Demystifying Pharmacy: Drug Pipeline, Trends and Management

Tuesday, October 18th | 2:00 PM
Demystifying Pharmacy: Drug Pipeline, Trends and Management

National League of Cities
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Founder/CEO Prodigy Care Services
Agenda

Background

Review of Objectives:
1. Understand the drug pipeline and its impact on pharmacy cost
2. Learn the different trend drivers impact drug spend
3. Obtain actionable information and management strategies to control pharmacy costs

Discussion

Thank you for the opportunity to speak and share perspectives.
Background

• Education
  • PharmD/Pharmacoeconomics
  • Licensed Pharmacist

• Clinical Background/Projects
  • Policy
  • Patient Care
  • Payer

• Workers’ Compensation
  • Provider/Pharmacy
  • PBM Auditor/Consultant
  • Cost Containment

Spotlight

Career dedicated to solving complex problems in pharmacy, managed care, workers’ compensation and group health.

Primary areas include PBM services, independent pharmacy network management, and strategic program consulting.

Key areas of expertise include drug spend containment, utilization management, and clinical program strategy.
Why Should We Care About Drug Pipeline, Spend and Trends?
We are in a New Era of Medicine Where Breakthrough Science is Transforming Patient Care

50+ New Medicines Were Approved by the FDA in 2022

Cancer Death Rate
Cancer death rate posts biggest one-year drop ever

Game Changer
Newly approved drug being called ‘game changer’ for people who suffer from hemophilia

Coronavirus Vaccine
Reasons for hope: the drugs, tests and tactics that may conquer coronavirus
Spending on Retail and Physician-administered Medicines Represents Just 14% of Health Care Spending

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home Health &amp; Nursing Home Care</td>
<td>31%</td>
</tr>
<tr>
<td>Prescription Medicines</td>
<td>14%</td>
</tr>
<tr>
<td>Physician &amp; Clinical Services</td>
<td>12%</td>
</tr>
<tr>
<td>Other**</td>
<td>8%</td>
</tr>
<tr>
<td>Dental Services</td>
<td>4%</td>
</tr>
<tr>
<td>Hospital Care</td>
<td>13%</td>
</tr>
<tr>
<td>Admin Costs</td>
<td>4%</td>
</tr>
</tbody>
</table>

Source: PhRMA analysis of CMS National Health Expenditures data, Altarum Institute study, 2015. May not sum to 100% due to rounding.
91% of All **Medicines** Dispensed in the United States are Generics

$1.99 trillion
10-year savings
(2009 - 2018)

Medicine Spending is Projected to Grow in Line with Health Care Spending Through Next Decade

In 7 of the last 10 years, Retail Drug Spending Growth was below Total Health Spending Growth

Source: CMS National Health Expenditures Report 2020
Note: Total retail sales include brand medicines and generics.
Patients Face Rising Out-of-pocket Costs for Medicines and Other Barriers to Care

The use of four or more cost-sharing tiers is becoming more common on employer plans.

Source: PWC, KFF
What is a PBM?
Objective #1

Understand the drug pipeline and its impact on pharmacy cost
FDA Pipeline & Drug Life-Cycle
FDA Pipeline & Drug Life-Cycle
Life-Cycle Management

- **Short Term**
  - 1-2 Years
  - Patent Extension
  - Build on brand equity
  - Develop long-term contracts
  - Pricing strategies
  - Reinforcement of added value

- **Mid Term**
  - 3-5 Years
  - Generic Settlements
  - Introduction of generic alternatives
  - Divestiture
  - Differentiation
  - Reinforcement of added value
  - [Text]

- **Long Term**
  - 5-10 Years
  - Switch to OTC
  - Reformulations
  - Next Generation Drugs
  - New Indications
  - Reinforcement of added value
Objective #2

Learn the different trend drivers impact drug spend

What is Drug Trend/Drivers

Prior to COVID-19, CMS was predicting drug spending to continue to account for approximately 10 percent of overall healthcare spending and to grow at a rate consistent with total healthcare costs.

Trend is the percentage growth (or decline) we anticipate in drug spend over a given period.
Key Trend Drivers

- FDA pipeline of new drugs
  - Specialty drugs
  - Biologics/Biosimilars

- Patent expirations and generic approvals
  - The many shades of transparency

- Combating Pandemics/Epidemics
  - COVID-19
  - Opioid

- Changes in clinical guidelines

- Brand vs. generic vs. single source drug utilization

- Volume based utilization

- Drug Mix
### Exhibit 13: Adjusted dispensed prescriptions 2021 and % growth from 2020

<table>
<thead>
<tr>
<th>Category</th>
<th>Growth</th>
<th>% Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hypertension</td>
<td>1.4%</td>
<td>5.5%</td>
</tr>
<tr>
<td>Mental health</td>
<td>5.2%</td>
<td></td>
</tr>
<tr>
<td>Lipid regulators</td>
<td>2.9%</td>
<td></td>
</tr>
<tr>
<td>Antibiotics</td>
<td>1.1%</td>
<td>5.8%</td>
</tr>
<tr>
<td>Pain</td>
<td>2.4%</td>
<td></td>
</tr>
<tr>
<td>Antilucentans</td>
<td>-0.8%</td>
<td></td>
</tr>
<tr>
<td>Epilepsy/Parkinson's</td>
<td>1.2%</td>
<td>4.7%</td>
</tr>
<tr>
<td>Thyroid</td>
<td>6.4%</td>
<td></td>
</tr>
<tr>
<td>Respiratory agents</td>
<td>4.7%</td>
<td></td>
</tr>
<tr>
<td>Antibiotics</td>
<td>2.5%</td>
<td></td>
</tr>
<tr>
<td>Other CNS</td>
<td>7.2%</td>
<td></td>
</tr>
<tr>
<td>Dermatologics</td>
<td>1.1%</td>
<td></td>
</tr>
<tr>
<td>Antithrombotics</td>
<td>4.7%</td>
<td></td>
</tr>
<tr>
<td>Contraception</td>
<td>5.5%</td>
<td></td>
</tr>
<tr>
<td>Vitamins &amp; minerals</td>
<td>10.5%</td>
<td></td>
</tr>
<tr>
<td>ADHD</td>
<td>4.0%</td>
<td></td>
</tr>
<tr>
<td>BPH</td>
<td>5.5%</td>
<td></td>
</tr>
<tr>
<td>GI products</td>
<td>4.7%</td>
<td></td>
</tr>
<tr>
<td>Corticosteroids</td>
<td>7.2%</td>
<td></td>
</tr>
<tr>
<td>Allergy</td>
<td>10.5%</td>
<td></td>
</tr>
</tbody>
</table>

Source: IQVIA National Prescription Audit, Dec 2021; IQVIA Institute, Mar 2022.
Key Trend Drivers

Specialty medicines now account for 55% of spending, up from 28% in 2011, driven by growth in auto-immune and oncology.

Exhibit 21: Share of spending at estimated net manufacturer prices

Source: IQVIA Institute, Mar 2022.
Key Trend Drivers

Spending increased by $82Bn over the past 5 years driven by new products and brand volume, offset by expiries

Exhibit 22: Spending and growth at estimated net manufacturer prices 2015–2020, all channels, US$Bn

Source: IQVIA Institute, Mar 2022.
New brand spending in the U.S. increased sharply in 2021, more than half from COVID-19 vaccines and therapeutics

Exhibit 23: U.S. New brand spending at estimated manufacturer net prices

Source: IQVIA Institute, Mar 2022.
List prices are higher than net prices but vary considerably by therapy area

Exhibit 25: Selected therapy area protected brand net sales % below list price sales (WAC)

Source: Company annual financial reports, IQVIA MIDAS, IQVIA Institute, Mar 2022.
Key Trend Drivers

New and existing medicines drove $184Bn in spending growth over 5 years excluding impact of expiries and prices

Exhibit 26: Medicine net spending growth 2017-2021 for new brands and protected brands volume

Source: IQVIA National Sales Perspectives, IQVIA Institute, Mar 2022.
Per capita prescription opioid use continues to decline to levels seen in 2000, with varying decreases across specialties.
How Do We Manage This Mess?

- It is a journey, and it takes a village
- Requires continuous evolution and patience
- Choose the right partner(s)

Objective #3

*Obtain actionable information and management strategies to control pharmacy costs*
Insurers and PBMs Have a Lot of Leverage to Hold Down Medicine Costs

Negotiating power is increasingly concentrated among fewer pharmacy benefit managers (PBMs).

Top 3 Market Share: 74%

- OptumRx (UnitedHealthGroup): 36%
- CVS Health (Caremark): 33%
- Express Scripts: 21%
- All Other: 20%

Source: Drug Channels Institute, March 2020.

Insurers determine:

- FORMULARY
  if a medicine is covered
- TIER PLACEMENT
  patient cost sharing
- ACCESSIBILITY
  utilization management through prior authorization or fail first
- PROVIDER INCENTIVES
  preferred treatment guidelines and pathways
Management Tools

▪ Tighten up your formulary

▪ Develop a strong plan/benefit design

▪ Focus on utilization management
  ▪ Prior authorizations, quantity limits, step therapy
  ▪ Drug tiers and conversion programs

▪ Clinical programs
  ▪ Biologic/biosimilar management
  ▪ Medication Therapy Management
  ▪ Drug Utilization Review
  ▪ Prescription Drug Monitoring programs

▪ Pharmacy network
  ▪ Preferred and exclusive networks
  ▪ Mail order, specialty and limited distribution
Management Tools

**FORMULARY MANAGEMENT**

- **Open**
  - All drugs are covered
  - Uncommon

- **Closed**
  - Only drugs on the formulary are covered
  - Non-formulary drugs may be covered if medically necessary after review

- **Incented**
  - Tiered copayments
  - Lowest copayment for preferred drug and higher copayment for non-preferred drugs

<table>
<thead>
<tr>
<th>TIER</th>
<th>DRUG TYPE</th>
<th>COST</th>
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<tbody>
<tr>
<td>1</td>
<td>Preferred Generics</td>
<td>$</td>
</tr>
<tr>
<td>2</td>
<td>Generics</td>
<td>$$</td>
</tr>
<tr>
<td>3</td>
<td>Preferred Brands</td>
<td>$$$</td>
</tr>
<tr>
<td>4</td>
<td>Non-Preferred</td>
<td>$$$$</td>
</tr>
<tr>
<td>5</td>
<td>Specialty</td>
<td>$$$$$</td>
</tr>
</tbody>
</table>

**FORMULARY COST CONTROL MECHANISMS**

- Step therapy
  - Less expensive, first line drugs must be used and shown to be ineffective first

Step 1: $  
Step 2: $$  
Step 3: $$$
Contact

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Questions about pharmacy program
Please e-mail ddoherty@prodigyrx.com