

Demystifying Pharmacy: Drug Pipeline, Trends and Management

Tuesday, October 18th | 2:00 PM

2022 NLC-RISC Staff Conference

Austin, Texas • October 17 - 19

Demystifying Pharmacy: Drug Pipeline, Trends and Management

National League of Cities

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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



NLC-RISC RISK INFORMATION
SHARING CONSORTIUM

*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?

Key Point



Risk

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

**The
Washington
Post**

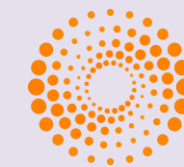
Cancer Death Rate

Cancer death rate posts biggest one-year drop ever

CBS

Game Changer

Newly approved drug being called 'game changer' for people who suffer from hemophilia

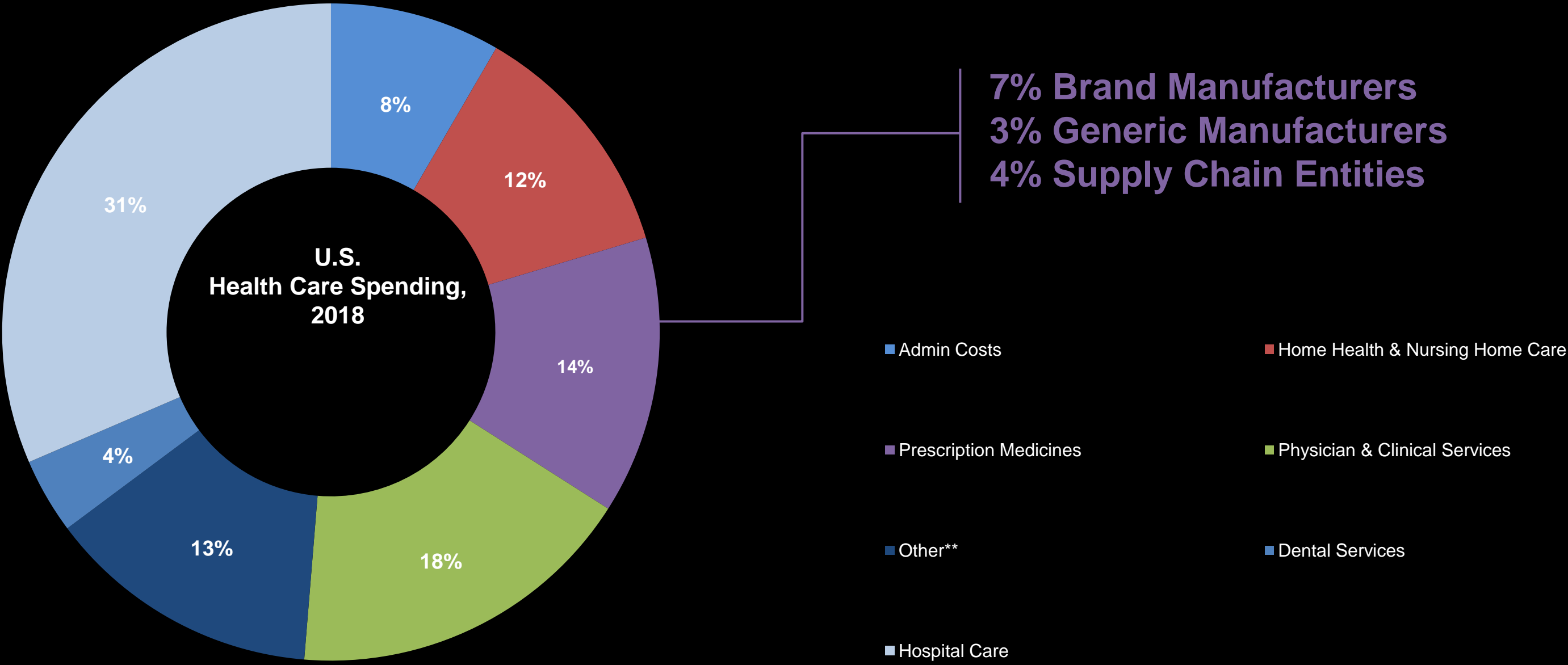


REUTERS

Coronavirus Vaccine

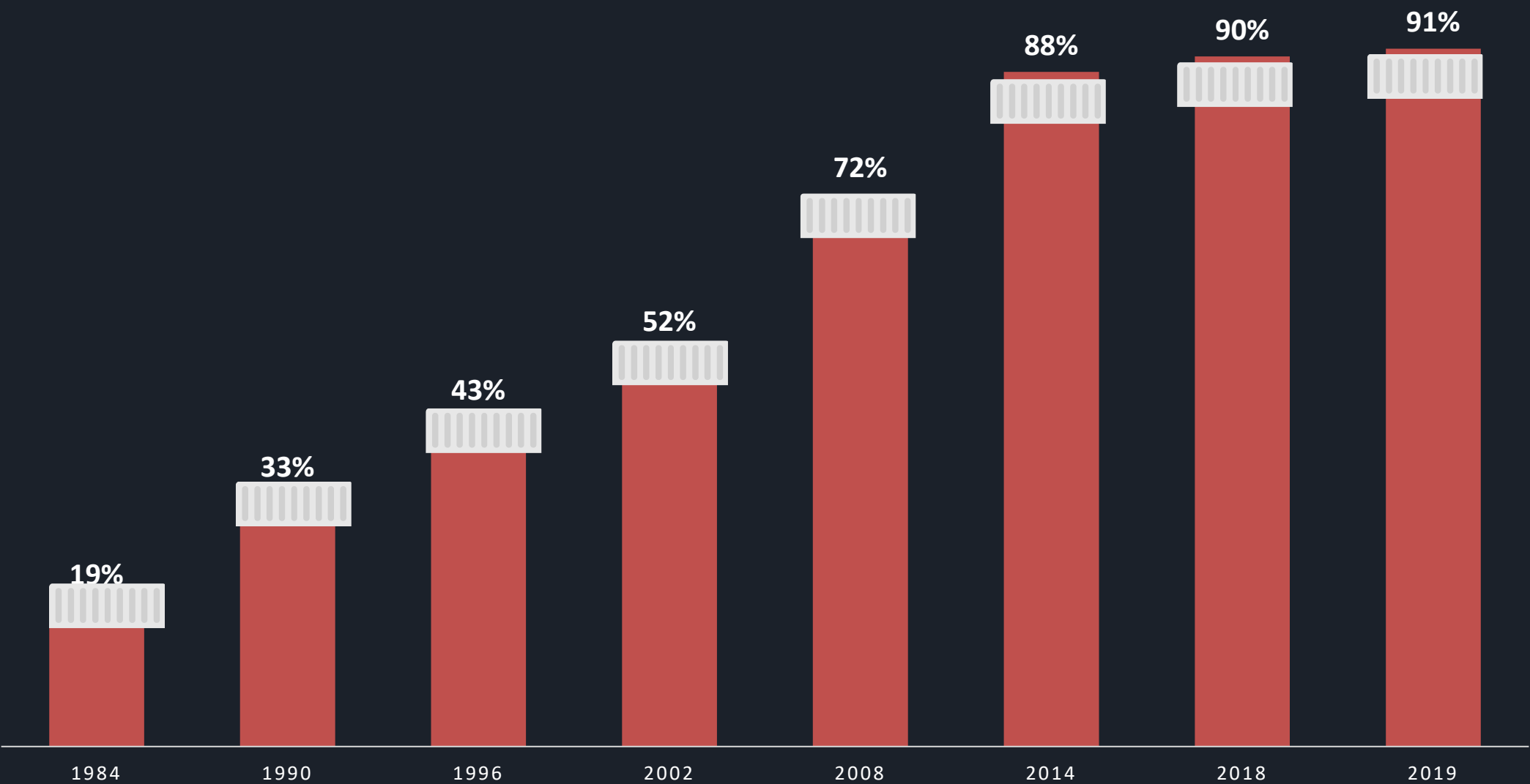
Reasons for hope: the drugs, tests and tactics that may conquer coronavirus

Spending on Retail and Physician-administered Medicines Represents Just 14% of Health Care Spending



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



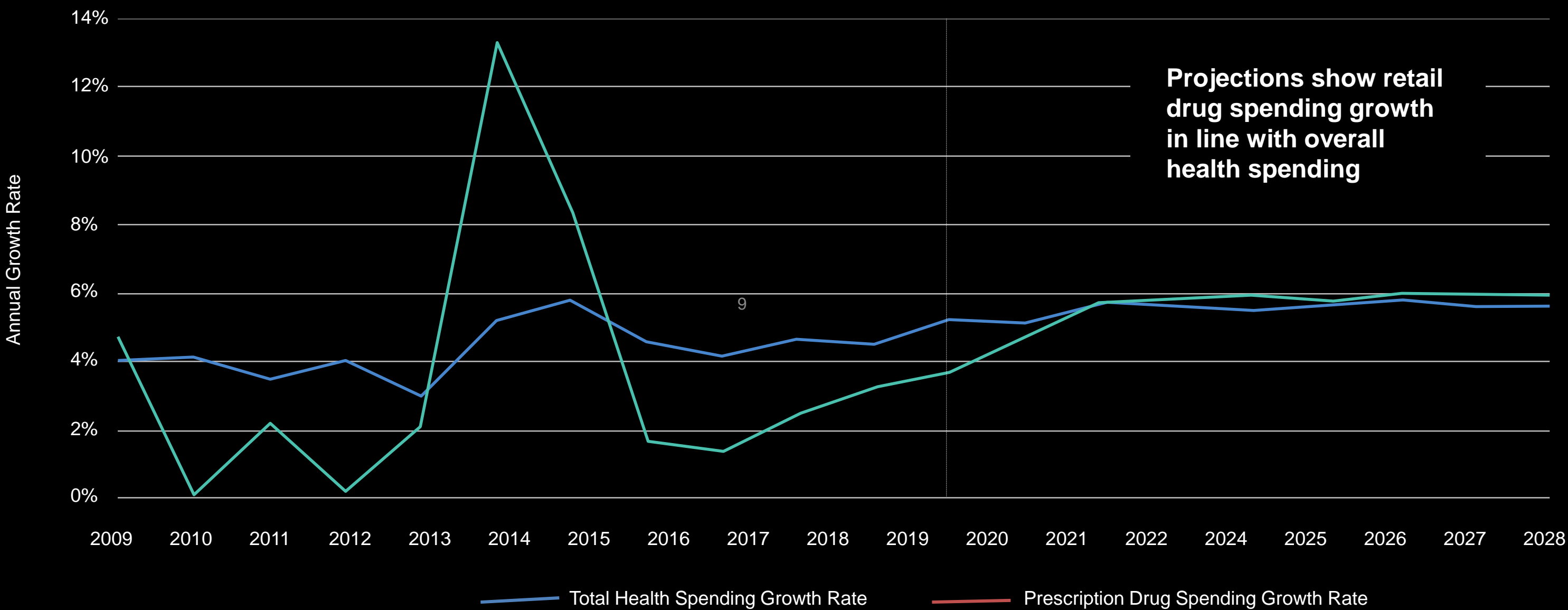
**\$1.99
trillion**

10-year savings
(2009 - 2018)

Source: IMS Health. Drug Channels Institute, March 2020.
Source: Association for Accessible Medicines. "Generic Drug & Biosimilars Access & Savings Report," 2019.

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

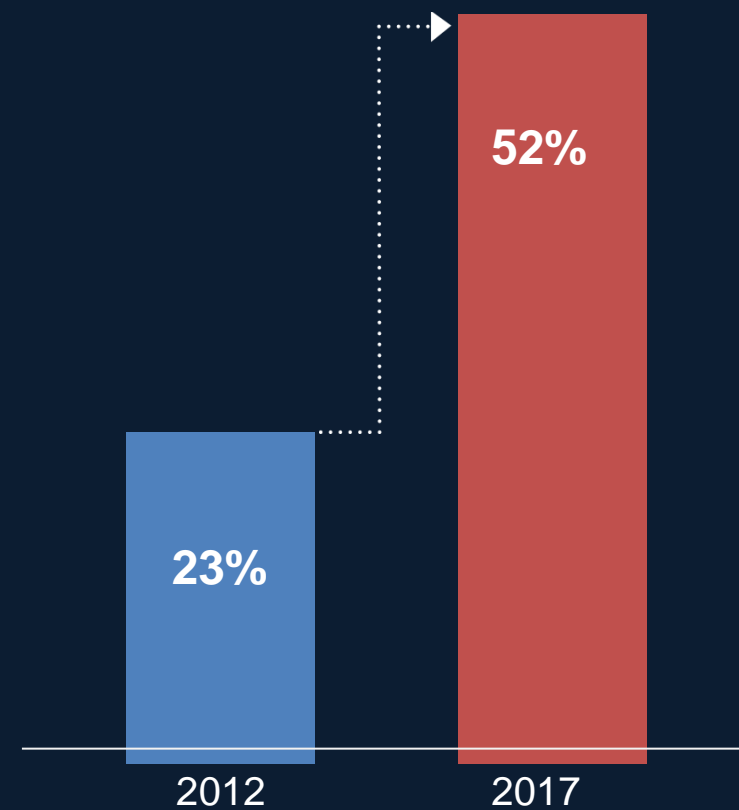
In 7 of the last 10 years, Retail Drug Spending Growth was below Total Health Spending Growth



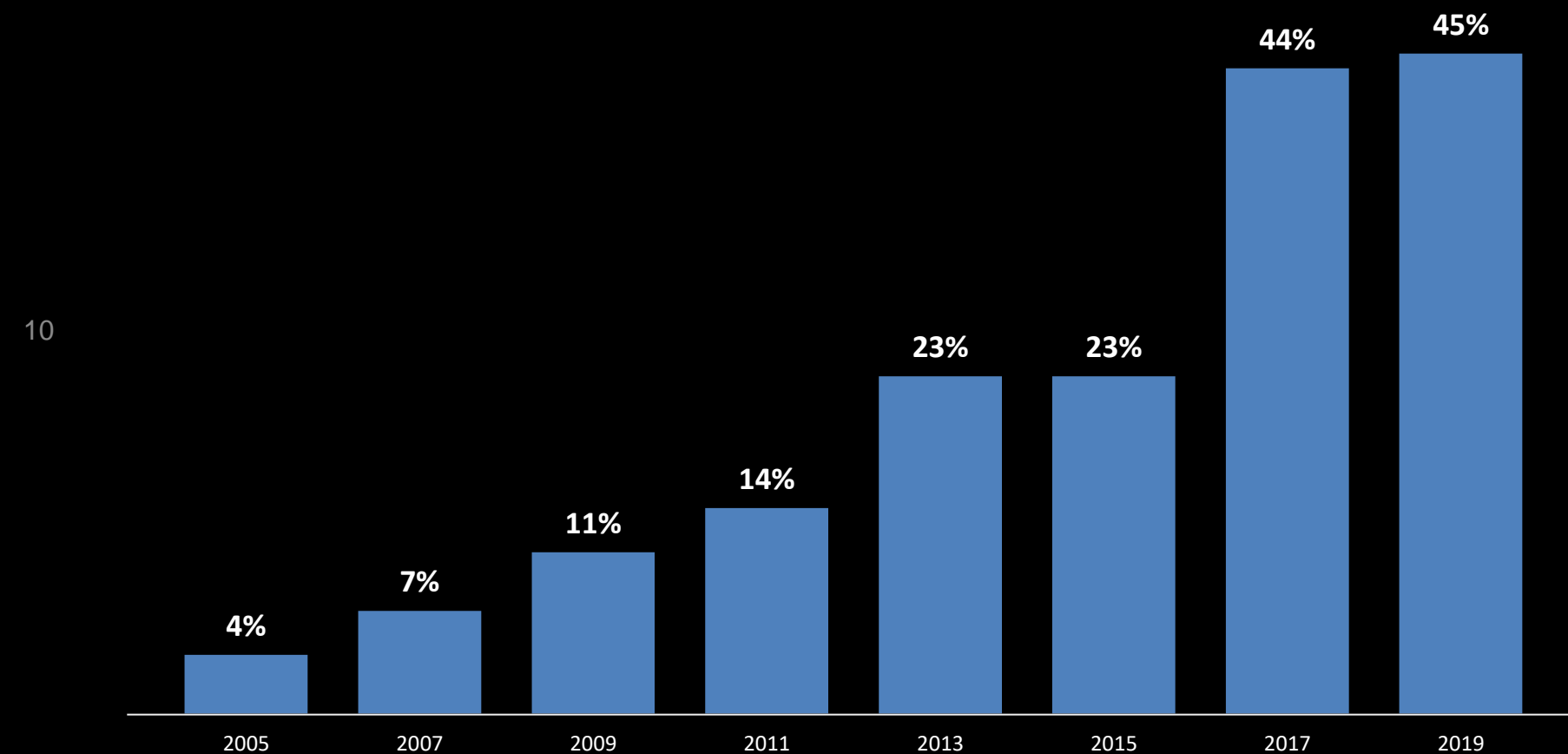
Source: CMS National Health Expenditures Report 2020
Note: Total retail sales include brand medicines and generics.

Patients Face Rising Out-of-pocket Costs for Medicines and Other Barriers to Care

Percent of plans with deductibles on prescription drugs

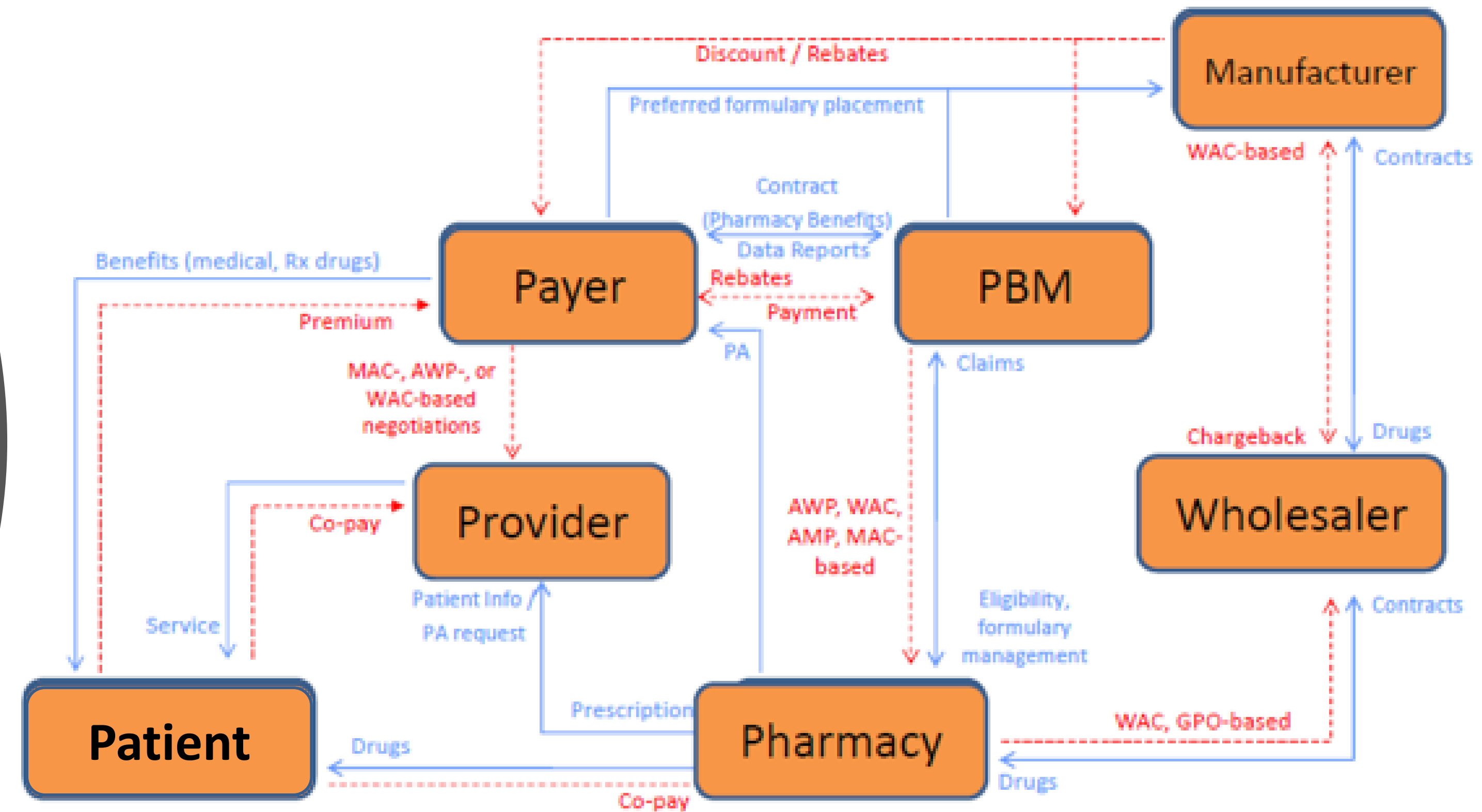


The use of four or more cost-sharing tiers is becoming more common on employer plans



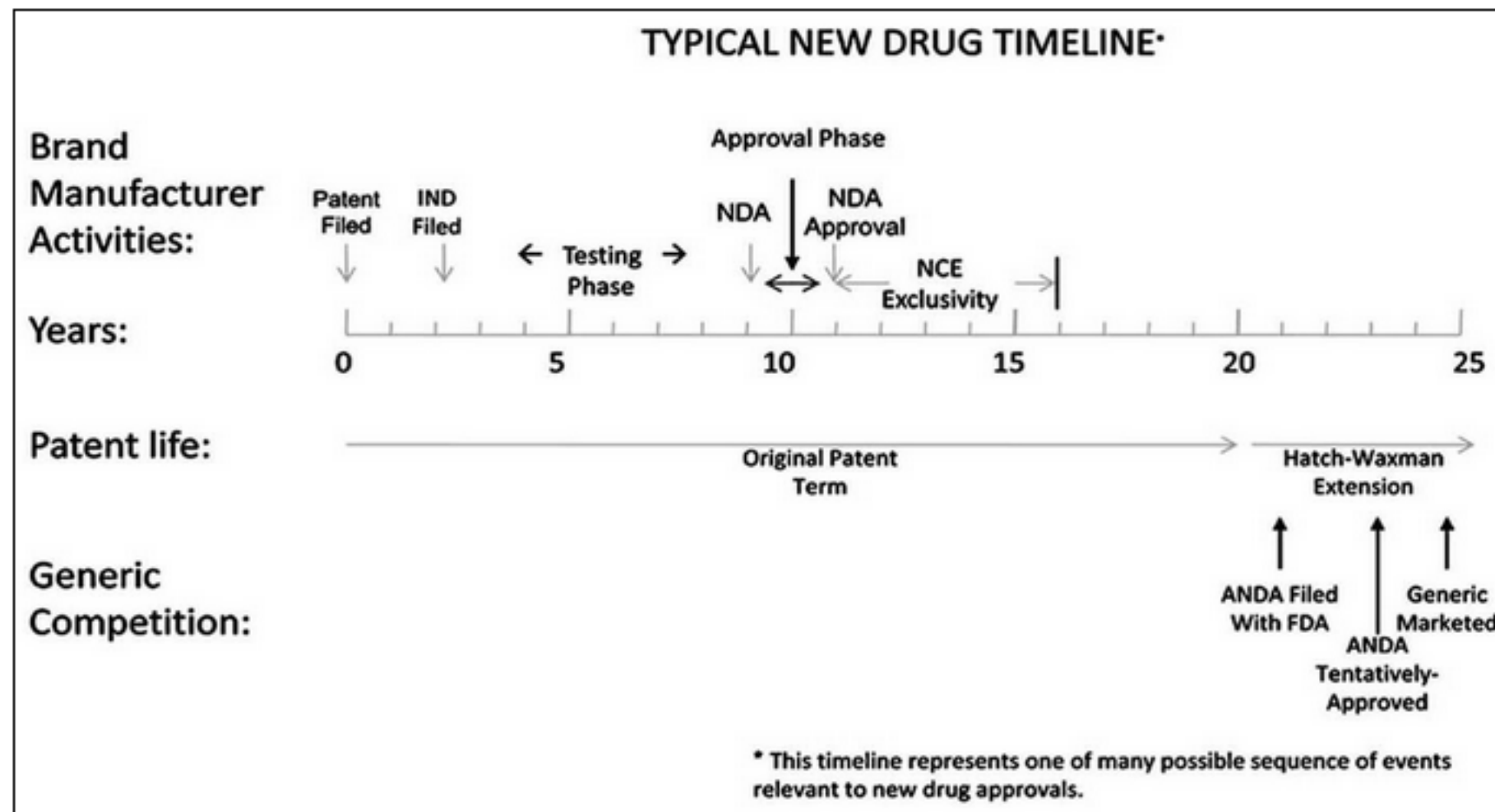


What is a PBM?



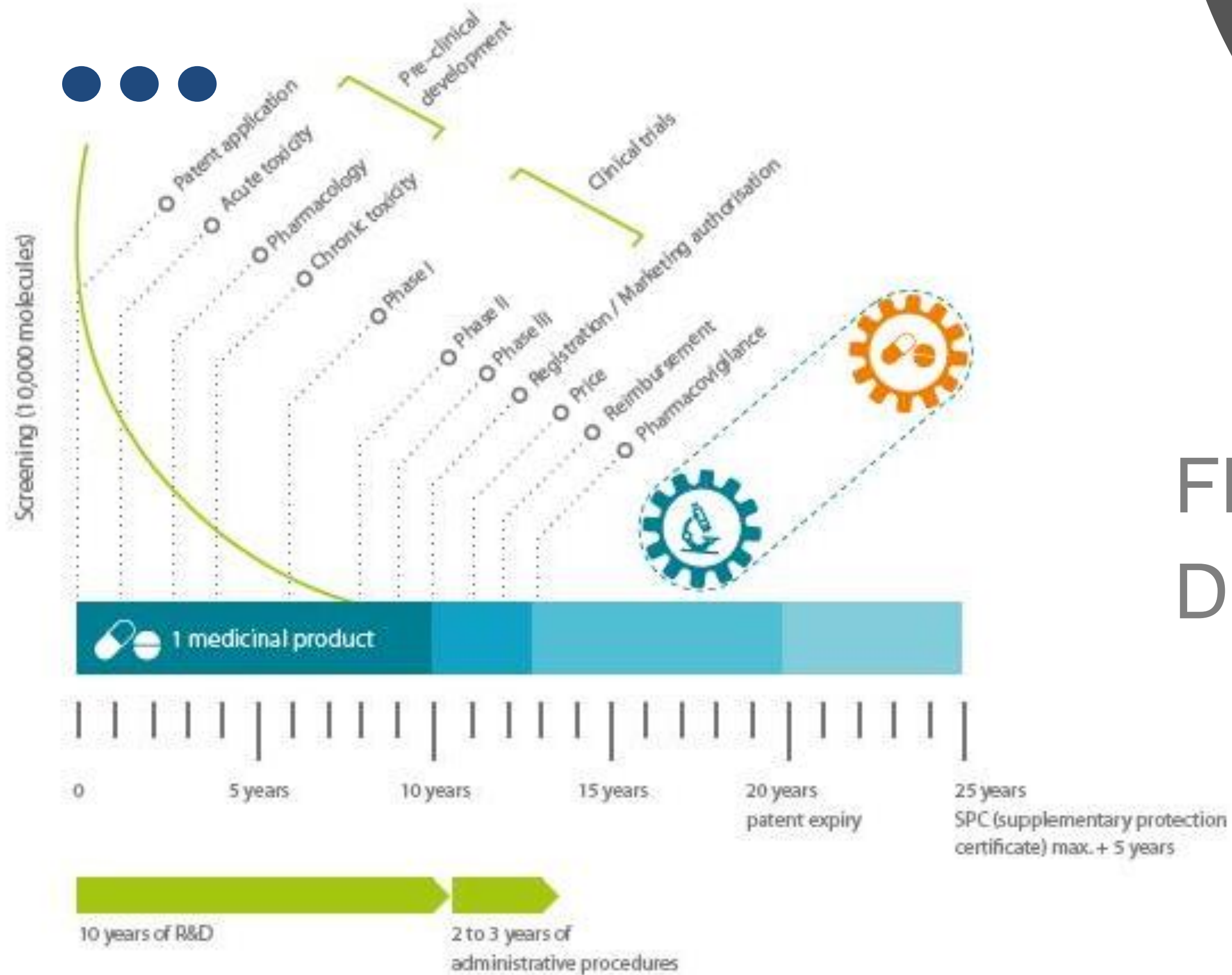


FDA Pipeline & Drug Life-Cycle



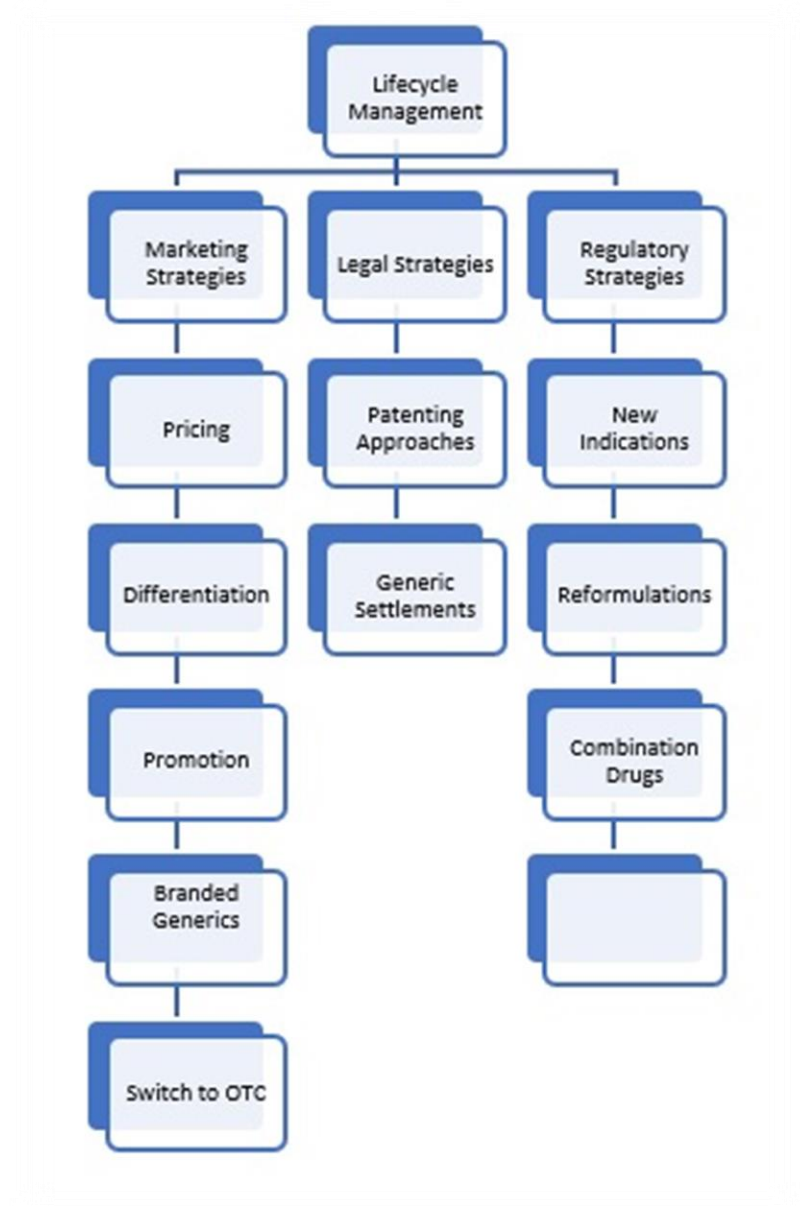
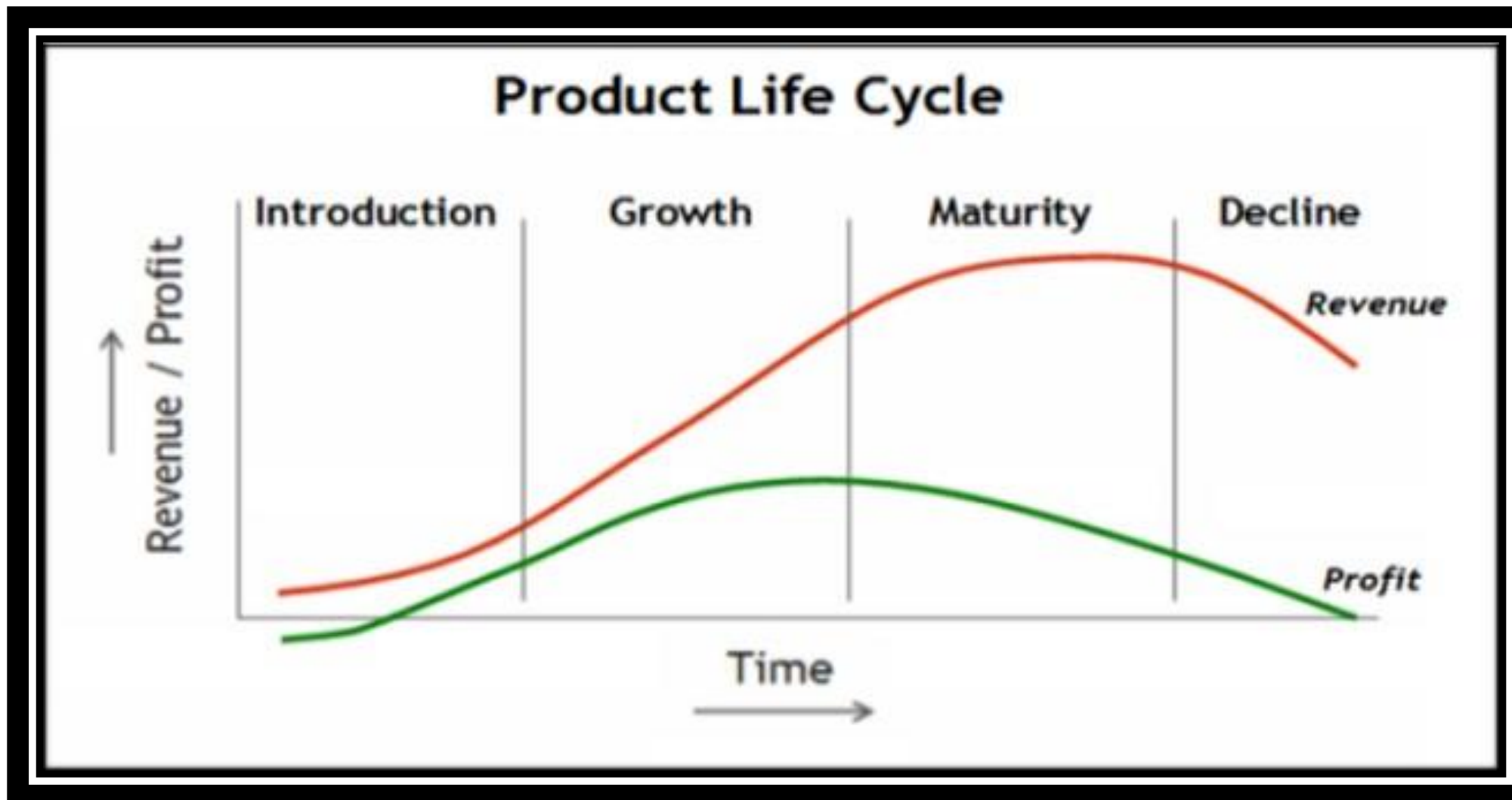
Objective #1

Understand the drug pipeline and its impact on pharmacy cost



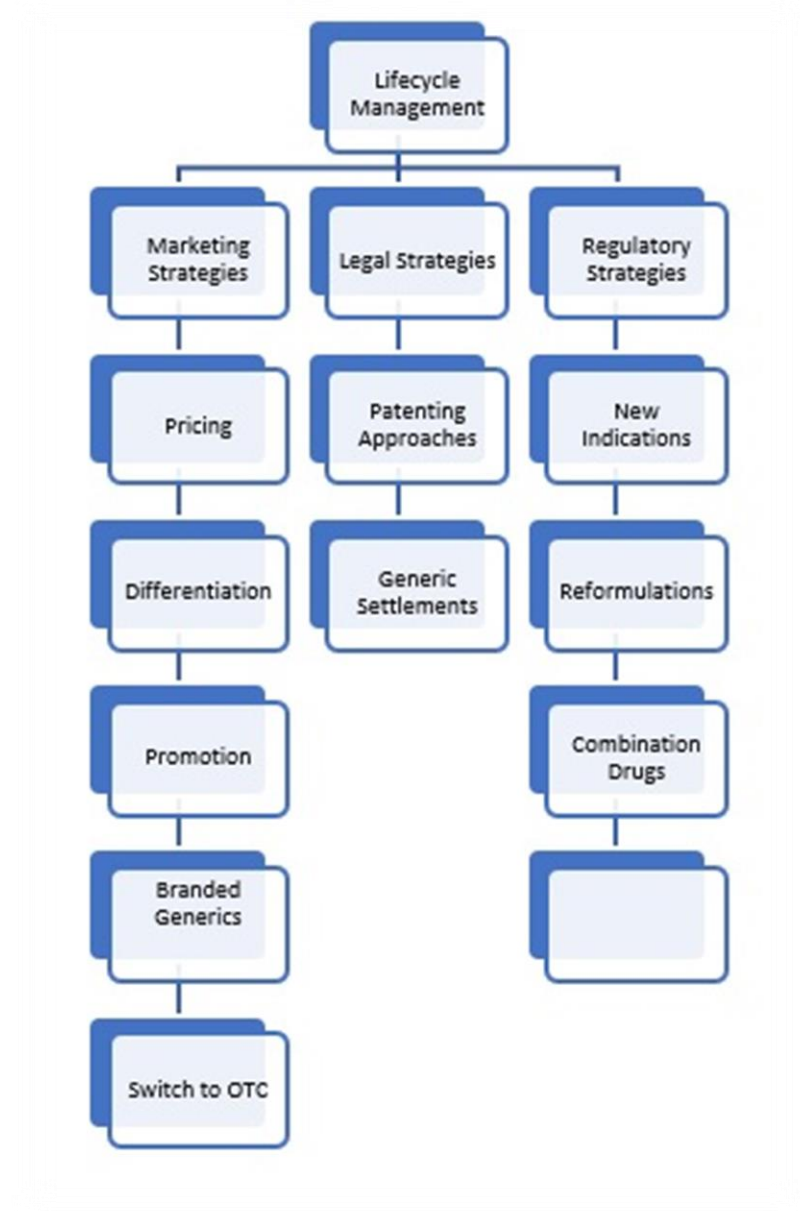
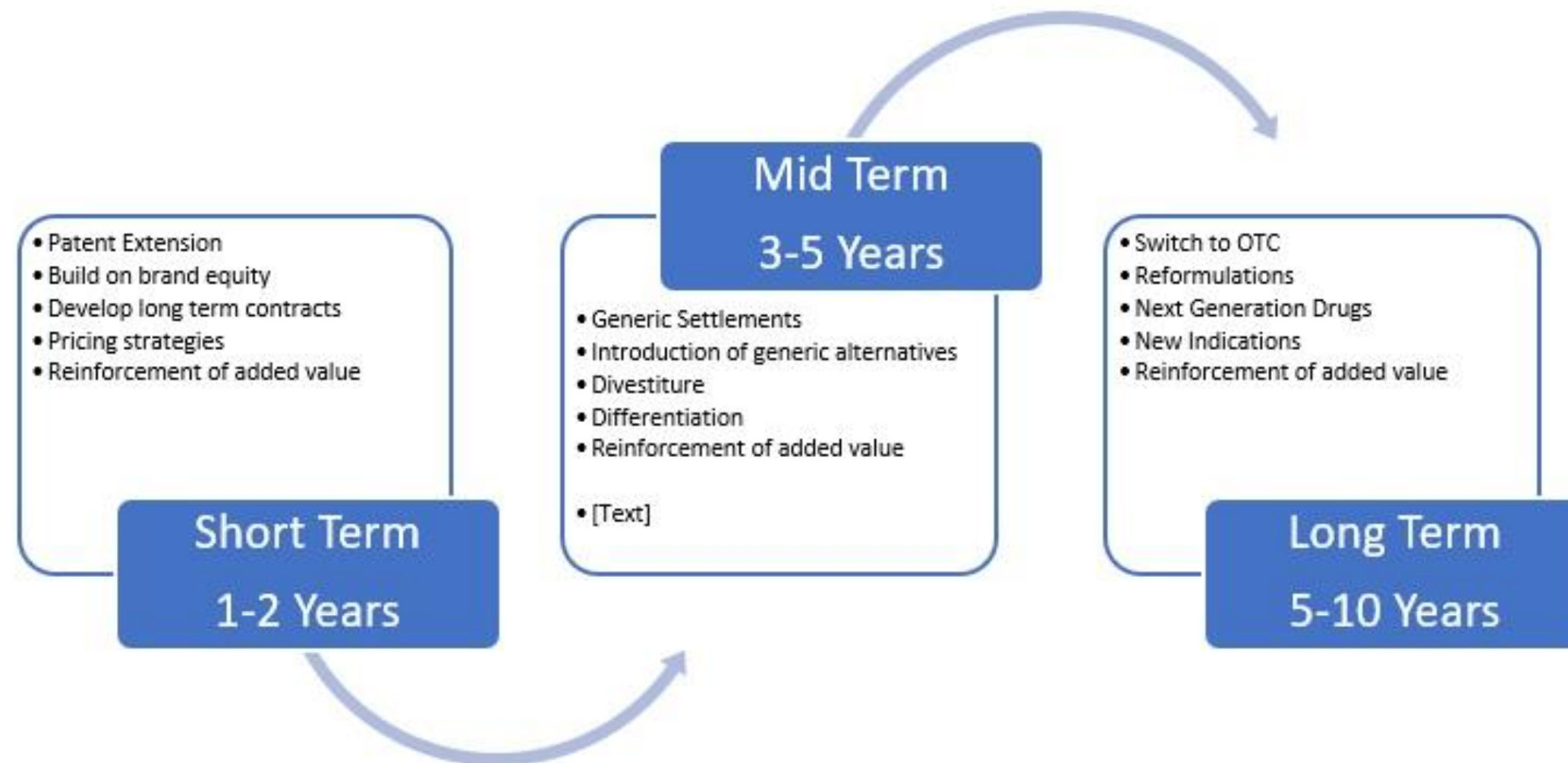
FDA Pipeline & Drug Life-Cycle

FDA Pipeline & Drug Life-Cycle





Life-Cycle Management



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.



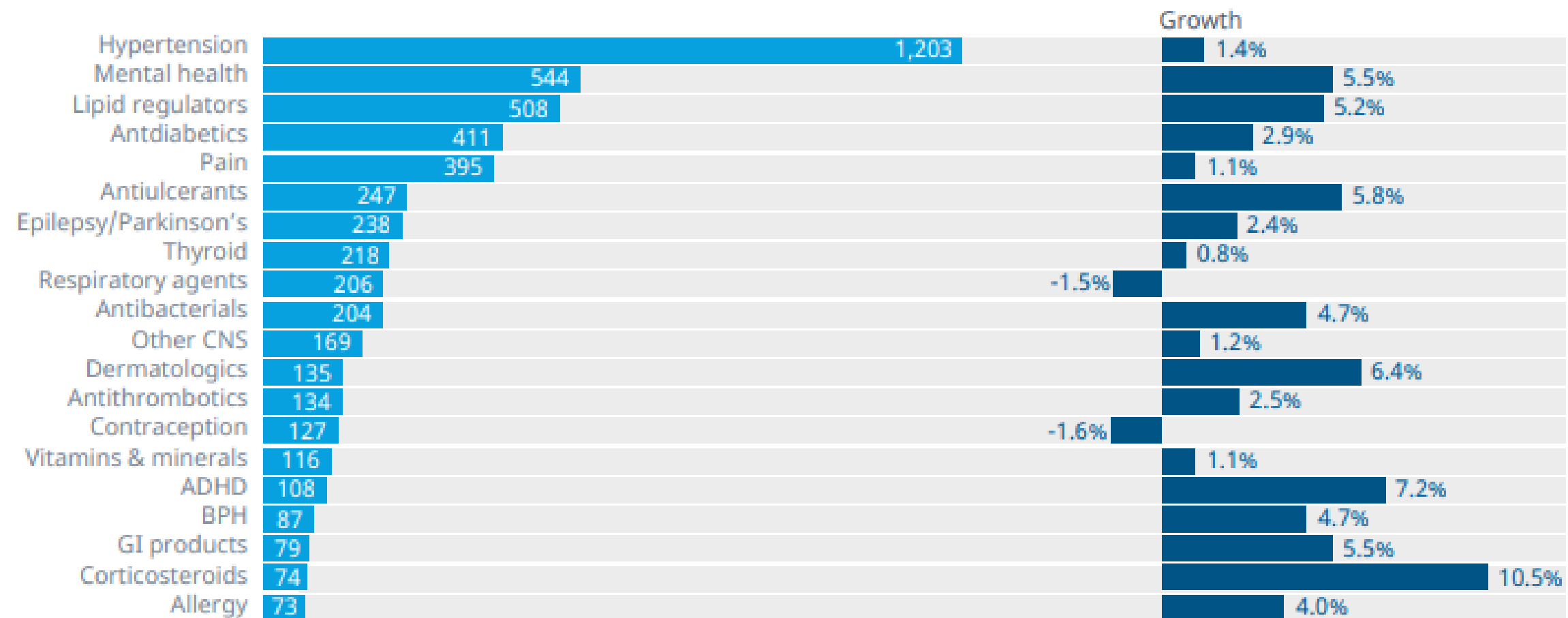
Key Trend Drivers

- 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



Key Trend Drivers

Exhibit 13: Adjusted dispensed prescriptions 2021 and % growth from 2020



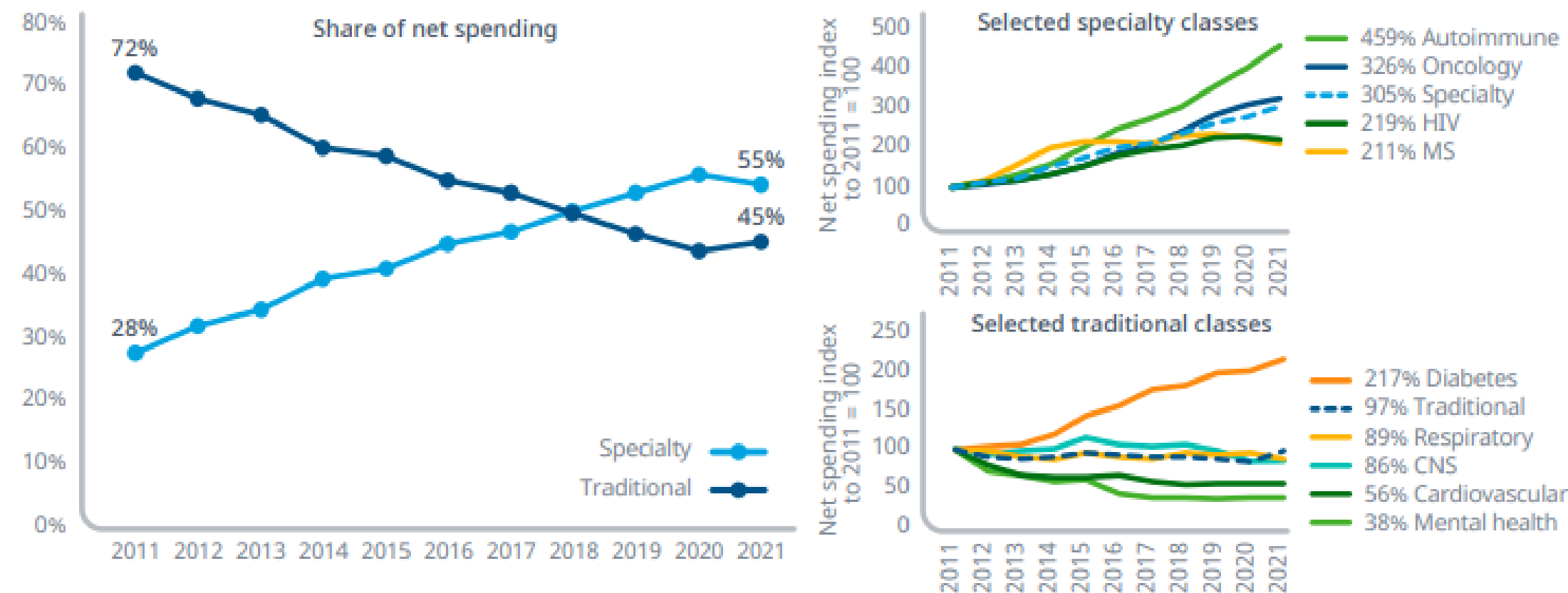
Source: IQVIA National Prescription Audit, Dec 2021; IQVIA Institute, Mar 2022.



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



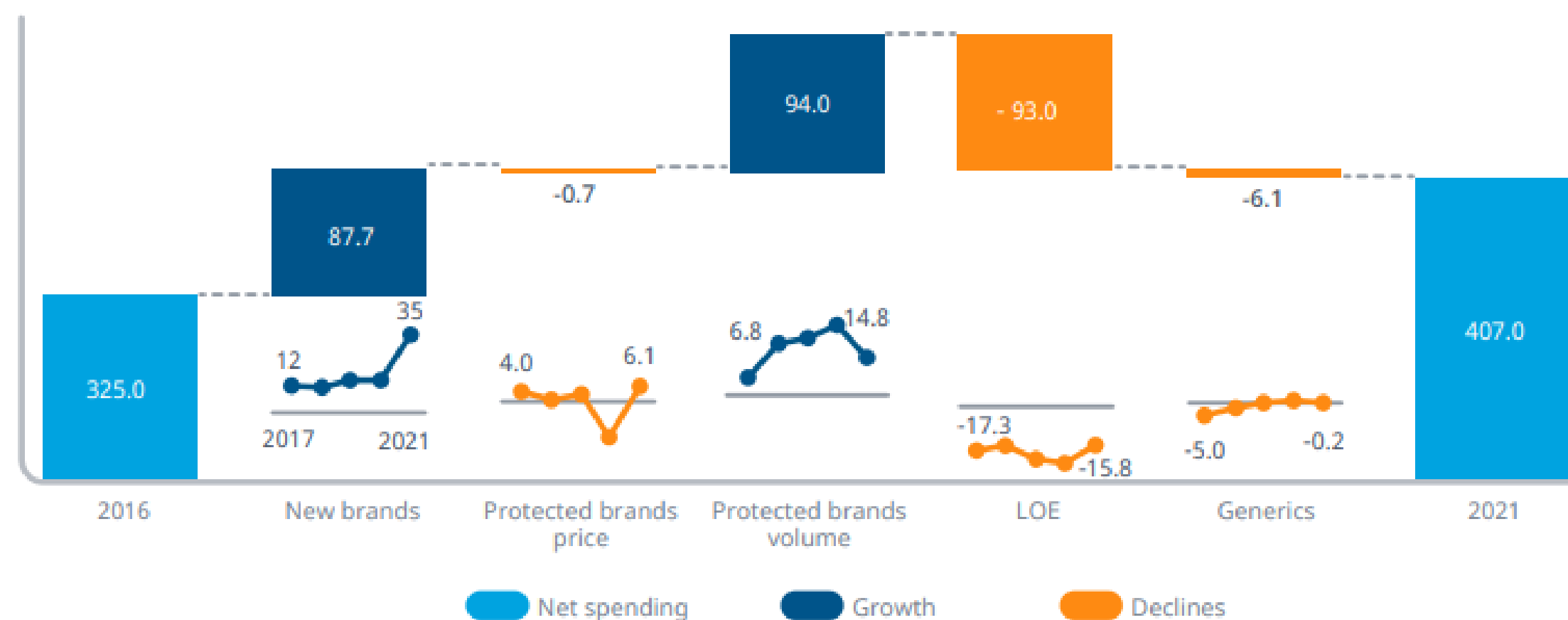
Source: IQVIA Institute, Mar 2022.



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



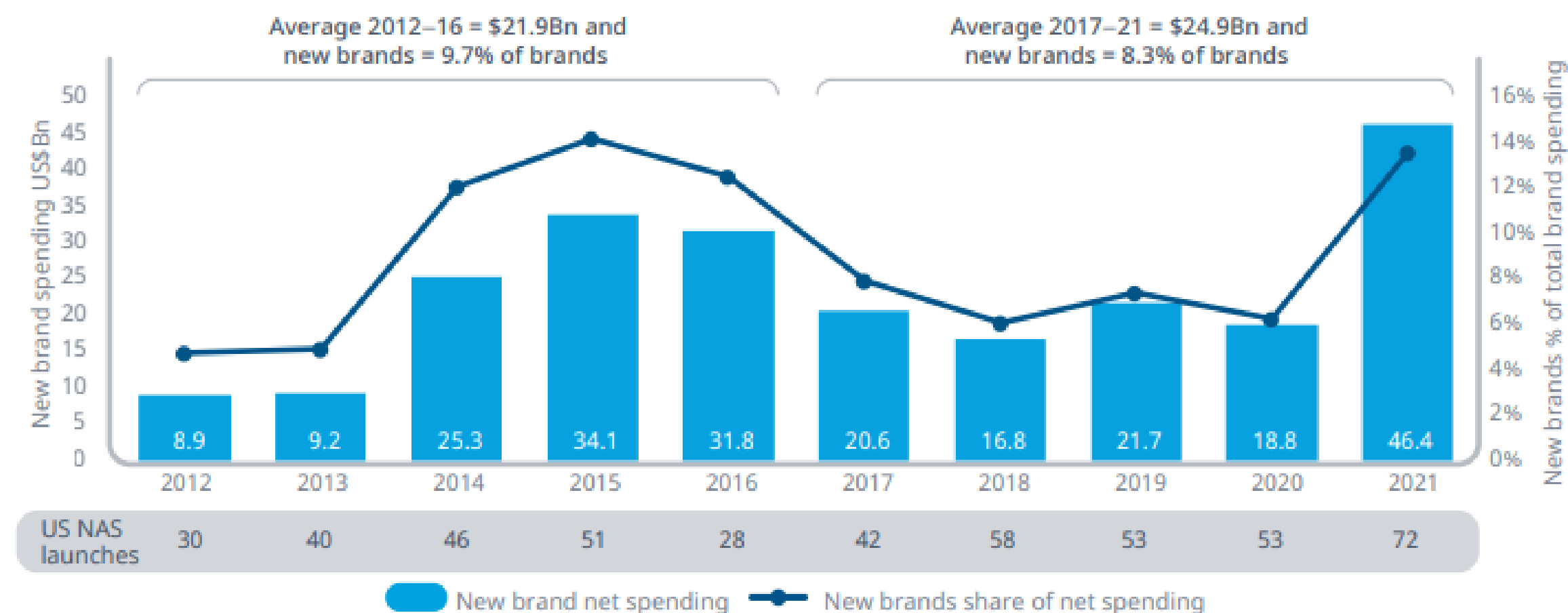
Source: IQVIA Institute, Mar 2022.



Key Trend Drivers

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



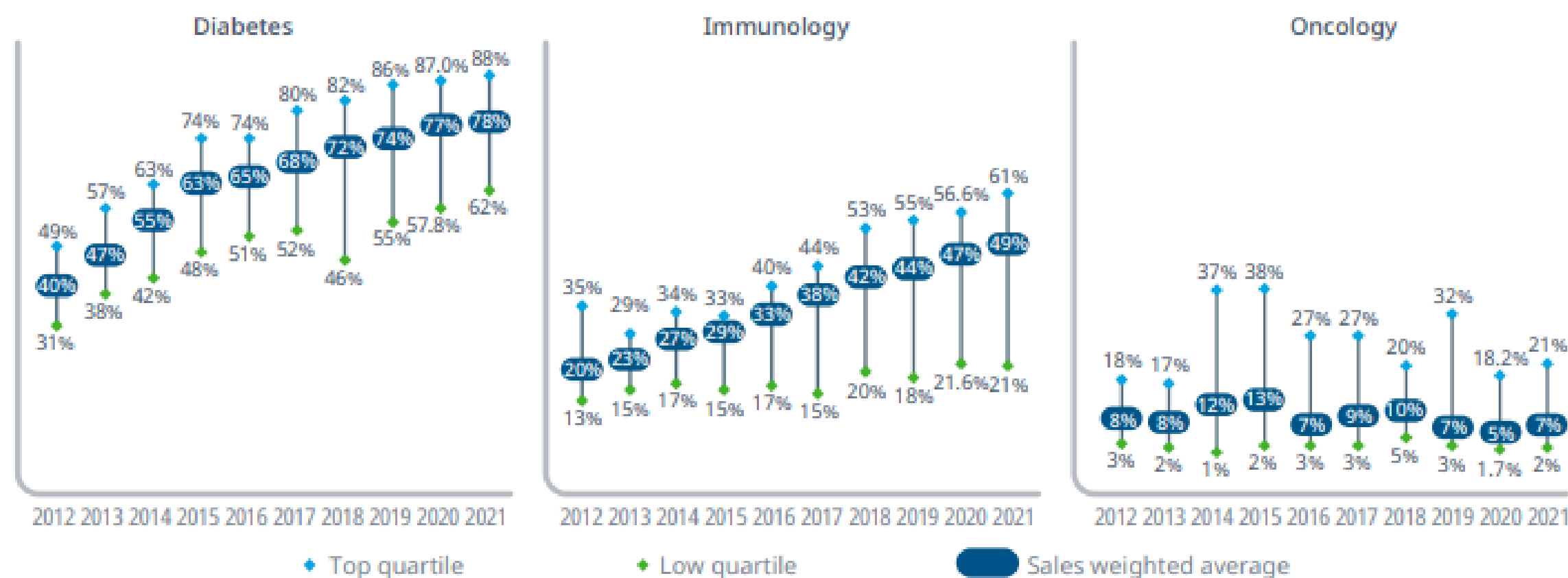
Source: IQVIA Institute, Mar 2022.



Key Trend Drivers

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)



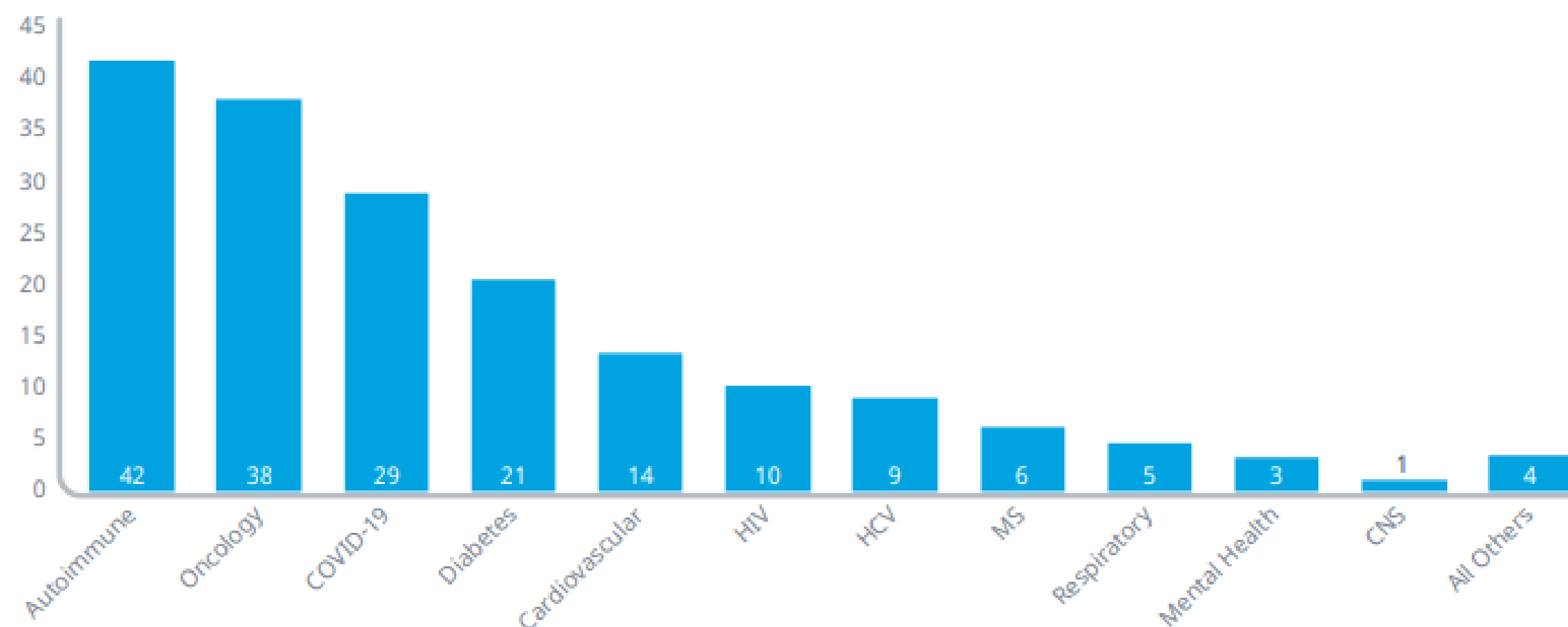
Source: Company annual financial reports, IQVIA MIDAS, IQVIA Institute, Mar 2022.



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



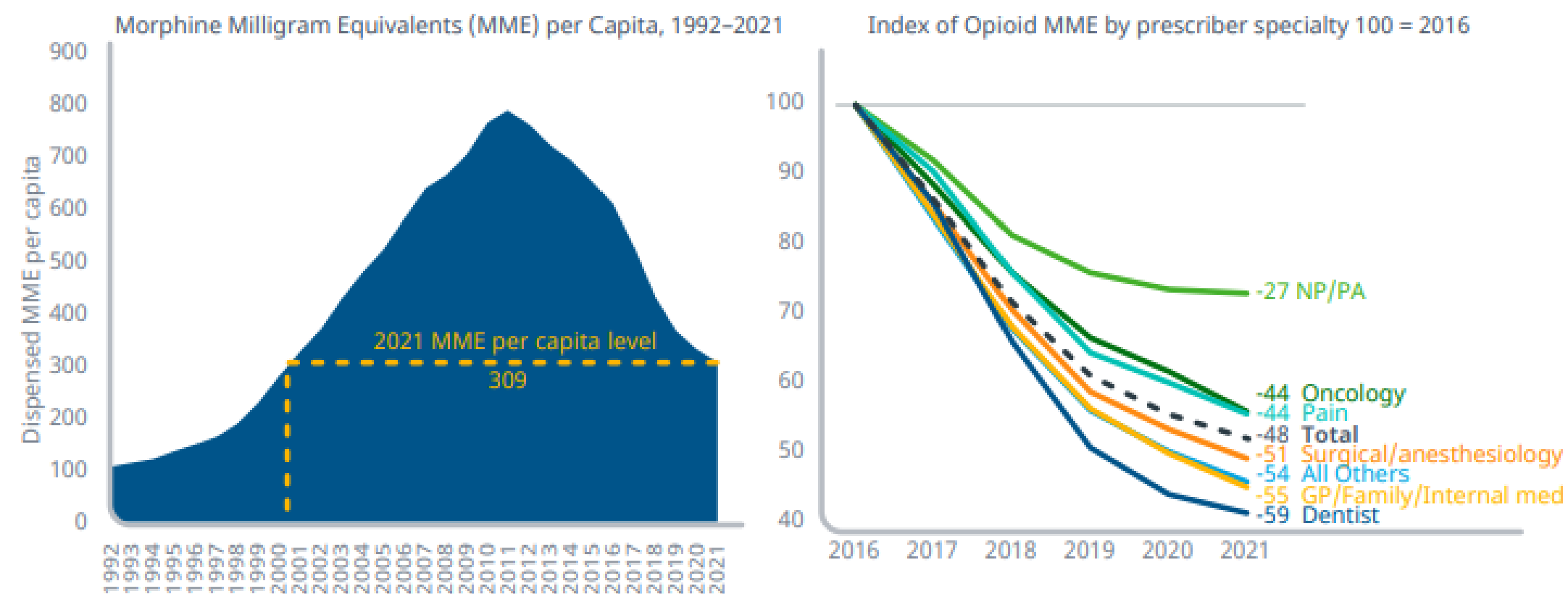
Source: IQVIA National Sales Perspectives, IQVIA Institute, Mar 2022.



Key Trend Drivers

Per capita prescription opioid use continues to decline to levels seen in 2000, with varying decreases across specialties

Exhibit 14: Prescription opioid use overall and by prescriber specialty



Source: IQVIA Xponent, Feb 2022; IQVIA National Prescription Audit, IQVIA Institute, Mar 2022.



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)

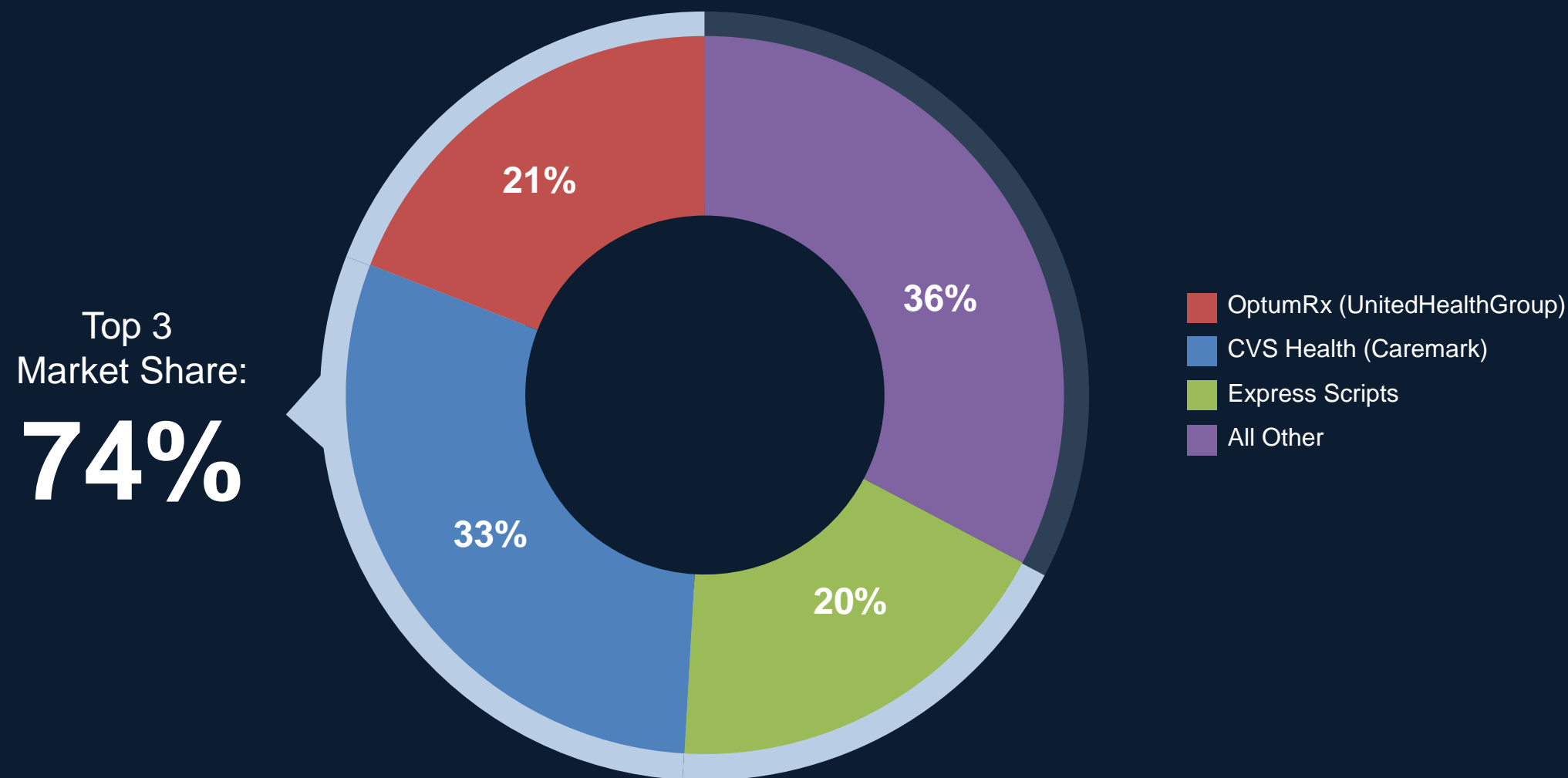


Objective #3

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).



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

■ Formulary: list of approved drugs

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

TIER	DRUG TYPE	COST
1	Preferred Generics 	\$
2	Generics 	\$\$
3	Preferred Brands 	\$\$\$
4	Non-Preferred 	\$\$\$\$
5	Specialty 	\$\$\$\$\$

FORMULARY COST CONTROL MECHANISMS

■ Step therapy

■ Less expensive, first line drugs must be used and shown to be ineffective first





Contact



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<https://prodigyrx.com>



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Questions about pharmacy program

Please e-mail ddoherty@prodigyrx.com

Discussion

