



Prescription Drug Prices Overview

January 21, 2016

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Agenda

- How are prescription drugs priced?
- Specialty Drug Increases
- Generic Drug Increases

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Pharmacy Pricing 101

- “List Price”
- Called “AWP”
- Set by manufacturer
- High rate of inflation

- Negotiated with PBM
- Largely remains the same for life of the three year contracts

Average Wholesale Price	\$100
<u>- Discount</u>	<u>-16%</u>
Ingredient Cost	\$84
<u>+ Dispensing Fee</u>	<u>+\$1</u>
Gross Cost	\$85
<u>- Member Copay/Deductible</u>	<u>-\$25</u>
Amount Paid	\$60
<u>- Rebate</u>	<u>-\$6</u>
BCBSVT Post-Rebate Cost	\$54

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Drug Definitions

■ Brand Drugs

- Drugs with patent protection and there is one manufacturer
- About 14% of all prescriptions but about 32% of the cost

■ Generic Drugs

- Drugs without patent protection and there are multiple manufacturers
- About 85% of all prescriptions but only about 27% of the cost

■ Specialty Drugs

- Type of brand drugs that are high cost and require special handling and care to treat rare conditions.
- About 1% of all prescriptions but about 41% of the cost

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Specialty Drug Price Increases

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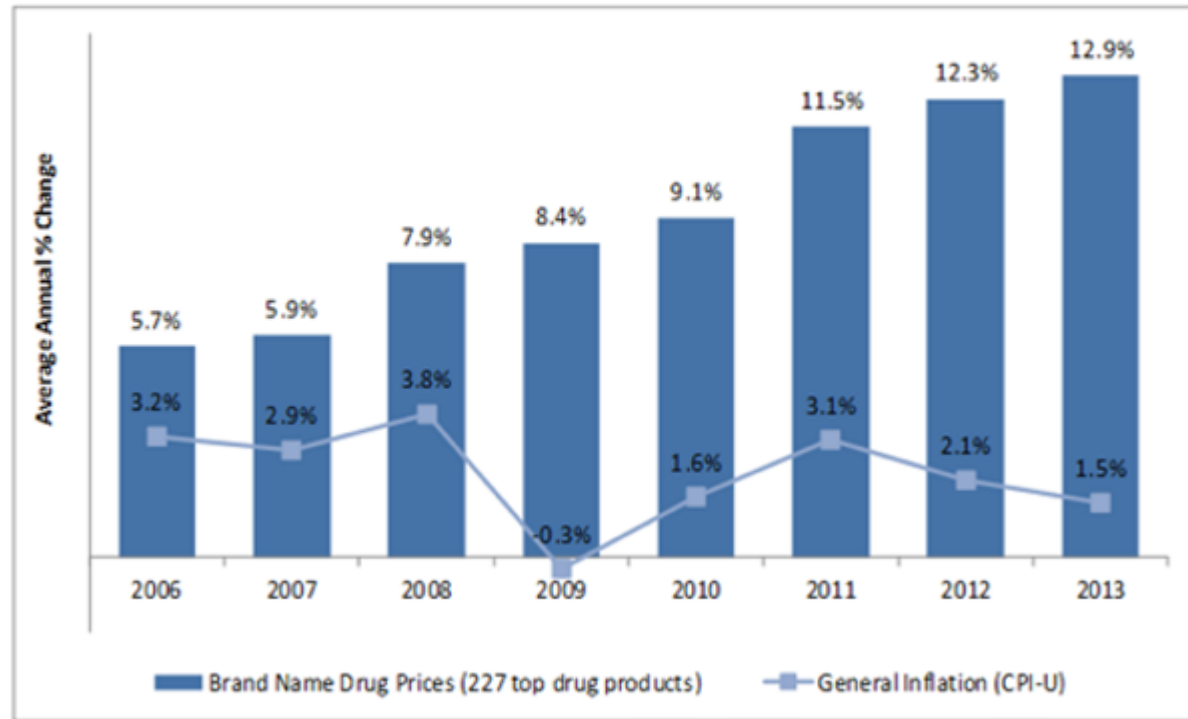
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Brand Drug Inflation

- Driven by increases in specialty drug prices, the prices for brand drugs across the U.S. have been growing much faster than inflation

Average Brand Name Drug Prices vs General Inflation Rate by Year



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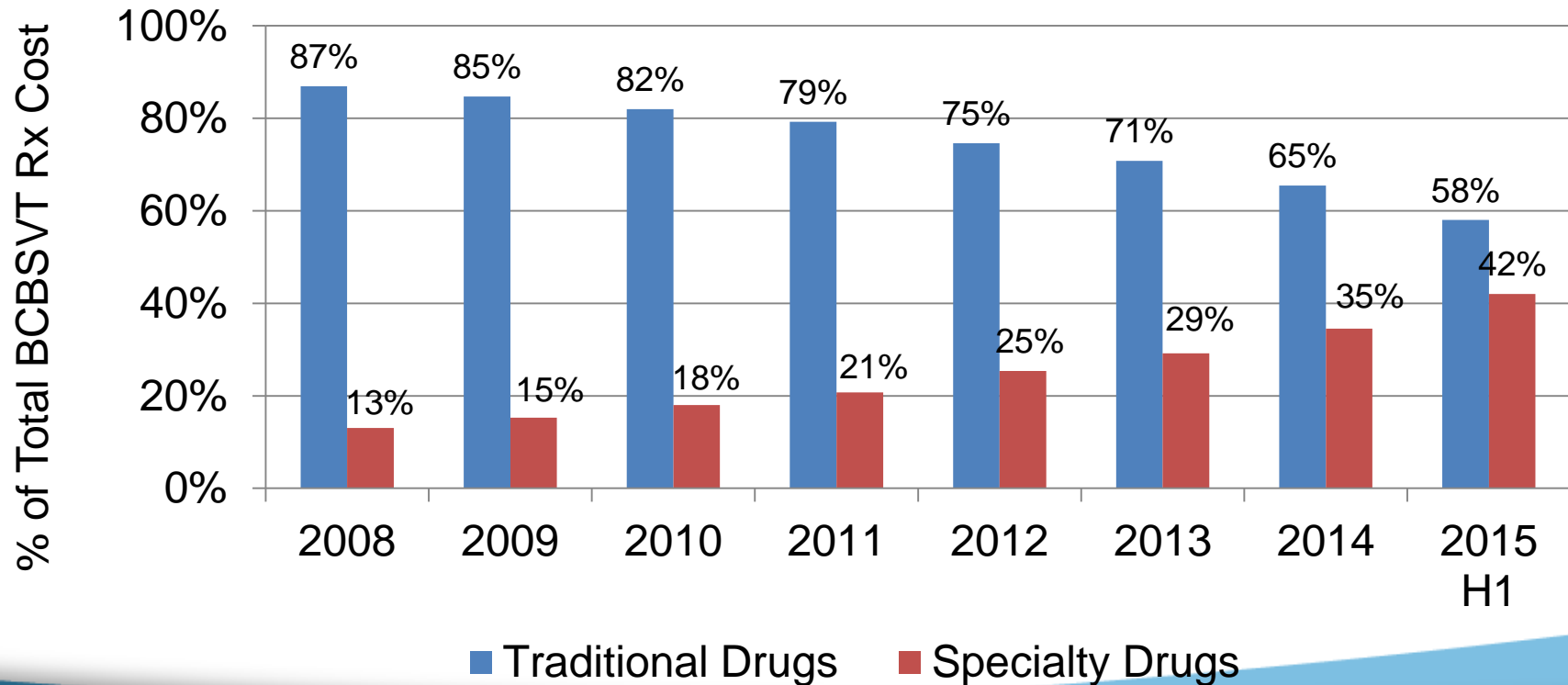


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Increasing Impact of Specialty Drugs

- BCBSVT's Rx trend is significantly higher than its medical trend due to historically high specialty drug trends.
- Specialty drugs have gone from being 13% of BCBSVT's Rx cost in 2008 to 42% in 2015.



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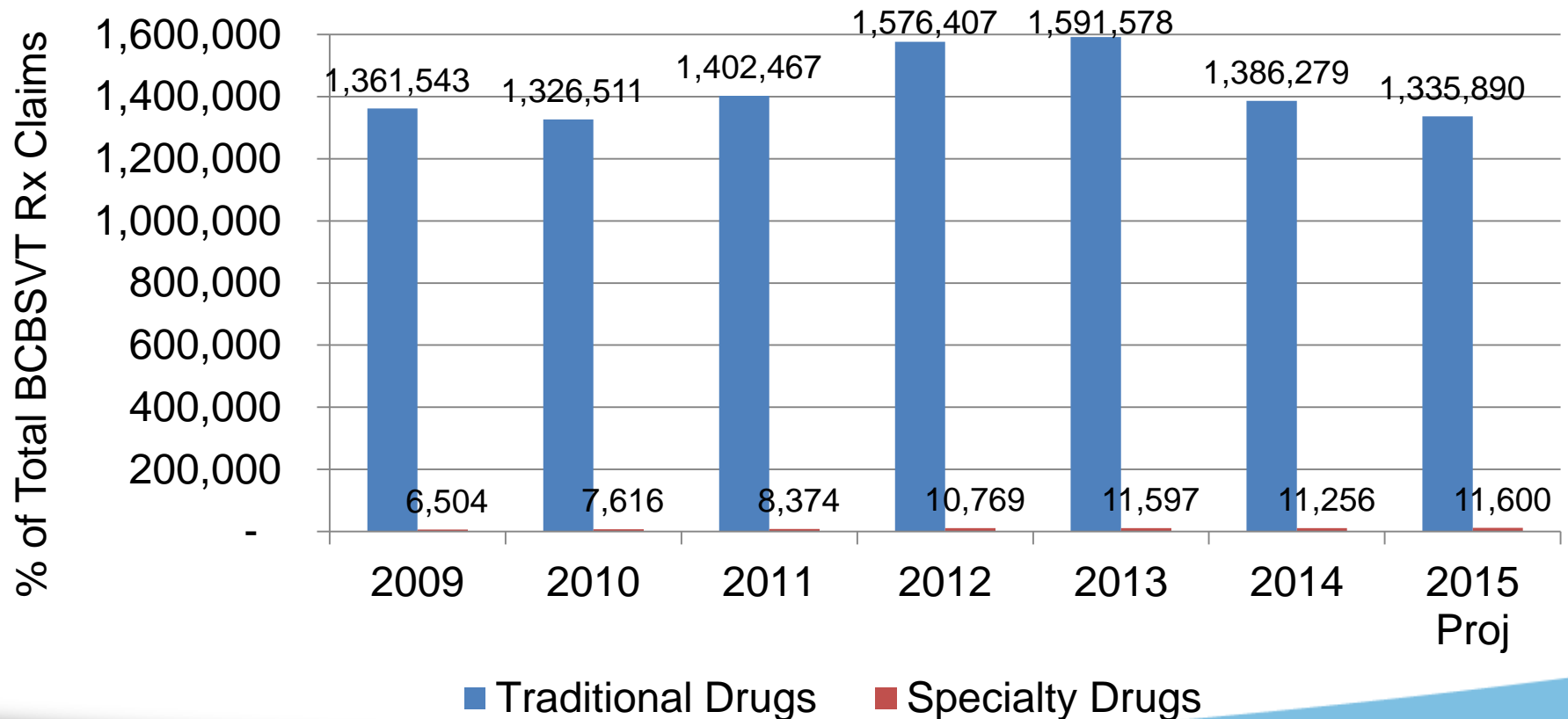


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Distribution of Scripts

- While the number of specialty scripts has doubled over the years, they are still a very small portion of the total.



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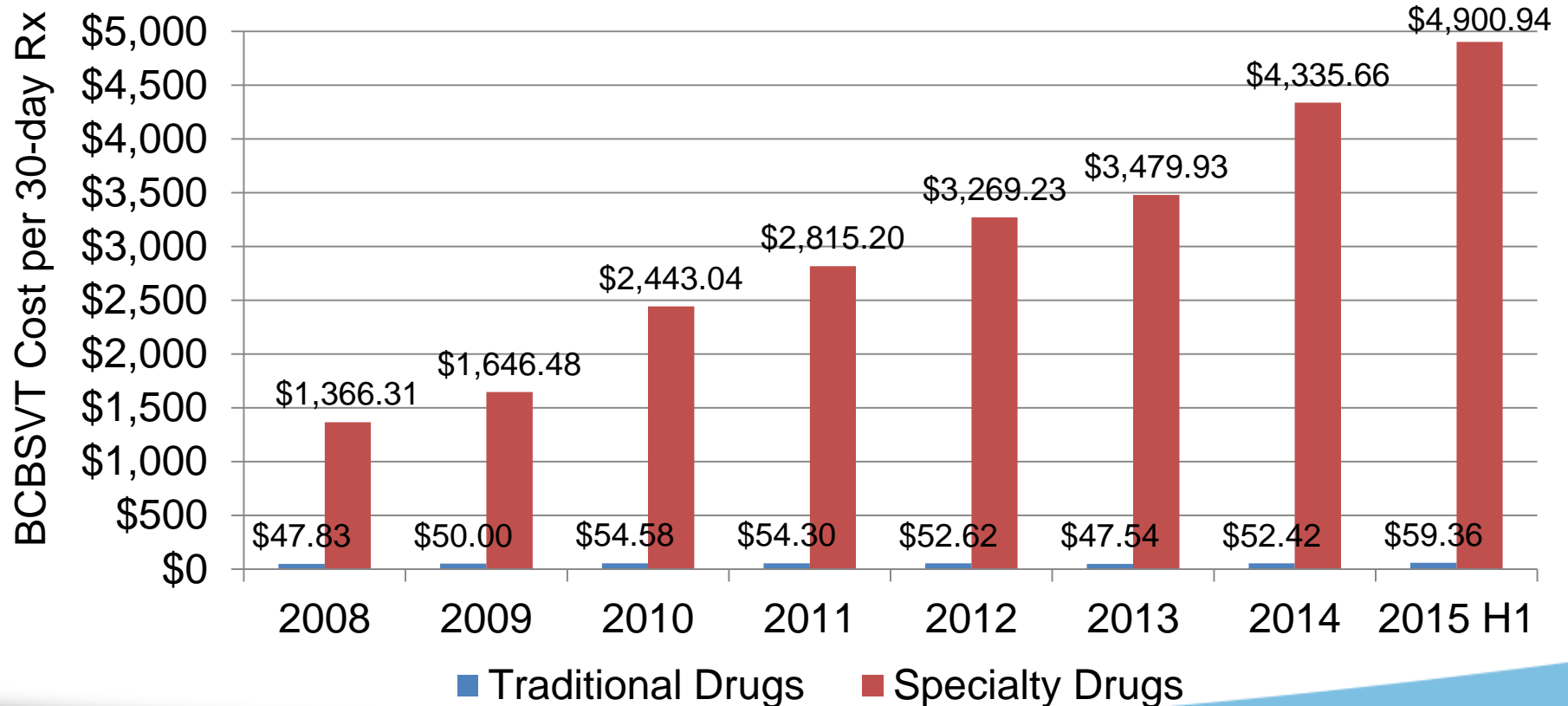


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Specialty Drug Price Inflation

- The cost per script for specialty drugs has tripled over the last seven.



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Common BCBSVT Specialty Drugs

Humira



242 patients
\$7.6M

Harvoni



52 patients
\$9.8M

Enbrel



184 patients
\$5.1M

Copaxone



78 patients
\$4.5M

Tecfidera



50 patients
\$2.6M

Revlimid



13 patients
\$1.4M

Xolair



24 patients
\$0.5M

Juxtapid



2 patients
\$0.8M

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BCBSVT Specialty Drug Inflation

- Humira & Enbrel are seeing large price increases due to expected biosimilar competition
- Gleevec will lose its patent in 2016

Brand Drug Inflation - Top Impacted Drugs

Drug Name/ Strength	Specialty Flag	Scheduled Release	2014			2013			% Change	
			AWP	QTY	AWP/ QTY	AWP	QTY	AWP/ QTY	AWP/ QTY	Inflation Impact on AWP
HUMIRA 40MG/0.8ML	Yes	2016	\$7,633,605	4,822	\$1,583.08	\$6,543,296	4,813	\$1,359.50	16.4%	\$1,078,073
ENBREL 50 MG/ML	Yes	N/A	\$5,121,359	6,292	\$813.92	\$4,587,621	6,532	\$702.29	15.9%	\$702,399
TECFIDERA 240 MG	Yes	N/A	\$2,568,353	25,740	\$99.78	\$961,200	10,680	\$90.00	10.9%	\$251,753
GLEEVEC 400 MG	Yes	2016	\$1,083,769	3,390	\$319.70	\$730,566	2,744	\$266.24	20.1%	\$181,212
REBIF 44MCG/.5ML	Yes	2026	\$1,007,538	1,027	\$981.53	\$1,469,754	1,710	\$859.51	14.2%	\$125,256
GILENYA 0.5 MG	Yes	2026	\$1,780,372	8,486	\$209.80	\$1,540,207	7,756	\$198.58	5.6%	\$95,199
SIMPONI 50MG/0.5ML	Yes	2026	\$537,019	80	\$6,712.74	\$560,175	97	\$5,804.92	15.6%	\$72,625
BETASERON 0.3 MG	Yes	2026	\$541,847	1,316	\$411.74	\$593,519	1,652	\$359.27	14.6%	\$69,043
JUXTAPID 5 MG	Yes	N/A	\$788,811	748	\$1,054.56	\$29,096	30	\$969.86	8.7%	\$63,357
REVLIMID 10 MG	Yes	2019	\$980,616	1,869	\$524.67	\$1,064,866	2,166	\$491.63	6.7%	\$61,763

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Orphan Drugs

- Intended to treat diseases so rare that companies are reluctant to develop them under usual marketing conditions
- Pharma gets tax credits on clinical trials, FDA fast tracking, reduced registration fees and 7 years of marketing exclusivity.



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2014 Specialty Drug Approvals

Drug	Indication*	Drug	Indication*
Hetlioz (tasimelteon)	Non-24H	Ruconest (rC1 esterase-X)	HAE
Vimizim (elosulfase alfa)	MPS IVA	Zydelig (idelalisib)	CLL, FL and SLL
Northera (droxidopa)	NOH	Plegridy (peginterferon beta-1a)	MS
Myalept (metreleptin)	Lipodystrophy	Cerdelga (eliglustat)	Gaucher Disease
Otezla (apremilast)	PsA	Keytruda (pembrolizumab)	Melanoma
Alprolix (factor IX Fc)	Hemophilia B	HyQvia (immune globulin)	PID
Oralair (grass pollen allergens)	Grass Allergies	Harvoni (ledipasvir/sofos.)	Hepatitis C
Cyramza (ramucirumab)	Stomach Cancer	Ofev (nintedanib)	IPF
Sylvant (siltuximab)	MCD	Esbriet (pirfenidone)	IPF
Zykadia (ceritinib)	ALK+ NSCLC	Obizur (antihemo. factor)	Hemophilia A
Entyvio (vedolizumab)	UC and CD	Blinicyto (blinatumomab)	ALL
Eloctate (factor VIII Fc)	Hemophilia A	Lynparza (olaparib)	Ovarian Cancer
Beleodaq (belinostat)	PTCL	Viekira Pak (par/r/omb/das)	Hepatitis C
		Opdivo (nivolumab)	Melanoma

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Biosimilars

- A biopharmaceutical drug designed to have active properties similar to one that has previously been licensed
 - “Generic Drug :: Brand Drug” as “Biosimilar :: Specialty Drug”
- New to the U.S. via the Affordable Care Act
- Expected to cost 25%-30% less than specialty drugs
- First biosimilar (Zarzio) was approved in March 2015 and reached the market in late summer.

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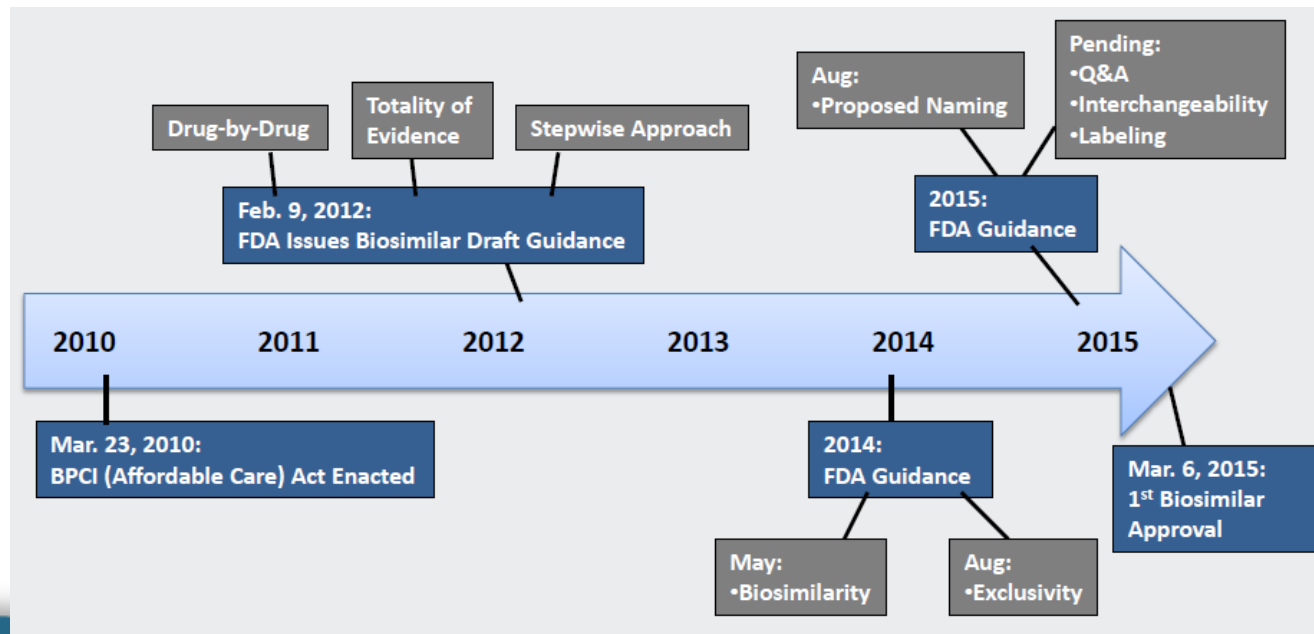


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Biosimilars Timeline

- It took a while for biosimilars to get a pathway to approval in the U.S.
- Pathway created by the ACA; passed in 2010



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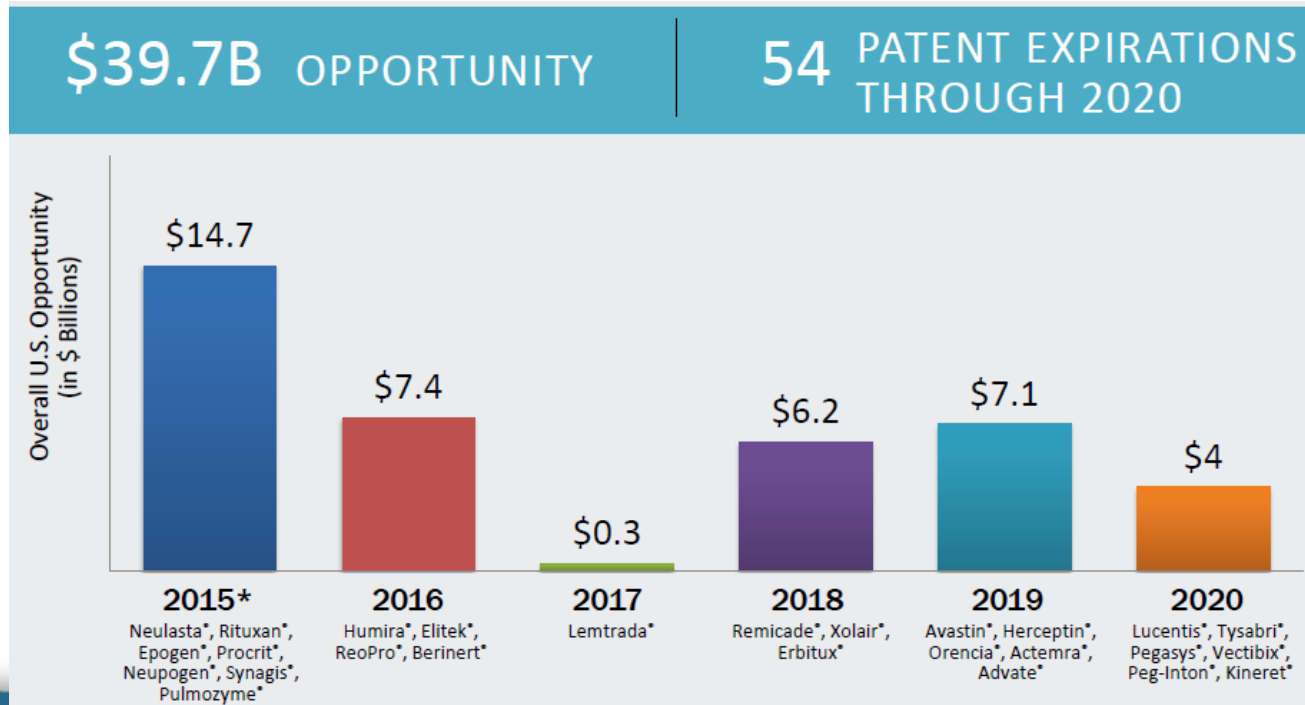


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Biosimilar Opportunities

- Biosimilar drugs available in Europe are 15%-75% less expensive than specialty equivalent.
 - Average = ~25%-30% less expensive than specialty versions



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Generic Drug Price Increases

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Overview

- Generic drugs, overall, are growing at a much slower pace than brand drugs.
 - 2014 generic drug inflation = 3.5%
 - 2015 generic drug inflation = 3.2%
- Some generic drugs have seen massive price increases
 - Doxycycline - \$1.97 per day in 2012 \$10.16 per day in 2015
 - Daraprim - \$11.00 per day in 2012 \$750 per day in 2015
 - Thiola - \$50.40 per day in 2012 \$797.98 per day in 2015

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Doxycycline

- In 2013, Teva, Mylan, Actavis, and Hikma Pharmaceuticals all ceased production of doxycycline.
- This occurred at the same time there was a shortage of tetracycline.
- This resulted in an increased demand for doxycycline just as supplies were dropping.
- The result was large price increases.

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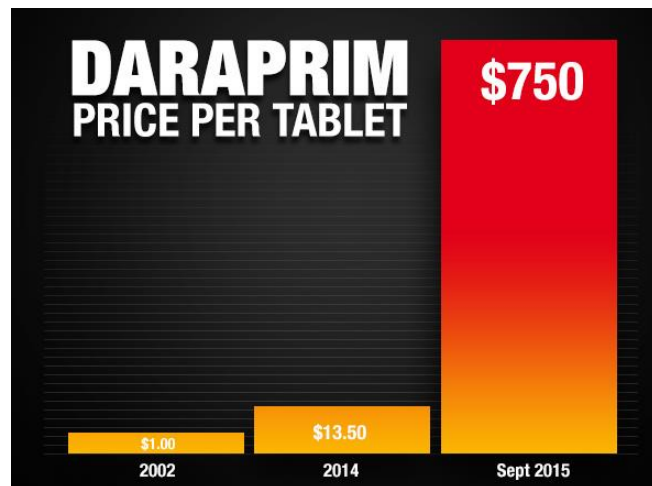
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Daraprim



- Treats toxoplasmosis which is a deadly parasite to patients with a compromised immune system such as cancer and AIDS patients.
- Released in 1953 and has been a generic drug since the 1970s.
- Turing Pharmaceuticals, headed by Martin Shkreli raised the price 5,000% in Sept.



- The media finally caught onto the story of pharmaceutical price inflation.

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Impact to Employers

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Impact on Local Hospital

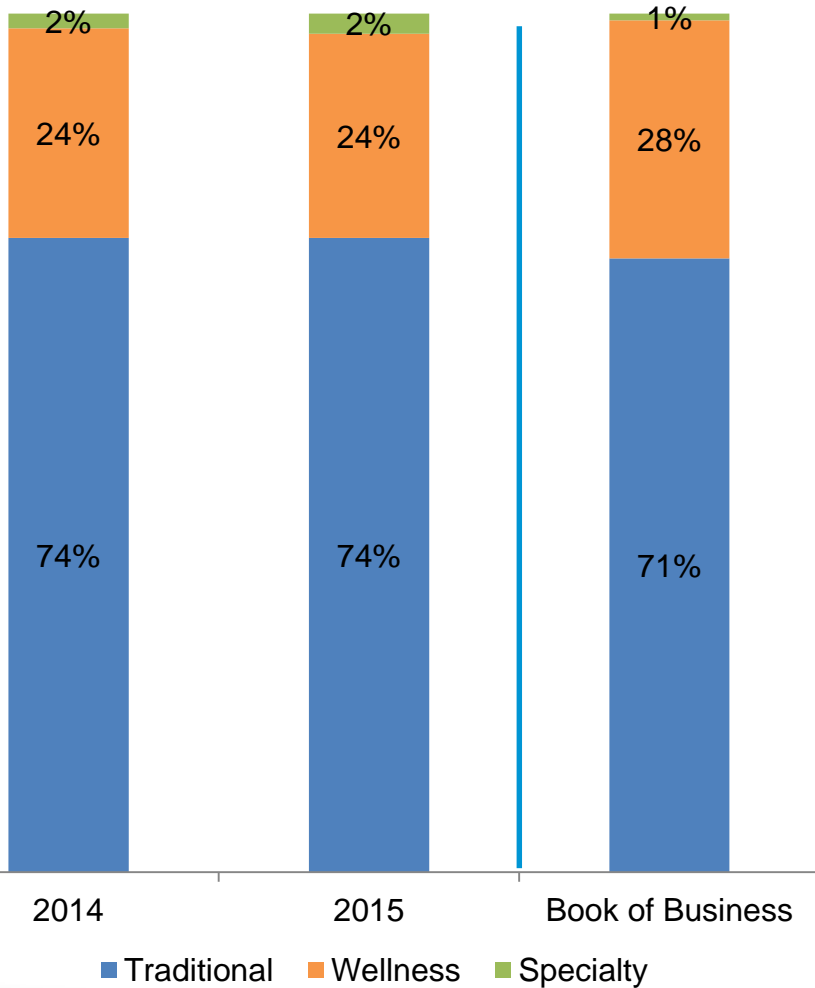
- 2 Harvoni patients and 1 Thiola patient = \$528,000 increase
- Total employer cost increase was \$453,000

OBSERVATIONS

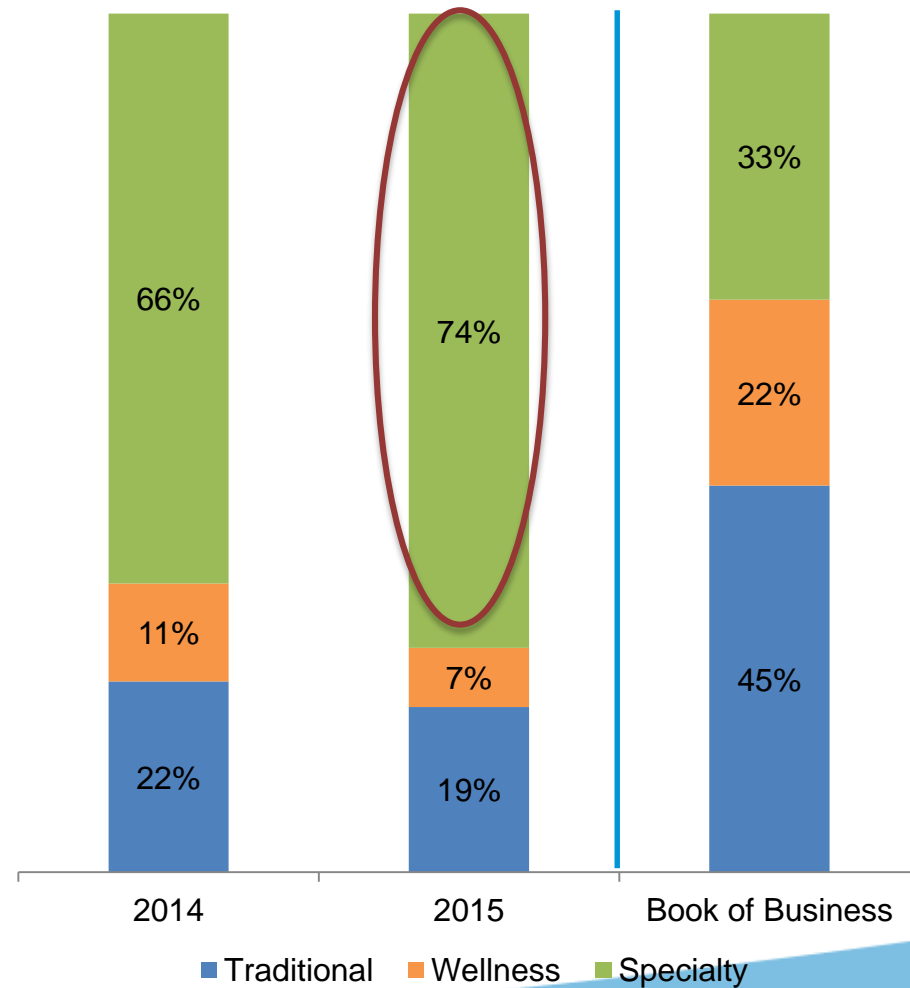
Description	7-14 - 6-15	7-13 - 6-14	Change
Avg Members per Month	1,056	1,057	-0.1%
Total Plan Cost	\$1,587,749	\$1,134,998	39.9%
Total Days	489,199	477,832	2.4%
Total Rxs	10,958	11,020	-0.6%
Plan Cost PMPM	\$125.30	\$89.48	40.0%
Plan Cost per Day	\$3.25	\$2.38	36.6%
Plan Cost per Rx	\$144.89	\$102.99	40.7%
Nbr Rxs PMPM	0.86	0.87	-0.5%
Generic Fill Rate	83.0%	80.8%	2.2
Home Delivery Utilization	5.8%	6.4%	-0.6
Member Cost %	7.7%	10.9%	-3.2
Specialty Percent of Plan Cost	44.8%	24.4%	20.4
Specialty Plan Cost PMPM	\$56.13	\$21.86	156.7%

Impact on Local Savings Bank

Percent of Prescriptions



Percent of Plan Paid



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Questions?

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