatment applied once/day for 48 weeks

Study 1: NNT = 7, **17.8%** cure rate⁶

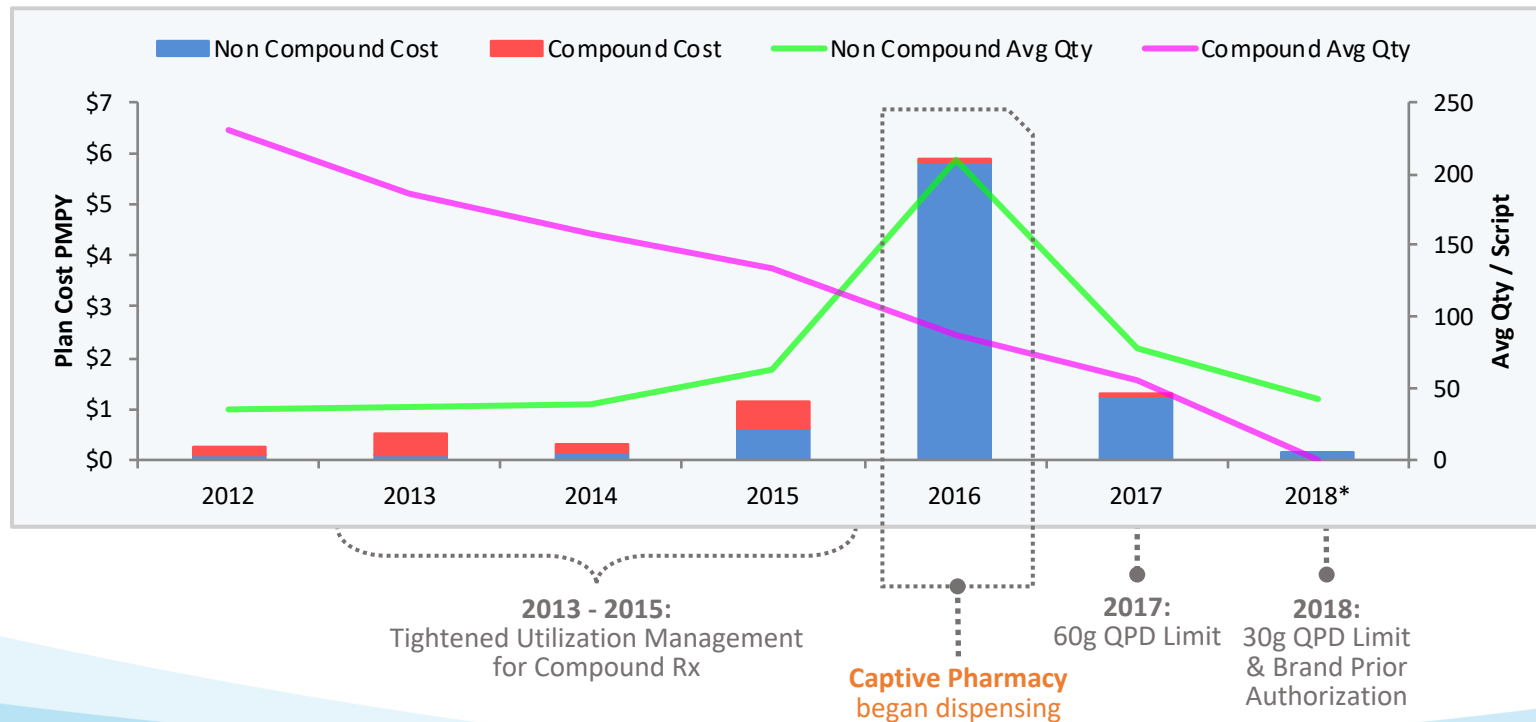
Study 2: NNT = 10, **15.2%** cure rate⁶

Methodology: What is “number needed to treat?”

The number needed to treat is a measurement of the impact of a medicine or therapy by calculating the number of patients that need to be treated in order to have one desired outcome (e.g., complete cure of toenail) on one person. The calculation is $NNT=1/\text{absolute risk reduction}$. The higher the number needed to treat, the less effective the treatment is.

Topical Anesthetic Management

(Lidocaine 5% ointment & Lidocaine Prilocaine 2.5% 2.5% cream)



Legislation



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Legislation



We use the cost and care management programs you heard about today to

- uphold clinically proven care and
- hold the line on prescription drug costs' affects on premiums.

These programs are threatened by Louisiana legislation nearly every session.

What's happening at the capitol:

- Pharmaceutical companies and their lobbying power influence legislators.
- Proposed legislation designed to reduce health plans' ability to negotiate rates and manage pharmacy benefits.
- Laws that benefit drug companies have far reaching consequences for Louisiana citizens and businesses.
- These consequences are often unforeseen by legislators.

Benefits of pharmacy management tools go far BEYOND COST.

These tools protect against:

- off-label prescribing,
- intolerable side effects,
- harmful drug interactions and
- high cost, low value drugs that aren't clinically superior

Thank you!

Questions?



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