Today’s Agenda

8:30-8:35 Welcome
8:35-9:35 Larry Boress, President & CEO, MBGH (unable to release MERCK slides due to copyright issues)
9:35-9:45 Break
9:45-10:45 Cheryl Larson, Vice President, MBGH
10:45-11:00 Closing
What Employers Need to Know...

...To Better Manage Specialty Pharmacy

National Employer Initiative on Specialty Pharmacy

Developed by employers for employers
Biologics & Special Drug Landscape

• It’s anticipated that specialty drug costs will quadruple by 2020, reaching about $400 billion, or 9.1 percent of national health spending and representing 40% of all pharmacy plan spending

• Seven out of the top 10 highest revenue-producing drugs in the U.S. are projected to be specialty products

• Over 900 biologic/specialty drugs are already approved by the FDA

• 50% of all drugs in late-stage development are in the specialty drug category

• After regulators spent years determining a pathway for biosimilars the first have recently been approved by the FDA

• There will be increases in the number of diagnostic/genetic tests and lab diagnostics for drug dosing and delivery applications
Specialty Spend is Forecast to Grow Rapidly

Source: CVS Caremark Insights 2014
One Employer Experience
High-Level Strategic Trends

1. Patients becoming more informed consumers
2. Growth of quality measures structurally
3. Revenue pressure driving consolidation
4. New and alternative provider payment models
5. Specialty drug use driving care cost trend
6. Information technology innovations driving inter-stakeholder communications

SOURCE: AmHlthDrugBen, April 2015.
MBGH Employer Member Survey 2015

Priorities in next 12 to 24 months

- Avoid the 2018 ACA excise tax: 57%
- Reduce/manage health benefits costs: 56%
- Manage specialty/biologic drugs: 45%
- Create a culture of health: 36%
- Create effective communications: 29%
- Offer targeted wellness programs: 35%
- Integrate vendor data: 29%
- Offer price transparency tools: 23%
- Coordinate vendor programs: 36%

High Priority: Orange
Medium Priority: Blue

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National Employer Initiative on Biologics & Specialty Drugs

4th Annual Employer Survey Results
4th Annual Employer Survey

- Survey respondents: 81 employers
- Represent over 1.5M employees
- Average employer size: 19,800
- Primary industries
  - 22% - Manufacturing
  - 10% - Technology and Science
  - 9% each - Financial Services; Government; Health Care
## Level of employer agreement ...

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Somewhat Agree</th>
<th>Don’t Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concerned about increasing SP costs</td>
<td>78%</td>
<td>18%</td>
<td>4%</td>
<td>0%</td>
</tr>
<tr>
<td>Concerned about number of SP drugs in pipeline</td>
<td>60%</td>
<td>35%</td>
<td>3%</td>
<td>2%</td>
</tr>
<tr>
<td>Plan to shift more of rising costs to employees</td>
<td>2%</td>
<td>24%</td>
<td>32%</td>
<td>42%</td>
</tr>
<tr>
<td>High cost of SP drugs are acceptable if they offer improved outcomes</td>
<td>3%</td>
<td>15%</td>
<td>62%</td>
<td>20%</td>
</tr>
</tbody>
</table>

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## Level of employer agreement ...

<table>
<thead>
<tr>
<th></th>
<th>Strongly Agree</th>
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<th>Somewhat Agree</th>
<th>Don’t Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>SP drugs are cheaper than medical treatments and hospital stays that may occur</em></td>
<td>8%</td>
<td>45%</td>
<td>43%</td>
<td>4%</td>
</tr>
<tr>
<td><em>New and innovative solutions are needed to manage SP</em></td>
<td>56%</td>
<td>34%</td>
<td>10%</td>
<td>0%</td>
</tr>
<tr>
<td><em>Our PBM does a good job managing SP costs</em></td>
<td>12%</td>
<td>39%</td>
<td>41%</td>
<td>8%</td>
</tr>
<tr>
<td><em>Our Specialty Pharmacy does a good job managing SP costs</em></td>
<td>10%</td>
<td>31%</td>
<td>47%</td>
<td>12%</td>
</tr>
</tbody>
</table>
Most effective cost management strategies

1. Coordinated information on disease therapies
2. Defined contracting terms/coverage for claims reimbursement
3. Day’s supply/limitations messaging
4. Site of care strategies driving patients to lower cost options
5. Formulary explanations
6. Incorporation of wellness across the continuum of care
Most effective patient outcome strategies

1. Alternative risk financing/actuarial design
2. Restricted coverage under the medical benefit
3. Exclusive or limited networks by setting of care
4. Defined contracting terms/coverage for claims reimbursement
5. Day’s supply/limitations messaging
Plan design strategies

88% of employers still use traditional plan designs but willing to try new strategies

- Narrow network that assumes risk: 68%
  - Currently Offer: 7%
  - Would Consider: 14%
  - Won't Consider: 11%
  - Don't Offer: 19%

- SP as carve-out: 63%
  - Currently Offer: 7%
  - Would Consider: 14%
  - Won't Consider: 16%
  - Don't Offer: 13%

- Shift more cost to employees: 55%
  - Currently Offer: 14%
  - Would Consider: 18%
  - Won't Consider: 15%
  - Don't Offer: 12%

- Include vendor performance guarantees: 51%
  - Currently Offer: 9%
  - Would Consider: 40%
  - Won't Consider: 12%
  - Don't Offer: 5%

- No drug formulary-costs based on lifestyle, business preserving, life-threatening: 46%
  - Currently Offer: 3%
  - Would Consider: 27%
  - Won't Consider: 24%
  - Don't Offer: 20%
Oncology plan design strategy

- Integrated PBM manages benefits (HP PBM) - 37%
- Required use of specialty pharmacy to get Rx - 25%
- Physician-based model using PA from list - 21%
- Independent PBM receives reports from health plan on integrated use - 17%
- Oncology carve-out
- Narrow formulary to include preferred oncology drugs - 0%
Incentives offered to covered population for use of...

- **Specialty pharmacy**: 11% Offered/Effective, 35% Offered/Not Effective, 6% Don't Offer, 48% Don't Know
- **Care/case mgmt**: 10% Offered/Effective, 42% Offered/Not Effective, 8% Don't Offer, 40% Don't Know
- **Step therapy for oral Rx at retail**: 5% Offered/Effective, 32% Offered/Not Effective, 9% Don't Offer, 54% Don't Know
- **Compliance to drug**: 5% Offered/Effective, 18% Offered/Not Effective, 17% Don't Offer, 60% Don't Know
- **Site of care**: 7% Offered/Effective, 15% Offered/Not Effective, 6% Don't Offer, 72% Don't Know
- **Compliance to treatment**: 5% Offered/Effective, 18% Offered/Not Effective, 16% Don't Offer, 61% Don't Know
Plan design elements to drive people to lowest cost site of care
### Cost-share increases over past 3 years

<table>
<thead>
<tr>
<th>Percentage Range</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
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<tbody>
<tr>
<td>Less than 10%</td>
<td>28%</td>
<td>15%</td>
<td>46%</td>
</tr>
<tr>
<td>11-20%</td>
<td>18%</td>
<td>24%</td>
<td>29%</td>
</tr>
<tr>
<td>21-30%</td>
<td>17%</td>
<td>0%</td>
<td>33%</td>
</tr>
<tr>
<td>31-40%</td>
<td>0%</td>
<td>0%</td>
<td>20%</td>
</tr>
<tr>
<td>41-50%</td>
<td>17%</td>
<td>0%</td>
<td>17%</td>
</tr>
<tr>
<td>Over 50%</td>
<td>0%</td>
<td>0%</td>
<td>43%</td>
</tr>
<tr>
<td>No increases</td>
<td>13%</td>
<td>11%</td>
<td>67%</td>
</tr>
</tbody>
</table>
Impact of cost-share increases

- Reduced compliance
- Reduced Rx fill rate
- Increased requests for $ assistance or mfg coupons
- Employee compliants about costs
- Increased compliance to treatment
- No impact
- Don't know
What Employers Need to Know...

...To Better Manage Specialty Pharmacy

National Employer Initiative on Biologics & Specialty Drugs

Project Overview
National Employer Initiative on Biologics & Specialty Drugs - 2011 to 2016

Employer-driven initiative providing knowledge and no-cost resources to support cost management efforts and patient outcomes

- Employer Advisory Council
- Annual Employer Benchmarking Surveys
- Online Toolkit – [www.specialtyrxtoolkit.com](http://www.specialtyrxtoolkit.com) to help employers:
  - Seek innovative benefit coverage approaches for total cost of care and patient outcomes
  - Manage specialty drug costs in both the medical and pharmacy benefit
  - Address transparency in benefit design and contracting gaps with vendors
  - Offer consumer communications on “What you need to know”
National Employer Initiative on Biologics & Specialty Drugs - 2011 to 2016

- National Educational Outreach
- Annual Multi-Stakeholder Collaboration – *convening industry stakeholders to tie real world challenges, opportunities and solutions to the project*
- Employer-Driven Research through Coalition Pilots
  - Employers’ Health Coalition – Arkansas
  - Employers Health Coalition – Ohio
  - Florida Healthcare Coalition – Florida
  - Healthcare 21 – Tennessee
  - Mid-America Coalition on Health Care – Kansas
  - Midwest Business Group on Health – Midwest
  - Additional coalitions to participate 2016

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Coalition Pilots

Benefit Coverage Approaches

1. Ensuring high-quality case/care management and coordination with medical and pharmacy plan vendors

2. Improving treatment adherence

3. Using value-based benefit design – higher value medications at lower cost share

4. Incentivizing patients to use specialty pharmacy

5. Using limited fill supply plan design options

6. Using step-therapy strategy to improve clinical outcomes and medication compliance

7. Integrating site of care strategies to drive patients to lower cost options
Employer & Employee Resources

*In progress*

• No cost tools for employers
  – *PBM & Health Plan Audit Checklist*
  – *Site of Service Assessment*
  – *Consumer Education Strategy – see below*

• No cost tools for employees
  – Consumer education resources to broaden understanding and awareness for employees and family members:
    • *Biologic & Specialty Drugs: What You Need to Know*
National Employer Initiative on Specialty Pharmacy

Specialty Pharmacy 101  Managing Specialty Benefits  Supporting At-Risk Populations

Employer Toolkit

This MBGH Initiative is an employer-driven research project that provides key learnings to support human resource and health benefits professionals. The multi-year project provides the results of national employer benchmarking surveys, employer pilots focused on innovative benefit coverage approaches, and the outcomes of convening industry stakeholders who tie real world challenges, opportunities and solutions to the project. An important element of the project is this online toolkit, which is designed to support employer efforts in:

- Seeking innovative benefit coverage approaches for total cost of care and patient outcomes
- Managing specialty drug costs in both the medical and pharmacy benefit
- Addressing transparency in benefit design and contracting gaps with vendors
- Offering no-cost resources that support employer management and consumer communications on "what you need to know"

In the News

- 07/8/2015
  The Summer of Cardiology Blockbusters?
- 07/1/2015
  Guiding Employer Management of Specialty Drug...
- 06/29/2015
  The 2015 Oncology Pipeline Report: Innovation...

Quick Links

* Results of 2015 National Employer Survey
Specialty Pharmacy 101
- Focus on employer perspective and value proposition
- Provides the basics, landscape and key stakeholders
- Describes economics of specialty drugs

Managing Specialty Drug Benefits
- Provides elements of successful strategies
- Describes approaches for working with vendor partners to ensure transparency and accountability
- Will integrate employer stories focused on outcomes
- Will offer no-cost tools to support employer management

Employer Resources & Supporting At-Risk Populations
- No-cost educational resources to communicate the basics on biologic and specialty drugs to covered populations
- Library of no-cost resources for the employer & consumer from pharmaceutical manufacturer sponsors, non-profits and others
Identified 8 project opportunities for Multi-Stakeholders to collaborate on. Selected finalists below – work will take place from late 2015 to mid-2016

1. Building ways to integrate medical and pharmacy data to produce actionable reporting that is useful to the plan sponsor

2. Using plan design, enhanced coverage communication and incentives to drive patients to appropriate, lower cost sites of care
Future Impacts on Employers

• Specialty drugs will become the main driver of overall health care benefit cost trends

• Mergers and acquisitions of specialty pharmacies and PBMs will continue to occur

• There will be greater interoperability of systems to improve communications across transitions of care

• Biologic products will begin to go off patent – not at the discounts anticipated

• Benefit designs will drive mandatory specialty pharmacy utilization; driving people to lower cost sites of care may increase

• Intensive case management will be critical to successful and cost-effective patient outcomes
Future Impacts on Employers

- Employers will require PBMs, health plans and even pharma to go at risk (e.g. performance guarantees, value-based contracts, comparative effectiveness) for not meeting goals for improved outcomes for drugs and related treatments, clinical utility and quality of life measures
- An increase in state level regulatory mandates will be seen for specialty plan designs that are at parity with non-specialty benefits
- Employers and employer coalitions will continue to influence this marketplace
- *Doing nothing is no longer an option*
Questions

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www.mbgh.org

Employer Toolkit
www.specialtyrxtoolkit.com