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US Biopharmaceuticals

Key takeaways from expert call on PBM-biosimilar model including b-Humira launch

Industry Overview

b-Humira feedback highlight paradigm shifting challenges

We hosted an investor call with a generic sourcing expert to better understand a) the root cause of an underwhelming US b-Humira adoption (in year 1); and b) read-across from b-Humira, the first PBM biosimilar, to future PBM channel launches. So far, limited b-Humira adoption was attributed to two issues: pro-brand economic incentives and some downstream (channel-related) structural impediments with non-IC biosimilars. Over time, the specialist expects b-Humira adoption rates to improve as PBM's enact more pro-biosimilar formulary updates (like CVS) and when economic spreads become more advantageous for b-Humira utilization (e.g. reimbursement rates for low cost similar to brand). On the importance of biosimilar interchangeability, the specialist believes mail order should help with overcoming any denials at specialty pharmacy (for scripts written for brand), assuming mail order unit can work with physicians to change script to a biosimilar. Per the expert, specialty pharmacies may dispense upwards of 50-60% of specialty biologics like Humira. In our view, despite a disappointing launch so far, we believe the US b-Humira opportunity could still be meaningful if competition gets squeezed and the market is left with 2-3 preferred suppliers.

TEVA interchangeability matters but bigger '25 benefit

Looking ahead, the specialist was most constructive on Sandoz's ability to pick up share (multi-prong market strategy; CVS preferred access) and was also optimistic Teva will be able to leverage interchangeability on Humira HCF. On Teva's recently approved IC Humira HCF, the expert felt the product should likely get onto all major formularies (+ small PBM's) over the course of '24 but he felt the company would need to leverage its specialty pharmacy network to ensure high use rate. Given Teva's entry point in the contracting cycle, the expert felt the biosimilar would likely not get preferred status in 2024 and more likely would be a more meaningful player in the '25E b-Humira market. On the '25 US b-Stelara launch, the expert felt biosimilar suppliers should be able to leverage some of the learnings from Yr1 Humira but he would not expect a dramatic difference given some of the added channel hurdles (cited above) won't disappear.

CVS' unique model could serve as a template for others

Following CVS' announcement in early January to remove Humira from national commercial template formularies effective April 1, 2024, the expert views potential for a sizable move with the formulary update providing the first step to driving broader adoption of b-Humira. However, the uptake remains unclear and will likely depend on how much of the volumes come from network pharmacies vs. mail order pharmacies, according to our expert. With regard to CVS' Cordavis model, the specialist believes other PBMs could develop similar private labels to emulate the model given the compelling economics of co-producing biosimilar products, spread advantage of lower priced options, along with the ability to gain insights into manufacturing costs. Through Cordavis, CVS is shifting some of the rebates typically derived from branded drugs to the manufacturing of the product which would allow the company see an economic benefit from co-producing the product. Overall, we remain optimistic on CVS' Cordavis opportunity and continue to monitor potential b-Humira uptake given the upcoming formulary updates in April.

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Acronyms:
b-Humira: biosimilar Humira
b-Stelara: biosimilar Stelara
non-IC: non-interchangeable
PBM: pharmacy benefit manager
HCF: high concentration format

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