

S.296 Insulin Bill

Senate Finance Committee

February 12, 2020

KEEP VERMONT

well



BlueCross BlueShield
of Vermont

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

Insulin Background

- Insulin was developed at Univ of Toronto in 1921
 - Patent sold to Univ of Toronto for \$1 who licensed its production to companies such as Eli Lilly and Novo Nordisk
 - ▣ Eli Lilly now manufacturers Humalog
 - ▣ Novo Nordisk now makes Novolog & Levemir
 - FDA didn't receive authority to approve medications for marketing until 1938; insulin predated its approval process
 - ▣ FDA approved insulin as a NDA despite it being a biologic; biologic approval process created in 1980s
 - In 1972, UT sold its patent to Canada Development Corporation which sold it to Sanofi
 - ▣ Sanofi now makes Lantus

Insulin Background (cont)

- In the 1970s, manufacturers developed the ability to make synthetic human insulin from recombinant DNA
 - More complex manufacturing process and new patents
- In the 1990s, manufacturers develop analog insulin which is human insulin but altered genetically to be either rapid-acting or long acting
 - Rapid acting: Humalog, Novolog
 - Long acting: Lantus, Levemir
 - ▣ Sanofi has 74 patents on Lantus
- No legal pathway for the FDA to approve a generic version because insulin was originally classified as a NDA when it was actually a biologic.

Insulin Background (cont)

- In March 2020, FDA will reclassify insulin as a biologic which will give it a legal pathway to approve a biosimilar version
 - Merck & Mylan are poised to seek approval of biosimilar versions to compete with existing products
- In anticipation of this expected competition, Eli Lilly, Novo Nordisk and Sanofi continue to take large price increases

Insulin Pricing History (2011-2020)

Novolog Flexpen

Year	Annual Cost of Therapy	Annual Increase %
2020	\$5,439	0.0%
2019	\$5,439	0.0%
2018	\$5,439	5.0%
2017	\$5,180	7.9%
2016	\$4,801	7.9%
2015	\$4,449	16.4%
2014	\$3,822	20.9%
2013	\$3,161	18.7%
2012	\$2,663	15.6%
2011	\$2,305	

Humalog Kwikpen

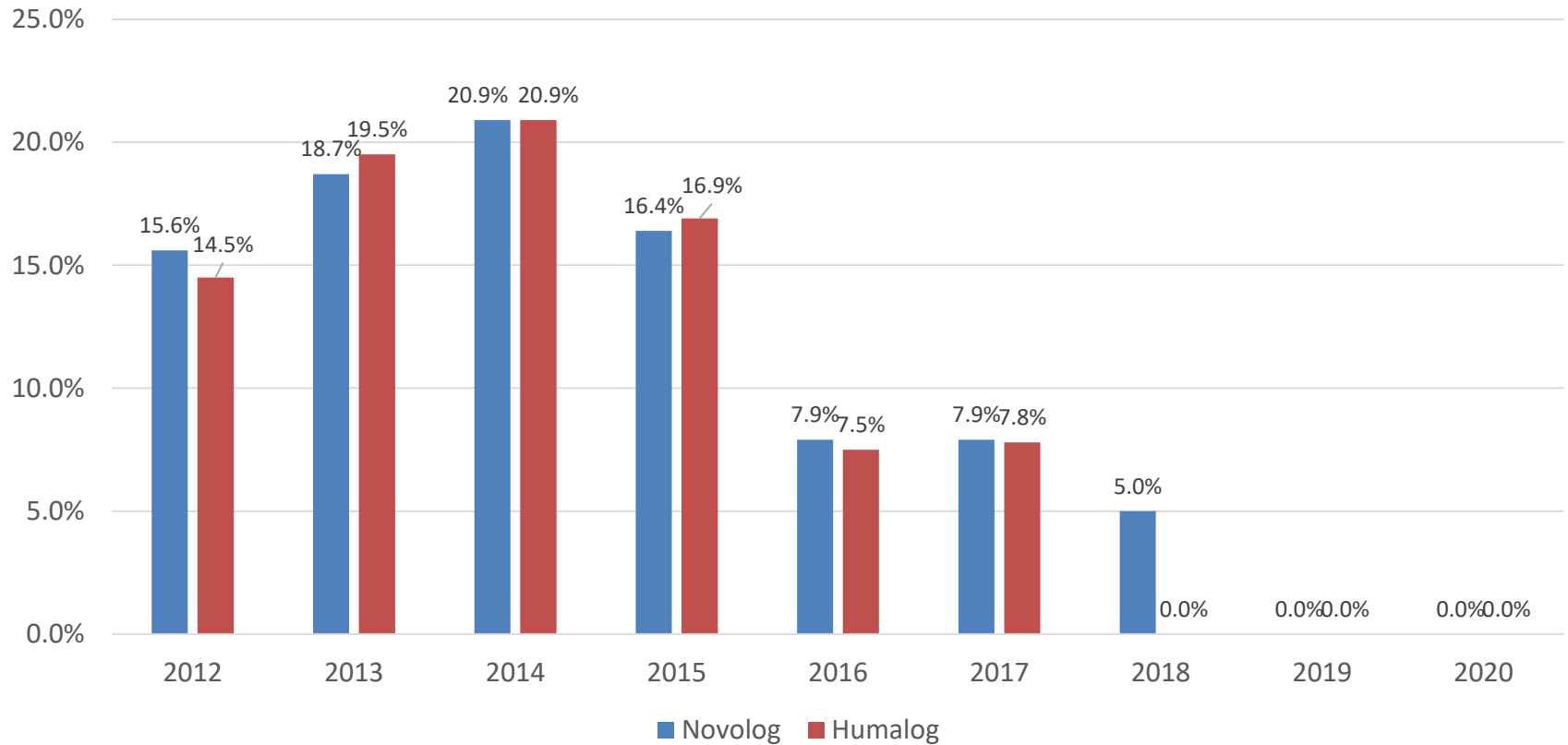
Year	Annual Cost of Therapy	Annual Increase %
2020	\$5,163	0.0%
2019	\$5,163	0.0%
2018	\$5,163	0.0%
2017	\$5,163	7.8%
2016	\$4,789	7.5%
2015	\$4,454	16.9%
2014	\$3,811	20.9%
2013	\$3,153	19.5%
2012	\$2,639	14.5%
2011	\$2,305	

Lantus 10ml Vial

Year	Annual Cost of Therapy	Annual Increase %
2020	\$4,140	0.0%
2019	\$4,140	5.2%
2018	\$3,935	5.3%
2017	\$3,737	3.0%
2016	\$3,628	0.0%
2015	\$3,628	0.0%
2014	\$3,628	29.9%
2013	\$2,793	45.14%
2012	\$1,924	15.5%
2011	\$1,667	

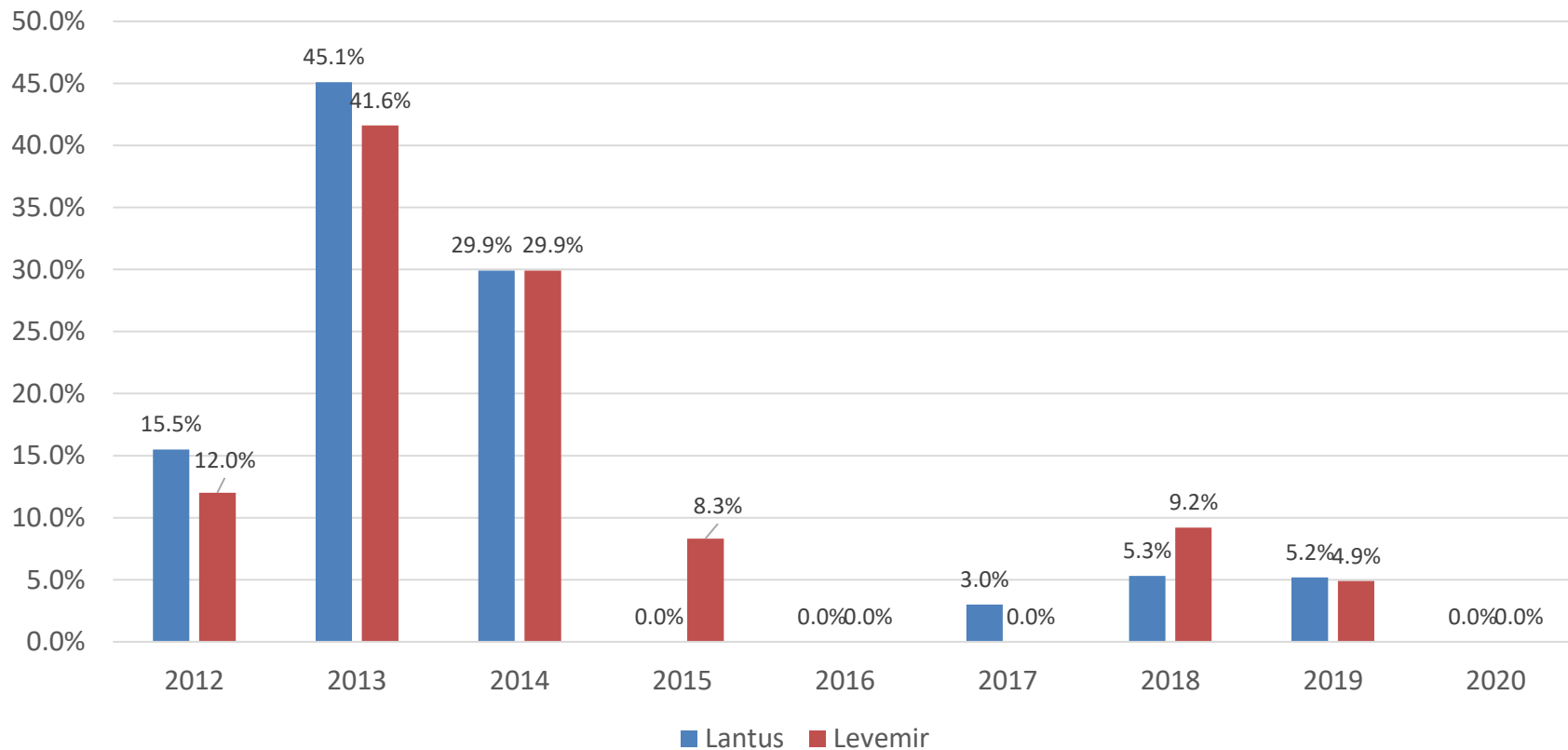
Rapid Acting Insulin Price Increases

Competing Manufacturers...Similar Price Increases

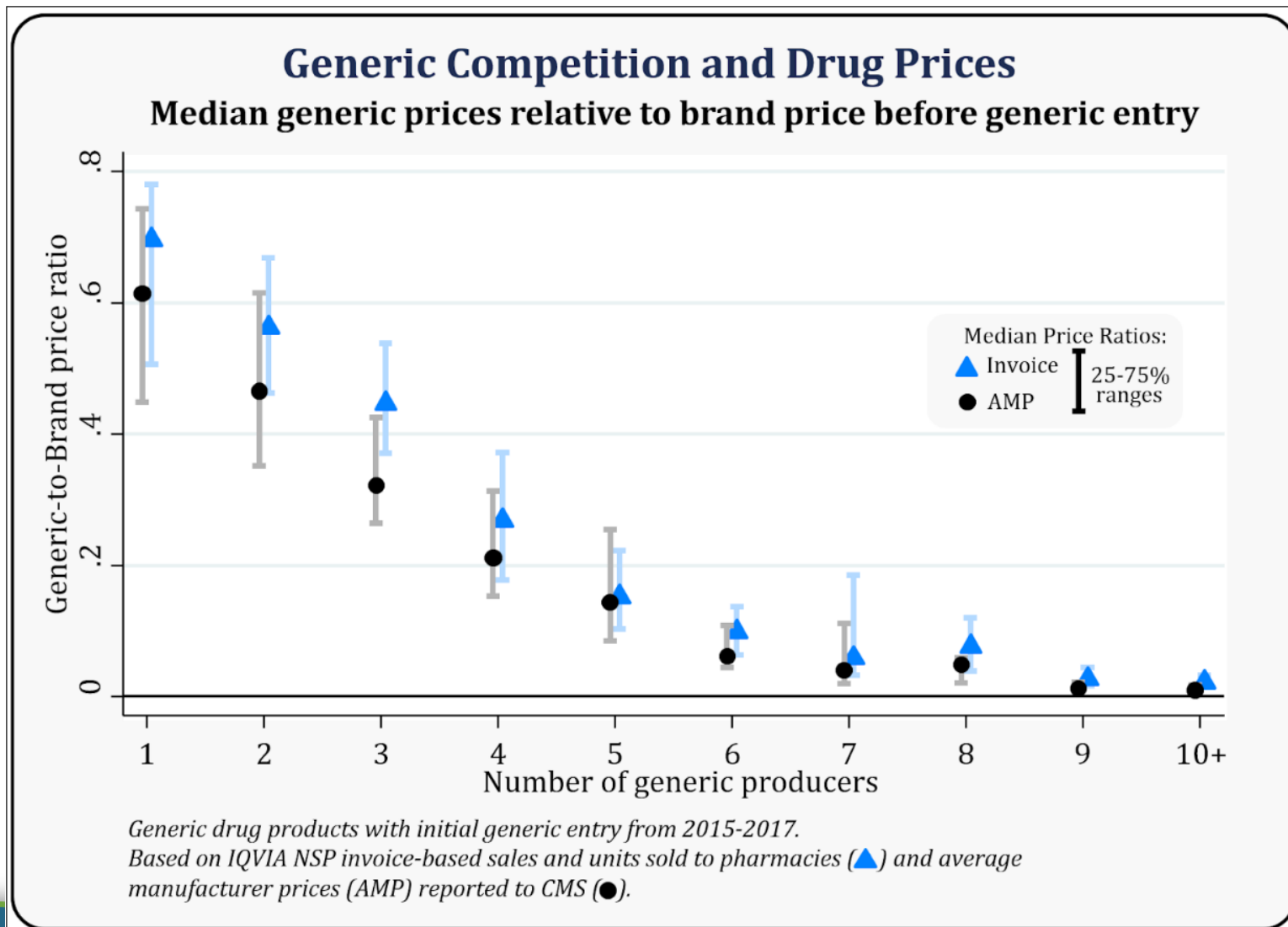


Long Acting Insulin Price Increases

Competing Manufacturers...Similar Price Increases



Potential Impact of FDA-Approved Biosimilars



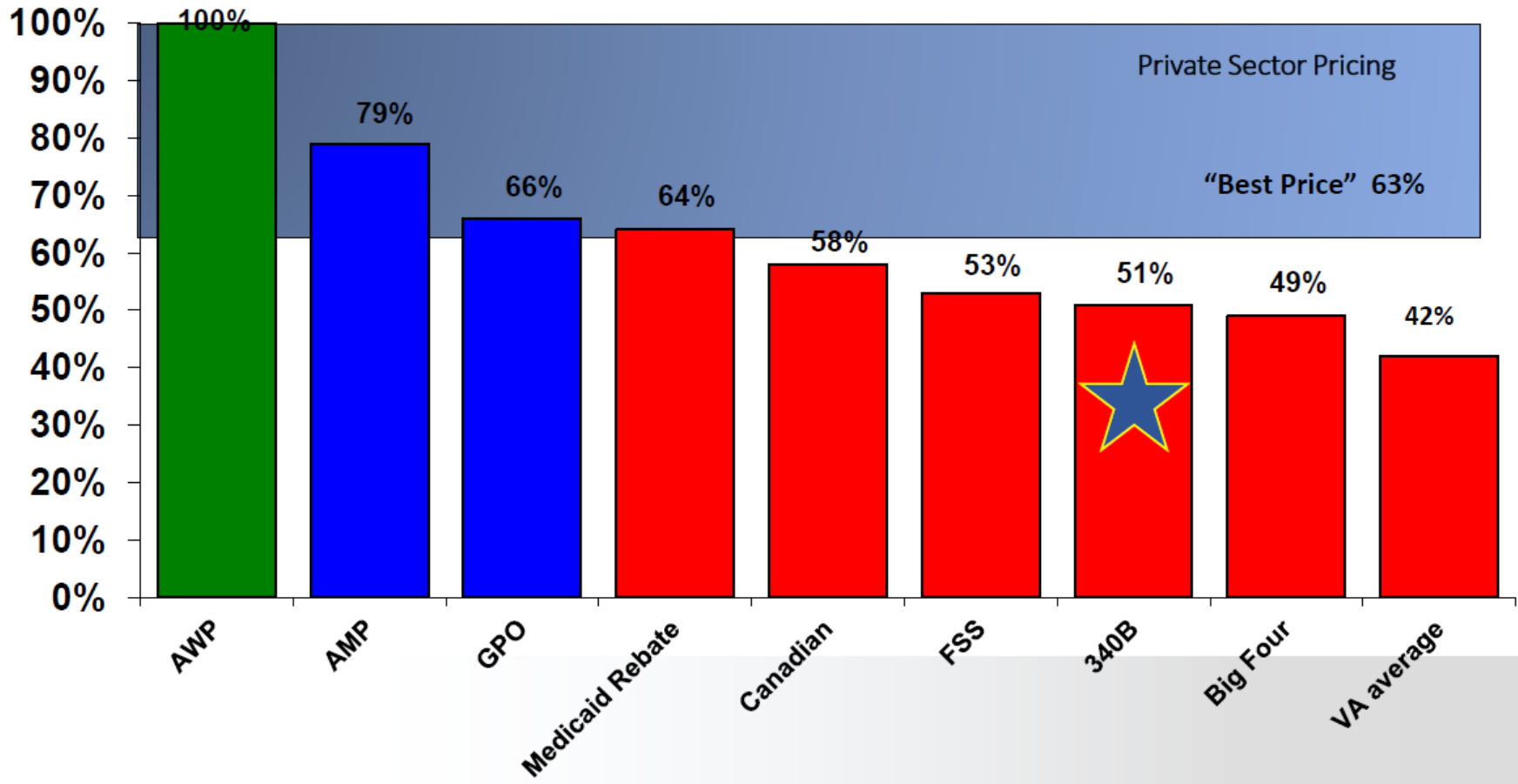
S.296 Proposal

- Addition of biosimilars into the insulin markets should lead to better competition
- History has shown that as more competitors enter the market, the price tracks downward
- Proposed addition to S.296: 5-year sunset provision
- Insulin pricing may be resolved but other drug classes may need assistance

340B Funding for Insulin

- Mike Fisher, Vermont's Chief Health Care Advocate, proposed using 340B funds to help reduce the cost of insulin
- BCBSVT supports the use of 340B funds to reduce the cost of insulin for Vermonters

340B Drug Pricing vs Other Programs



Source: Data derived from Prices for Brand-Name Drugs Under Selected Federal Programs, Congressional Budget Office (June 2005)

Growth in 340B Funds for Hospitals - US

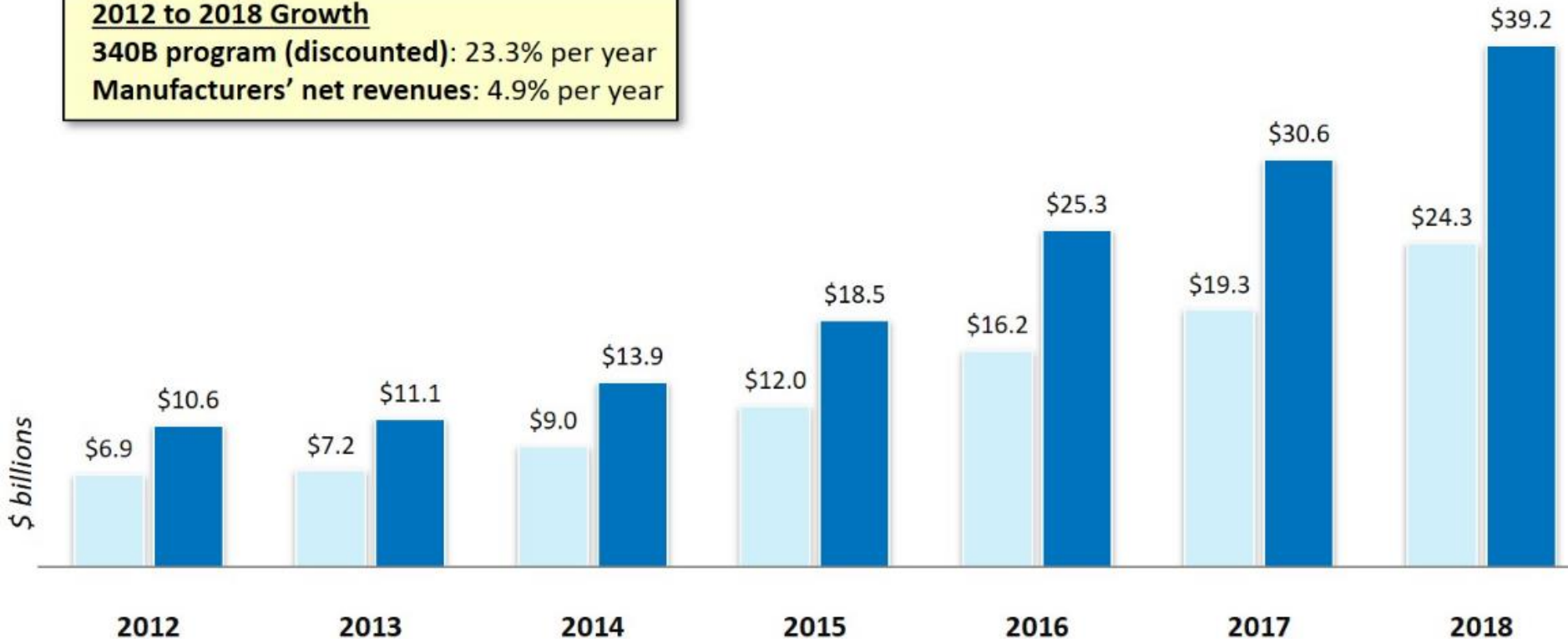
■ Purchases at discounted 340B prices

■ Estimated purchases at invoice prices

2012 to 2018 Growth

340B program (discounted): 23.3% per year

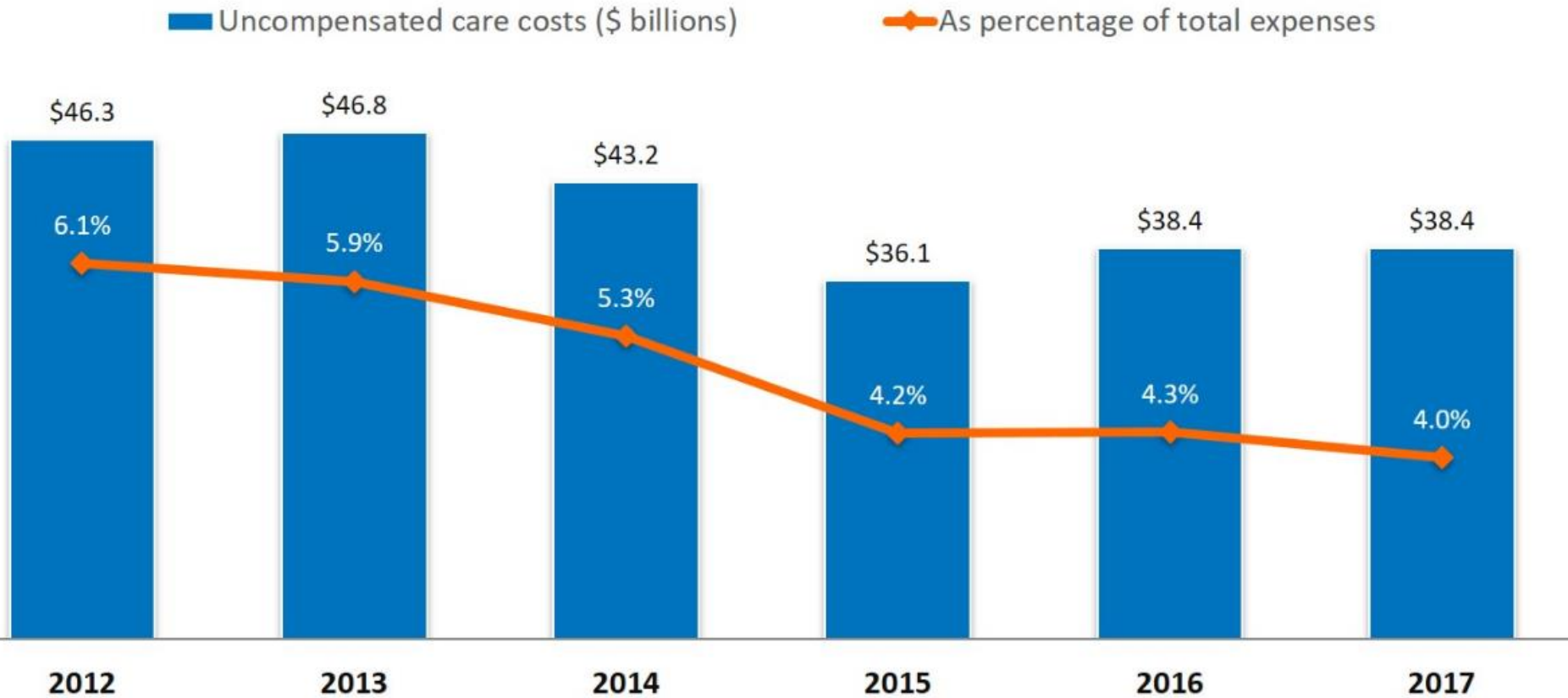
Manufacturers' net revenues: 4.9% per year



Source: Drug Channels Institute analysis of data from Health Resources and Services Administration and IQVIA. Dollar figures in billions. Excludes sales made directly to healthcare institutions by manufacturers. Data for purchases at discounted prices show value of purchases at or below the discounted 340B ceiling prices. Data at invoice prices reflect DCI estimates. Growth rates show compound average growth rate.

Published on Drug Channels (www.DrugChannels.net) on May 14, 2019.

Decrease in Uncompensated Care - US



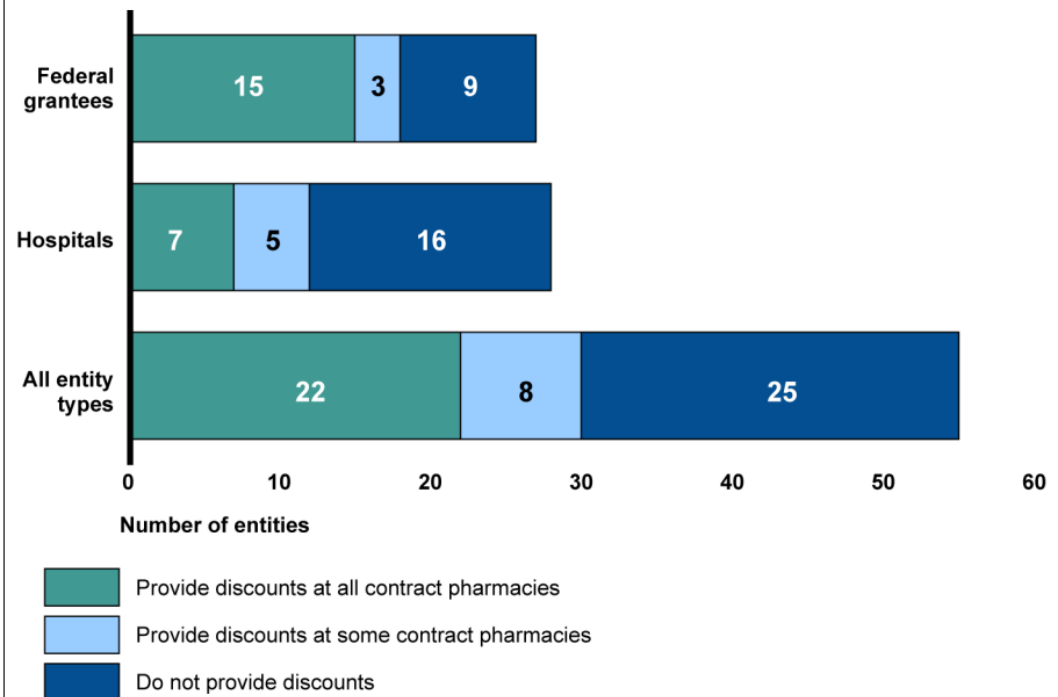
Source: Drug Channels Institute analysis of American Hospital Association (AHA) data

Published on Drug Channels (www.DrugChannels.net) on May 14 2019.

Passing 340B Discounts onto Low-Income Uninsured - US

- GAO surveyed 55 covered entities to see if they pass 340B discounts onto patients in 2018
- 45% of the covered entities don't pass any of the discounts onto patients and 15% only pass along some of the discounts

Figure 9: Number of Selected Covered Entities that Reported Providing Discounts to Low-Income, Uninsured Patients on the Price of 340B Drugs Dispensed at Contract Pharmacies, by Entity Type



Source: Responses to GAO's questionnaire to covered entities. | GAO-18-480

Note: We sent a questionnaire to 60 covered entities; 55 entities responded.

340B Funding for Insulin

- Need better transparency into the community benefit that Vermont hospitals are providing with 340B funds
- If funds are available, the discounts for insulin could be passed along to Vermonters

QUESTIONS?

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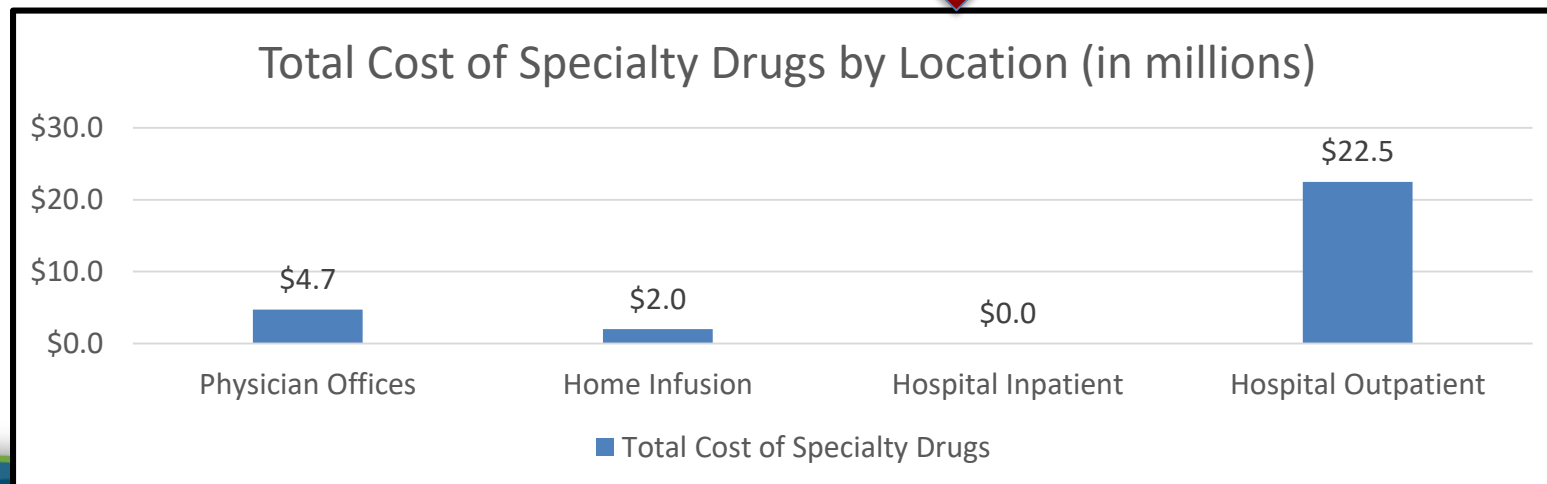
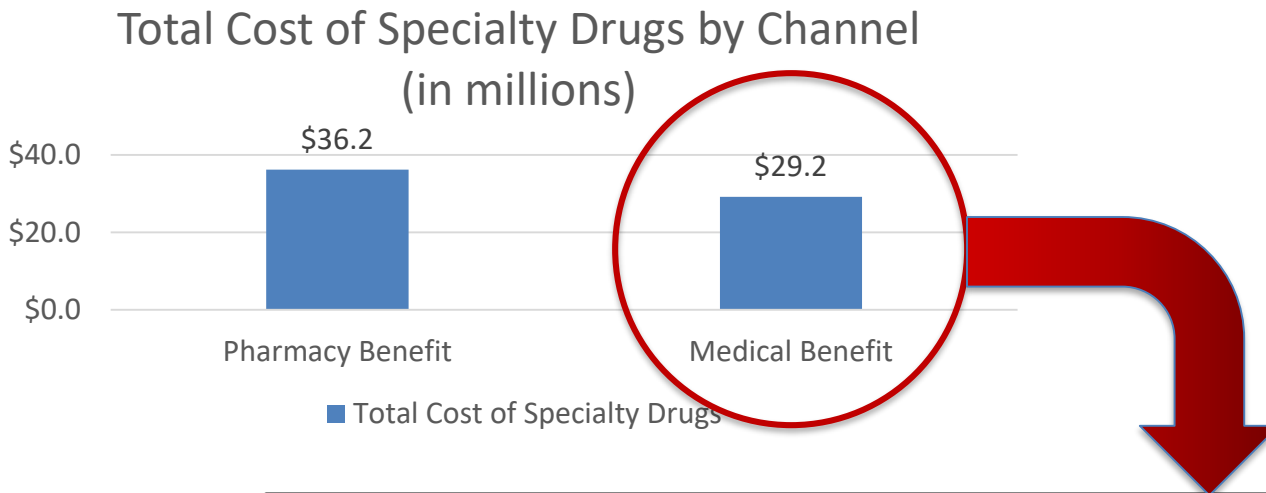
OFFICE: 371-3322

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APPENDIX

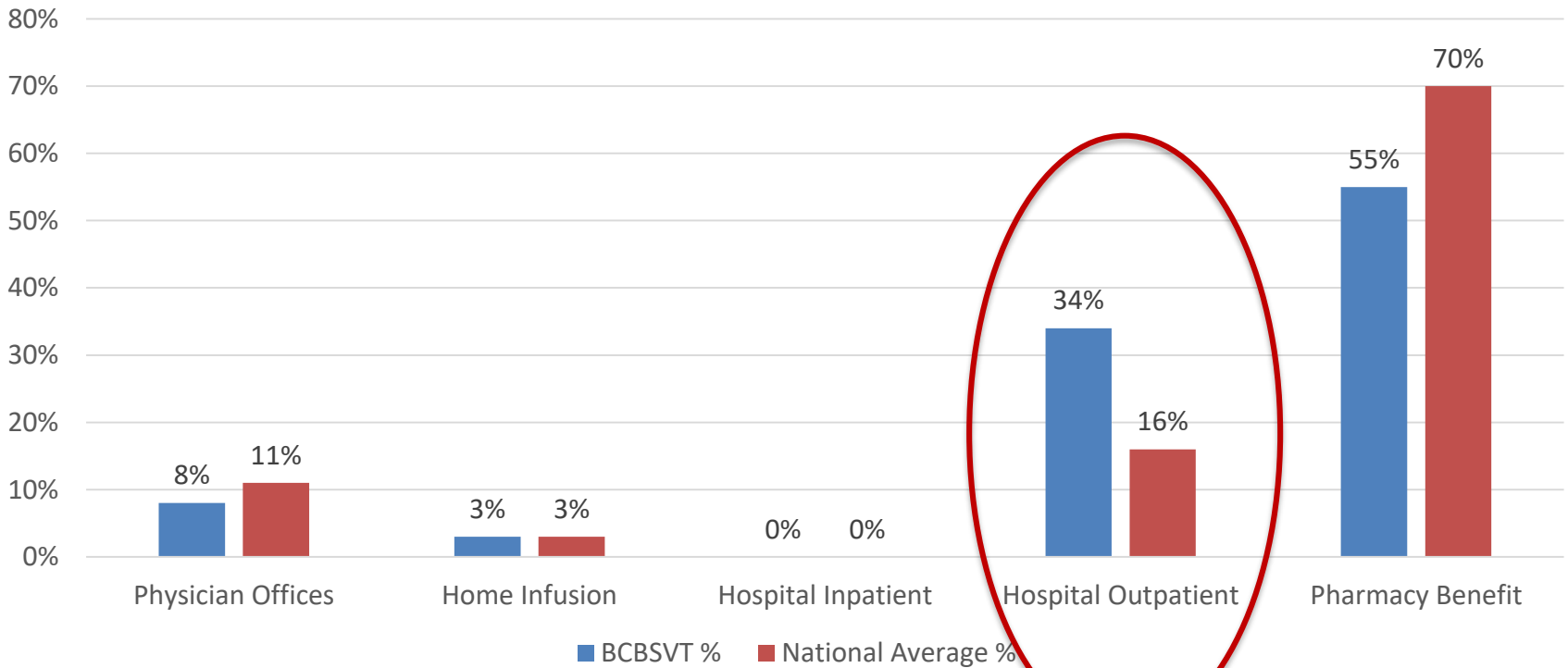


Specialty Drugs on the Medical Benefit



Specialty Drug Cost Distribution

Distribution of Specialty Drug Costs



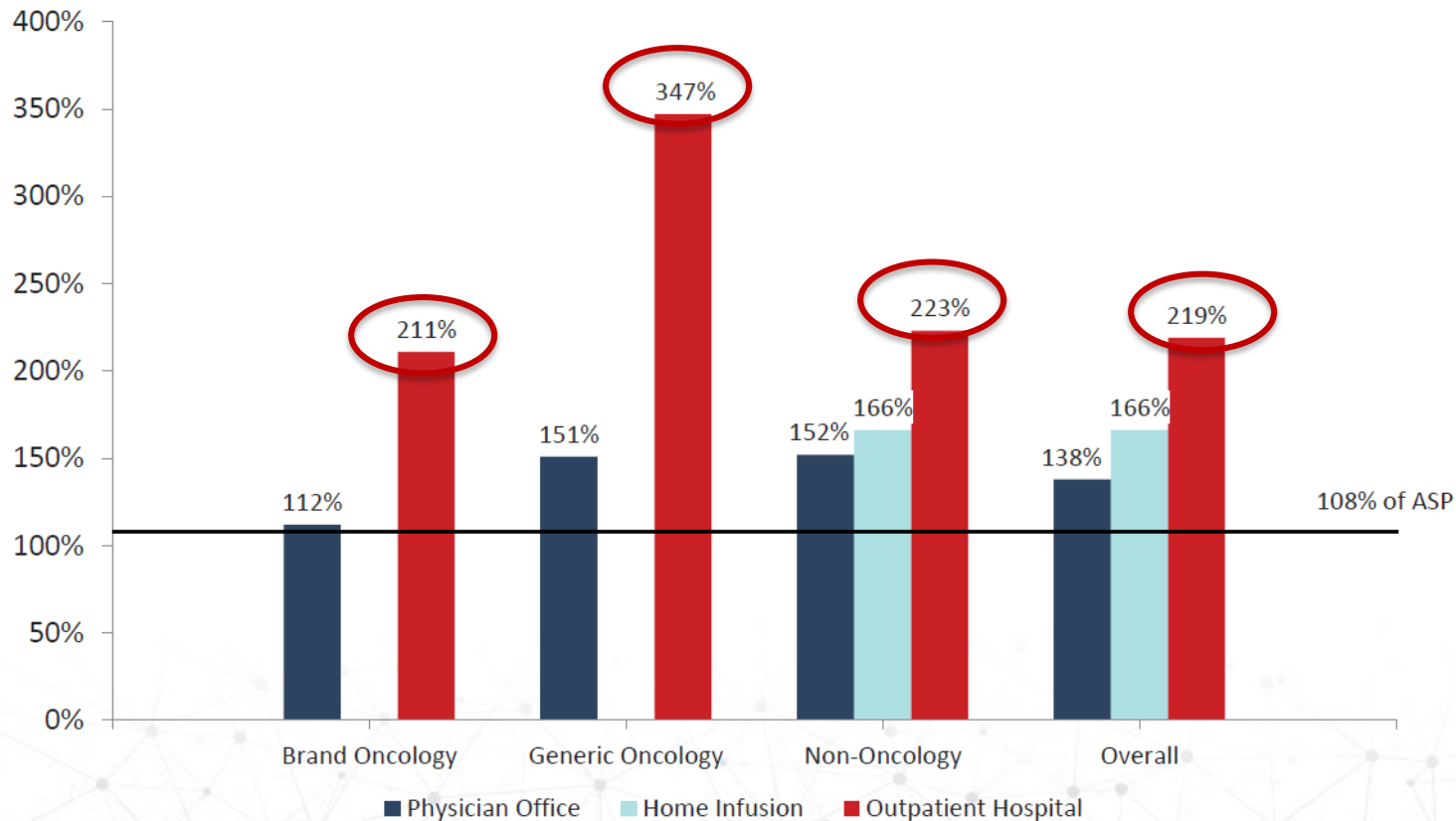
BCBSVT's Medical Specialty Cost vs Benchmark

Benchmark: Commercial – Year Ending: 7/31/2019

Metric	Actual	Industry Average	Variance	Variance %	Industry Low	Industry High
Spend Profile						
PMPY Specialty Total Cost	\$1,005	\$931	\$73	8%	\$657	\$1,584
% of Specialty in Medical	55%	42%	13%	31%	34%	46%
% Outpatient Hospital in Medical	80%	58%	22%	38%	20%	71%
Pricing Under Medical						
Specialty Medical Trend	15%	15%	0%	0%	0%	23%
Physician Office/Home Health % of ASP	138%	131%	7%	5%	109%	149%
Outpatient Hospital % of ASP	219%	187%	32%	17%	154%	217%
Administrative Costs as % of Medical	3%	6%	-3%	-50%	1%	8%

BCBSVT's Medical Specialty Drug Costs

As a percentage of ASP between locations



Note: ASP = Average Sales Price; benchmark for drugs on the medical benefit (Medicare is often at 108% of ASP)

Medical Specialty Example - Ocrevus

- Ocrevus is a newer drug for the treatment of multiple sclerosis
- BCBSVT's current Ocrevus utilization:
 - 84% utilization is in the OP hospital
 - 14% utilization is in physician offices
 - 2% utilization is through pharmacies

Quantity	Channel	Avg Cost/Claim
300	OP Hospital	\$32,058
600	OP Hospital	\$59,033
600	Physician Office	\$38,529
600	Pharmacy	\$33,637

BCBSVT Savings If Patients Shifted Away from Hospitals

Non-Oncology			Oncology		
Drug	Members	Savings	Drug	Members	Savings
Remicade	195	\$9,576,620	Rituxan	107	\$2,979,941
Ocrevus	50	\$2,624,482	Keytruda	24	\$1,746,621
Neulasta	80	\$1,787,942	Opdivo	17	\$1,278,565
Gammagard Liquid	24	\$1,692,605	Avastin	29	\$1,194,111
Privigen	34	\$1,323,710	Herceptin	25	\$1,137,627
Entyvio	39	\$1,152,678	Perjeta	18	\$897,221
Prolia	36	\$463,510	Erwinaze	1	\$721,177
Zemaira	2	\$443,619	Yervoy	8	\$596,216
Gamunex	18	\$402,524	Alimta	18	\$507,000
Xolair	9	\$401,713	Darzalex	7	\$367,145
Overall	591	\$22,427,916	Overall	342	\$14,636,180

**Outpatient
Hospital Site of
Care Savings
Opportunity:**

**\$37,064,096
across 754
patients**

**\$49,157 per
patient**