



State of Specialty

S P E N D A N D T R E N D R E P O R T

Published October 2020

2019 RESULTS

Introductory Letter

From Michael Lonergan & Sharon Frazee

Dear Colleagues -

As we were ringing in 2020, I don't think any of us anticipated that this year would take us on such a unique path. It has already been a year like no other.

Our team has been closely following the pandemic. Of course, we are watching the impact on drug spend and utilization—but we're also keenly aware of the implications the pandemic has had on our clients and their communities of people. Looking beyond the numbers to the people represented by the data, we have been mindful of the broader outcomes. **As much remains in flux, we are seeing transitions emerging in places like mail-order drug delivery, home infusion, and telehealth services. These shifts are not expected to go away after the pandemic.**

Our team is staying on the pulse of what is happening and how it may impact payers and plan sponsors. As data insights unfold through the balance of the year, we're going to share more information with you. Right now, one thing is abundantly clear. Access to data and the need for cost-saving strategies are becoming more critical than ever.

If you indulge us a moment to brag about our team—we have the best and brightest in financial analytics, pharmacy benefit management (PBM) and pharmacy operations, and clinical, including 11 pharmacists on staff. This annual report showcases our depth of thought leaders and their ability to generate rich insights from our robust data.

As you dive into these pages, we hope you'll take away many actionable items to help optimize your specialty spend. Though specialty costs continue to trend upward, we're committed to helping payers and plan sponsors find innovative new ways to bend the trend.

If you have any questions or want more information about the contents of this report, please reach out. Our team is always on — and always on your side!



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Preface

About PSG

PSG is the leading pharmacy intelligence and technology company solving one of healthcare's biggest challenges – rising drug costs. We provide innovative drug management solutions to over 300 clients who rely on our team of trusted advisors to improve their financial performance.

Acknowledgment

We gratefully acknowledge the trust and confidence that our clients and partners place in us. Without them, this work would not be possible.

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Suggested Citation

Pharmaceutical Strategies Group.
State of Specialty report. 2020.
Plano, TX; PSG.
Available from psgconsults.com

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Executive Summary

The fourth annual State of Specialty Spend and Trend Report looks at specialty drug utilization and spending through the lens of PSG's proprietary Artemetrx® platform, which integrates pharmacy and medical claims data for a view of specialty costs across all benefits.

For this year's report, we looked at 45 million pharmacy claims and 54 million medical claims to better understand the trends driving specialty costs, the specific areas of specialty spend that should command your attention, and the actions you can take to minimize the impact of rising costs.

Robust Trend Data Analysis

99 million

Pharmacy and medical claims across the Artemetrx book of business

Percent of plan spend by drug category

35%	24%	9%
Inflammatory disorder	Oncology	Multiple Sclerosis

Top specialty drug by highest plan cost in 2019

#1 Humira

(Inflammatory Disorders)

Humira®, Remicade®, Stelara® and Enbrel® remain in the top specialty drugs in terms of per member per year (PMPY) costs as was observed in 2018. Stelara continues to rise in plan spend and moved from #4 in 2018 to #2 in 2019 due in most part to the 29.2 percent increase in utilization.

Specialty Spend and Trend

There is a recurring question common to the discussion of increased specialty spend and trend. What is driving the trend? Here these drivers are split into two primary components: utilization and cost per claim.

TREND DRIVERS

Utilization measures the change in volume of specialty drugs

Are patients using more or less?

Cost per claim measures the cost of those drugs

Are drugs getting more expensive or less expensive? We consider this from both a mix of costly medications and cost inflation perspective.

PMPY SPECIALTY TREND IS ON THE RISE: PMPY TREND 2019

Analysis of the trends on display in Artemetrx expects the trend forecasts to remain double digits in subsequent years due to the consistent increases in utilization. These increases are based on the robust pipeline of new products, expanded use of existing products with new indications, member access to products, and marketing of new and existing products.

PMPY trend can vary for different populations based on several factors, including benefit design, what clinical and utilization strategies are in place, and demographics such as the age distribution of members. **Our analysis found a range of \$382 in the PMPY trend from a low of \$575 (2.4 percent increase in 2019) to a high of \$957 (17.2 percent increase in 2019).**

PMPY Trend:

\$575; 2.4%

Low

\$829; 13.6%

Average PMPY for 2019
versus \$729 (2018) and \$652 (2017)

\$957; 17.2%

High

WHAT'S DRIVING THE TREND?

The 13.6 percent trend in 2019 was primarily driven by the increase in utilization, which rose 10.3 percent, while the cost per claim increased 3.3 percent. This shows the price and mix of costly medications leveling off while the utilization of specialty drugs has increased over 2018.

The utilization of specialty drugs is not only increasing from existing specialty users but also with new patients utilizing specialty drugs. These graphs show the percentage of specialty users, which continues to increase year-over-year. As a reference, just 10 years ago, specialty drugs were utilized by only 1 percent of the population.

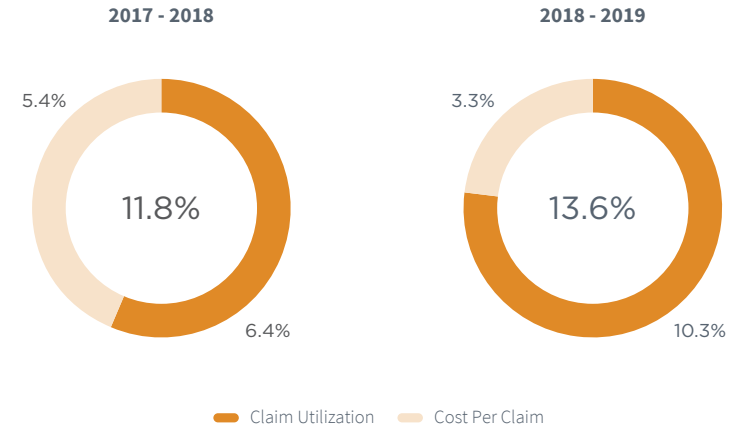
Data to date indicate that this increase has not yet reached its peak.

Expanding indications and new drugs entering the specialty drug marketplace are likely to result in increased utilization.

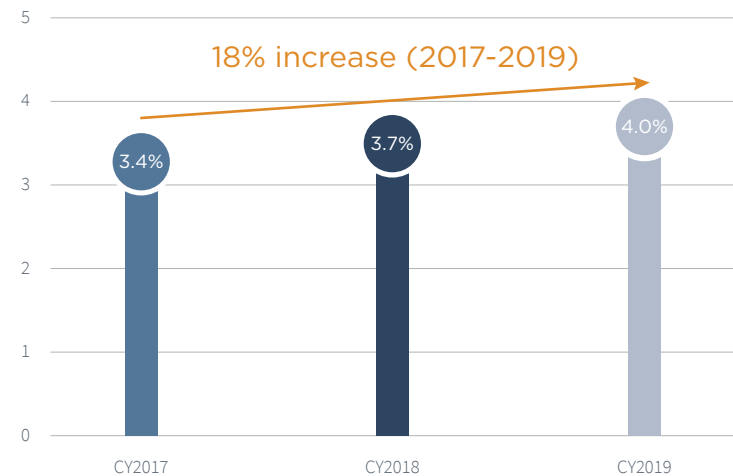
Increased specialty utilizers

The percentage of members utilizing at least one specialty drug per year has increased by 18 percent from 2017 to 2019 (from 3.4 to 4.0 percent). In addition to expanded indications, an increase in new specialty drugs to the market for the treatment of traditionally non-specialty disease states, such as asthma and atopic dermatitis, may be contributing to the increased number of patients using specialty drugs.

CLAIM UTILIZATION DRIVING INCREASED TREND



PERCENT OF POPULATION UTILIZING AT LEAST ONE SPECIALTY DRUG

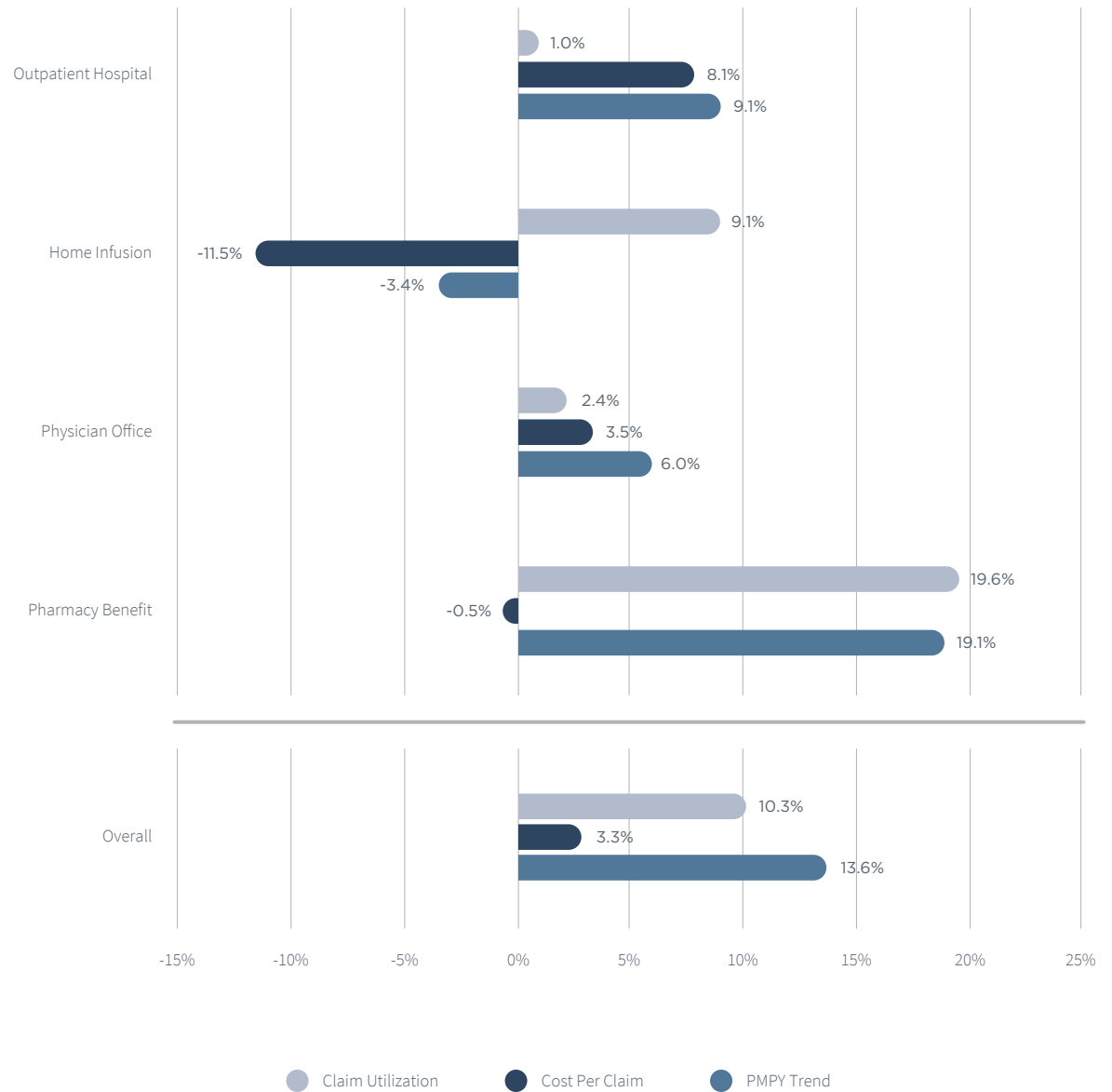


PMPY TREND BY CHANNEL

Spending under the medical benefit, particularly the outpatient hospital setting, as well as the pharmacy benefit continue to rise, increasing 9.1 percent (outpatient hospital) and 19.1 percent (pharmacy benefit) in 2019.

Shifting utilization out of outpatient hospital to a lower-cost site of care has been a focal point for many plan sponsors. **We believe these efforts have contributed to the low outpatient hospital claim utilization trend.**

2019 PMPY TREND BY CHANNEL

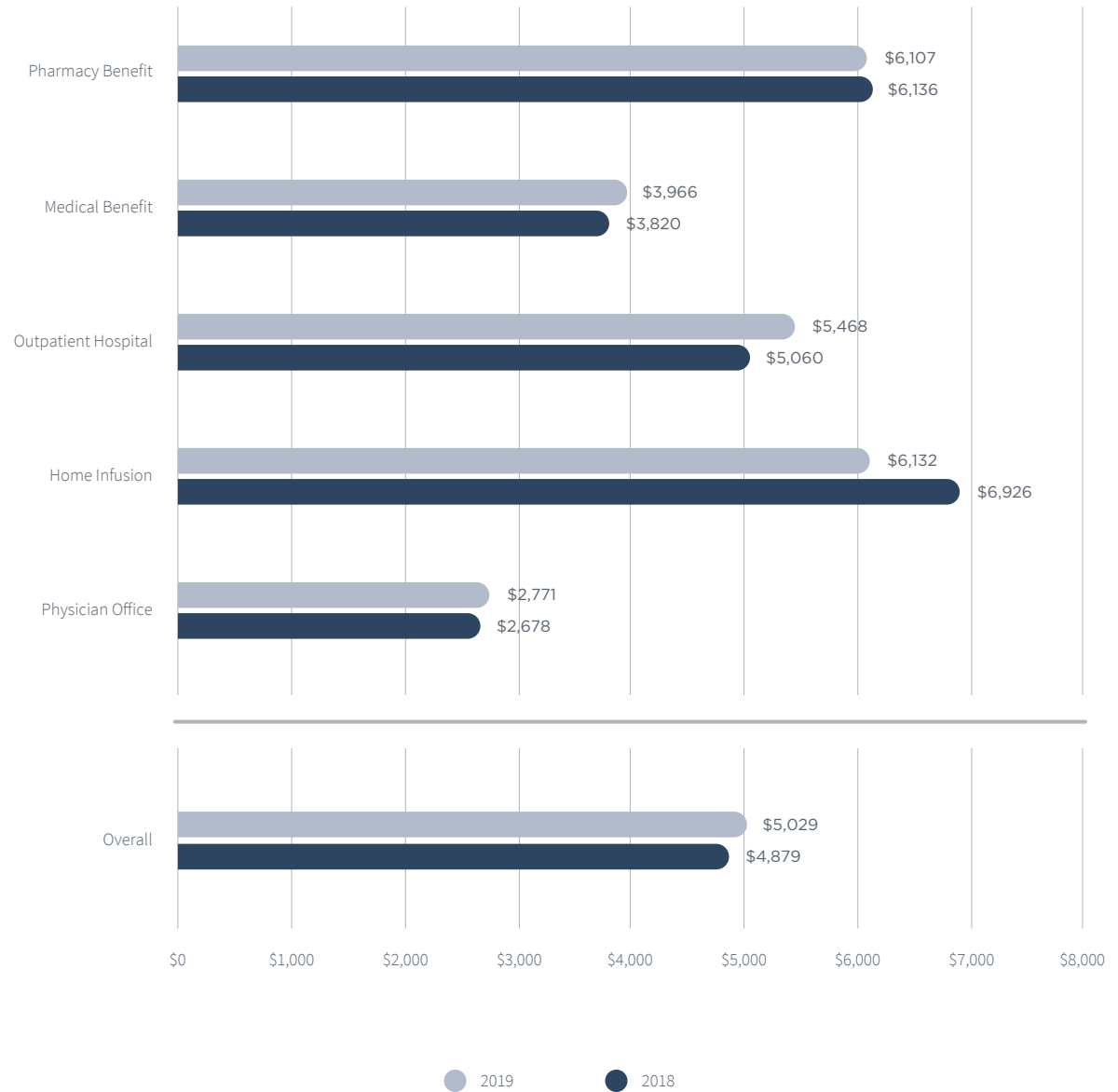


AVERAGE COST PER SPECIALTY DRUG CLAIM BY CHANNEL

The pharmacy benefit continues to experience the highest average cost per claim. This is driven by high cost, highly utilized medications in therapeutic categories such as immunological disorders and enzyme deficiency.

To calculate average specialty drug costs, medications that meet our specialty definition (see page 31 for definition) but have a cost per claim of less than \$500 were removed.

AVERAGE COST PER SPECIALTY CLAIM BY CHANNEL



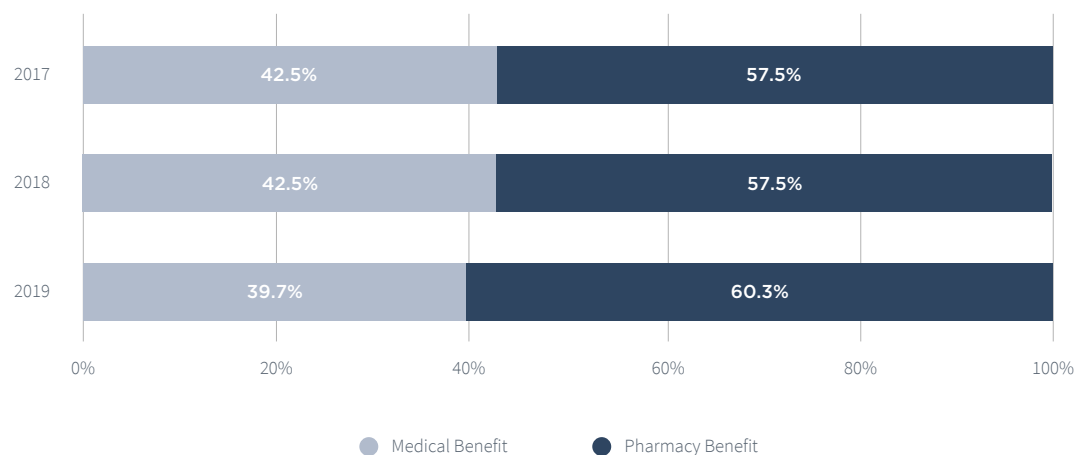
SPECIALTY DRUG MEDICAL BENEFIT SPEND AND UTILIZATION BY CHANNEL

Nearly 40 percent of specialty drug spend occurs in the medical benefit (39.7 percent to be exact).

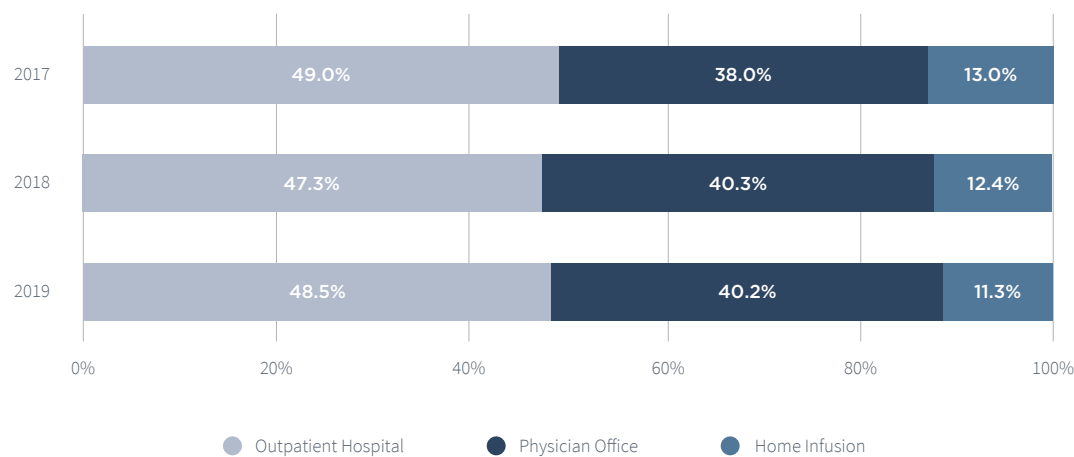
The percentage of spend by benefit has remained consistent year over year. The specialty drug spend occurring in the medical benefit was 42.5 percent in both 2017 and 2018, and 39.7 percent in 2019. Rigorous management across both benefits is critical to managing overall specialty spend.

The percentage of spend by channel in the medical benefit has remained consistent over the years. This underscores the importance of having a focused channel management strategy and actively managing channels.

PERCENTAGE OF SPEND BY BENEFIT



PERCENTAGE OF MEDICAL BENEFIT SPEND BY CHANNEL

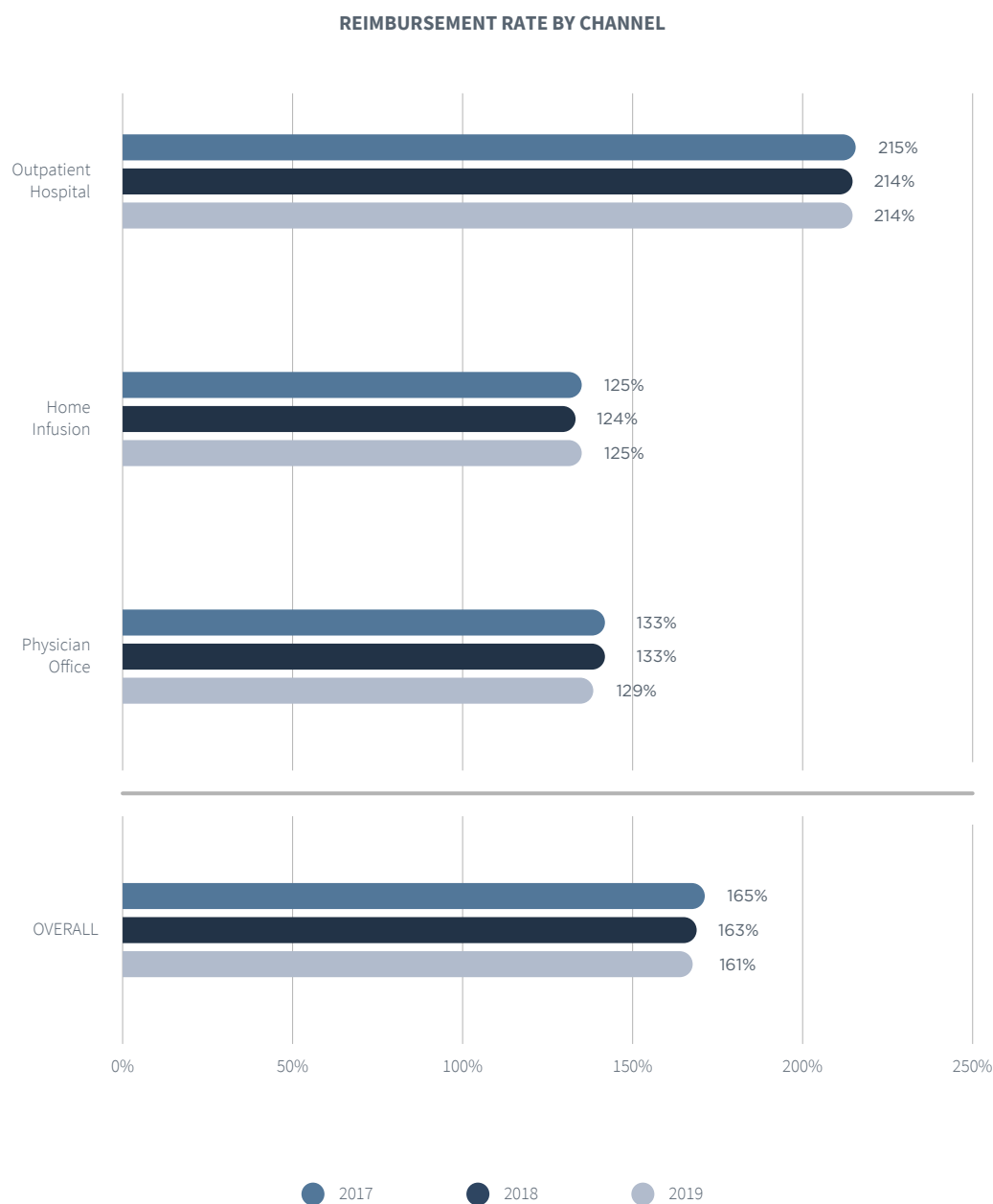


REIMBURSEMENT RATE BY CHANNEL

To benchmark reimbursement of medical claims across channels, we leverage Average Sales Price (ASP), which is based on the actual sales of the products by manufacturers and is publicly distributed by Centers for Medicare & Medicaid Services. From a trend perspective, we see very little change in the reimbursement rates within each channel year over year. Overall, reimbursement rates remain relatively flat, with a 2 percent decrease to 161 percent of ASP during 2019.

More notable is the channel comparison basis. The outpatient hospital has the highest level of ASP reimbursement, equating to 214 percent of ASP during 2019. Physician office and home infusion continue to represent the most aggressive reimbursement rates, with 129 percent and 125 percent of ASP.

The outpatient hospital channel continues to have reimbursement at rates 70 percent higher than other medical channels.



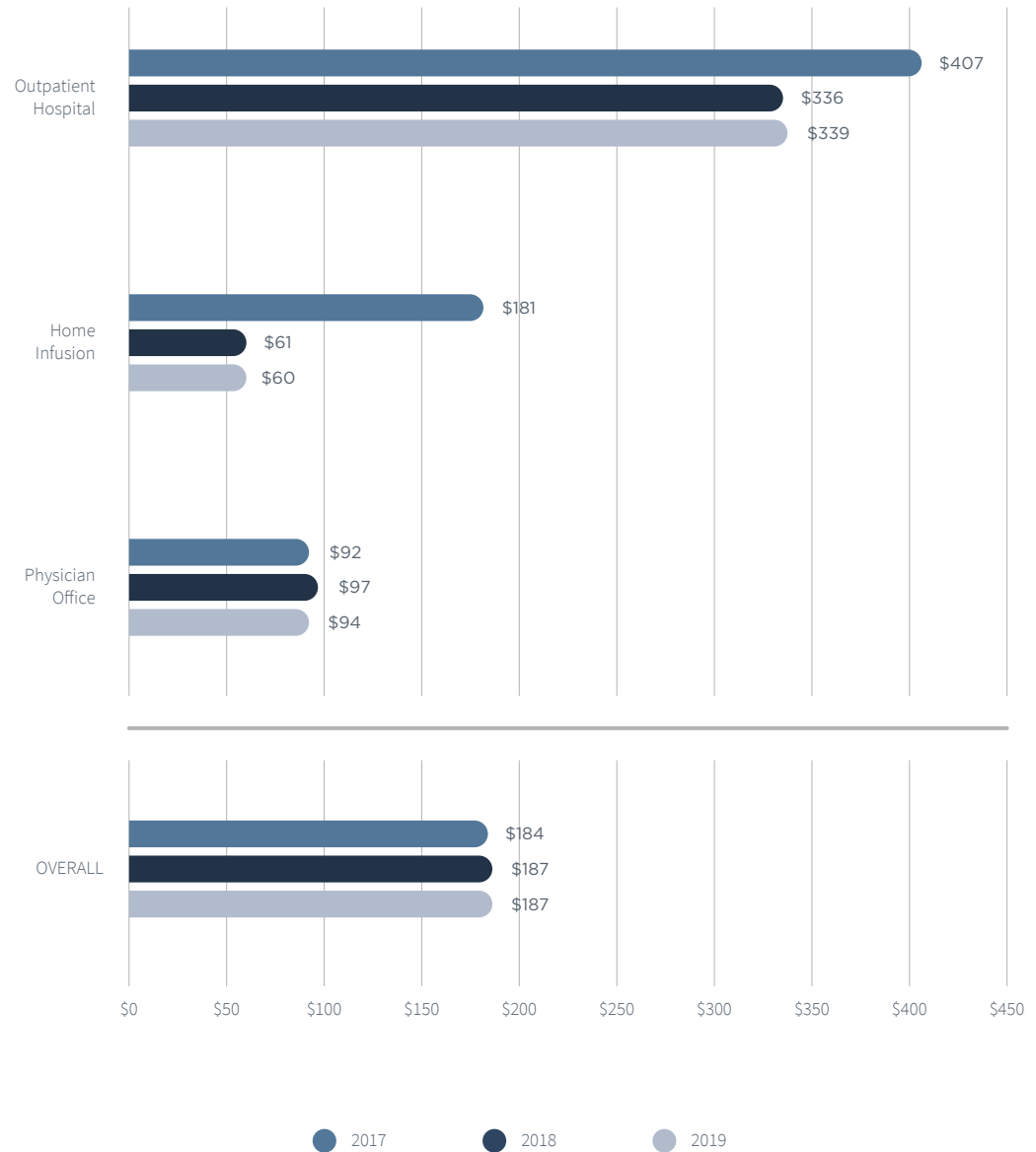
COSTS TO ADMINISTER DRUGS BY MEDICAL CHANNEL

On the other side of medical claims pricing, administrative costs can represent significant dollars and often plans have very little insight into these dollars, due to the complexities of billing practices. Like the ASP reimbursement for drug costs, the outpatient hospital setting has the highest administrative costs over the other medical channels, equating to \$339 per claim compared to \$60 in home infusion and \$94 in the physician office.

Evaluating the full reimbursement and costs at the drug and provider levels allows us to employ site of care options, as well as identify outlier providers within the same channel. This brings attention to potential inaccurate billing or opportunities for enhanced reimbursement contracts.

The outpatient hospital channel continues to have administration costs reimbursed at three to five times the rates of other medical channels.

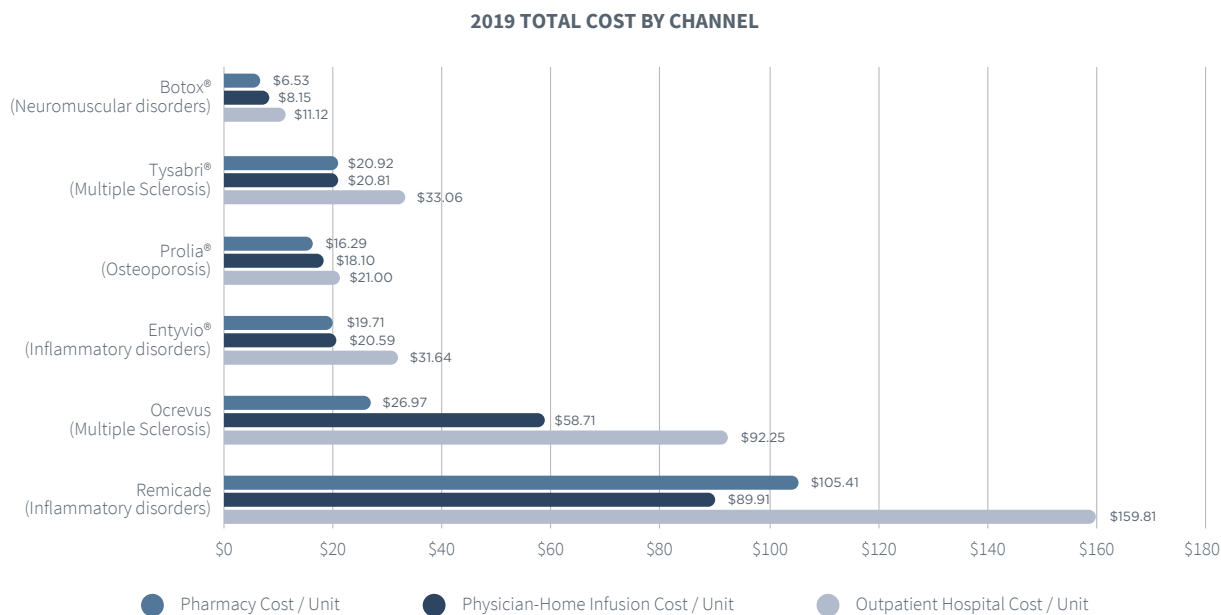
COSTS TO ADMINISTER DRUGS BY MEDICAL CHANNEL



TOTAL COST CONSIDERATIONS

Drug costs and administrative costs across channels can also vary within a drug class and for specific drugs within a category. For example, as shown in the drug-specific examples below, drug costs for Ocrevus®, an infused medication for multiple sclerosis, are significantly higher per unit in an outpatient hospital setting than physician office or home infusion channel; \$89.95 and \$57.83 per unit respectively. Additionally, for the same example drug (Ocrevus), outpatient hospital administration costs are more than three times higher than physician office or home infusion administrative costs.

Variations in drug costs and drug administration costs can have a major financial impact on high-cost specialty drugs. We consistently see outliers like this at the drug level and provider level, which is why we focus on using claims data to analyze reimbursement rates. Drug and unit costs can vary significantly by benefit and channel. Plan sponsors must have a benefit and channel management strategy that ensures both clinically appropriate and cost-effective sites of care.



Total cost includes administrative costs incurred in medical claims billing

PRO-TIPS

1

Renegotiate specialty drug prices with fee schedules in the outpatient hospital setting.

2

Implement prior authorization (PA) with medical necessity requirements for coverage of specialty infusions in the outpatient hospital setting.

PMPY TREND BY PHARMACY BENEFIT

As previously noted, in 2019, utilization was the primary driver of the overall trend. The percentage of members utilizing specialty drugs continues to increase, with 60 percent of the specialty drug spend occurring within the pharmacy benefit. The pharmacy benefit continues to experience the highest average cost per claim. Self-administered injectable and oral medications typically comprise the mix of drugs billed through the pharmacy benefit.

19.1%

Increase in pharmacy spend in 2019

The pharmacy and home infusion channels continue to have the highest average cost per claim.

Spend within the pharmacy benefit saw an increase of 19.1 percent driven by a combination of increased utilization, increased drug costs, and increased utilization of outlier high-cost drugs. When looking across the data and considering the impact on both cost and utilization, the following drugs stood out and are addressed in more detail later in this report.

Drug	2019 Cost Rank	2019 Claims Rank	Cost/Claim	Utilization Trend	Total Trend
Stelara®	3	11	\$17,663	84.4%	118%
Dupixent	11	6	\$3,090	141%	110%
Strensiq	51	219	\$83,358	N/A*	N/A*

**There was no meaningful utilization to measure trend across our book of business*

PRO-TIPS

3

Optimal drug management requires the balance of managing both cost and utilization. Identification of trend drivers and outlier high-cost claims can help direct drug management strategies leveraging use of the most cost-effective channel and incorporating use of utilization management tools to ensure appropriate use.

TOP SPECIALTY DRUGS & CATEGORIES BY PLAN COST

68%

of total specialty spend is represented by the top three specialty categories

86%

of total specialty spend is represented by the top 10 specialty categories

Consequently, the top 10 categories have the greatest impact on the overall trend and the best opportunities for management and focus.

Payers and plan sponsors are concerned about managing for the most expensive disease states in their population. However, it is impossible to address the most costly medications on a PMPY basis without the ability to identify them.

It will come as no surprise to regular readers of this annual report that the top three drug categories continue to be: inflammatory disorder, oncology, and multiple sclerosis, in terms of the plan cost. Blood cell disorders and immunological disorders round out the top five. In fact, there hasn't been a major shakeup across the top half of this list in recent years. The top five have the same drug categories as it did in 2017.

	2019 Top Drug Categories by Overall Spend*	% Total Spend	2019 PMPY	2018 Rank	
1	Inflammatory Disorders	35%	\$289.45	1	➡
2	Oncology	24%	\$200.23	2	➡
3	Multiple Sclerosis	9%	\$72.57	3	➡
4	Blood Cell Disorders	4%	\$36.44	4	➡
5	Immunological Disorders	4%	\$31.80	5	➡
6	Growth Disorders	3%	\$25.49	6	➡
7	Lung Disorders	2%	\$19.12	7	➡
8	Enzyme Deficiency	2%	\$17.42	8	➡
9	Neuromuscular Disorders	2%	\$15.36	9	➡
10	Asthma - COPD	2%	\$12.96	12	⬆

⬇ Down from 2018 ⬆ Up from 2018 ➡ Same rank from 2018











Listed highest to lowest in terms of plan cost for 2019

PRO-TIPS

4

Although these are the top drugs we're seeing across our book of business – the value of looking at your own pharmacy/medical data is that you can identify outliers specific to your plan and members.

As we reviewed with the outlier high cost claim strategy, there can be interesting insights in your individual data that may not emerge as macro trends.

2019 Top Specialty Drugs by Overall Spend*		2019 PMPY	2018 Rank
1	Humira (Inflammatory Disorders)	\$100.78	1 
2	Stelara (Inflammatory Disorders)	\$34.52	4 
3	Remicade (Inflammatory Disorders)	\$33.47	2 
4	Enbrel (Inflammatory Disorders)	\$32.33	3 
5	Cosentyx (Inflammatory Disorders)	\$18.17	8 
6	Neulasta (Blood Cell Disorders)	\$16.69	5 
7	Herceptin (Oncology)	\$14.42	7 
8	Tecfidera (Multiple Sclerosis)	\$14.12	6 
9	Keytruda (Oncology)	\$13.20	18 
10	Rituxan (Oncology)	\$13.17	9 

 Down from 2018  Up from 2018  Same rank from 2018

Listed highest to lowest in terms of plan cost for 2019

\$100.78

Humira PMPY cost in 2019 is twice the cost of the number two drug, Stelara, at \$34.52.

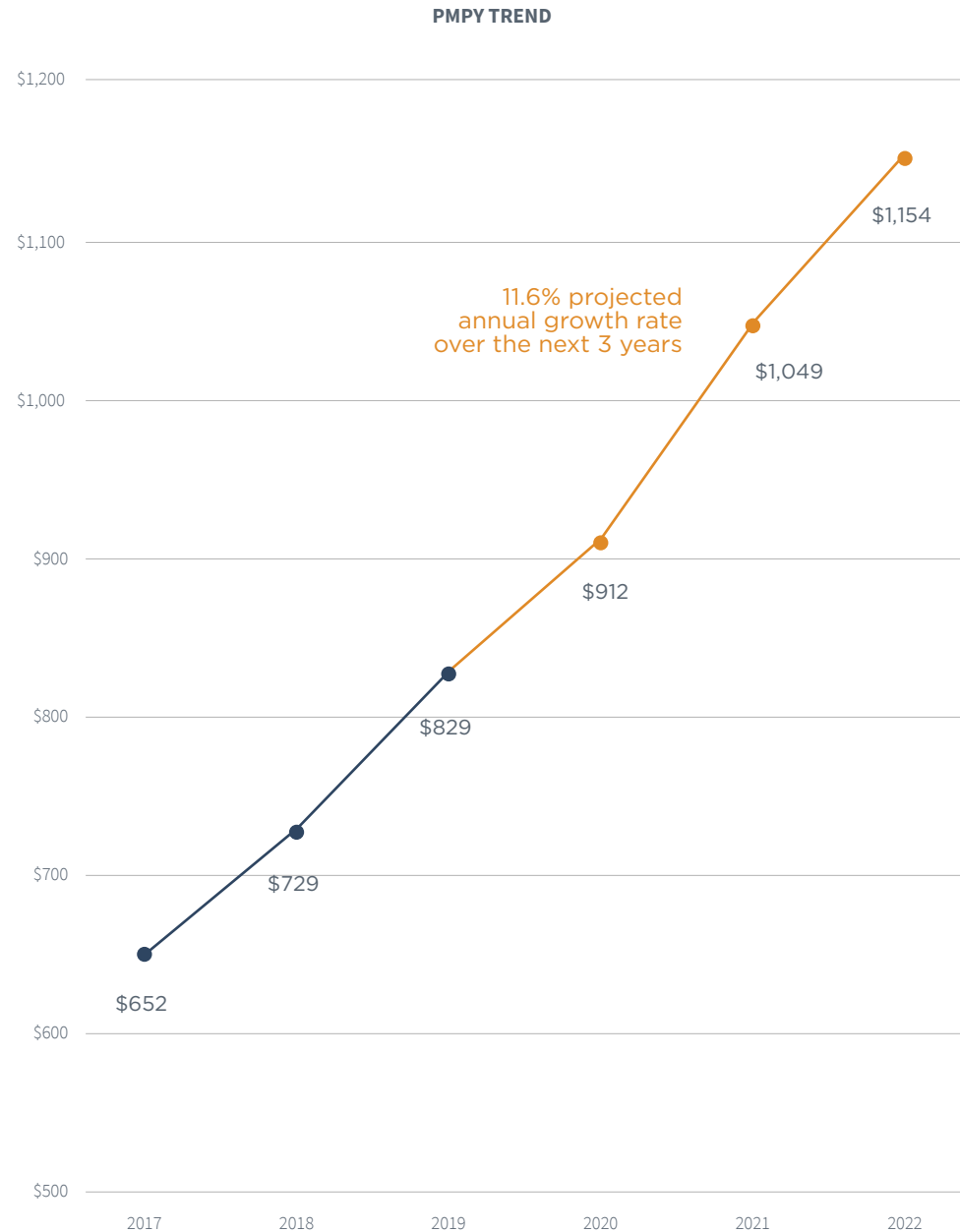
WHERE IS THIS TREND GOING?

Based on the analysis of the trends on display in Artemetrx, we expect the trend forecasts to remain double digits in subsequent years due to the consistent increases in utilization. These increases are based on the robust pipeline of new products, expanded use of existing products with new indications, member access to products, and marketing of new and existing products.

\$1154

Projected PMPY cost by 2022

Artemetrx modeling predicts a specialty drug spend average growth rate of 11.6 percent over the next 3 years



FUTURE OUTLOOK: WHAT COULD 2020 AND BEYOND BRING?

Pipeline

Science is advancing, and the pipeline is robust. PSG's goal is to help payers and plan sponsors prepare for emerging drugs entering the market. Some important drugs we are watching right now are featured below.

Expanded Indications

The use of existing specialty drugs is expanding into alternative conditions, which drives utilization to populations potentially not utilizing specialty today. Examples include Dupixent®, which has expanded to include asthma, and Stelara, which has expanded to include Crohn's disease.

Drug	Manufacturer	Route	Use	Expected Approval	Notes:
Ar101 (Palforzia®)	Aimmune	Oral	Peanut Allergies	Approved January 31, 2020	First immunotherapy FDA approved to desensitize patients with peanut allergy, estimated \$3B market
Risdiplam (Evrysdi™)	Roche	Oral liquid	Spinal Muscular Atrophy (SMA), all types	Approved August 7, 2020	First and only treatment for SMA that can be taken at home
Roxadustat (Evrenzo®)	FibroGen, Astra Zeneca, Astellas	Oral	Anemia associated with kidney disease	Late 2020	First orally administered therapy for treatment of anemia of chronic kidney disease (CKD), expected Prescription Drug User Fee Act (PDUFA) date is December 2020
Valoctocogene roxaparvovec "Valrox" renamed Roctavian®	Biomarin	Infusion	Hemophilia A	Denied FDA approval August 19, 2020 (may be resubmitted in the future)	Hemophilia A gene therapy that must finish Phase 3 study and provide two year follow-up making earliest next review mid to late 2022
Aducanumab	Biogen	Infusion	Alzheimer's	Late 2020	Monoclonal antibody, granted priority review by the FDA, is administered by IV infusion once monthly for treatment of early Alzheimer's disease

CASE STUDY: DUPIXENT

Indications for existing drugs are expanding, and drug marketing is prevalent. One example of how this plays out is Dupixent. It is emerging as a significant driver of the increase in specialty spend over the last year. Dupixent is a monoclonal antibody used for allergic diseases and immune-related conditions and was approved for an additional four indications since 2017. In 2018 it was ranked 49 across Artemetrx data in terms of highest cost drugs, PMPY, and in 2019 it shot up the list to 21.

21

2019 rank

141%

Net PMPY trend

49

2018 rank

14.7%

Cost trend

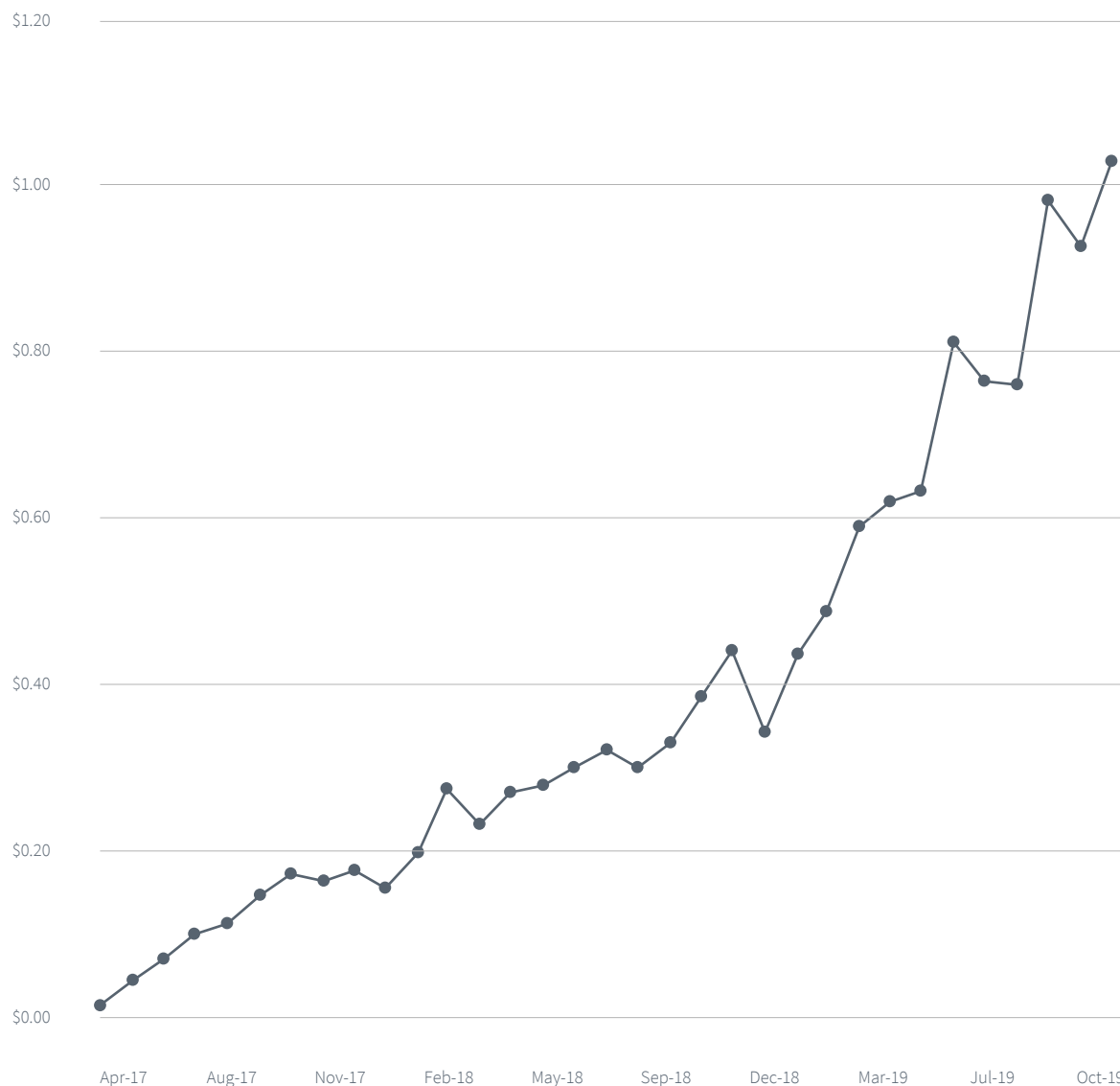
\$8.39

2019 PMPY

110.2%

Utilization trend

DUPIXENT - NET PMPM (APRIL 2017 - DECEMBER 2019)



What is driving this dramatic increase in Dupixent?

Dupixent was approved by the U.S. Food and Drug Administration (FDA) in March 2017 for treatment of atopic dermatitis in adults. Since then the approved indications have expanded extensively:

- October 2018
new indication approved for patients 12 years of age and older for treatment of moderate to severe asthma not controlled with current medications
- March 2019
expanded use for adolescents (12-17) in atopic dermatitis
- June 2019
new indication approved for chronic rhinosinusitis with nasal polyps
- May 2020
expanded use for children (6-11) in atopic dermatitis

Expanded indications, along with increased marketing, has led to increased Dupixent trend for many payers and plan sponsors. For example, one PSG client (with 1.5M total lives) had a 70 percent trend. From 2018 to 2019, they had:



1200 more claims



200 more utilizers



4M more plan paid

In this example, after evaluating the utilization management already in place, areas for improvement were identified around the assessment of the patient's condition and optimal use of previous therapies. The client accepted this clinical recommendation for enhanced management. We will continue to use the Artemetrx tool to measure this strategy.

Many benefits can come from reviewing the plan data. The opportunity areas section of this report focuses on what can result from diving into your plan data.

5

Consider reviewing existing utilization management protocols to ensure they are addressing new indications and supporting appropriate use.

6

Review your data to see if Dupixent is a trend driver for your plan. This is a good example of something that was not addressed through a clinical rule, but identified through trend reporting using data.

Member Access

Limited access to specialty drugs due to high cost has been offset by the availability of copay assistance for members with commercial insurance. Manufacturer copay/coupon cards and other copay assistance programs have emerged, allowing access and affordability for members who need specialty medications. This increased access has and will continue to maintain and increase the utilization of specialty drugs.

Marketing

Since the pipeline of new drugs is heavily focused on specialty drugs, the marketing of new drugs is also heavily focused on specialty drugs. Direct-to-consumer ads for specialty drugs have increased patient awareness to members who need these medications and ultimately increases utilization.

Payers and plan sponsors looking at this climbing trend might be thinking: What do I do about it? How can I manage increasing specialty drug spend? The following Opportunity Areas section will answer these questions.

Opportunity Areas

Data alone is not enough. Having the insights into the data, the ability to understand what is driving spend and trend, and using this information to power the strategies is vital. Identifying savings is important, but having the ability and willingness to make changes is what leads to the achievement of savings.

Our combined clinical, analytics experience and expertise can provide specifics on how a clinical team or plan sponsor can use Artemetrx to identify these opportunities.

While it is interesting to see the big picture trends and where the industry is heading, payers and plan sponsors should expect their consultants and PBMs to focus on what's essential to their plan and members. An outlier for one plan may not register as a top drug or category across our book of business. By digging into your data, you can see exactly what's driving your spend—and what you need to do about it.

The Artemetrx platform allows us to look at drug spend across these five key areas to continually monitor your spend:

Spend and Trend

Clinical Management

Reimbursement Management

Site of Care Management

Plan Design

Using this technology, in 2019 we identified average savings opportunities for our clients of \$148 PMPY.

In 2017, identified PMPY savings averaged \$114 and in 2018, averaged just over \$130, demonstrating our commitment to continually updating our rules and identifying new areas for opportunity.

The recent savings estimate equates to 17.9 percent of specialty drug spend. The strategies we implement on behalf of our clients are critical to curb the specialty drug trend.

SPECIALTY SAVINGS OPPORTUNITIES

Earlier, this report elaborated on how much of the rising trend is driven by drug cost versus utilization.

A solid contract is only the beginning. By leveraging the data and expertise provided by Artemetrx throughout the entire drug benefit lifecycle, payers and plan sponsors ensure their PBM is delivering results that align with strategies for member experience and cost savings. That is where payers and plan sponsors can drive even higher savings.

ARTEMETRX AVERAGE PMPY SAVINGS OPPORTUNITY BY CATEGORY

	2018	2019
Site of Care Management	\$55.08	\$69.11
Reimbursement Management	\$14.21	\$20.27
Clinical Management	\$25.99	\$34.13
Plan Design Management	\$35.37	\$25.17
Total PMPY Savings Opportunity	\$130.65	\$148.68

\$148.68

per member per year

17.9%

per member per year

PRO-TIPS

7

Driving down overall drug spend through a strong PBM contract is important but not enough. We recommend careful management of every aspect of your pharmacy plan through its lifecycle. We generally see about half of a plan's total drug cost savings occurring after the contract is negotiated through diligent surveillance of the PBM contract and proactive drug cost management strategies.

IDENTIFYING OUTLIER HIGH-COST CLAIMS

Standard reporting that only looks at the drugs based on total spend alone is not enough. Outliers can be readily found by identifying the drugs with the highest script cost.

The top drug by gross cost per prescription for the pharmacy benefit is Strensiq®. In addition to Strensiq, it is worthwhile to look at two other drugs on this list to illustrate different market factors at play: Spinraza® and Cuprimine®.

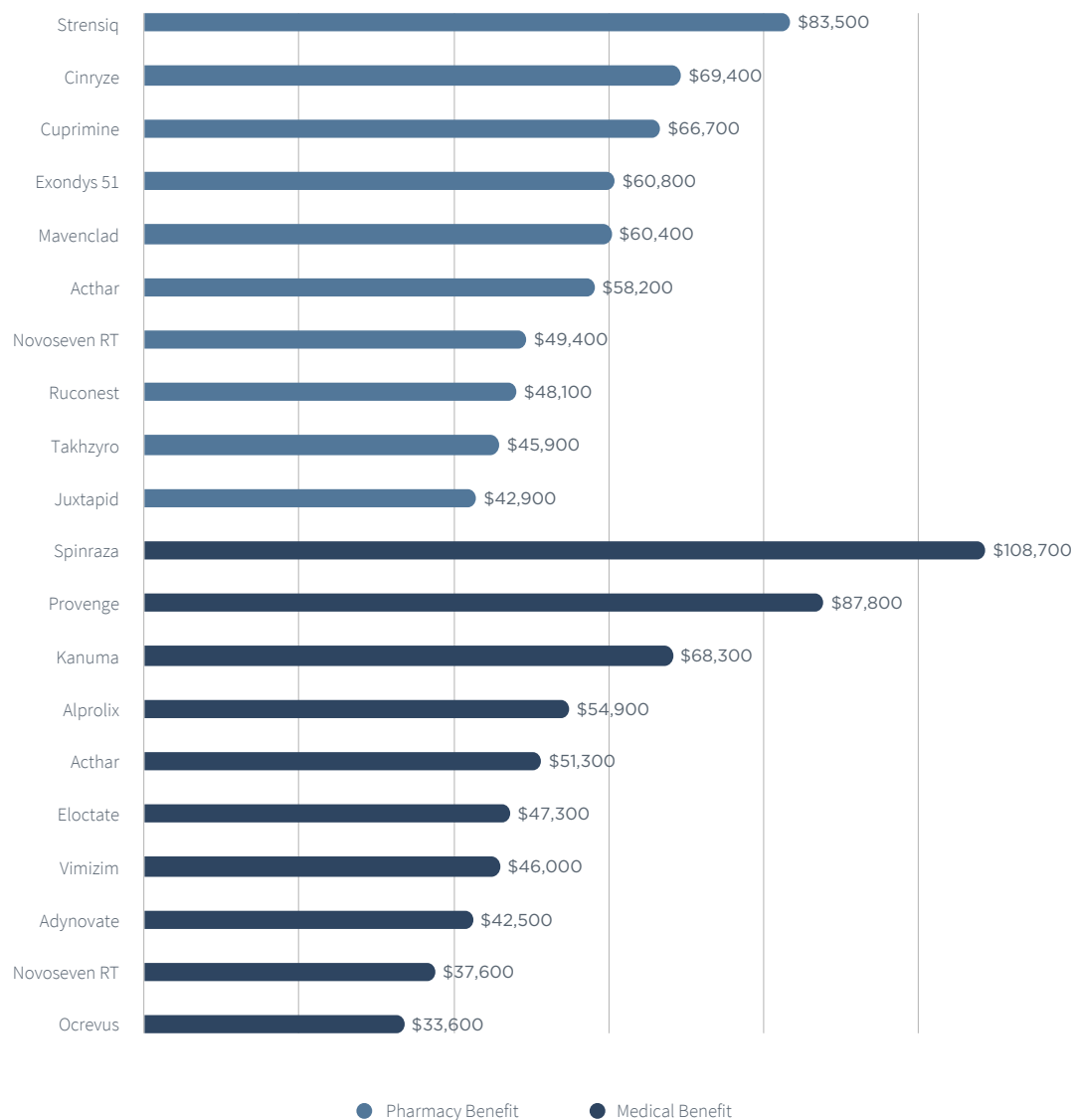
A different view provides insight into the highest cost claims that may not be identified in a top-down approach. The highest cost drugs are recognized in both the pharmacy and medical benefits. This view allows insight into high-cost outlier claims that may benefit from enhanced management.

83k

Gross cost per script for Strensiq

Topping the list of high-cost drugs for the pharmacy benefit, Spinraza topped the same list for the medical benefit at 108k. In some cases, identification of the highest cost claims prompts further review to ensure appropriate use and optimal management.

TOP DRUG - GROSS COST PER RX



- 1 **Strensiq:** This drug is listed as the number one pharmacy benefit top drug gross cost per script. Strensiq is the first and only enzyme-replacement drug indicated for the treatment of patients with perinatal/infantile-onset and juvenile-onset hypophosphatasia (HPP).

In HPP, patients have low levels of an enzyme called alkaline phosphatase, naturally present in the body and needed for bone creation and maintenance. Its primary use is in children, and it has a profound impact on growth, mobility, and even survival. Before the introduction of this drug, fewer than 50 percent of infants diagnosed with HPP lived to age one.

Shown to the right, clearly, there is a huge discrepancy in cost per claim between children and adults.

- Q. How is this drug utilized for adult patients, and why is that cost so much higher?
- A. While the primary use of this drug is in children, we do see it used in adults. Dosing is weight-based, and since adults weigh more than children, costs are higher.
- It's incredibly important to require documentation of the clinical use of the drug in adults and assess the benefit upon renewal. We recommend stringent PA criteria to ensure the appropriate use of this drug.



\$160k

Adult cost per
monthly claim



\$33k

Child cost per
monthly claim

PRO-TIPS

8

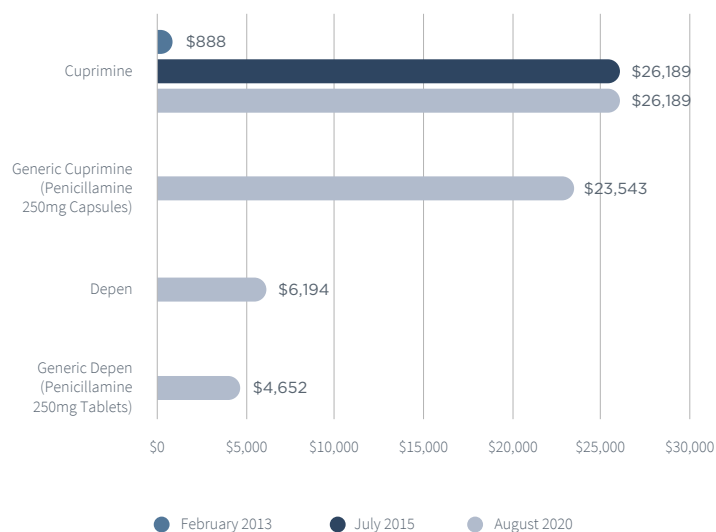
Limit coverage to one year to allow for assessment of benefit of drug treatment upon renewal to ensure appropriate use.

For Strensiq, the PA criteria should include confirmation of diagnosis and in adults, clinical manifestations attributable to HPP.

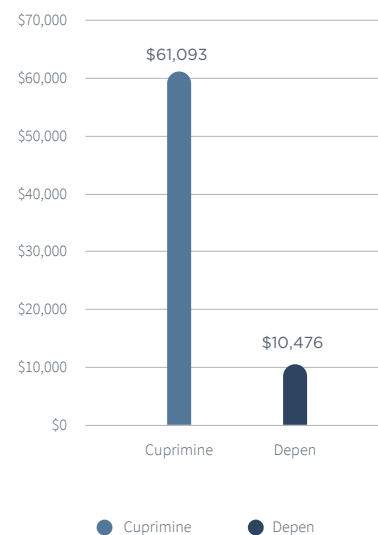
- 2 **Spinraza:** This is the highest cost per script drug within the medical benefit. Spinraza is used to treat a rare, genetic neuromuscular disorder, spinal muscular atrophy (SMA), in both children and adults. As the first drug FDA approved for SMA, it created a lot of buzz as it entered the market with a jaw-dropping price tag. In instances like these, it is imperative to have a clinical expert who can decipher between the highest cost claims versus understanding appropriate use. PSG's team of experts reviewed multiple cases for Spinraza and never found instances of inappropriate use. While oversight and tracking are essential for high-cost medications, expensive drugs can still be the right choice for patients when used appropriately. The highest gross cost per script does not always result in an issue that needs to be solved.
- 3 **Cuprimine, penicillamine 250mg capsules:** This drug is listed as the number three drug by gross cost per script within the pharmacy benefit. Cuprimine is indicated for the treatment of rare conditions: Wilson's Disease and Cystinuria, as well as severe active RA in patients who have failed to respond to conventional therapy. It was acquired by Bausch Health Companies (formerly Valeant) in 2013, at which time the wholesale acquisition cost (WAC) price for a bottle of 100 was \$888. In February 2015, the company increased the price by almost 30 times to \$26,189, where it remains today. Lower cost penicillamine 250mg tablets are available in both brand (Depen®) and generic formulations, as you can see in the graphs. Additionally, generics for Cuprimine have also entered the market, but with high prices very similar to brand Cuprimine, as shown in the graph.

The financial impact of one patient getting Cuprimine as opposed to Depen is significant. The drug is taken monthly, and the usual dose is 2g per day, which results in a monthly quantity of 240. Claim costs for Cuprimine are \$61K per month vs. \$10K per month for Depen. The successful transition of one member to Depen from Cuprimine results in annual savings of \$600K.

CUPRIMINE AND ALTERNATIVES WAC FOR BOTTLES OF 100



COST/ RX FOR CUPRIMINE AND ALTERNATIVES



PRO-TIPS

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Exclude Cuprimine and its generic(s). Instead cover penicillamine alternative Depen or its generic(s). All drugs are penicillamine, so there is no clinical advantage to penicillamine capsules (Cuprimine) for 4 to 6 times the cost. Consider a prior authorization to ensure appropriate use.

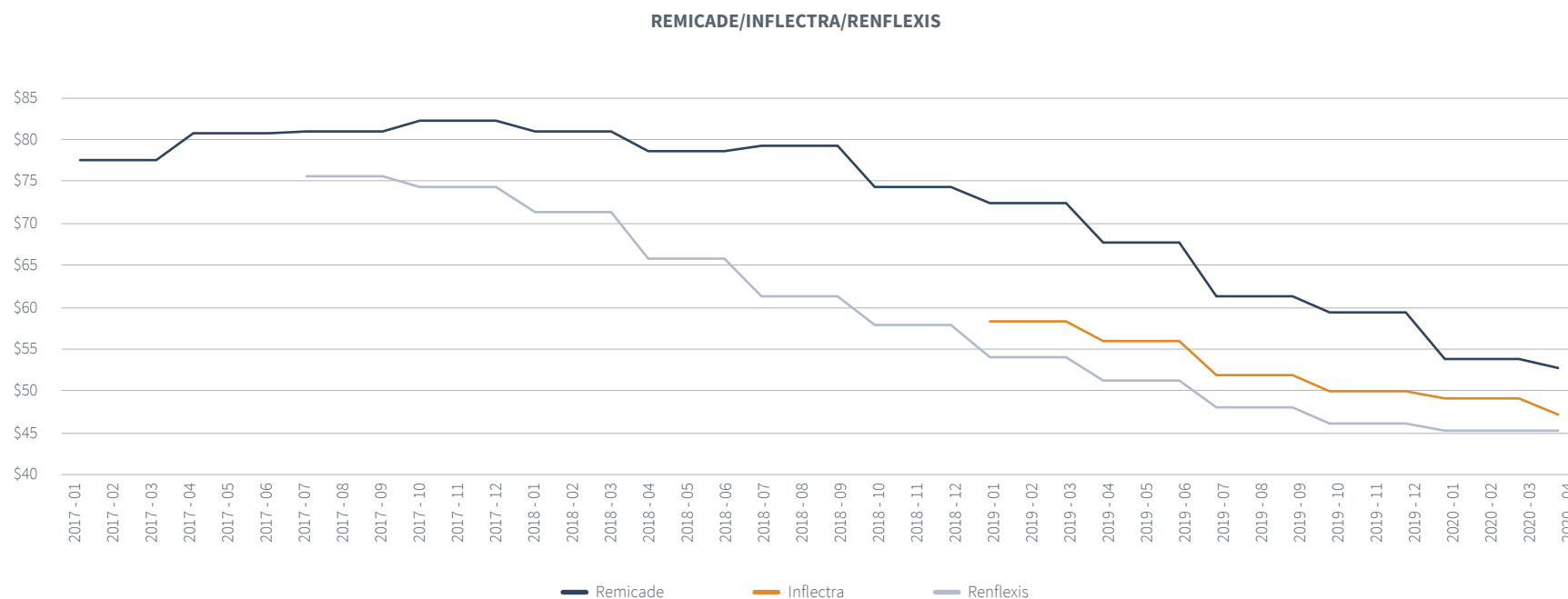
LEVERAGE THE POTENTIAL FROM BIOSIMILARS

As we have seen, payers and plan sponsors face real challenges in managing specialty drug trend. However, the increased number of biosimilars in the market provides a ray of hope. In 2019, we saw the FDA approval of 10 biosimilars. While these biosimilars themselves offer the promise of cost savings, their presence in the marketplace introduces competition, which may be contributing to decreasing the costs of all products, including the brand.

The impact to cost is illustrated by this graph, showing the ASP unit cost for Remicade and its biosimilars, Inflectra® and Renflexis®. Inflectra was introduced to the market in June 2017 at a price 8 percent less than Remicade, and the price quickly decreased throughout 2018 to 20 percent below Remicade.

Interestingly, the emergence of the competition had an adverse effect on Remicade. Before the introduction of Inflectra, Remicade consistently had a 4 percent inflation in the cost. After the existence of Inflectra, Remicade experienced a 3 percent decrease in cost during 2018, which brought the price of the medication back to the 2016 rates.

The introduction of Renflexis in January 2019 continued to drive the cost of Remicade down. The price dropped another 20 percent at the end of 2019 compared to 2018. In 2020, Remicade's unit price of \$53 represented a 35 percent decrease in cost compared to the unit price of \$81 before the two biosimilars were available.



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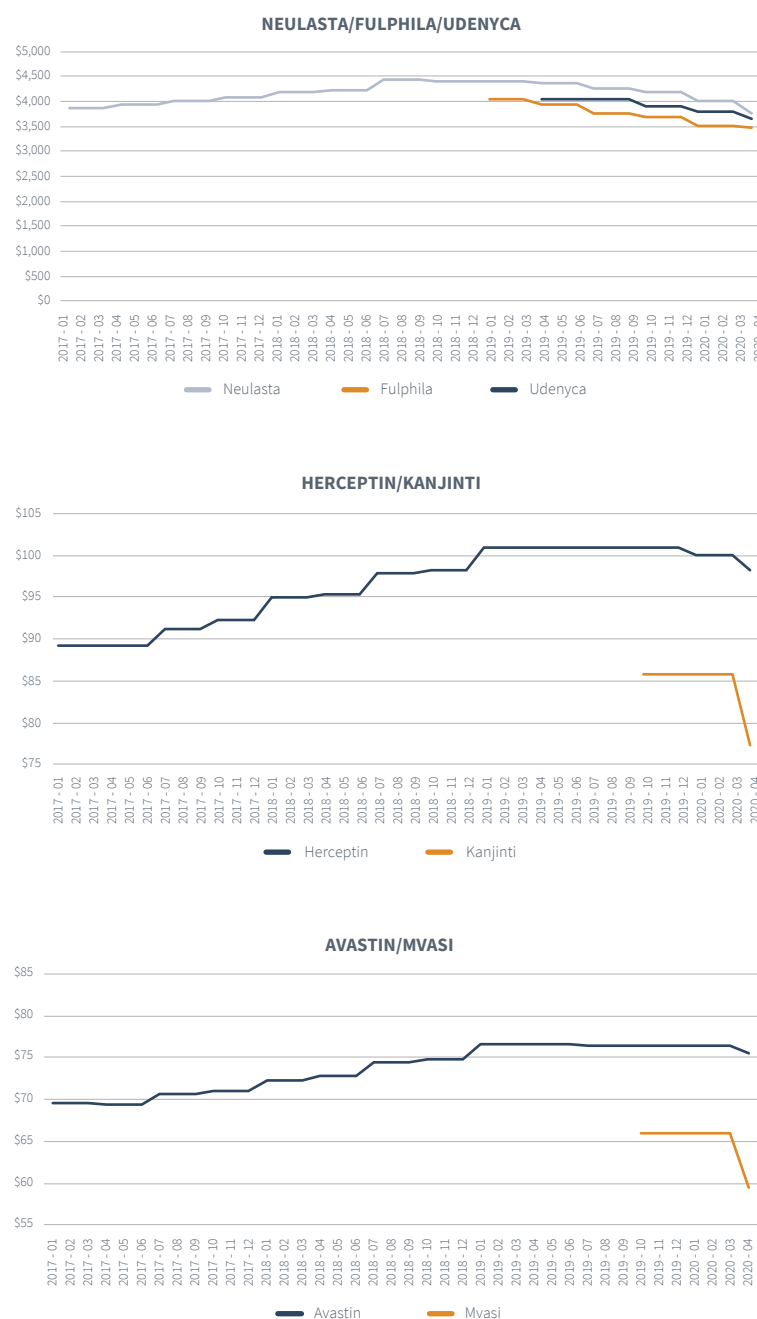
Use of the lowest net cost product will result in the most savings. However, due to rebates and other incentives, the lowest net cost product may not always be the biosimilar drug.

As additional biosimilars became FDA approved and available in 2019, patients and providers are becoming more comfortable with their use. Biosimilar drugs coming to the market continue to have an impact on overall spend on specialty drugs. Early indications show they are trending similarly to Remicade and its biosimilars, resulting in mitigation of price increases on brand products and leading to decreases in ASP rates for all products.

Fulphila® and Udenyca®, biosimilars to Neulasta®, have seen limited use because the brand product offers a unique dosage form, the Onpro® On-body injector (OBI) that allows ease of administration at home. Currently, these biosimilars have an ASP unit cost 7 percent less than Neulasta.

Kanjiti®, a biosimilar for brand Herceptin®, was introduced in late 2019 with an ASP unit cost of 15 percent less than that of Herceptin. Herceptin pricing has remained flat during 2019, while Kanjiti continues to decrease in 2020, experiencing over an \$8 dollar decrease in unit cost from Q1 to Q2.

Mvasi® is a biosimilar for brand Avastin®, which was introduced to the market late in 2019, with an ASP unit cost 14 percent less than that of Avastin. Avastin pricing has remained flat during 2019, while Mvasi continues to decrease in 2020, experiencing over a \$7 decrease in unit cost from Q1 to Q2.



Conclusions/Next Steps

Findings of this year's State of Specialty report reflect a dynamic specialty drug landscape that offers both hope to patients and high costs to plan sponsors. Successful specialty drug trend management requires powerful data insights derived from both medical and pharmacy claims, expert advice based on deep clinical and drug benefit management experience, and the willingness to make changes that best serve members while managing costs.

The PSG difference:

11

Clinical pharmacists

150+

Years of experience

50+

2019 procurements, market checks, and renewals

500+

2019 audits

\$4.8B

Total drug cost savings identified for PSG clients in 2019

Methodology

Artemetrx analyzed nearly 45 million pharmacy claims and 54 million medical claims across the commercial book of business. Financial values represent the point-of-sale costs for the final status of pharmacy claims and the final status of medical claims data submitted. NDC-level rebate data is not commonly provided by PBMs and health plans. As a result, this report reflects the plan cost before rebates.

The total trend is comprised of cost and utilization trends. Cost trend measures the change in plan cost on a per claim basis exclusive of member cost and rebates. The utilization trend measures the change in claims per member over time. Claims were not normalized for 30-day supply to stay consistent throughout the report, as days' supply is not submitted on medical claims. Medical administration costs are not included in the cost trend, but they are reviewed separately through various program opportunities.

The definition of a specialty drug for the purpose of this report is as follows: the drug must meet a minimum of two of the following considerations: high cost; belongs to a specialty therapeutic category; treats a chronic, complex or rare condition; requires specialized handling or storage; requires specialized patient care coordination; availability only through a limited distribution network; submits for FDA approval through a biologic license application (BLA).

Artemetrx includes lower-cost, high-value drugs on the specialty list, so they can be incorporated into overall opportunities. Artemetrx does not include these lower cost drugs in reporting the overall cost per claim of specialty drugs. Artemetrx leverages the combination of industry-standard drug compendia databases and internal proprietary naming conventions for therapeutic class terminology.