Latest Trends and Best Practices in Pharmacy Management

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Latest Trends in Pharmacy Benefit Plan Management

Today’s Speakers

Joe DiBella
Managing Director | Executive Vice President
Conner Strong & Buckelew
Health and Benefits Practice

Dan Geiger
Director of Specialty Solutions
Express Scripts Inc.
Agenda

1) Review of present landscape with benefit costs for employers and plan sponsors
2) Techniques in combating rising cost
3) Specific tactics to contend with Specialty Pharmacy
Current Landscape in Benefits
Annual Rate of Increase in the MMI Index

MILLIMAN MEDICAL INDEX (MMI)

Annual Medical Cost for Family of Four

- 2011: $19,393
- 2012: $20,728
- 2013: $22,030
- 2014: $23,215
- 2015: $24,671

CONNER STRONG & BUCKELEW
Annual Rate of Increase in the MMI Index
Annual Rate of Increase in the MMI Index

2015 MMI COMPONENTS OF SPENDING

- Pharmacy: $3,913 (16%)
- Inpatient: $7,642 (31%)
- Professional Services: $7,540 (31%)
- Outpatient: $4,665 (19%)
- Other: $911 (4%)

CONNER STRONG & BUCKELEW
Annual Rate of Increase in the MMI Index
Annual Rate of Increase in the MMI Index
Annual Rate of Increase in the MMI Index
Overall spending on prescription drugs continues to grow. Pharmacy spend is expected to increase by 10.6% per-member-per-month (PMPY) in 2016; most of this increase is due to rising specialty pharmacy costs.

Traditional pharmacy spend drugs is projected at 3.9% but specialty trend is expected to be 22.3% for 2016. To manage these rising costs, employers will continue to utilize a variety of pharmacy benefit management tactics.

For specialty pharmacy, the most common management techniques are the ones the plans have been using for years to manage certain traditional medications, including: Step Therapy (77%); Prior Authorization under the pharmacy benefit (76%); Quantity Limits (70%); and Utilization Management (62%) (Source: 2015 NHBG Survey).

However, specialty medications are different than traditional in many ways. They often involve much higher costs (i.e., upwards of thousands or tens of thousands of dollars per treatment). Many are biologics that require special handling in how the medications are both distributed and administered. They also can have very significant side effects, meaning that special monitoring of patients is required and that adherence can be a challenge.
One major issue that arose in 2014 was a sudden spike in the cost of compounded medications. Compounded medications are drugs combined, mixed or altered by a pharmacist to create a medicine tailored to the needs of an individual patient. This was coupled with the stunning costs of Hepatitis C medications that shocked the markets.

Over the course of 2014, the per member per year costs of compounded medications increased by 128%. During the latter half of 2014 and the beginning of 2015, most employers worked with their health plans and/or PBMs to put in place cost management techniques to better manage the use and cost of these medications.

Going into 2016, 50% of respondents indicated that compounded medications will be subject to prior authorization, 24% will require that plan participants try traditional medications before using the compounded medication, and 22% will have quantity limits in place.

Beyond these traditional pharmacy management techniques, some employers are excluding certain bulk ingredients from their plans at the recommendation of their PBMs.
What Employers Say is Driving Their Costs

High cost claimants
- Highest Cost Driver: 43%
- Second Highest Driver: 21%
- Third Highest Driver: 8%

Specialty pharmacy
- Highest Cost Driver: 17%
- Second Highest Driver: 32%
- Third Highest Driver: 21%

Overall medical inflation
- Highest Cost Driver: 16%
- Second Highest Driver: 5%
- Third Highest Driver: 17%

Specific diseases or conditions
- Highest Cost Driver: 15%
- Second Highest Driver: 17%
- Third Highest Driver: 21%

Outpatient care (i.e., physician visits)
- Highest Cost Driver: 3%
- Second Highest Driver: 1%
- Third Highest Driver: 6%

Hospitalization (i.e., inpatient care)
- Highest Cost Driver: 2%
- Second Highest Driver: 8%
- Third Highest Driver: 13%

Outpatient procedures
- Highest Cost Driver: 2%
- Second Highest Driver: 4%
- Third Highest Driver: 2%

ACA compliance
- Highest Cost Driver: 1%
- Second Highest Driver: 6%
- Third Highest Driver: 5%

Geographic variation in cost/utilization
- Highest Cost Driver: 1%
- Second Highest Driver: 3%
- Third Highest Driver: 3%

Imaging
- Highest Cost Driver: 1%
- Second Highest Driver: 1%

Other
- Highest Cost Driver: 1%
- Second Highest Driver: 2%
- Third Highest Driver: 3%

Note: Other responses included: pharmacy; maternity chronic diseases; and an aging workforce.

Source: 2015 NBGH Annual Survey
Current State of Pharmacy Benefits

- The current pharmacy cost trajectory is unsustainable and will only continue to increase as a flood of new medications and technology flood the market.
- There are also societal issues and challenges that need to be contended with. Can we afford $90,000 to treat Hepatitis-C?
- At the present pace, specialty medications may consume up to 50% of pharmacy spend by 2020.

What are the best practices to deal with these escalating costs without simply cutting benefits, increasing cost sharing or employee payroll contributions?
Best Practices
Global Pharmacy Strategies

- Incentives/disincentives for use of lower cost administration sites
  - Exclude non-cancer specialty drugs from medical plan
  - Fouth-tier or higher formulary placement
  - Utilization management
    - Quantity limits
    - Utilization management
  - Use of freestanding or PBM's specialty pharmacy
  - Prior authorization for drugs under medical benefit
  - Mandatory mail order for select drugs
  - Approval only for a limited initial supply
  - Employee price transparency program
  - High-touch case management
  - Site of care management
  - Preferred retail network
  - Step therapy

Note: Other responses included: employees pay higher copay for maintenance medications at retail pharmacy after the third fill.

Source: 2015 NBGH Annual Survey

2015 vs 2016
Overall Rx Strategies

- Quantity limits: 70% (2016), 68% (2015)
- Member pays the difference between generic and brand: 64% (2016), 62% (2015)
- Employee price transparency program: 44% (2016), 46% (2015)
- Integrate medical and pharmacy data: 44% (2016), 43% (2015)
- Closed formulary (i.e. certain brand name drugs excluded): 38% (2016), 43% (2015)
- Mandatory mail order for maintenance medications: 39% (2016), 40% (2015)
- Four-tier design: 31% (2016), 18% (2015)
- $0 copay for select generic medications: 24% (2016), 18% (2015)
- Exclude medications that offer coupons/rebates to consumers: 6% (2016), 5% (2015)
- Place medications that offer coupons/rebates to consumers on a higher tier*: N/A (2016), N/A (2015)

Source: 2015 NBGH Annual Survey
The skyrocketing costs of specialty pharmaceuticals continue to be one of the largest drivers of medical trend in 2016. As a result, employers are taking steps to control as much of the costs as possible. Tactics such as site-of-care management, pharmacy price transparency programs, requiring the use of a specialty pharmacy have all grown significantly since last year. Despite these steps, it is very likely that specialty pharmacy costs will continue to increase at a double digit rate, bringing all plans that much closer to the excise tax.

### Key Management Techniques for Specialty Pharmaceuticals

<table>
<thead>
<tr>
<th>Technique</th>
<th>2016</th>
<th>2015</th>
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<tbody>
<tr>
<td>Use of freestanding or PBM's specialty pharmacy</td>
<td>55%</td>
<td>33%</td>
</tr>
<tr>
<td>Prior authorization for drugs under medical benefit</td>
<td>53%</td>
<td>29%</td>
</tr>
<tr>
<td>Approval only for a limited initial supply</td>
<td>35%</td>
<td>29%</td>
</tr>
<tr>
<td>High-touch case management</td>
<td>34%</td>
<td>29%</td>
</tr>
<tr>
<td>Site of care management</td>
<td>32%</td>
<td>18%</td>
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The Basics

- There are some basic best practices for all employer and plan sponsors must have on the pharmacy strategy to do list:
  - Carve Out PBM relationship
  - Careful scrutiny of the PBM Agreement
  - Value Based Design for key Medications
  - Incentive Generic
  - Incentive Mail
  - Starter Dose
  - 4th Tier
  - Coinsurance vs. Copayment Tiers
  - Tight Compound Medication Policy
  - Prior Authorization
  - Step Therapy
  - Pharmacy Transparency Tool
  - Narrow Pharmacy Networks
  - Specialty Medication Protocols
Express Scripts Overview of Specialty Pharmacy Management and Other Key Techniques
Express Scripts Specialty Pharmacy Services

Accredo® Specialty Pharmacy
Who are specialty patients?

People like you,
Living with the most complex, chronic, and rare conditions

COMMON SPECIALTY CONDITIONS

- Rheumatoid arthritis
- Cancer
- Hepatitis C
- Multiple sclerosis
- Growth deficiency
- Infertility
- Pulmonary arterial hypertension
- Bleeding disorders
- Many others

● Represents a top-spend therapy class.
About specialty medications

Specialty drugs are injectable and non-injectable drugs with one or more of the following traits:

**SPECIALIZED CLINICAL CARE**
- Frequent dosing adjustments
- Intensive clinical monitoring
- Intensive patient training

**SPECIALIZED CHANNEL AND HANDLING NEEDS**
- Limited or exclusive distribution
- Specialized handling and administration
The complexity of specialty medications
One Remodulin prescription = 16 items
Pharmacy spend growth continues
It’s all about specialty

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2018</th>
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<tbody>
<tr>
<td></td>
<td>70%</td>
<td>50%</td>
</tr>
<tr>
<td></td>
<td>30%</td>
<td>50%</td>
</tr>
<tr>
<td>Traditional</td>
<td></td>
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<tr>
<td>Specialty</td>
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Costly, high-use drugs on the horizon

<table>
<thead>
<tr>
<th>Condition</th>
<th>Prevalence</th>
<th>Annual Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alzheimer’s</td>
<td>5.4 million</td>
<td>$35,000</td>
</tr>
<tr>
<td>Cancer</td>
<td>14 million</td>
<td>&gt;$100,000</td>
</tr>
<tr>
<td>High Cholesterol</td>
<td>71 million</td>
<td>&gt;$14,000</td>
</tr>
<tr>
<td>Hepatitis C</td>
<td>3.2 million</td>
<td>~$100,000</td>
</tr>
</tbody>
</table>
Where you get your specialty medication matters

With a specialized pharmacy

- Avoid dangerous and fatal mistakes
- Eliminate costly misuse of drugs
- Easy, worry-free experience

100% of cancer members see an oncologist and not a general practitioner

100% of members should see an oncology specialist pharmacist, too.
Accredo Specialty Pharmacy
The optimal pharmacy channel

• Specialized, thorough patient care by providing:
  • Individualized counseling and education
  • Proactive monitoring
  • Clinical interventions
  • Coordination with health plan and physicians

• Offers ongoing support from specialist pharmacists and nurses

• Maintains access to the widest range of limited and exclusive distribution drugs

• Reduces overall healthcare costs through better outcomes

When compared to retail pharmacies, specialty pharmacies offer

• Higher accuracy rates
• Better access to medication
• Improved patient adherence
• Expanded services for patients
• Enhanced savings potential
Accredo national footprint

- Accredo © office in state
- 32 Accredo locations
- 11 Nursing offices
- 11 TRC home and support offices
- 550 Field nurses with 75-mile service-area radius

Cities and locations mentioned in the map:
- Elmsford, NY
- Detroit, MI
- Kansas City, MO
- Oklahoma City, OK
- Englewood, CO
- Salt Lake City, UT
- Phoenix, AZ
- Las Vegas, NV
- Seattle, WA
- Omaha, NE
- Eagan, MN
- Iowa City, IA
- Indianapolis, IN
- Elmhurst, IL
- Columbus, OH
- Dallas, TX
- Memphis, TN
- Nashville, TN
- Birmingham, AL
- Orlando, FL
- Ft. Lauderdale, FL
- Boston, MA
- Byfield, MA
- Willingboro, NJ
- Pine Brook, NJ
- New Castle, DE
Leader in limited and exclusive distribution therapies

Accredo® has access to over 90% of limited distribution drugs, and more exclusive distribution drugs than any other specialty pharmacy.

- **166** Total limited and exclusive distribution products
- **115** Large network distribution products
- **39** Small network distribution products
- **12** Exclusive distribution products
Accredo’s Therapeutic Resource Centers® provide more enhanced care to those who need it most.

14 Areas of focus, including:
- Hepatitis C
- Oncology
- Multiple Sclerosis

Widest access to limited and exclusive distribution drugs in the industry

<table>
<thead>
<tr>
<th>Unique clinical protocols</th>
<th>One-on-one counseling</th>
<th>Proactive copay assistance</th>
<th>Higher average member adherence rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>for most drugs</td>
<td>from specialist</td>
<td></td>
<td>in top therapy classes</td>
</tr>
<tr>
<td>dispensed maximizes</td>
<td>pharmacists and nurses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>safety, effectiveness</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>and affordability</td>
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Proactive copay assistance and enhanced member service.
Accredo® specialized clinical model
Therapeutic Resource Centers®

Delivering better patient care

- Specialty-trained pharmacists and nurses
- Monitoring and ongoing assessments
- Complete medication and medical profile
- Comprehensive therapy management
- Multimedia and online patient resources
- 24/7 access to pharmacists

Scale allows DEEPER specialization

<table>
<thead>
<tr>
<th>HIV</th>
<th>Hepatitis C</th>
<th>Cardiovascular</th>
<th>RA &amp; I</th>
<th>Multiple Sclerosis</th>
<th>Transplant</th>
<th>Endocrine</th>
<th>Pulmonary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fertility</td>
<td>Oncology</td>
<td>Rare Disease</td>
<td></td>
<td>Pulmonary Hypertension</td>
<td>Bleeding Disorders</td>
<td>Immune Disorders</td>
<td></td>
</tr>
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</table>
Meaningful results for you and your members

Interaction with specialized clinicians

- Personalized counseling and assessments for all specialty patients
- Average counseling time 12 minutes or longer versus less than two minutes at retail\(^1\)
- 98% satisfaction with pharmacist counseling

Service, effectiveness, engagement and safety

- Hepatitis C patients who use Accredo achieve 89% higher therapy completion
- 39% lower risk of ER visits for adherent MS patients\(^2\)
- 99.999% accurate, safe, and efficient dispensing\(^4\)

Plan and Member savings

- Accredo delivered $730 million in therapy management savings\(^3\)
- >$12,000 in average copay savings for oncology patients\(^3\)
- Accredo will help specialty patients connect with $364 million in copay assistance in 2015\(^3\)

\(^1\) CVS Health Insights 2014; \(^2\) Express Scripts analysis of Truven Health Analytics MarketScan\textsuperscript{®} Databases, 2012-2013. Study results are based on annual, per patient figures; \(^3\) 2015 book of business statistics; \(^4\) As of January 2015
### Therapeutic Resource Centers®
**End-to-end support for patients**

<table>
<thead>
<tr>
<th>Specialization per condition</th>
<th>Accredo® specialty pharmacist</th>
<th>Other specialty pharmacist</th>
<th>Retail pharmacist</th>
</tr>
</thead>
<tbody>
<tr>
<td>Most specialization</td>
<td>Most specialization with deep focus on patients with a small number of conditions and therapies</td>
<td>Focus diluted across dozens of conditions and therapies</td>
<td>No specialization – no focus</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Experience per condition</th>
<th>Focused training and experience with patients with conditions and needs in a single specialty</th>
<th>General training across treatments and therapies</th>
<th>Limited training and occasional experience</th>
</tr>
</thead>
</table>

| Specific protocols per condition | Condition and **drug-specific protocols** developed by specialists for every drug dispensed | Protocols only for select specialty drugs | NA |

| Dedicated field nurses         | **550 field nurses** – all Accredo staff | NA | NA |

| Physician support              | **150 support experts** in the field with concierge service | NA | NA |

| Proactive patient support      | • **Proprietary training** in the specialty AND applied behavioral science  
  • Deepest safety monitoring  
  • Unique apps and condition-specific websites | NA | NA |
Advanced therapies management with Accredo®

**Pulmonary hypertension**
- Only specialty pharmacy with access to all therapies
- Care model with proven ability to lower total medical costs

**Bleeding disorders**
- Leveraging one of the industry’s largest inventories to dispense at prescribed dose, saving clients significant expense
- Local, hemophilia-trained nurses to optimize outcomes

**Immune disorders**
- Therapy-specific protocols to minimize adverse drug events (ADEs) and maximize infusion completion rate (99.7%) to reduce waste
- 31% higher adherence rate than other specialty pharmacies

**Other infused**
- Alpha-1 antitrypsin deficiency
- Hereditary angioedema (HAE)
- Lysosomal storage disorders/enzyme replacement therapies

Excellence in clinical care for patients requiring complex therapies
Clinical assessment process flow

**Initial assessment**
- Initial clinical assessment by nurse or pharmacist
- Disease education
- Drug education and therapy expectation

**Follow-up assessment**
- Review drug and disease education as needed
- Side effects review
- Medication adherence and challenges
- Psycho/social support and encouragement

**Interventions**
- Pharmacist for detailed side-effect management
- Licensed clinical social worker for ongoing emotional support and resource assistance
- Physician outreach for reporting on new or worsening symptoms

**Baseline**

**Ongoing**

**Outcomes**
TRC impact: specialized care for oncology

Oncology-specific care and counseling to help patients achieve the BEST POSSIBLE OUTCOMES

10% More patients achieve optimum adherence levels

10x Longer patient care time (per call compared to retail)

$1.1M Payer savings on ESAs annually

HOW WE DO IT — THE TRC DIFFERENCE

- One-on-one clinical assessments with nurses
- Thorough gap-in-care intervention outreach
- Black box safety review
- Proprietary MESA therapy management protocol
- Oncology nutritional support staff and online resources
- Motivational partnerships

1. On oral oncology medications vs. other specialty pharmacies
2. ESA = erythroid stimulating agent – a specialty drug used to increase red blood cell count which often is lowered with cancer treatment.
TRC impact: multiple sclerosis

MS-specific care and counseling to help patients achieve the

BEST POSSIBLE OUTCOMES

5%
Higher adherence
(compared to retail)

66%
Lower risk of an ER visit

23%
Lower annual medical costs
(or >$5,400 per patient)

HOW WE DO IT — THE TRC DIFFERENCE

One-on-one clinical assessments with nurses
Thorough gap-in-care intervention outreach
Proprietary depression screening

Complete evidence-based regimen review
Unique online support, including MSNeighborhood.com
Experts specializing in MS
Innovative solutions
Express Scripts SafeGuardRx

A suite of unique and unprecedented solutions that safeguard your plan’s interests while ensuring important therapies and specialized care are available to patients.

Express Scripts SafeGuardRx℠ Clinical Solutions

1. **Hepatitis Cure Value Program®**
   Unique partnership with manufacturer that expands access and saves >$1 billion for clients

2. **Cholesterol Care Value Program℠**
   Robust trend and clinical management solution, including
   - Clinical documentation
   - Clinical days’ supply
   - Patient support from Accredo®

3. **Oncology Care Value Program℠**
   Collaborating with stakeholders to pay for results by indication – starting with oncology
Biosimilar management

Projected Savings: $250 billion through 2024

Zarxio: >$5 billion in savings potential over 10 years

Realizing that value requires a pharmacy partner that can:

- Manage substitution and tracking
- Encourage use
- Support physicians and patients
Accredo support through financial assistance

Accredo® is an industry leader in helping thousands of patients find sources of assistance through 130+ programs

Charitable resource assistance

- Caring Voice Coalition
- Chronic Disease Fund®
- Patient Access Foundation
- Patient Services Inc
- Patient Advocate Foundation
- Leukemia & Lymphoma Society®
- CancerCare® Co-payment Assistance Foundation
- Patient Access Network Foundation
- 120+ more

$364M
Total assistance in 2015*

After conducting a benefits investigation, Accredo contacts the patient to review coverage and out-of-pocket expenses. If appropriate, foundation and financial resource assistance options are reviewed.

* Accredo 2015 book of business data. Sources include manufacturer and charitable programs.
Managing copay assistance through creative benefit designs

Variable copay program
- Utilizes assistance programs in the market to reduce plan costs
- Increases copays for select drugs
- Enrolls members in copay assistance programs
- Maximize your benefits by enrolling in both programs

Out-of-pocket protection plan
- Mitigates the impact of copay assistance on plan design
- Utilizes Accredo®’s advanced reporting adjusting copay assistance from members out-of-pocket maximums
- Notifications sent to impacted members
- Maximize your benefits by enrolling in both programs

1% – 10% savings per therapy class
Focus on manufacturer copay assistance
Deepening patient and prescriber engagement

Improving ease of use, enhancing disease management, and providing more tailored interactions

<table>
<thead>
<tr>
<th>Provider solutions</th>
<th>Patient solutions</th>
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<tbody>
<tr>
<td>• Proactive coordination of care</td>
<td>• Hepatitis C mobile app</td>
</tr>
<tr>
<td>• Largest physician support team in industry</td>
<td>• Electronic prior authorization for faster treatment decisions</td>
</tr>
<tr>
<td>• Disease and case management coordination</td>
<td>• TherapEase Cuisine® and oncology nutrition support</td>
</tr>
<tr>
<td>• Concierge service for end-to-end support</td>
<td>• &gt;$240 million in copay assistance in 2014</td>
</tr>
<tr>
<td>• Provider portal</td>
<td>• Text messaging refill reminders</td>
</tr>
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97% satisfaction

93% satisfaction
Pharmacy That Goes Farther℠  
Pharmacist-on-Demand pilot

- Brings clinical specialization to patients in a personal, private and innovative way
- Scheduled face-to-face consultations with Specialist pharmacists for new-to-therapy rheumatoid arthritis and multiple sclerosis patients
Nutrition in the oncology care model

One-on-one consultation

• Patients with high acuity nutritional needs
• Patients who do not have email or computer
• Dietitian voicemail available
• Average consultation takes 30-60 minutes along with a follow-up email

Holistic nutrition program that meets patients’ needs

• 24/7 online real-time assessments
• Weight tracking and meal planning
• Same clinical support as a live clinician

• Drug/food interaction knowledge
• Importance of taking some drugs with food
• Foods that may worsen adverse events
Clinical social service support
Connecting patients with resources

"I need a ride to treatment. How am I going to get there?"

"I have unpaid utility bills. How am I going to pay them?"

"I don’t have money for my other medications I take for nausea or pain."

Disease-specific resources

Community resources

Psychosocial assessment

Financial resources

Crisis intervention

Clinical staff training and referrals

Counseling and emotional support

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Managed plans reduce costs

Specialty Trend

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<tr>
<th></th>
<th>Unmanaged</th>
<th>Managed</th>
<th>Tightly Managed</th>
</tr>
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<tr>
<td></td>
<td>20.2%</td>
<td>16.9%</td>
<td>13.8%</td>
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Clients moving from unmanaged to tightly managed status can lower trend up to 32% while improving care for their members.

% Increase in adherence rates

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<tr>
<th></th>
<th>HGH</th>
<th>MS</th>
<th>Pulmonary</th>
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<tbody>
<tr>
<td>% Increase in adherence rates</td>
<td>+10%</td>
<td>+2%</td>
<td>+5%</td>
</tr>
</tbody>
</table>

Source: Express Scripts Research Study – Impact of Effective Management on Specialty Trend