Pharmacy Programs: Achieving Value and Affordability

January 17, 2018

Agenda

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- Reference Pricing as a Purchaser Strategy for Managing Drug Prices
  - James C. Robinson, UC-Berkeley

BriovaRx and OptumRx Approaches to Value and Affordability

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Senior Vice President of Specialty Pharmacy, OptumRx
Chief Executive Officer, BriovaRx

January 17, 2018

A complex and costly challenge

A Growing Concern

Specialty accounts for 40-50% of pharmacy spend across medical and pharmacy benefits.[1]

Skyrocketing Costs

Specialty drugs cost approximately 50x times more than traditional medications.[2]

Fragmented Care

Poor health care coordination nearly doubles the cost of patient care.[3]

Climbing Trends

Specialty pharmacy industry trends averaged >21% over the last 3 years.[4]

1. 2015 internal analysis; 2. 2016 internal analysis; 3. Brigham R. Frandsen, PhD; Karen E. Joynt, MD, MPH; James B. Rebitzer, PhD; and Ashish K. Jha, MD, MPH, Care Fragmentation, Quality, and Costs Among Chronically Ill Patients; American Journal Managed Care, May 2015; 4. Holcomb, Katie and Harris, Justin. Milliman Research Report – Commercial Specialty Medication Research: 2016 Benchmark Projections – December 28, 2015.

Going beyond the traditional specialty approach

COST MANAGEMENT

HEALTH OUTCOMES

Traditional Specialty Management

- Formulary and drug cost management
- High touch
- Open and preferred pharmacy alternatives
- Adherence focused condition management
- Dispensing and delivery

BriovaRx Complete Care

Capabilities
Driving down overall healthcare costs, not just specialty trend

Care
Taking care of the whole person, not just the specialty prescription

Connections
Synchronizing care to improve overall health outcomes, not just adherence

Capabilities to drive down total health care

Price and Contract Innovation

Price protection and value-based approaches that deliver the lowest net cost

Site of Care Optimization

Site of care and medical management solutions that address total cost picture

Total Cost Management

Synchronized care that lowers per patient per month medical costs

13.2%
industry leading
specialty pharmacy trend

$6.8M
site of care savings
in 2016 for inflammatory patients

$17,500 / $14,900
avoidance savings
per hospital readmission – oral oncology / Transplant

Medical benefit management

Analyze

Assess

Act!

Customized Evaluation

Review cross-benefit claims to compare client's data to leading industry benchmarks and identify gaps in care and cost-control opportunities

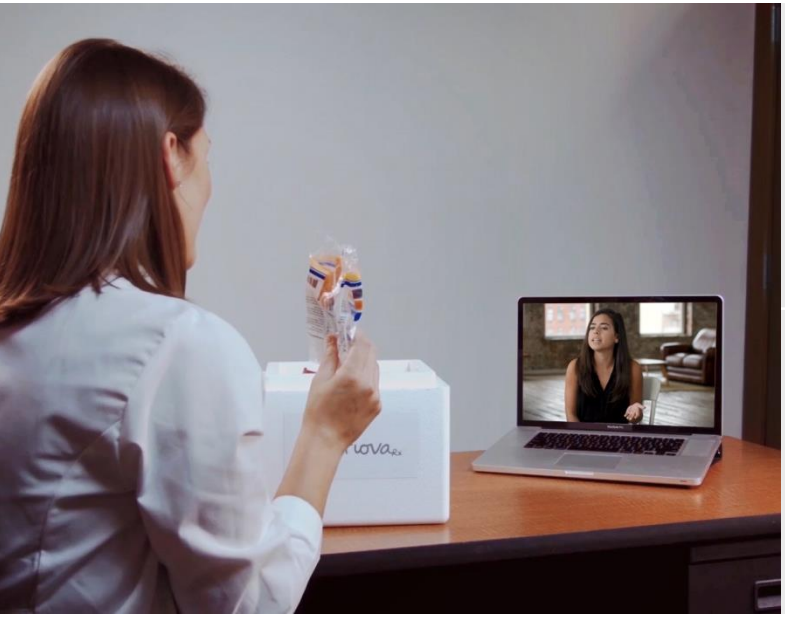
Tailored Recommendations

Leverage usage and cost patterns to recommend a client-specific strategy focused on trend drivers and cost

Improved Benefit Plan

Implement solution, including site of care redirection and HUB-model soft outreach for key conditions

Care focused on the whole person



Taking care of the patient, not just the prescription

Driving better care through our **condition–specific expertise**

Keeping patients on track through a **360° view and smart engagement**

Making life easier through **flexible delivery and affordability** options

7% more
adherent patients with BriovaLive video consultations

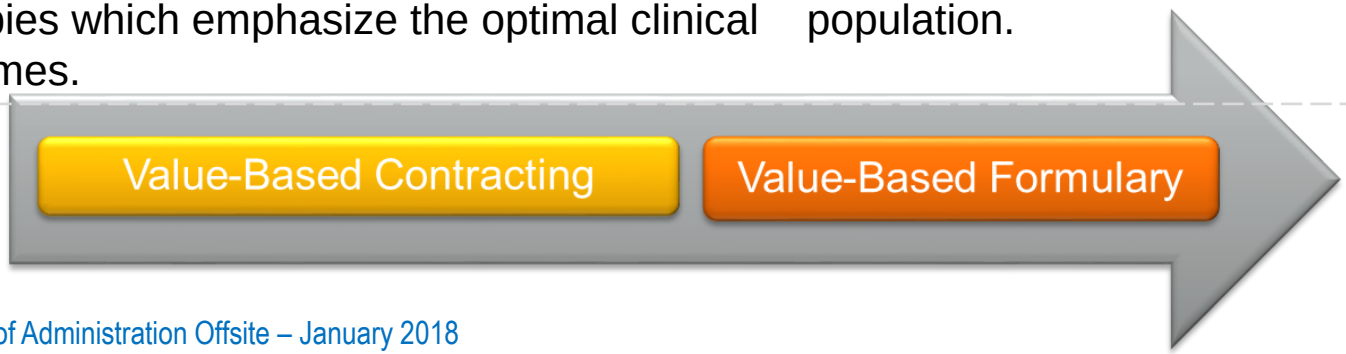
10% higher
adherence with BriovaCommunity personalized video service*

100%
of patients would recommend BriovaCommunity

*Harvoni patients

Value Based Agreements - How We Get There

Concept	Status
1. **Value-Based Contracting** – A formulary contracting effort aimed at linking drug prices with metrics (adherence or total cost of care). The objective is to change the dialogue between OptumRx and pharma that focuses on how drugs perform in a member population.	In progress; four agreements in the area of obesity, MS, diabetes and CV-related disease have been executed with additional contracts in respiratory disease pending. Targeting implementation of multiple agreements with CalPERS in Q1 2018.
2. **Value-Based Formulary** –The ultimate outcome of this effort is the development of a new product that will be a mix of traditional benefit-design controls and select therapy categories that focus on the most cost-efficient therapies which emphasize the optimal clinical outcomes.	The goal of this initial phase is to create a proof-of-concept to take to CalPERS for consideration of a pilot program to evaluate commercial application to a membership population.



PBGH Waste Free Formulary

Lauren Vela, MBA
Senior Director, Member Value
Pacific Business Group on Health

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Why is there waste in a formulary?

- PBM-driven
  - Rebate guarantees, Spread
- Pharma-driven
  - Me Too Drugs, Combo drugs, OTC equivalents,
  - Pay for Delay
- Purchaser-driven
  - Rebate habit
  - Member experience rules
- Doctor-driven
  - Prescribing without the information, authority, or incentive to prescribe highest value

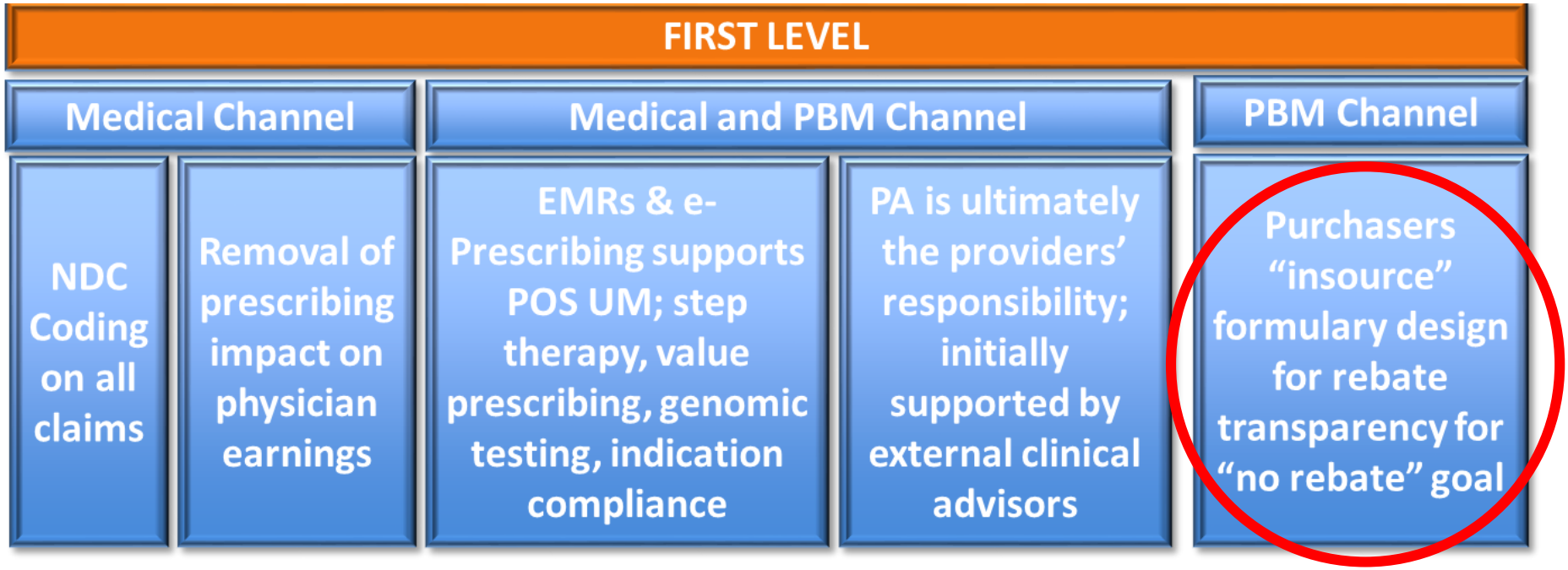
The Project

- Purchasers collaborate to develop a waste-free formulary and instruct their PBMs to administer the new customized formulary
- Doctors are engaged to prescribe to this COMMON formulary.
- Patients are happier, doctors are more satisfied, and purchasers save money!

Feasibility Study: Three Work Streams

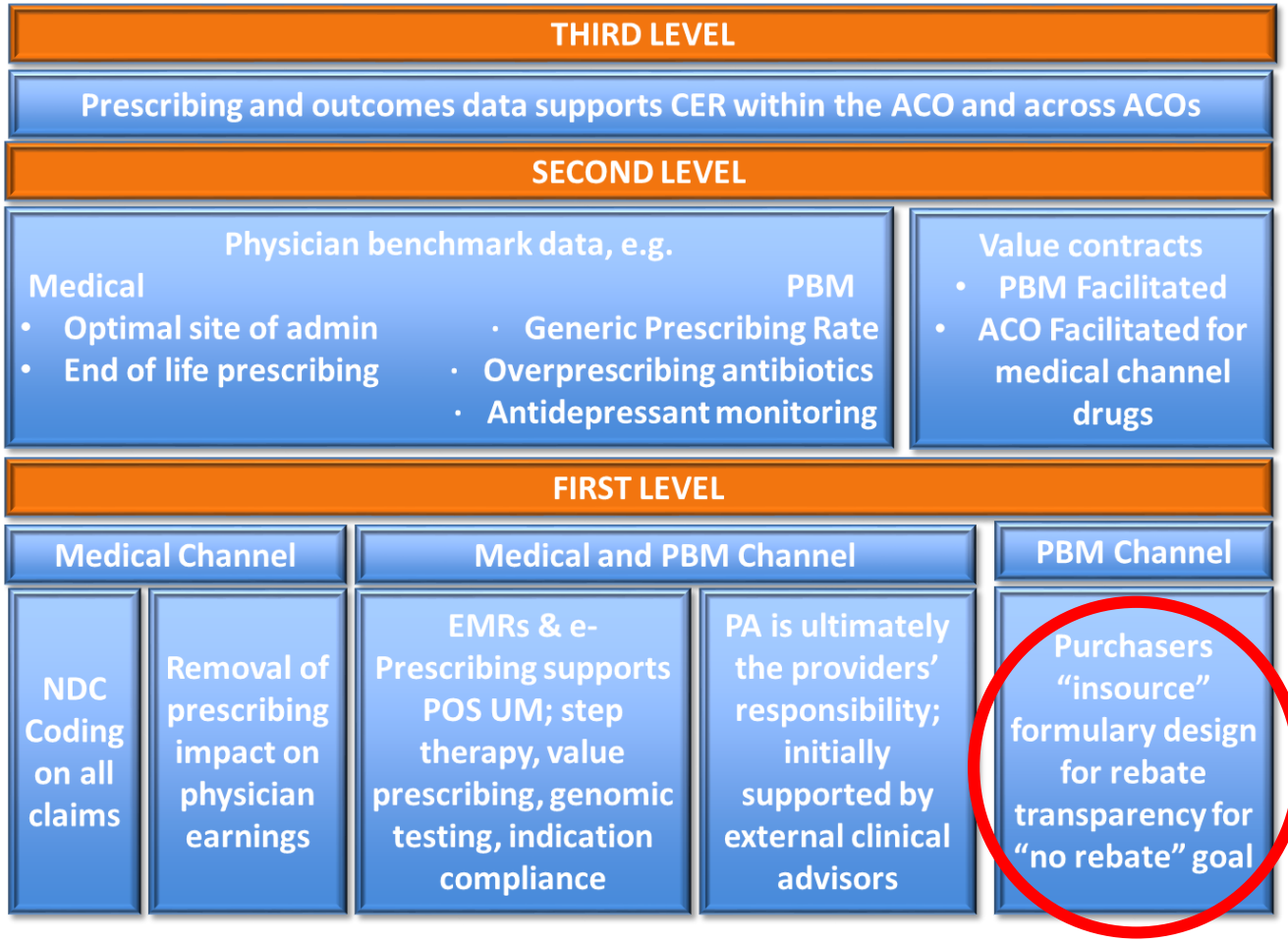
?1 Data Analysis	?2 Will physicians recognize it?	?3 Will employers use it?
Integrity Pharmaceutical Advisors, LLC	CAPG, CMA, California Academy of Family Physicians, California Medical Association	
Use employer data to unpack pricing, model different formulary choices, estimate savings	Use partnerships with trusted provider associations to engage physicians. Use focus groups to fully understand all issues.	

PBGH Waste Free Formulary in Context



PBGH Waste Free Formulary in Context

Arm providers with the information, authority, and incentive to prescribe the right thing to the right patient at the right time for the right price!



The Bigger Story

- Purchasers MUST convene for a better healthcare system
- Changing what we pay for will change what is manufactured
- Changing how we pay PBMs will change the way they do business (and align our interests)
- Discontinuing our wasteful spending will allow more responsible spending on high value heal
- Arming doctors with information, authorit

  incentives will result in better care

Options for Value and Affordability

Kathy Donneson
Chief, Health Plan Administration Division
CalPERS

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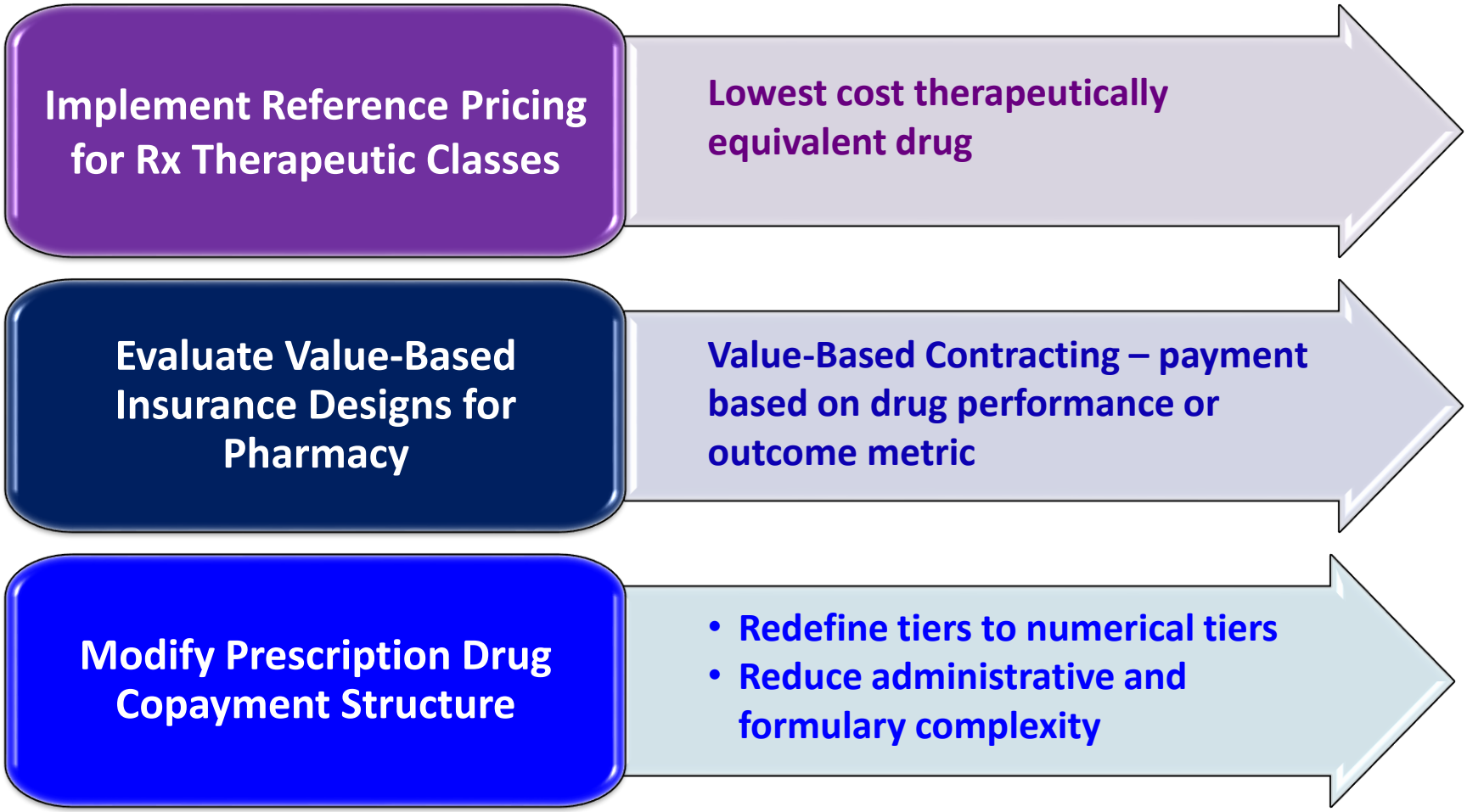
Challenges to Value and Affordability

- **Pricing**
  - Complicated Pricing Models
  - Open-Customized-Closed-Excluded
  - Numerical Tiers-Parsing Further
- **Pipeline**
  - New Drugs to Market & Direct to Consumer Ads
- **Medical Rx**
  - No common codes, wide variation in cost by site

Purchaser Frustration

Non-Transparent Supply Chains

Potential Strategies for 2019 and Beyond



Source: https://www.calpers.ca.gov/docs/board-agendas/201705/pension/item7-01.pdf, minus "carve-out..." bullet

Importance of Partnerships - Example of Opioids

SMARTCARE CALIFORNIA

Less Waste. Less Harm. Better Care.

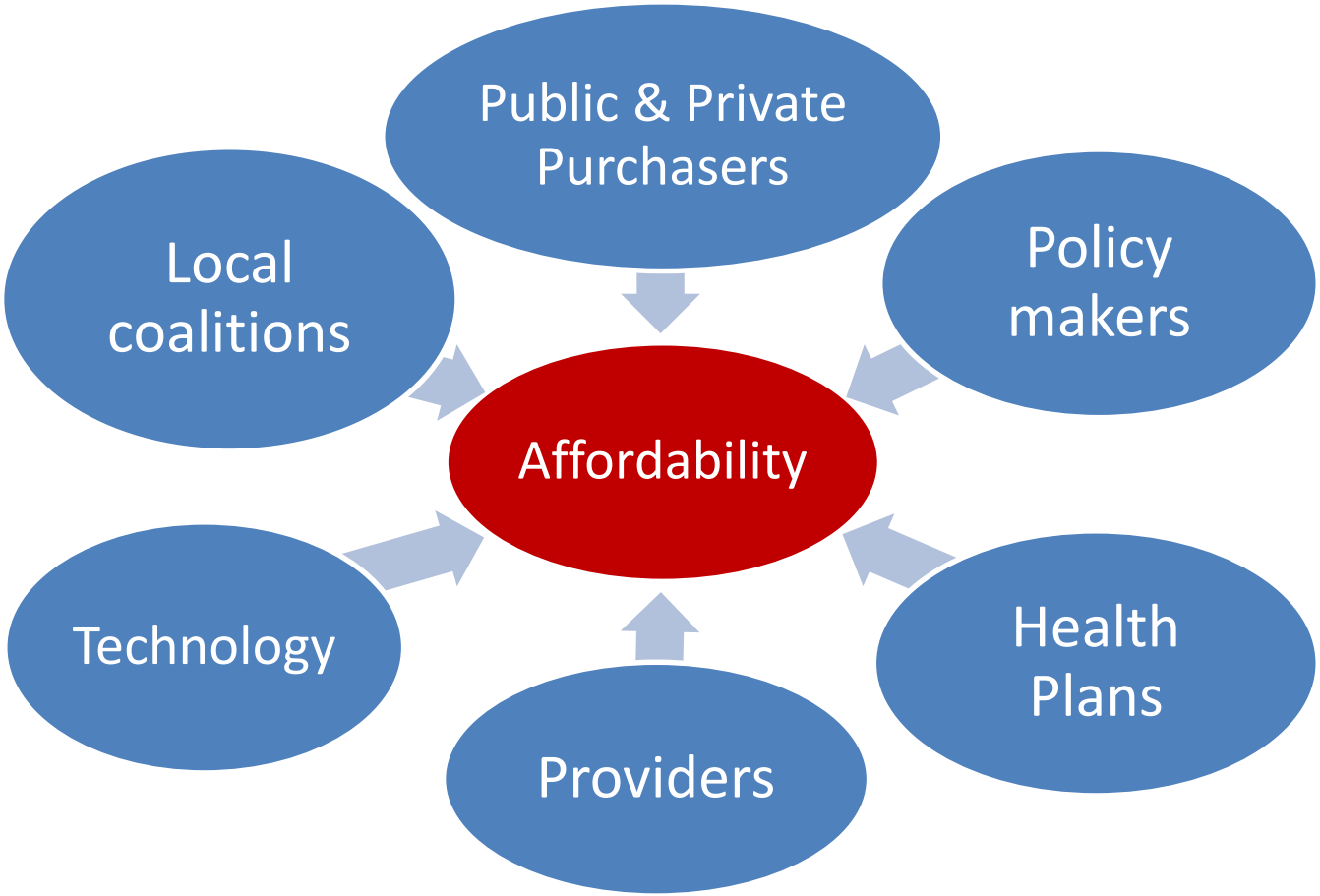
CalPERS

Medi-Cal

COVERED CALIFORNIA

Source: Kelly Pfeifer, MD, at https://www.calpers.ca.gov/docs/board-agendas/201711/pension/item-7-attach-1.pdf

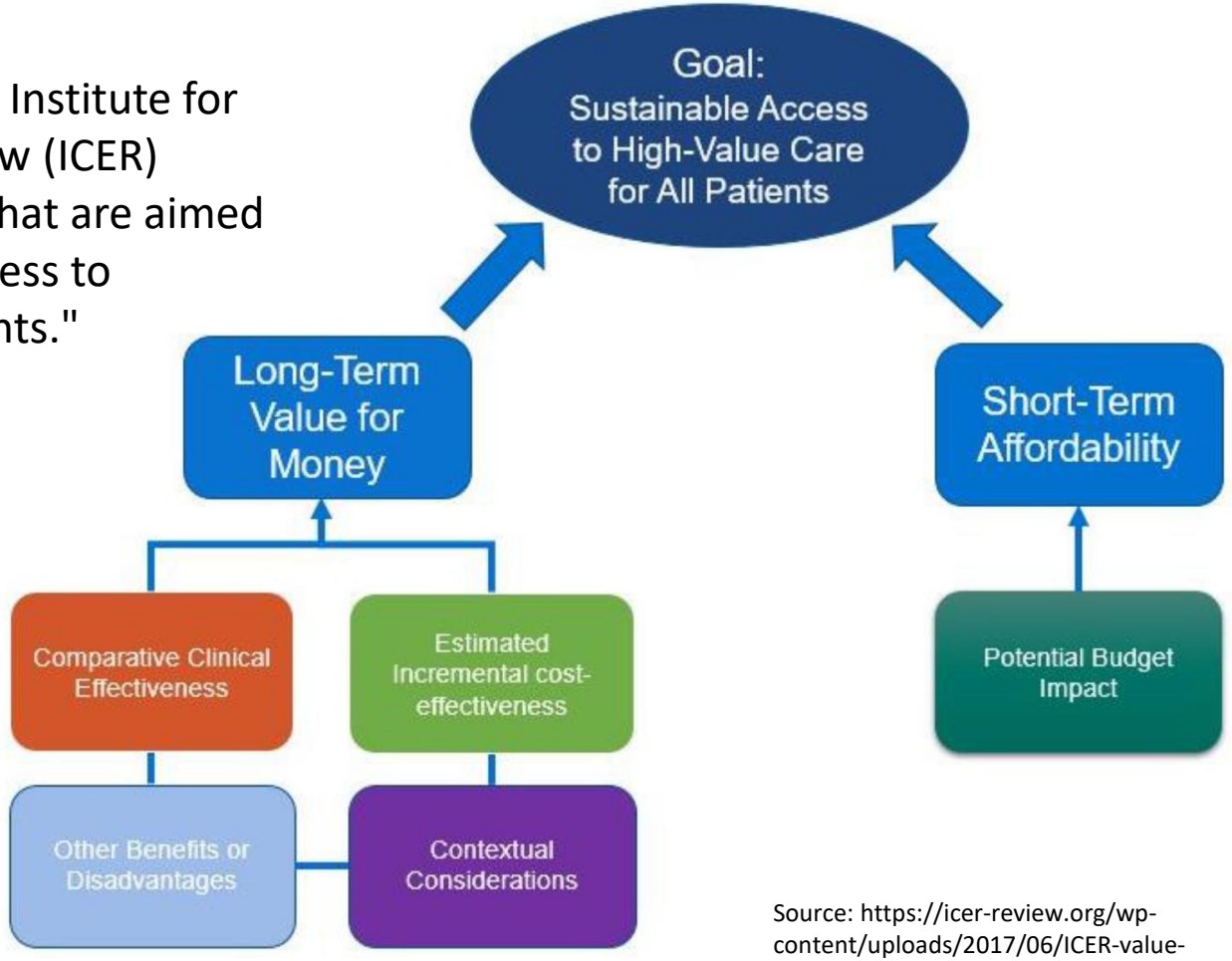
Importance of National Strategies



Modified from https://www.calpers.ca.gov/docs/board-agendas/201711/pension/item-7-attach-1.pdf

Should CalPERS Adopt ICER Approach to Value?

The value framework of the Institute for Clinical and Economic Review (ICER) "seeks to inform decisions that are aimed at achieving sustainable access to high-value care for all patients."



Source: https://icer-review.org/wp-content/uploads/2017/06/ICER-value-assessment-framework-update-FINAL-062217.pdf

Reference Pricing as a Purchaser Strategy for Managing Drug Prices

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Leonard D. Schaeffer Professor of Health Economics
Director, Berkeley Center for Health Technology
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January 17, 2018

What is Reference Pricing?

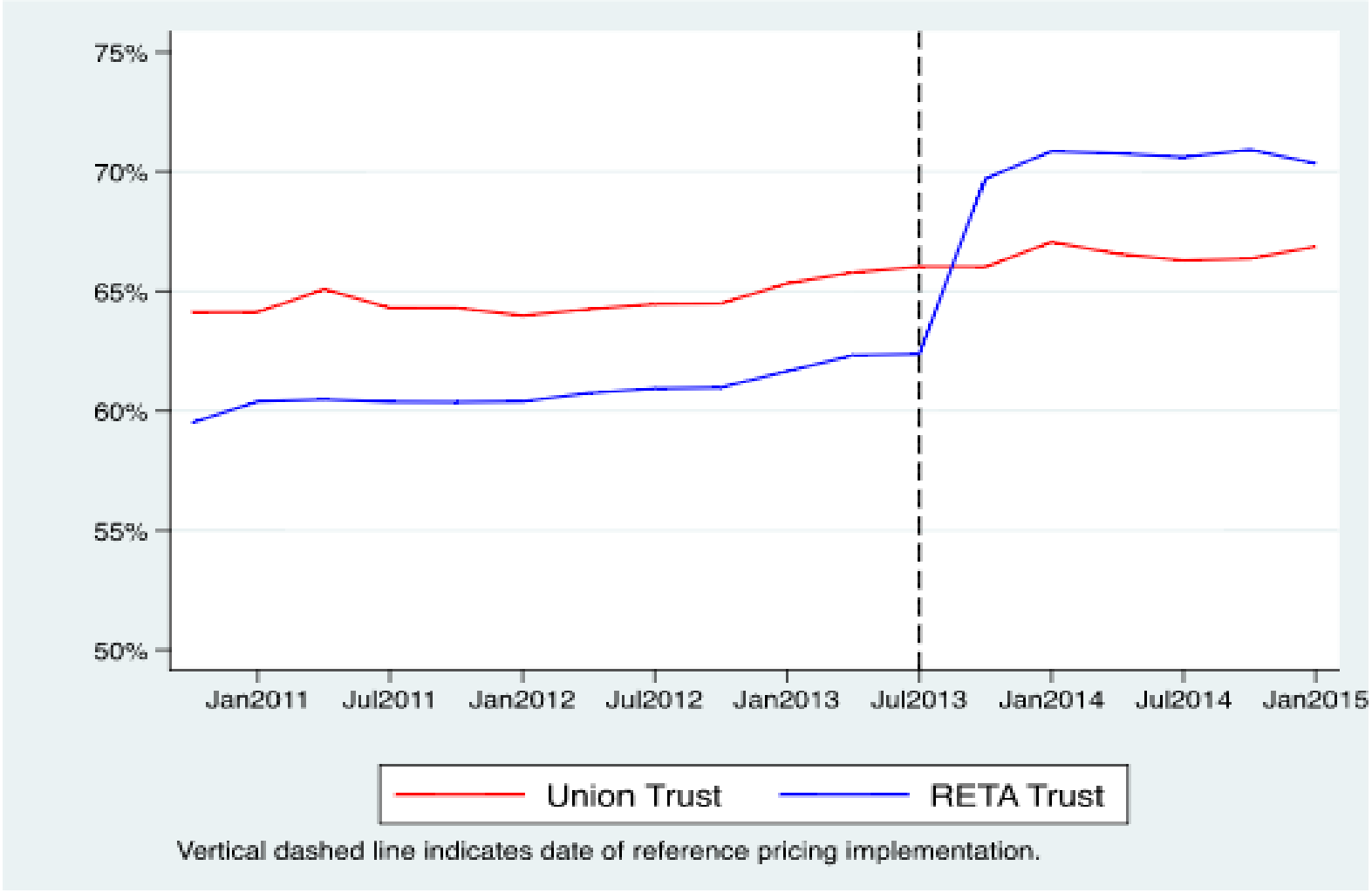
- Sponsor (employer, insurer) establishes a ***maximum contribution*** (reference price) it will make towards paying for a particular service or product
  - This limit is set at some point along the observed price range (e.g., minimum, median)
  - Patient must pay the full difference between this limit and the actual price charged
  - Patient may reduce cost sharing by switching to low-priced product or provider
- Patient chooses his/her cost sharing by choosing his/her product or provider
  - Patient has good coverage for low priced options but ***full responsibility*** for choice

Impact of Drug Reference Pricing

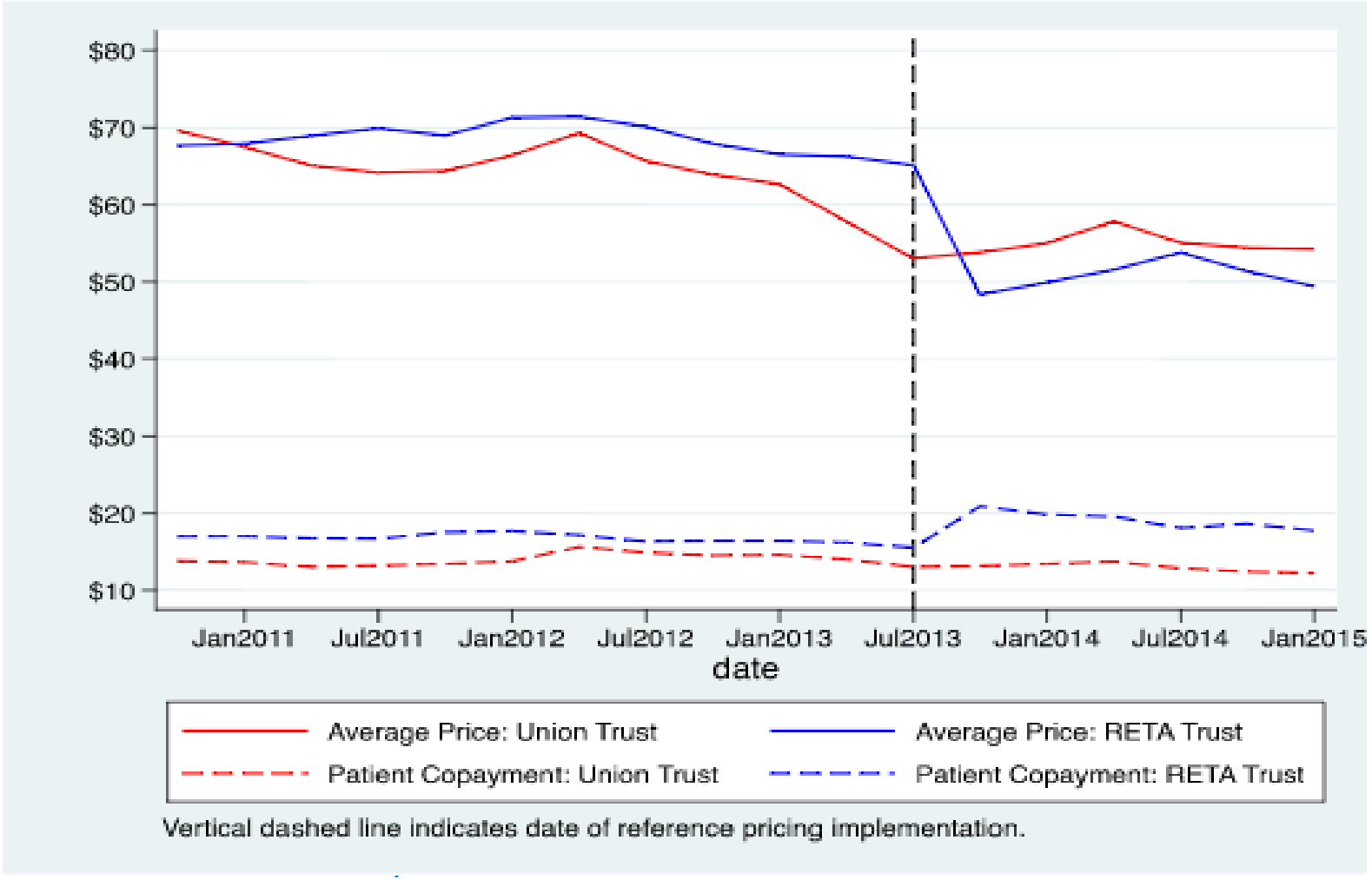
- RETA Trust, an association of Catholic dioceses with 22,000 lives, implemented reference pricing July 2013
- For this study, RETA drug claims from July 2010 to December 2014 (N=573,456) were compared to claims from a labor union trust (N=549,285)
- Multivariable (difference-in-difference) analyses indicate that reference pricing was associated with:
  - 11.3% growth in probability that a RETA patient selects the low-priced drug within its class
  - 13.9% reduction in average price paid
  - 5.2% increase in employee cost sharing

JC Robinson, CM Whaley, TT Brown. Association of Reference Pricing with Drug Selection and Spending. New England Journal of Medicine 2017;377:658-75.

Increased Share for Low-Price Drug Within Each Therapeutic Class



Reduced Prices Paid and Increased Consumer Cost Sharing



Can Reference Pricing Be Applied to Specialty Drugs?

- Much of the price increases and variability have been for specialty drugs, which are more complex and expensive than traditional medications
- There is great potential for price competition among specialty drugs: innovation is producing large numbers of therapeutic equivalents
- However, specialty drugs differ amongst themselves in efficacy, toxicity, mode of administration
- To be effective, reference pricing will need to incorporate comparative effectiveness analysis.
- A better term would be *'value-based pricing'*
- One potential source: Institute for Clinical and Economic Review (ICER)

Applications of ICER Benchmark Prices

- Sanofi/Regeneron faced stringent UM for their PCSK9 drug Praluent, due to charging a price, even after rebates, far above ICER benchmark
- For new drug on atopic dermatitis, Dupixient, it conferred with ICER and chose a launch price near the benchmark ($37K)
- Favorable response from payers, though not all promised to forgo UM. Drug firm still negotiated rebates with PBMs, resulting in post-rebate price of $30K
- IMHO, payers should eliminate onerous UM and cost sharing for drugs charging benchmark prices

Walker (WSJ) 2017