

Trends in pharmacy

The latest in pharmacy news



Drug spending continues to rise

Prescription drug prices increased by 10.43% in 2015, as determined by a national drug price index. By comparison, the Consumer Price Index went up by only 1.4%. Drug index price increases identified for 2015:¹

- Brand-name drugs: up 14.8%
- Specialty drugs: up 9.2%
- Generic drugs: up 2.3%

Our research found major pharmacy trend drivers include:

- Average Wholesale Pricing (AWP) inflation continues to be the significant driver of prescription drug trend.
- New drugs are often replacements for older, lower-cost therapies. The most significant new drugs are high-cost Hepatitis C treatments.
- Generic drug savings are lower than previous years due to fewer brand drugs losing patent protection.

Anthem Blue Cross (Anthem) is working to help lessen the impact of drug price inflation. We've had successes managing costs by negotiating contractual discounts on drug pricing through rebates and price-protection agreements. We've leveraged these actions into results that drive savings through preferred drugs and drug tiering formulary strategies. These solutions help lower the total cost of care while enhancing rebates in drug classes where there are limited generics.

Major pharmacy trend drivers



- Formulary and network strategies
- Clinical programs and edits
- Benefit design strategies
- OTC drugs
- Rebates
- Generics
- Biosimilars
- Price protection
- Provider incentives

- Specialty drug pipeline
- Brand and generic AWP increases
- Generic patent cliff
- Breakthrough therapies
- Increased utilization
- Drug waste
- Gaps in care
- Wrong site of care



Biosimilars give hope for specialty drug cost management

Over the past 30 years, biologic drugs have been among the most expensive medication therapies available. In the next four years, the biologics sector will experience its own patent cliff, as more and more biologics lose their patent protection and market exclusivity. This will drive development and approvals of biosimilar products, which could create a \$38.8 billion savings opportunity.²

To date, the FDA has approved only two products through the biosimilar approval pathway: Zarxio®, the biosimilar to Amgen's Neupogen®, and Inflectra®, the biosimilar to Janssen's Remicade®. Another noteworthy biologic that has biosimilar applications filed with the FDA is Neulasta®, a colony stimulating factor drug that helps the body build white blood cells after cancer treatments.

Issues facing biosimilars are consistent with those facing generic non-specialty drugs, but more complicated. Litigation, patent challenges and other factors may delay their approval and launches. There are significant unknowns around price as well as physician and patient acceptance.

The impact of biosimilars has been limited so far. Biosimilar pricing has not been significantly less than the original biologic drug. The FDA does not consider the approved biosimilars interchangeable for the original drugs, which has limited an uptick in utilization.

Anthem will continue to work with health care providers and our clients to develop viable cost-containment solutions. We continue to monitor the pipeline of these products to ensure they are clinically and cost effective. By doing so, we are able to proactively implement programs for these high-cost, specialty drugs to ensure clinically appropriate use once they receive FDA approval.

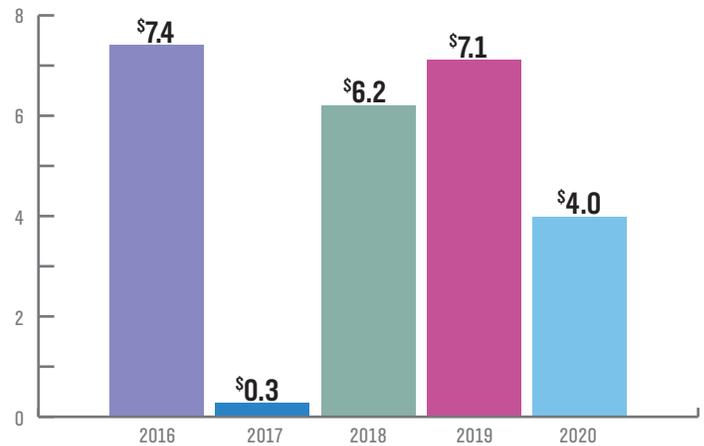
Employers reduce costs with drug lists and networks

Focused drug lists, also called formularies, and focused retail pharmacy networks are quickly becoming the new normal.

An “open” formulary includes virtually all U.S. Food and Drug Administration (FDA) approved prescription drugs except those excluded by the pharmacy benefit plan. An “open” retail pharmacy network is typically very large and includes all pharmacies that agree to meet network contract requirements.



54 biotech products with patent expirations through 2020 Overall U.S. market opportunity (in \$ billions)



2016 | Humira® Elitek® ReoPro® Benefix®

2017 | Lemtrada®

2018 | Xolair® Erbitux®

2019 | Avastin® Herceptin® Orencia® Actemra® Advate®

2020 | Lucentis® Tysabri® Pegasys® Vectibix® Peg-Intron® Kineret®

Source: U.S. Drug spend estimates are based on IMS Health data for 2014 and Express Scripts

The availability of biosimilars is highly variable due to litigation, patent challenges, FDA's establishment of 351(k) pathway, or other factors

A focused drug list is frequently a “closed” formulary that includes a limited number of drugs that are clinically effective and cost-effective. A focused retail pharmacy network includes fewer pharmacies, with the participating pharmacies accepting reduced contracting rates in exchange for potential higher customer volume. The savings from both can be used to help manage employer and member costs.

About 50% of the commercial market has access to focused retail pharmacy networks.³ Almost half of employers responding to a survey said they would choose to use a preferred network in return for a lower member cost share.⁴

Focused drug lists are growing in popularity as payers like health plans and employer groups balance drug clinical effectiveness with economic impact.⁵ According to the Academy of Managed Care Pharmacy, effectively developing and managing drug lists “minimizes overall medical costs, improves patient access to more affordable care and provides an improved quality of life.”⁶

To help keep prescription drug costs down, Anthem offers a choice of drug lists and pharmacy networks. We offer a drug list tailored for clients looking to control pharmacy costs while enhancing rebate opportunities and minimizing member disruption. We also have a drug list for those looking to maximize premium savings. Plus, Anthem has retail pharmacy networks and 90-day refill networks to match client priorities.

Site of care can reduce infused drug costs, increase convenience

Specialty drug infusions administered in the home by a home health care company, in a doctor's office, or in a hospital outpatient clinic are covered under the member's medical benefit. The cost per claim for infusion of the same drug and dose can vary substantially based on where the infusion is given. Our claims research shows the average cost of a specialty medication provided in a hospital outpatient setting is typically two to three times higher than a doctor's office or in the home.⁷ Hospital outpatient infusions make up a third of infusions but account for almost half the specialty drug spend in the medical benefit.⁷

As an example, the average cost per claim of an infused drug commonly used to treat Crohn's Disease, rheumatoid arthritis, plaque psoriasis and other conditions varies greatly by site of care:

Site of care	Average cost per claim
Physician office	\$3,063
Home	\$3,620
Hospital outpatient	\$7,254

Up to 75% of infusions in high-cost outpatient clinics can be appropriately re-directed to lower-cost sites of care.

Site of care optimization identifies members who are receiving infused drugs in higher-cost settings, such as a hospital outpatient clinic, and redirects them to lower-cost sites of care that are clinically appropriate and can be more convenient for the member. Our analysis has found that by developing flexible solutions, up to 75% of infusions in high-cost outpatient clinics can be appropriately re-directed to lower-cost sites of care.

Site of care management is a growing trend. A survey of 300 large employers in 14 states found a little over half are currently using specialty drug site of care management techniques. An additional 25% plan to add it during the next year.⁸

Anthem has a continuum of programs for site of care management, ranging from voluntary site of care redirection to mandatory solutions requiring precertification. These new programs are market-leading differentiators that drive cost of care savings by using lower-cost sites of care while maintaining clinical efficacy under Anthem's medical and pharmacy benefits.



1 Drug Benefit News, January 22, 2016.
2 American Action Forum website: *The New Frontier of Pharmaceuticals: Biosimilars*, (September 10, 2015): americanactionforum.org.
3 Drug Channels website: *Optum, Aetna, Cigna and Prime Therapeutics Join the PBM Formulary Exclusion Party* (December 2015): drugchannels.net.
4 2014-2015 Prescription Drug Benefit Cost and Plan Design Report, Pharmacy Benefit Management Institute.
5 Managed Healthcare Executive website: *Plans under pressure to balance formularies* (2014): managedhealthcareexecutive.modernmedicine.com.
6 Formulary Management, Academy of Managed Care, (2009).
7 Internal research, 2014 commercial claims.
8 Online survey of 303 large group employers (100+ FTEs), conducted December 29, 2015, through January 6, 2016.