

Rising Costs of Prescription Drugs

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KEEP VERMONT

well



BlueCross BlueShield
of Vermont

An Independent Licensee of the Blue Cross and Blue Shield Association.

- Blue Cross and Blue Shield of Vermont partners with Civica RxTM to Reduce the Cost of Prescription Drugs in Vermont
- This collaboration, in conjunction with 18 Blue Cross Blue Shield companies across the nation, as well as other key partners, is to address generic medications outside of the hospital setting.
- Vermonters will have greater access to essential medications at more affordable prices and will ensure access to lifesaving drugs.

Prescription Drug Facts

- When a patient is diagnosed with a disease or condition, 87% of the time the first line of treatment is a prescription medication.
- BCBSVT Member Information 2019:
 - 74% filled a prescription
 - ~1.8 million months of prescriptions filled
 - 88.3% of prescriptions were for generic drugs
- Prescription drugs account for 20% of premiums and are the fastest growing segment of health care expenditures (inpatient & outpatient combined).

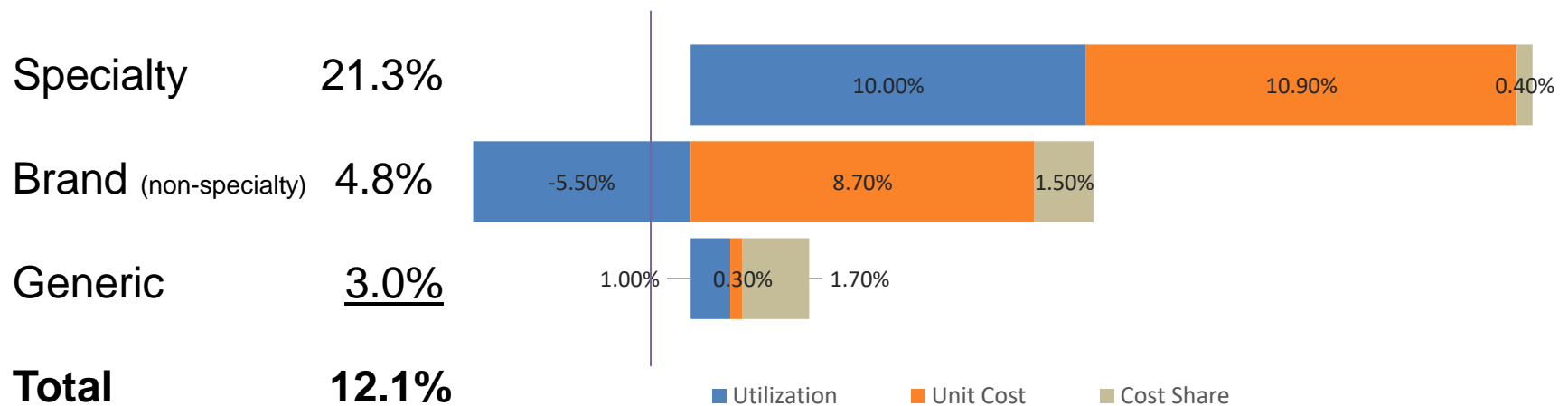
Prescription Drug Types

- **Generic Drugs:** are identically equivalent to the brand name drug in form, safety, strength, quality and intended use.
- **Brand Drugs:** are a first-to-market medication.
- **Specialty Drugs:** are used to treat complex and rare diseases and require special handling, administration or monitoring.

- Retail Drugs vs Hospital Drugs

BCBSVT Pharmaceutical Trend (2017)

- Overall Rx trend is 12.1%, being driven by specialty drugs. Within Specialty, the unit cost is the largest growth factor



Generic Drug Prices

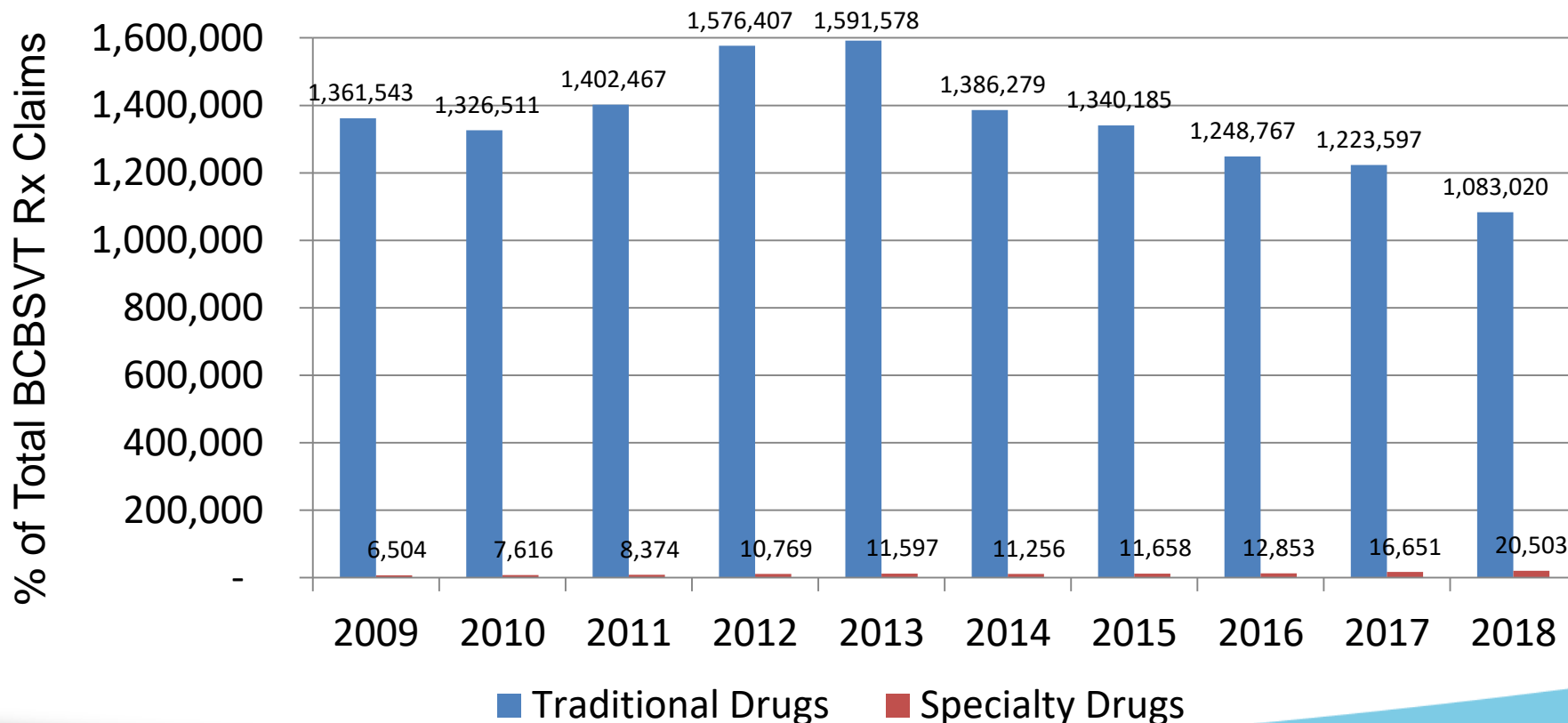
- The average cost-per-script for single-source generics has risen by 361% from 2010 to 2017, while during the same period, other multi-source generics have seen a - 7% decrease in cost-per-script. (BCBSA)
- In 2017, the average cost per script for single-source generics was \$412, nearly 20 times the price of other generics. (BCBSA)
- The generic drugs with the highest price increases are relatively cheap ones to begin with. When the price doubled, it usually means taking a \$5 drug and now charging \$10. (Forbes “The surprising trust about the rising price of generic Medications” 2/22/19)

Generic Price Increases

- Reduced market competition
- Industry consolidations (mergers and acquisitions)
- More complex molecules and delivery devices are entering the generic market which fewer manufacturers are producing
- Drug shortages (multiple factors)
- Supply distribution
- Business models based on noncompetitive markets
- Pace of FDA review of generic approvals

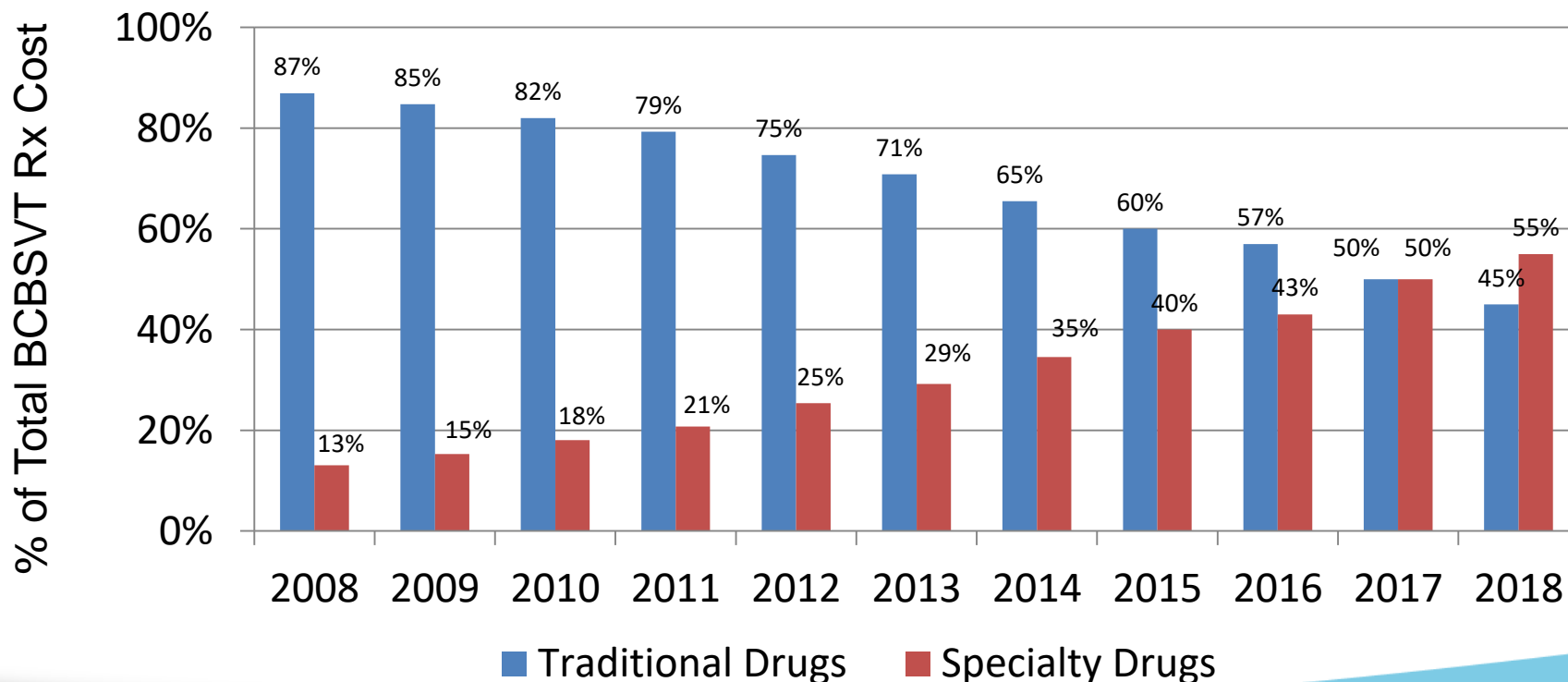
Distribution of Scripts

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



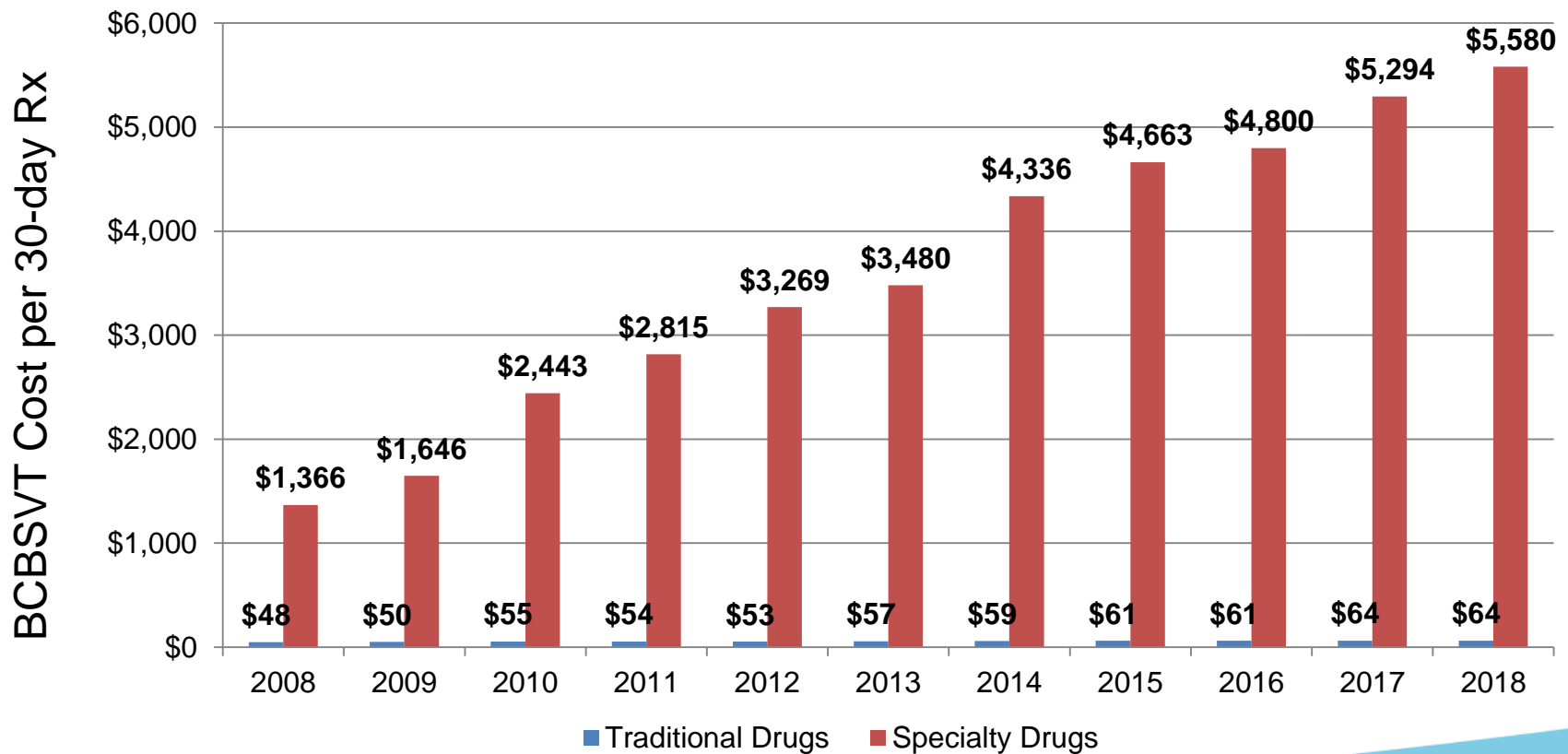
Increasing impact of specialty drugs

- 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 55% in 2015.








Specialty drug price inflation

The cost per script for specialty drugs has quadrupled over the last decade.

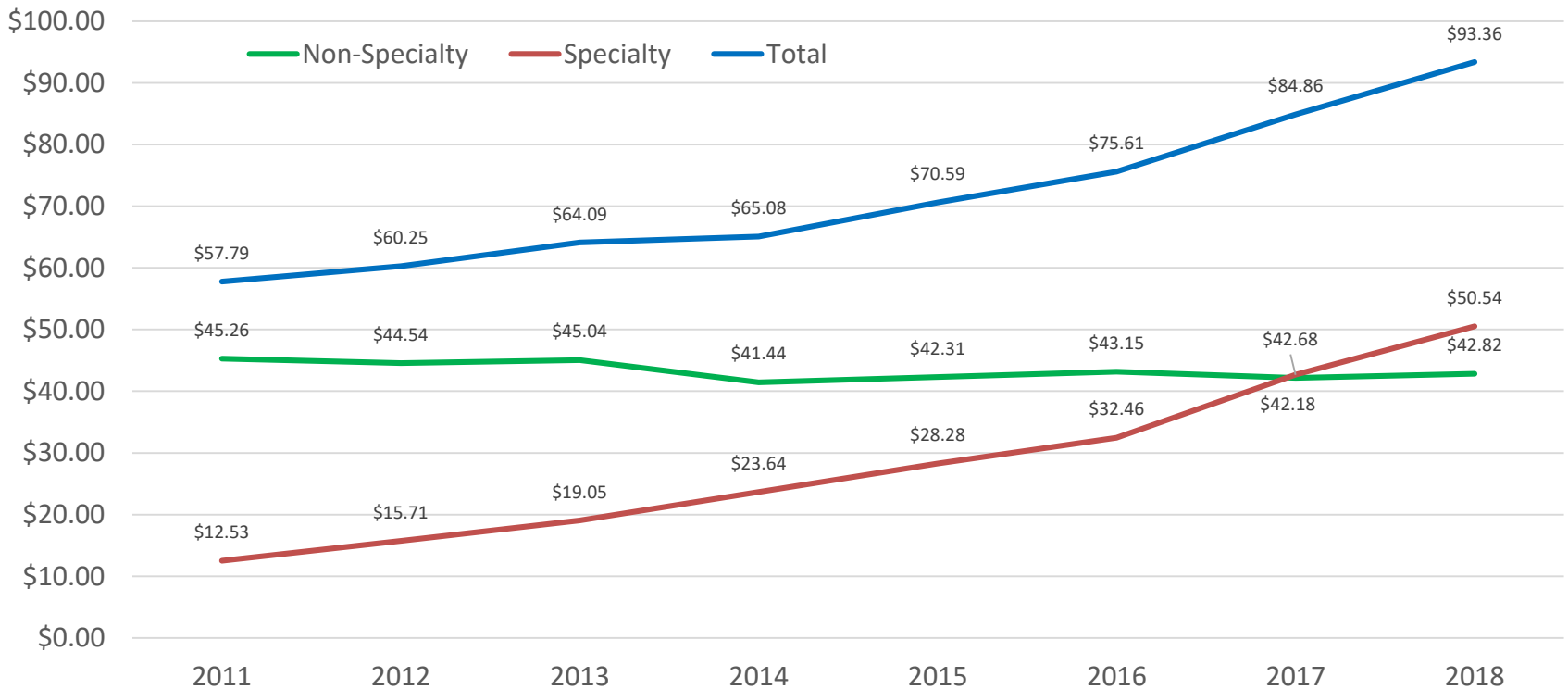


Specialty drug examples

Humira	Enbrel	Revlimid	Orkambi	Tecfidera
				
<p>384 patients 2018 Cost: \$16.8M</p>	<p>195 patients 2018 Cost: \$6.8M</p>	<p>21 patients 2018 Cost: \$2.4M</p>	<p><10 patients 2018 Cost: \$1.5M</p>	<p>32 patients 2018 Cost: \$1.8M</p>
<p>2013 Cost/Rx: \$2,519 2018 Cost/Rx: \$5,468 117% Increase</p>	<p>2013 Cost/Rx: \$2,333 2018 Cost/Rx: \$4,717 102% Increase</p>	<p>2013 Cost/Rx: \$8,970 2018 Cost/Rx: \$14,888 66% Increase</p>	<p>2013 Cost/Rx: New 2018 Cost/Rx: \$21,222</p>	<p>2013 Cost/Rx: \$4,586 2018 Cost/Rx: \$7,390 61% Increase</p>

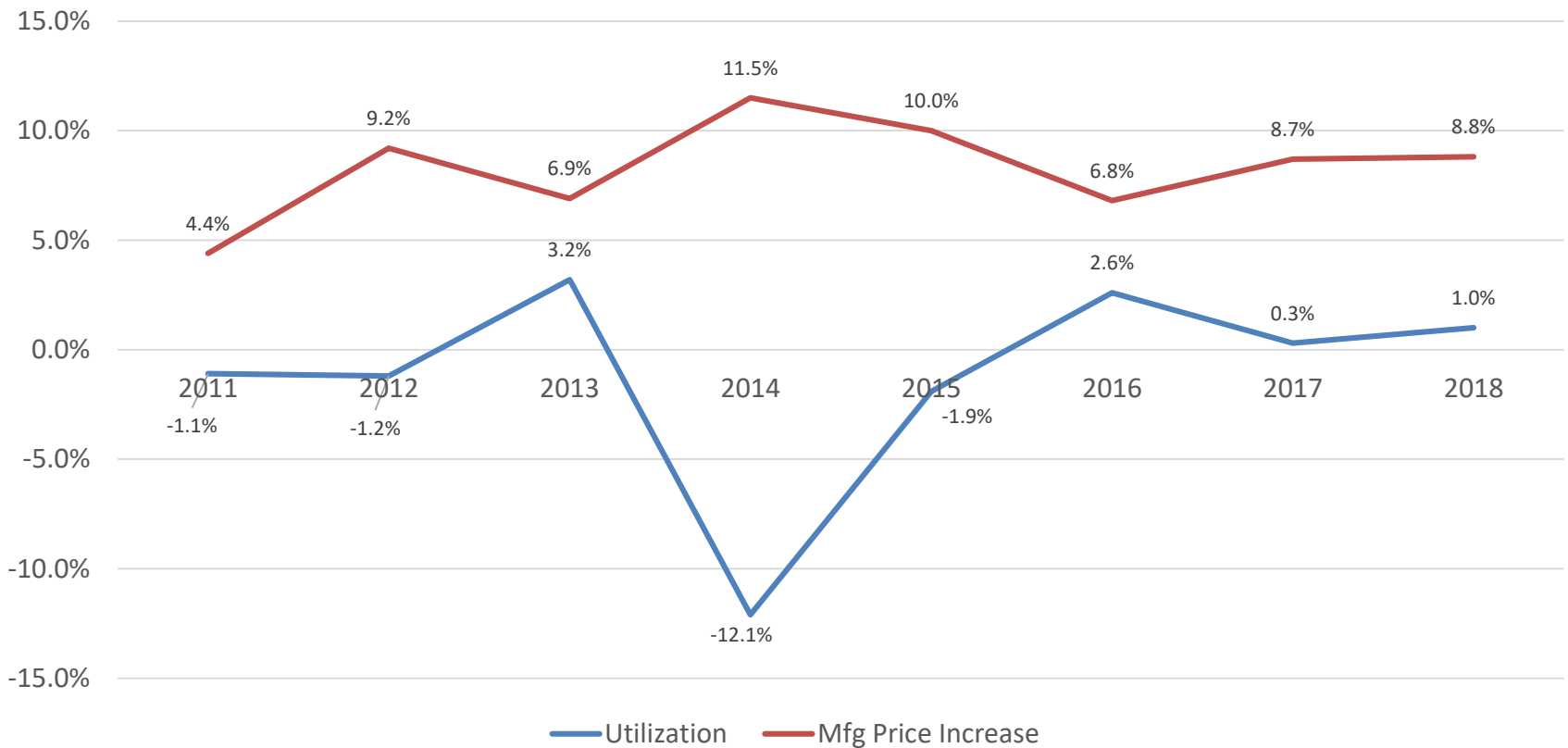
Pharmacy Cost PMPM

Specialty vs Non-Specialty



Pharmacy Cost Trend Drivers

Utilization vs Manufacturer Price Increases



BCBSVT Health Insurance Premium Dollar



2017 Plan Year Data