Current Issues in Pharmacy

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SEAC Meeting
November 20, 2014
Agenda

• Managing specialty pharmacy
  — Current landscape
  — Management challenges and opportunities
  — Lessons for actuaries

• The issue of adherence
  — How it’s measured
  — What’s the impact
  — Why we’re talking about it
Agenda

- **Managing specialty pharmacy**
  - Current landscape
  - Management challenges and opportunities
  - Lessons for actuaries
- **The issue of adherence**
  - How it’s measured
  - What’s the impact
  - Why we’re talking about it
The specialty landscape is changing

Headwinds

- Robust Pipeline/ Novel MOA
- Manufacturer Price
- Approval Pathways /Orphan Drugs
- 351 (k) pathway
- Accelerated approvals

Tailwinds

- Ancillary Medication Cost Reduction
- Reduced Disease Impact Costs (hospitalizations, ER)
- Performance Guarantees
- Site Of Care and Channel Cost Disparity

- Emerging / Warehoused Populations
- Consensus Guidelines
- Pharma Market Pressure

- Patent Expirations
- Pharmacoeconomic Studies
- Market Landscape/ Competitive Pricing
- Biosimilars?

References:
Rare disease is a specialty subset accelerator

**Orphan / Rare Disease**

- Conditions that affect fewer than 200,000 patients\(^1\)
- Estimated 15 to 20 million Americans affected\(^2\)

**Specialty Spend**

Through 2018, there will be a 17 percent compound annual growth rate in U.S.\(^1\)

Orphan Drugs Set to be 15.9\% of Worldwide Prescription Sales by 2018\(^2\)

**Rare Disease**

Prior to 1983 only 34 orphan products were marketed\(^3\)

Between 1983 and 2009 the FDA approved 275 orphan drugs for 337 orphan indication\(^3\)

There are an estimated 6,000 rare diseases currently recognized in the U.S. alone

**2013-2018 CAGR**

Orphan 5.67\% vs. Non-Orphan 3\%

U.S. orphan market has resulted in 86 new approvals between 2000 and 2013\(^4\)

**References:**


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Case Study: Pulmonary Arterial Hypertension

Population

- Prevalence of 109 per million for ages <65 and 451 per million for Medicare\(^1\)
- High Comorbid Index\(^1\)
- Average AWP Specialty Cost Per Month\(^=\) $8,000\(^2\)
- Based on data from the Registry to Evaluate Early And Long-term PAH disease management (REVEAL) of patients in the United States, there is an estimated five-year survival rate of 57% from diagnosis.

References:

1. http://www.unboundmedicine.com/medline/citation/21793646/Prevalence_of_pulmonary_arterial_hypertension_and_chronic_thromboembolic_pulmonary_hypertension_in_the_United_States
Case Study: Pulmonary Arterial Hypertension

Pharmacy Coverage Differences

• Formulary / Preferred Product
• Staging/Population Burden
• Access vs. Adherence
• Medical/Pharmacy Benefit Cross Over

References:
1. http://www.unboundmedicine.com/medline/citation/21793646/Prevalence_of_pulmonary_arterial_hypertension_and_chronic_thromboembolic_pulmonary_hypertension_in_the_United_States
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Critical Variables

- Patent Expiration / Generic
- Pipeline - Novel Agents/ Price Set
- Manufacturer Price Increases
- Ancillary Care
- Population/Disease Burden

References:

1. http://www.unboundmedicine.com/medline/citation/21793646/Prevalence_of_pulmonary_arterial_hypertension_and_chronic_thromboembolic_pulmonary_hypertension_in_the_United_States

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Case Study: Hemophilia

Background and Population

- Hemophilia is a chronic and expensive condition, with antihemophilic medications accounting for 45%-93% of total health care costs, depending on severity and treatment regimen.
- Estimated 18,500 patients with hemophilia A and B in the United States\(^2\)
- 1 in 5,000 male babies are born in the U.S. with hemophilia A each year\(^1\)
- Approximately 12,500 hemophilia A patients utilize Factor VIII therapy\(^3\)
- 28% mild, 19% moderate, 53% severe.

References:

Case Study: Hemophilia

Coverage Drivers and Strategies

- Formulary / Preferred Product
- Medicaid Expansion
- Population Burden/Spend - Prevalence/ Spend Disparity in Medicaid vs. Commercial
- Care management vs. Drug Management
- StopLoss Reinsurance/ Risk Delegation/ Carve Out
- Medical benefit vs. Pharmacy benefit

References:


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Case Study: Hemophilia

Critical Variables

- New Long-Acting Products
- Performance Guarantees
- Manufacturer Price Increases
- Ancillary Care - Reduction in hospitalizations\(^4\)
- Population/Disease Burden

References:

A “Simple” Story about 5 Hypothetical Employer Groups

• Assumptions for this presentation
  — Five employer groups are attempting to predict their specialty spend
  — Each employer group has 5,000 covered lives and has experienced no significant enrollment changes
  — They are all expecting a 2014 – 2015 SP trend of 18% based on information from advisors
  — Each plan had a 2014 Specialty pharmacy spend of $250 PMPY*
    » $1.25M incurred in 2014
    » Expecting $1.47 in 2015

*For illustrative purposes only. Commercial Specialty per member per year costs per Express Scripts Drug Trend Report was reported at $240.57 in 2013
• One Year Later......
What Happened to the Expected 18% Trend?

2015 Specialty Drug Trend of 5 Hypothetical Employer Groups

- Group 1: 10%
- Group 2: -38%
- Group 3: 58%
- Group 4: 43%
- Group 5: 37%

SPRX Actual Trend

SPRX Expected Trend
Insight into Specialty Trend Drivers

• Annual specialty therapy can typically cost $30,000 per year or more.¹
• Some therapies can cost >$300,000 per year.
• Pricing inflation is the only constant in every employer group’s trend.
• Due to the low prevalence of specialty patients (~1-2% of a population), trend prediction can be challenging.¹

• Unlike traditional pharmacy, one specialty patient can impact trend.
• Rare disease treatments can dramatically skew trend.
• Patients switching coverage between medical and pharmacy benefits can impact trend.
• One poorly managed specialty patient can dramatically negatively impact trend.

¹ Walgreens data on file.

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Common measures of medication adherence

- **Medication possession ratio (MPR)**
  \[
  \text{MPR} = \frac{\text{Total days of supply}}{\text{Total days in observation period}}
  \]

- **Proportion of days covered (PDC)**
  \[
  \text{PDC} = \frac{\text{Total days covered}}{\text{Total days in observation period}}
  \]

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Unmet needs of adherence

The Institute for Healthcare Improvement’s “Triple Aim” focuses on three dimensions:

1. Improving patient satisfaction and quality of care
2. Improving population health
3. Reducing the cost of healthcare

Medication nonadherence—the failure to take medication as prescribed—is an impediment to healthcare optimization.

• The Congressional Budget Office (CBO) estimates that a 1 percent increase in the number of prescriptions filled by beneficiaries would cause Medicare’s spending on medical services to fall by roughly one-fifth of 1 percent.

Hospital readmissions
Adverse medication events (including patient nonadherence) are at the core of the readmission problem. This leads to treatment failures and wasted resources.

The economic cost of nonadherence

The total direct national cost of nonadherence for adults diagnosed with diabetes, hypertension, or dyslipidemia was **$105.8 billion**, or an average of **$453 per adult**, in 2010

<table>
<thead>
<tr>
<th>Condition</th>
<th>Adherence Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diabetes</td>
<td>37.9%</td>
</tr>
<tr>
<td>Asthma</td>
<td>80.2%</td>
</tr>
<tr>
<td>Hypertension</td>
<td>28.1%</td>
</tr>
<tr>
<td>Dyslipidemia</td>
<td>27.2%</td>
</tr>
</tbody>
</table>

Preventable hospital readmissions cost the U.S. healthcare system **$25 billion** annually.

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Improved adherence can impact your organization

Enhance clinical outcomes, patient satisfaction and quality of care

- Pharmacist counseling can significantly impact adherence and clinical outcomes

Increase Medicare Advantage star quality ratings

- Star metrics adherence measures are triple weighted
- May impact bonus payments and improve competitiveness

Reduce healthcare costs

- Up to 19 percent of discharged patients experienced an adverse event after discharge
  - Two-thirds were attributed to medications
  - One-third resulting in a hospital admission were related to nonadherence

References:
Improved adherence can impact your organization

Increase Medicare Advantage star quality ratings

- Five heavily-weighted medication-related Star ratings
  - Account for ≥17% of a MA-PD’s Star rating
  - Account for ≥50% of a PDP’s Star rating
  - Star rating performance is relative
    - Must perform better than other plans to receive a high score
- May impact bonus payments and improve competitiveness
  - Applicable for MA-PD plans
  - Increase in overall Star rating can increase capitation
  - High overall Star ratings lead to increases in enrollment
    - 5-star plans are eligible to enroll year-round
  - Improvement in quality measures can reduce medical cost
Thank you!
Q&A (or O)