



# CHANGING THE FACE OF PHARMACY BENEFITS



**NAVITUS**  
PHARMACY BENEFITS REINVENTED™

## 2020 Drug Trend



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# CHANGING THE FACE OF PHARMACY BENEFITS

Driving down costs. Making prescriptions affordable. Ensuring member access. 2020 was a year like no other. If we have learned anything from the past year, it's that we are more prepared than ever for the future. We're changing the face of pharmacy benefits.

Since our inception in 2003, we have led the charge toward adaptive innovation by offering an alternative to traditional pharmacy benefit management (PBM) services. It's an alternative that effectively drives down costs, making prescriptions more affordable and accessible for everyone. That's *Pharmacy Benefits Reinvented*.

As dynamic forces continue to shape health care, so has our approach. We're working harder than ever to drive member-centric care and personalized communication. And we continue to disrupt the industry with a clear, pass-through solution that reveals the true cost of prescription medication.

These insights help plan sponsors gain:

- **Clarity** into their pharmacy benefit costs and savings opportunities
- **Guidance** to get their benefit management going in the right direction
- **Peace of mind** knowing that our expertise and experience are on their side every day

This is the only business model we offer, and as a result, we stand out today as an industry leader serving more than 700 organizations nationwide. Year after year, we drive improved outcomes by providing the best possible care and investing in advanced technologies. While the impact of COVID-19 remains a leading concern, our outcomes tell a consistent story.

**In 2020, we achieved a total-net-cost per member per month (PMPM) of \$85.14 across our commercial business. These industry-leading results are 12% lower than the forecasted industry average of \$96.56.**

In addition, we achieved the following key results in 2020:

- 18% average savings for new clients coming on board.\*
- 34% improvement for members identified as needing behavioral modification through our Retrospective Drug Utilization Review (RDUR) safety program.
- 28% of members with asthma reached improved condition target levels, with 16% of members with chronic obstructive pulmonary disease (COPD) improving via our Respiratory Health program.
- 91% average adherence rate (based on the proportion of days covered) through our specialty pharmacy program for conditions such as hepatitis C, rheumatoid arthritis, multiple sclerosis and more.
- 8% decrease in total opioid utilization thanks to our Opioid Safety Solutions suite.
- 32% of our commercial clients experienced a negative PMPM trend.

**72 NET**  
PROMOTER  
SCORE (NPS)

How did we do it? Simply put, we place plan sponsors and their members at the center of *everything* we do. And, we focus on what they value most — complete financial and operational transparency, quality clinical care and outstanding service excellence. To this end, we take on industry challenges head-on by working smarter and more efficiently with our clients in mind. The result? Last year, we earned an outstanding net promoter score of 72, meaning our clients are very likely to recommend us to others.

Throughout our 2020 Drug Trend Report, we demonstrate how our proven pharmacy and health strategies successfully manage marketplace trends. We are proud to have achieved another year of significant results for our clients during these unprecedented times, delivering real results that grow over time to create long-lasting value. As we look to a brighter future, we'll continue to work even harder to make pharmacy benefits easier for you and your members in the years to come.



Brent Eberle, RPh, MBA  
Senior Vice President  
& Chief Pharmacy Officer



Thomas J. Pabich  
Senior Vice President, Business  
Development & Client Services

\*2020 Navitus data analysis (includes clients who provided historical data).



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*We are pleased to report that we achieved significant cost savings in both our first year with Navitus and in subsequent years...Navitus continues to look for innovative programs and ways to control our prescription drug costs.*

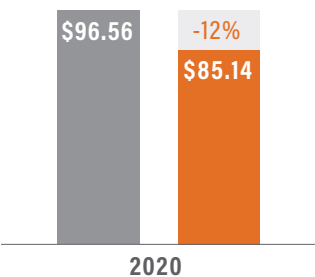
Amy Jenks, Administrator  
State of Montana

# ACHIEVING INDUSTRY-LEADING SAVINGS

The rapid spread of COVID-19 had a widespread impact across all industries worldwide, including the PBM industry. As in previous years, rising pharmacy benefit costs and affordability continued to be top concerns among plan sponsors and their members. This is not surprising as drug spend is expected to exceed \$420 billion per year by 2023.<sup>1</sup> In 2020, the pandemic raised new concerns about access and supply, both of which affected utilization trend and unit-cost trend.

However, despite forces driving the cost of health care upward, we achieved a commercial book-of-business, total-net-cost PMPM of \$85.14 in 2020, which is 12% lower than the forecasted industry average of \$96.56 PMPM. We're proud to continue to deliver a lower, more cost-effective PMPM to our valued clients during these unprecedented times.

## FORECASTED INDUSTRY AVERAGE



In 2020, we achieved an industry-leading total-net-cost PMPM of \$85.14, **12% lower** than the forecasted industry average.

■ Forecasted Industry Average  
■ Navitus

But, our impact on cost savings doesn't stop there. What makes us far different from other PBMs is our ability to sustain savings over time. We've consistently held down PMPM costs at a rate substantially below the industry average year over year (YOY), and helped our clients save a cumulative \$61.44 PMPM over the last five years.



**CONSISTENTLY SAVED CLIENTS 12-15% YOY  
COMPARED TO THE INDUSTRY AVERAGE  
FOR THE LAST FIVE YEARS, RESULTING IN  
CUMULATIVE SAVINGS OF \$61.44 PMPM**

# Navigating the Unpredictability of COVID-19

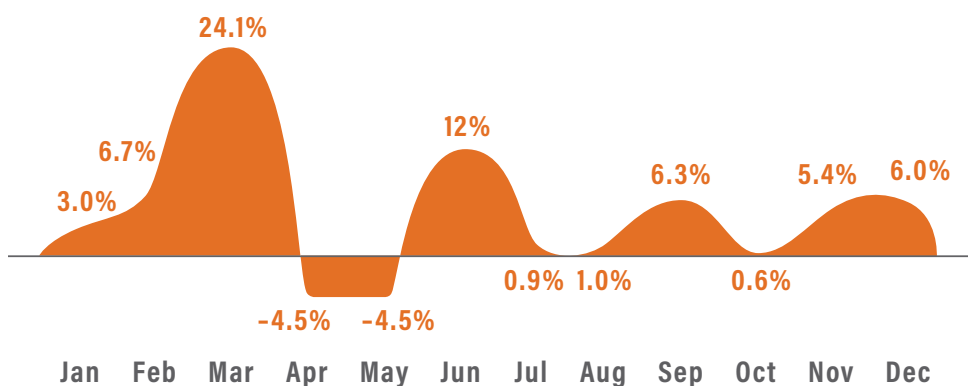
Early last year, dynamic shifts in utilization stemmed primarily from shelter-in-place policies that were established by state and local governments. With limited access to in-person care, we saw a decrease in drug utilization for acute conditions. Conversely, drug utilization increased for maintenance medications, behavioral drug therapies and pharmacy-administered vaccines.

We observed the following in 2020:

- 2.3% reduction in acute medication utilization as a result of decreased office visits during the height of the COVID-19 pandemic.
- 62% of scripts were for maintenance medications, up 2.2% from the previous year.
- 7.7% average increase in utilization of behavioral drug therapies, which grew throughout the pandemic, including increases of 6.6% for anti-depressants, 8.7% for anti-anxiety medications and 7.9% for anti-psychotics/anti-manic agents.
- 52% increase in the number of vaccine scripts filled, mostly attributable to the flu vaccine as vaccine administration shifted from the medical to the pharmacy benefit.

In particular, we saw a rise in utilization for our commercial population during March, almost exclusively for maintenance medications.

## 2020 MAINTENANCE MEDICATION UTILIZATION



This increase was largely a result of pandemic lockdowns and short-term strategies to ensure adherence and uninterrupted access to prescription therapies. These strategies temporarily extended prior authorizations, authorized early refills and increased fills at retail pharmacies from 30 to 90 days, all of which drove the overall utilization rate up 3.1%.

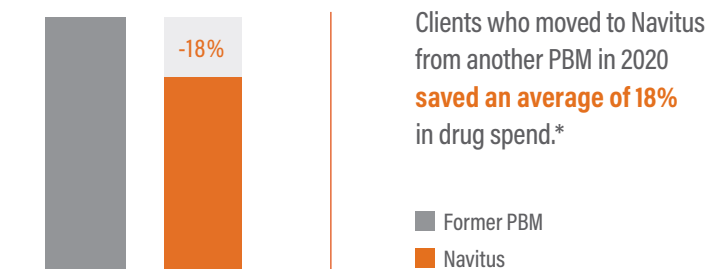
While there was an initial 3% shift from retail to retail extended supply channels, utilization tapered off in April and May, with members remaining at home and using their 90-day fills. Our specialty pharmacy, Lumicera® Health Services (Lumicera), closely tracked patient supply and market supply to avoid stockpiling. Smaller increases in utilization followed in June and September, with utilization returning to normal in November and December.

## Making Pharmacy Benefits More Affordable for All

Despite the past year's challenges, our proven pass-through PBM model kept clients on the path toward measurable savings. In 2020, brand drug average wholesale price (AWP) inflation remained under 5% with the average ingredient unit cost (after discount) holding at 4.5% — virtually unchanged from 4.3% in 2019. This steady rate can be attributed to effective network management as members shifted to extended fills at retail pharmacies, resulting in immediate savings that were passed on to our clients.

Most importantly, we also kept the majority of our clients' PMPM costs down in 2020. In fact, **32% of our established commercial clients experienced a negative PMPM trend compared to the previous year.**

### CLIENTS NEW TO NAVITUS IN 2020



Clients who moved to Navitus from another PBM in 2020 saved an average of 18% in drug spend.\* Since we pass back 100% of all rebates and discounts, including any contract improvements, and have no hidden revenue streams, we're able to fully align with each client's goals for greater success. For example, a new employer client experienced an 11% decrease in costs last year. **Upon receiving full rebates for the first time, the client successfully reduced its annual pharmacy benefit costs from \$82.92 PMPM to \$74.13 PMPM.**

The savings don't stop at year one. Our ability to offer a true pass-through approach, combined with our lowest-net-cost formulary and outstanding clinical care model, enables us to deliver industry-leading savings for our clients year after year. **An employer client with approximately 50,000 members realized a 29% reduction in costs in their first year with Navitus and continued to save 25% on their PMPM in their second year.**

\*2020 Navitus data analysis (includes clients who provided historical data).

# EXPLORING KEY TREND DRIVERS: THE TOP 10 THERAPEUTIC CATEGORIES

As in previous years, the top 10 therapeutic categories drove a majority of drug spend in 2020, accounting for 66% of overall costs, an increase from 64% in the previous year.

## Non-Specialty Medications

Non-specialty trend experienced slight growth of 1.6% in 2020, driven by increases in utilization, price inflation and drug mix. These increases were offset by contracting improvements in network discounts and rebates, which were immediately passed through to clients in full.

Thanks to our robust network, rebate and formulary management strategies, **net unit costs for non-specialty medications were down by 1.4%, decreasing for the fifth consecutive year.** This occurred across multiple categories, including anti-asthmatics and COPD, ADHD and anti-narcolepsy, dermatologicals and anti-convulsants.

- Maintenance medications for chronic conditions such as diabetes, asthma and hypertension accounted for 79% of total dispensed days of therapy.
- Utilization was up over 4% for maintenance medications, suggesting improved member adherence. Utilization of migraine products, anti-psychotics, anti-depressants and anti-diabetics increased by over 6%.
- Utilization of acute medications decreased by 2.1%, with the largest decreases occurring in April and May as lockdown regulations became stricter and doctor visits shifted from in clinic to telehealth. Utilization of penicillins, opioids, ADHD medications and corticosteroids decreased by over 5%.
- Non-specialty dermatological drug costs dropped by double digits for the seventh consecutive year as a result of aggressive formulary management, including tighter controls on high-cost topical products such as corticosteroids and analgesic formulations.
- Opioid utilization continued to decrease, dropping 8% from the previous year thanks to our Opioid Safety Solutions suite, which features drug utilization reviews, reporting/compliance programs and our member engagement and education efforts, including videos, FAQs and infographics.

	Drug Spend PMPM	Utilization	Net Cost	Trend Total
ANTI-DIABETICS	\$10.43	7.5%	1.1%	8.6%
ANTI-VIRALS	\$4.06	2.1%	7.2%	9.3%
ANTI-ASTHMATIC & COPD	\$2.69	10.6%	-6.5%	4.1%
ADHD & ANTI-NARCOLEPSY	\$2.15	1.0%	-13.0%	-12.0%
ANTI-COAGULANTS	\$1.85	6.5%	13.2%	19.7%
ANTI-DEPRESSANTS	\$1.83	6.6%	3.0%	9.6%
DERMATOLOGICALS	\$1.47	2.5%	-13.4%	-10.9%
ANTI-CONVULSANTS	\$1.31	4.2%	-30.5%	-26.3%
CONTRACEPTIVES	\$1.26	-1.1%	-12.5%	-13.6%
ANTI-PSYCHOTICS/ANTI-MANIC AGENTS	\$1.18	7.9%	8.3%	16.2%
<b>TOTAL (All Non-Specialty Categories)</b>	<b>\$44.35</b>	<b>3.0%</b>	<b>-1.4%</b>	<b>1.6%</b>

## Specialty Medications

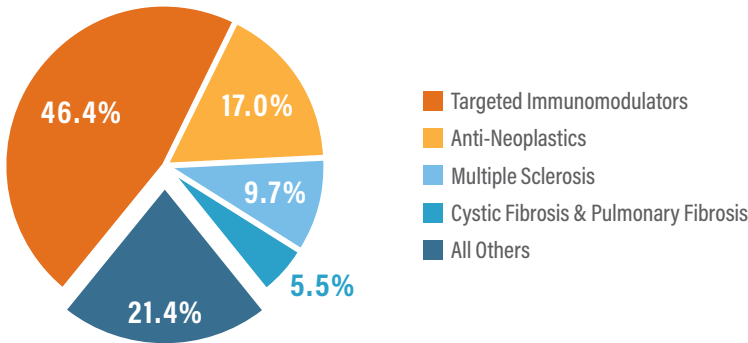
Specialty trend continued to rise in 2020, driven largely by a 13.7% increase in utilization. This increase was mostly caused by new therapies coming to market and expanded indications for existing drugs. Other specialty trend drivers included price inflation and a change in drug mix.

Despite these changes, **we kept unit costs in check** with drug mix management and rebate re-contracting, securing increased discounts from pharmacies and manufacturers and immediately passing through 100% of savings to plan sponsors. In addition, plan sponsors benefited from our specialty pharmacy's fully transparent, acquisition cost plus pricing model and first-in, first-out (FIFO) methodology that worked in tandem to keep plan costs in check. **Thanks to these efforts, specialty unit costs rose less than 2% despite a 5% increase in overall brand list price.**

**Our prior authorization approval rate for all specialty drugs was 67%**, demonstrating how having aligned incentives with plan sponsors enables us to promote appropriate utilization. In a recent third-party specialty RFI that evaluated 12 PBMs on seven specialty therapeutic categories, Navitus had the most aggressive utilization management strategy. This approach resulted in the lowest approval rate for asthma, neutropenia and PCSK9s and approval rates below the mean for rheumatoid arthritis and hepatitis C.

The top four specialty drug categories in 2020 were targeted immunomodulators, anti-neoplastics, multiple sclerosis and cystic fibrosis and pulmonary fibrosis. Together, they accounted for 78.6% of specialty spend.

TOP FOUR SPECIALTY DRUG CATEGORIES IN 2020



Despite aggressive management, utilization in specific categories still experienced double-digit growth, driven by newly approved indications for existing drugs. Additionally, there was movement in some of these classes (i.e. hematologicals and anti-asthmatic agents) from infused products billed to the medical benefit to more self-administered products billed through the pharmacy benefit. The COVID-19 pandemic accelerated this shift to self-administered options.

- Anti-Asthmatic & Bronchodilator Agents — 42.8%
- Hematological Agents — 28.2%
- Cystic Fibrosis & Pulmonary Fibrosis — 27.8%
- Cardiovascular Agents — 16.7%
- Anti-Neoplastics (Oral Chemotherapy) — 13.1%
- Targeted Immunomodulators — 11.7%

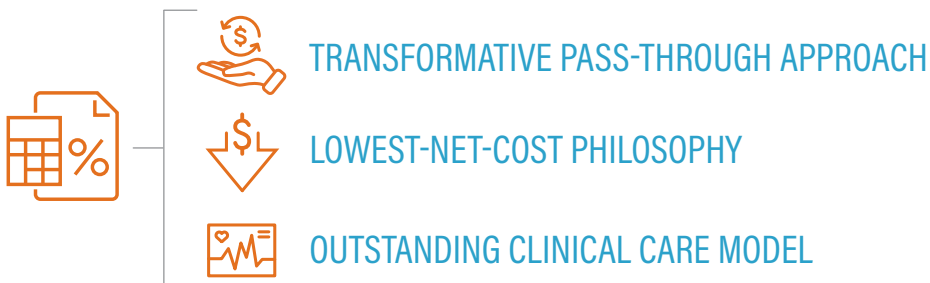
	Drug Spend PMPM	Utilization	Net Cost	Trend Total
TARGETED IMMUNOMODULATORS	\$18.94	11.7%	3.8%	15.5%
ANTI-NEOPLASTICS	\$6.95	13.1%	1.2%	14.3%
MULTIPLE SCLEROSIS	\$3.95	-2.9%	-3.7%	-6.6%
CYSTIC FIBROSIS & PULMONARY FIBROSIS	\$2.22	27.8%	18.5%	46.3%
GROWTH HORMONE & METABOLIC AGENTS	\$1.76	3.2%	4.0%	7.2%
HEMATOLOGICAL AGENTS	\$1.22	28.2%	2.7%	30.9%
DERMATOLOGICALS	\$1.08	103.6%	-3.2%	100.4%
PSYCHOTHERAPEUTIC & NEUROLOGICAL	\$0.83	7.5%	8.6%	16.1%
CARDIOVASCULAR AGENTS	\$0.70	16.7%	-5.7%	11.0%
ANTI-ASTHMATIC & BRONCHODILATOR AGENTS	\$0.53	42.8%	-10.7%	32.1%
<b>TOTAL (All Specialty Drug Categories)</b>	<b>\$40.79</b>	<b>13.7%</b>	<b>1.4%</b>	<b>15.1%</b>

# ADVANCING CLIENTS TO A BETTER SOLUTION

## How We're Reinventing Pharmacy Benefits for All

Medication affordability remains a top issue in the United States. According to the Centers for Medicare & Medicaid Services (CMS), national health spending is expected to increase 5.5% annually and will reach nearly \$6 trillion by 2027.<sup>2</sup> Compounding this challenge are rising prescription drug costs, which are growing at a faster rate than any other health care service or good. In fact, 53% of all Americans and 61% of young people have skipped a medication because it was too expensive.<sup>3</sup>

As the pandemic continues to transform the industry, we are steadfast in our purpose: to deliver high-quality, affordable prescription care. We continually explore new ways to connect data, technology and people to meet today's challenges. All of our programs and services are built on a powerful, proprietary PBM engine deeply rooted in our *transformative pass-through approach*, *lowest-net-cost philosophy* and *outstanding clinical care model*. Our platform combines proven strategies such as formulary management, utilization management, deep clinical expertise and valuable data so clients can consistently achieve trend rates well below national averages. As an alternative PBM, we're in a unique position to help.

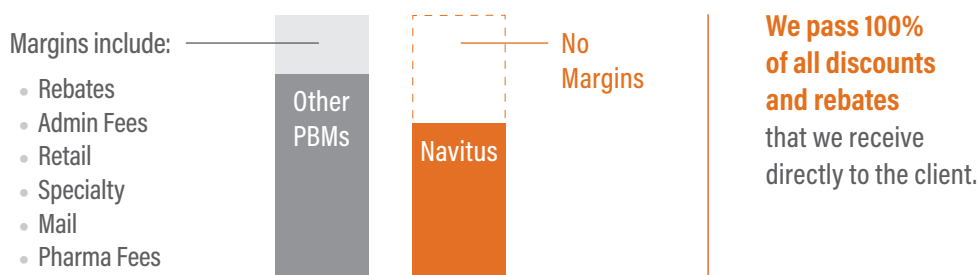


## A Transformative Pass-Through Approach

The most critical factor in ensuring affordability is understanding the true cost of prescription drugs. Like any PBM, we work with manufacturers and pharmacies to secure the best pricing, rebates and discounts possible on behalf of our clients. In a traditional arrangement, the PBM may charge more than what the pharmacy was paid. The PBM may also keep some of their negotiated rebates as a way to increase revenues. This is called *spread pricing*.

We believe there's a better way. With our fully transparent, pass-through model, we pass 100% of all discounts and rebates that we receive directly to the client. In short, we eliminate unnecessary costs from pharmacy spend for 100% of our clients.

## TRADITIONAL VS. PASS THROUGH



With our pass-through model in place, clients can expect to:

- Receive 100% of all discounts, rebates and any additional contract savings
- Get unrestricted visibility down to the claim and invoice level
- Experience lower drug trend, decreased PMPM expenses and reduced costs



*When we decided to no longer chase rebates and manage to the lowest net cost, we were convinced that we were going to lose rebates. However...to our surprise, we experienced a 44% increase in rebates.*

Brian Nasier, Financial Consultant  
Texas Association of Counties Health and Employee Benefits Pool

## Lowest-Net-Cost Philosophy

Everything we do is about driving the lowest net cost and achieving the best possible outcomes. Rebates alone are never the goal. Rather, we develop formularies that are not only based on sound clinical guidelines but also generate substantial cost savings and rebates — without paying more in the end.

That's why our philosophy is centered on providing access to clinically sound, cost-effective drug alternatives with a lower AWP. For example, if two products are clinically equivalent, we will prefer the product with the lowest total net cost (AWP minus rebates). This approach enables many clients transitioning to Navitus to see significant decreases in their drug spend.

Our lowest-net-cost approach:

- Promotes a high-performance drug mix that includes the most commonly-used medications
- Reduces wasteful spending by eliminating unnecessary costs and hidden revenue streams
- Maximizes rebate opportunities when clinically appropriate
- Ensures affordable, quality prescription care that is aligned with plan sponsors

## Outstanding Clinical Care Model

### PREFERRING LOWEST-NET-COST PRODUCTS: TOPICAL AGENTS

The cost of topical agents can vary significantly within a class; in some cases, even products with the same active ingredient can have significantly different prices depending on formulation or strength. For example, the acne medication Onexton® (clindamycin/benzoyl peroxide 1.2/3.75% gel) is 5 to 10 times more expensive than generic clindamycin/benzoyl peroxide 1/5% gel formulations. These price differences don't just occur between brand and generic products. Significant price increases can exist when only a few manufacturers are making a type of generic product. For instance, hydrocortisone lotion 2% averages over \$500 per prescription while other hydrocortisone formulations such as creams, ointments and even 1% lotion all cost less than \$10. By excluding these high-cost products from our formulary or restricting access with utilization management tools, we can reduce plan sponsor costs without impacting clinical effectiveness for members.

**RESULTS:** As a result of these efforts, we delivered a 10.9% trend reduction in this category in 2020.

As health care challenges continue to evolve, so has our approach to clinical care. More than ever, member-centric care and personalized communication are paramount to ensuring positive satisfaction rates, cost savings and clinical outcomes.

Because members make hundreds of care decisions a day, we help plan sponsors focus on the most important ones for optimal results. We start with evidence-based programs designed to engage our members and modify their behaviors. Then we build upon traditional clinical programs (e.g., drug utilization review, prior authorization and utilization review) by pursuing next-generation programs, technologies and strategies. Through these innovations, we can better follow members on their journey and deliver the right drug, at the right time and the right cost for their conditions.

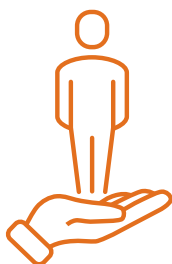
Our data-driven clinical care model:

- Leverages proven programs using a 360-degree view to address member adherence, misuse and abuse prevention (i.e. opioids), safety and condition-specific needs
- Ensures meaningful member interactions by strengthening pharmacist and prescriber relationships
- Supports holistic, personalized, multi-channel communications, including specialty pharmacy support



### LEVERAGING PATIENT DATA

The power of data is undeniable and health care data is growing at a rapid pace. But what can you do with that data? We integrate prescription data with powerful clinical algorithms to pinpoint members who can benefit from additional support and education.



### PERSONALIZING SUPPORT

We offer a variety of touchpoints (e.g., Customer Care center, user-friendly web portal) throughout the members' health care journey to ensure their specific needs are addressed. For example, Lumicera pharmacists provide injection training to members who are new to a particular therapy. They also offer side-effect support to address issues with particular medications and to encourage adherence. In situations where the side effects don't subside, our pharmacists will reach out to the prescriber and recommend a drug alternative.



### ENGAGING COMMUNICATIONS

Collectively, all of our programs work together to address medication adherence, inappropriately prescribed drugs, gaps in care and medication therapy optimization in ways members can understand. Through enhanced member engagement, we help plan sponsors and their members prevent costly adverse events and reduce total health care costs.



“

Prior to the transition, the team from Navitus came down to meet us and guide us through the implementation process. They were very open to our suggestions for particular drugs we wanted to keep on the formulary and helped members moving to other options avoid disruption to their care.

The Navitus team always kept us in the loop and, once the go live occurred, held daily calls to keep us informed of its progress. If there was any type of issue, they were right there correcting the problem. Our account team has also been wonderful and is always there whenever we have a question. Overall, we had a very smooth transition and I would recommend Navitus to any future client.

June E. Short, Claims Payor III  
Halifax Health/Volusia Health Network

# BUILDING MEMBER EXPERIENCE THROUGH TRUST

When it comes to health care, we know public distrust exists and that gaining members' trust is crucial to improving their health. We also understand that members face challenges along their health care journey that can lead to disruption and poor health outcomes. That's why we're committed to delivering an exceptional member experience to build member trust and help them successfully navigate the challenges on their path to better health.

*80% OF CUSTOMERS SAY THAT THE EXPERIENCE A COMPANY PROVIDES IS AS IMPORTANT AS ITS PRODUCTS AND SERVICES.<sup>4</sup>*

Here's what we're doing to provide members with the best possible experience:

## *Reducing Member Disruption Along the Health Care Journey*

From receiving a new prescription to experiencing a benefit change, members face many crossroads along their health care journey that can potentially disrupt their health outcome and increase both pharmacy and medical costs for the plan. Leveraging our proprietary analytics, we understand where this disconnect happens and have developed solutions to deliver the right support at the right time, providing personalized programs that help members overcome each challenge. For instance, Personalized Member Transitions eliminates disruption during onboarding or formulary changes by providing high-touch support and proactive communication with members and providers, while Academic Detailing analyzes prescribing patterns and reduces plan and member costs through outreach to prescribers.

## *Providing Digital Health Solutions for Chronic Conditions*

To provide personalized support to members with chronic conditions, we utilize our robust data analytics capabilities to identify members at risk of non-adherence and support them by alerting prescribers or

pharmacists about safety issues, potential interactions and non-adherence to prompt counseling and close gaps in care.

In addition, we offer an extensive suite of evidence-based digital therapeutics programs to help members manage a range of chronic conditions. All programs we offer are fully vetted by our team of clinical professionals to ensure they produce meaningful results. These include:

- **BlueStar®** — A prescribed app that helps members manage diabetes and supports adherence by enabling members to enter their health and lifestyle information, which in turn helps them make better-informed decisions and allows them to share data with their doctors.
- **Kiio®** — A physical therapy and care management mobile app that can reduce lower-back pain through evidence-based exercises, minimizing the need for pain medications.
- **Propeller®** — A comprehensive respiratory health management platform that combines on-device sensors for inhalers, a mobile app and patient management services for care teams.
- **Sempre Health** — A text-based engagement program that encourages positive member behavior, giving members discounts on their prescription copays for taking medications as prescribed and filling prescriptions on time.



## Meeting Members Where They Are

Members today want to connect with their pharmacy benefits on demand and on their platform of choice. We make this easy by offering communication options across a range of channels, from phone to email to text. Members are also able to access their benefit information anywhere from the Navitus mobile app and member portal, as well as receive 24/7 support for their benefit questions from our experienced Customer Care staff.

On our member portal and mobile app, we also give members 24/7 access to the most-requested digital tools that empower them to take charge of their health, including:

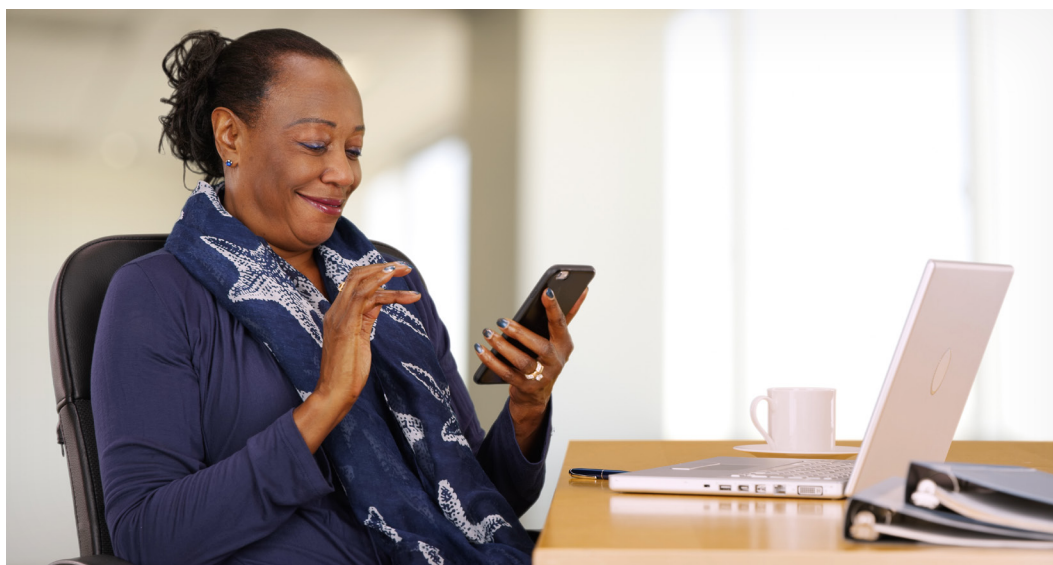
- Pharmacy locator
- Cost Compare
- Safety alerts and reminders via two-way texting, mail and email
- Online access to medication side effects and drug-to-drug interactions to help members prepare for pharmacy and doctor visits.

With our pharmacy expertise, innovative technology and experienced and caring staff, we aim to better connect, inform and empower members to improve their health. No matter where or how members want to connect with us, we strive to deliver a best-in-class experience.

## RESULTS

We continue to make improvements to every facet of the member experience. By tracking the root cause of calls to Customer Care and monitoring appeals and grievances, we're able to learn more about each member's experience navigating their benefits. In turn, this enables us to create personalized and seamless experiences for every stage of the member journey, from onboarding onward.

We are proud that these efforts have helped us win the trust of our members, as evidenced by our 2020 member survey results. **Over 96% of our members stated that they were either very satisfied or satisfied with their experience.**



# IMPROVING CHRONIC CONDITIONS WITH POPULATION HEALTH STRATEGIES

The statistics are staggering: 60% of Americans are living with at least one chronic condition while 42% struggle with multiple conditions, accounting for the majority of healthcare expenditures.<sup>5,6</sup>



**90% OF THE \$3.8 TRILLION SPENT ON HEALTH CARE IN THE US EVERY YEAR IS FOR PEOPLE WITH CHRONIC OR MENTAL HEALTH CONDITIONS.<sup>7</sup>**

Chronic conditions, including heart disease, stroke, cancer and type 2 diabetes, are the leading causes of death and disability in the United States. And they are some of the most prevalent, avoidable and costliest conditions to manage.

For example, more than 34 million Americans have diabetes while another 88 million adults are considered prediabetic. Many don't know they have these conditions, placing them at greater risk for heart disease, stroke and other serious complications such as kidney failure, blindness and amputations.<sup>8</sup>

Diabetes is a major driver of health care spending. The estimated cost of diabetes in 2017 was \$327 billion, including \$237 billion in direct medical costs and \$90 billion in lost productivity.<sup>9</sup> While maintaining a healthy weight and lifestyle can help prevent or maintain the progression of diabetes, daily treatment regimens can be difficult to follow. That is because diabetes management requires careful monitoring of diet, blood sugar levels and exercise. Most importantly, diabetic patients must take drug therapies as prescribed to avoid adverse health events and costly hospitalization.

## Overcoming Adherence Barriers

Non-adherence to prescription drug therapies remains a major barrier to improving overall health care costs. According to the Association of Diabetes Care and Education Specialists<sup>10</sup>:

- Half of all individuals with chronic diseases do not take their medications as prescribed
- About 30% of individuals with diabetes report missing at least one dose of oral anti-hyperglycemic medication each month

Moreover, higher prescription costs can lead to non-adherence. For example, diabetes medications costing \$125 to \$250 have an abandonment rate of 40% for households with an annual income of \$100,000 and a rate of nearly 50% for households with an income of \$25,000 or less.<sup>11</sup>

That's why we make every effort to ensure that members take their medications regularly, as prescribed and with no missed doses.

## Gaining Greater Control With Proven Strategies

To effectively manage one of the most widespread and costly conditions, plan sponsors need strategies that specifically address the most common diabetic needs. Once properly addressed through ongoing support and management, plan sponsors can expect to see improved health outcomes and lower costs.

Navitus offers several solutions, including:

### PHARMACOADHERENCE

For members with diabetes, medication adherence is essential to improving outcomes and reducing complications, hospitalizations and ER visits. However, barriers to medication adherence can include forgetfulness, limited knowledge, physician-related issues such as poor communication and financial burden. Our Pharmacoadherence program identifies members who are chronically non-adherent, likely to become non-adherent or who never pick up a newly prescribed medication. Once members are identified, intervention letters are mailed to members and their physicians. These communications include information about care coordination and education and encouraging medication adherence. In our most recent data, **45% of members who we contacted through this program experienced improved adherence and 30% became adherent.**

### DIABETES CARE OPTIMIZATION

Getting medications and support to individuals diagnosed with type 2 diabetes as soon as possible is essential to improving health outcomes and lowering costs. Through our Diabetes Care Optimization program, we conduct retrospective claims analysis reviews to identify members with type 2 diabetes who are taking insulin and other diabetes medications. Actionable reporting is provided to plan sponsors with clinical staff to assist with case management and provide assistance in obtaining prescriptions for metformin, which is recommended by the American Diabetes Association (ADA), if medically appropriate. This medication can help lower the use of more expensive diabetes medications and improve member health.

## DIGITAL THERAPEUTICS

Managing diabetes can be complex and overwhelming, especially for newly diagnosed members. To help members stay on track with their treatments and better manage their condition, we offer a digital therapeutics app - BlueStar - to compliment the member's health care team. This interactive app engages members with personalized, real-time feedback and education to help them take charge of their diabetes.

With the app, members can track activity, medications, lab work, diet and symptoms, and share this information with their care team for more effective collaboration. Armed with this information, members not only learn more about their conditions but also find their treatment plans less overwhelming.

**Diabetic members using BlueStar experience an average 2% reduction in hemoglobin A1C levels, resulting in 58% cost savings from reductions in hospitalizations and ER visits.**



# CHANGING THE SPECIALTY MEDICATION LANDSCAPE

Specialty utilization continues to be the greatest driver of drug trend, making specialty cost management more important than ever. In response, we're leveraging the best of specialty pharmacy — including our unique cost-plus model and high-touch care — to lessen the impact of rising costs and increased utilization of specialty medications.

## Lumicera Health Services: Illuminating Specialty Care

We know plan sponsors are concerned with rising specialty medication costs but want to provide members with the best possible care. Because we couldn't find a specialty pharmacy that could deliver on both, we built our own full-service specialty pharmacy: Lumicera Health Services. With Lumicera, we combine the highest level of tailored care and clinical support with a stringent cost management model to provide plan sponsors with a comprehensive approach to managing high-cost specialty drugs, giving plan sponsors and their members the best care at the lowest net cost. That's *Care Illuminated*.



We cannot say enough positive things about transitioning our specialty pharmacy services to Lumicera. The Navitus account team had a high level of engagement both before and after the migration to ensure quality continuity of care. L.A. Care is delighted with the smooth transition and our members have provided extremely positive feedback. We know we are in good hands with Navitus and couldn't be happier with our new specialty partner, Lumicera.

Yana Paulson, Chief Pharmacy Officer  
L.A. Care Health Plan

## Keeping Costs in Check

With our transformative, pass-through approach, we make it our mission to deliver the lowest net cost, putting every dollar we receive from discounts or rebates back in the plan sponsor's hands. Our fully transparent, acquisition cost plus pricing model and our first-in, first-out (FIFO) methodology work in tandem to keep plan costs in check.

### PROMOTING SPECIALTY GENERIC USE

September 2020 saw the approval and release of generic Tecfidera® by multiple manufacturers. In response, we updated our formulary on October 1st to replace branded Tecfidera with the generic, with Lumicera facilitating the transition through its high-touch approach. By December, Navitus had successfully moved 98% of members to the generic without any member disruption.

**RESULTS:** This formulary change is expected to result in over \$30 million in annualized plan savings.

### IMPROVING PATIENT HEALTH

For specialty medications to work best, they require coordination between the patient, prescriber and pharmacy. That's why our pharmacists and clinical experts take a personalized approach to care, guiding patients through each step of treatment. By combining innovative technology with chronic condition expertise and a high-touch approach, we focus on each individual's unique health needs and keep patients and providers well informed. We also address barriers to adherence, reducing complications that can lead to hospitalizations and additional medical costs.

**RESULTS:** As a result of our high-touch care, our patients achieved an average specialty adherence rate of 91% in 2020 based on the proportion of days covered. In addition, adherence rates for key drug categories include:

- Hepatitis C — 97%
- Multiple Sclerosis — 94%
- Rheumatoid Arthritis — 91%
- Oncology — 90%

Using evidence-based guidelines, we ensure that members receive appropriate, cost-effective therapy through utilization management programs such as prior authorization, step therapy and split fill.

**RESULTS:** Our split-fill program saved plan sponsors over \$1.1 million in 2020 by reducing medication waste.

# MEDICAL PHARMACY SOLUTIONS: GAINING GREATER CONTROL OVER SPECIALTY COSTS

Specialty medications that are administered by a provider, typically via injection or infusion, are usually covered under the medical benefit, not the pharmacy benefit. In fact, 46% to 51% of all spend on specialty medications falls under the medical benefit.<sup>12</sup> Medications processed under the medical benefit can cost significantly more than those processed under the pharmacy benefit owing to variable reimbursement methodologies that yield overbilling and inflated costs. In some cases, we have observed hospitals billing plan sponsors as much as 10 times the AWP.

By deploying effective pharmacy benefit management tools to these traditional medical benefit therapies, we can help plan sponsors control their overall specialty spend, improve care and reduce costs. Leveraging our powerful data analytics, our data experts evaluate plan sponsors' medical claims and provide insight to create a roadmap to achieve greater cost control measures. Our robust Medical Pharmacy Solutions include several key tools to better manage plan spend.

## CHANNEL MANAGEMENT

Given the high cost of specialty medications under the medical benefit, channel management can be a powerful tool for controlling costs. One way we do this is by adopting our Medically Administered Products (MAP) formulary that works much like any other standard pharmacy benefit formulary. Once in place, plan sponsors can use the MAP formulary as a guide for sending the medication from Lumicera's specialty pharmacy to an infusion location for administration. This ensures the medication is covered under the pharmacy benefit, while the drug administration is billed under medical. By shifting the coverage of certain specialty drugs from medical to pharmacy, we can:

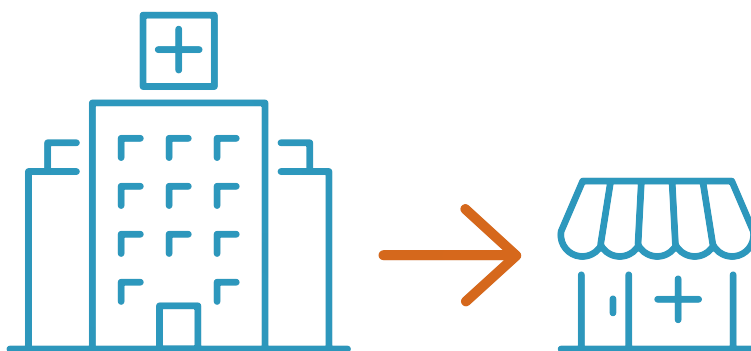
- Reduce medication costs with standardized pricing controls and pass-through discounts
- Increase visibility into drug spend and monitor expenses
- Offer real-time claims processing and use timely drug and clinical data to improve care

**RESULTS:** One plan sponsor saved over 15% on its most utilized formulary product after adopting our MAP formulary.

## SITE - OF - CARE SOLUTIONS

Specialty medications can be administered safely and effectively in many locations other than hospitals. By leveraging data insights and our network relationships, we can direct members to alternative, clinically appropriate locations with significantly reduced drug costs, such as doctors' offices or infusion suites. Plan sponsors can save as much as 75% by administering a specialty medication at one of these locations instead of a hospital. These locations are also often more conveniently located for members.

**RESULTS:** Our site-of-care support helped a plan sponsor save over \$40,000 every two weeks on member infusions.



## MEDICAL REBATES

Typically, rebates are not directly available to plan sponsors for medications covered under the medical benefit. However, we negotiate with manufacturers to secure medical rebates so that plan sponsors can maximize savings on their utilization. Additionally, we can cover these specialty medications under the pharmacy benefit, giving plan sponsors access to a wider range of rebates and helping them take advantage of our formulary to direct members to cost-effective and clinically effective medications.

**RESULTS:** Our medical rebate program helped reduce plan spend in certain drug categories by over 15%.

## MEDICAL DATA ANALYTICS

While most PBMs do not provide medical data analytics, Navitus' Medical Pharmacy Solutions program leverages its data analytics capabilities to help plan sponsors analyze their medical benefit data much like their pharmacy benefit data. By benchmarking plan data to identify spend above AWP, we can help eliminate waste from variable reimbursement methods and overbilling via our Medical Specialty Insights application. Our Medical Duplicate Billing application merges medical and pharmacy claims at the member level to identify instances where the same drug is being billed to both the medical and pharmacy benefits.

**RESULTS:** Navitus' Medical Specialty Insights and Medical Duplicate Billing tools helped plan sponsors identify instances of waste under the medical benefit ranging from tens to hundreds of thousands of dollars per drug.

## MEDICAL PRIOR AUTHORIZATION

Prior authorization (PA) is typically used with the pharmacy benefit to ensure the appropriate use of medications and to direct members to cost-effective and clinically sound options. Medical PA applies our prior authorization program to specialty medications that fall under the medical benefit, providing:

- Increased checkpoints to ensure appropriate, evidence-based utilization
- Reduced waste and unnecessary expenses

**RESULTS:** In 2020, we approved a conservative 66% of medical specialty prior authorizations, lower than many benchmark metrics referenced in the market. Because we are not incentivized to approve more than is clinically appropriate, we ensure proper utilization, which in turn is critically important to managing specialty costs, as annual treatment costs for some therapies can approach or exceed \$100,000.

# LOOKING AHEAD: FUTURE TREND DRIVERS

New medications can significantly impact pharmacy spend for plans and members alike. That's why our pharmacists continually monitor the drug development pipeline, helping plan sponsors stay ahead on new and upcoming drugs.

The US Food and Drug Administration (FDA) approved over 50 new medications in 2020, with new drugs continuing to trend towards specialty products and small patient populations. With difficulties enrolling patients into clinical trials during the global pandemic, the years ahead may see fewer new drugs. However, we expect 2021 to be an important year for new drug releases.

## Specialty Medications

### ONCOLOGY

2020 was an important year for oncology drug development, with cancer treatments making up over a third of new medication approvals. In addition, many existing cancer drugs were approved for additional indications. Early signs suggest this trend will continue in 2021, with many more medications scheduled for FDA review.

- **Paclitaxel** is a common intravenous chemotherapy medication. The FDA will be reviewing a new formulation for metastatic breast cancer in 2021 that allows for oral use. With promising trial results, this version may replace intravenous paclitaxel for different cancers in the future.
- **Orgovyx™ (relugolix)** was approved as an oral androgen deprivation therapy (ADT) to treat advanced prostate cancer at the end of 2020. This is the second most common form of cancer in men and ADT is the first-line treatment for patients that cannot be treated with surgery or radiation. Until the approval of relugolix, ADT could only be accomplished using injectable medications or surgical castration.
- **Tagrisso® (osimertinib)** was approved in late 2020 for the adjuvant treatment of non-small cell lung cancer. While osimertinib and similar medications are used to treat more advanced stages, this is the first time one of these drugs has been approved for use in preventing disease recurrence following surgery, something traditionally accomplished with chemotherapy.
- **Keytruda® (pembrolizumab)** is already approved for treating 17 forms of cancer and **Opdivo® (nivolumab)** is already approved for treating 11 forms of cancer. Both have already gotten additional indications approved in 2021.

## ATOPIC DERMATITIS

Atopic dermatitis, or eczema, is a condition characterized by itchy skin. In more severe cases, this itchiness can affect quality of life, including disrupted sleep, broken skin from scratching and increased risk of infections. Several products are in development for this condition, especially for its more severe forms.

- **Dupixent® (dupilumab)** is an injectable interleukin antagonist used to treat moderate to severe atopic dermatitis. Previously approved for patients 12+ years, it was approved for 6 to 11-year olds in May 2020. It is being studied in patients as young as six months old, with trial results expected in 2022. Dupilumab was recently approved for severe asthma and nasal polyps and is being studied for other respiratory and skin conditions.
- **Tralokinumab, lebrikizumab** and **nemolizumab** are all injectable interleukin antagonists either in clinical trials or under review.
- Janus Kinase (JAK) inhibitors are another option for treating atopic dermatitis. They are expected to work more quickly than injectable interleukin antagonists but come with serious safety concerns. JAK inhibitors include **abrocitinib, Rinvoq™ (upadacitinib), Olumiant® (baricitinib)** and topical **ruxolitinib**.

## TYPE 1 DIABETES

Type 1 diabetes is a chronic condition that destroys beta cells, which produce insulin in the pancreas. **Teplizumab** will be reviewed by the FDA in 2021. If approved, it would be the first drug that can help slow the development of type 1 diabetes. While the standard treatment is to replace insulin, teplizumab helps preserve the body's beta cells, potentially preventing the development of diabetes. Because it works to prevent beta cell loss, teplizumab will likely only impact undiagnosed or newly-diagnosed patients.

## RARE DISEASES

- **Trikafta® (elexacaftor/tezacaftor/ivacaftor)** is an oral tablet approved for the treatment of cystic fibrosis in patients 12 years and older with certain gene mutations. This represents a significant advancement in the treatment of this condition for these patients. Trikafta is likely to receive approval in 2021 for patients aged 6-11 years, most probably becoming the preferred treatment for this group. Trikafta is currently appropriate for approximately 60% of cystic fibrosis patients, but this expansion will increase its reach to approximately 79% of cystic fibrosis patients.
- **Evrysdi™ (risdiplam)** is an oral solution for the treatment of spinal muscular atrophy (SMA) in patients aged two months and older. Other medications for the treatment of SMA are some of the most expensive pharmaceutical products on the market and have required provider administration. Approved in 2020, Evrysdi is priced lower than these provider-administered products and represents the first at-home therapy option for this rare disease. It is expected to shift costs from the medical benefit to the pharmacy benefit.

# Non-Specialty Medications

## COVID-19

COVID-19 dominated the headlines last year as manufacturers and governments worked to produce a working vaccine amid the global pandemic. With mass vaccination now taking place through the FDA's emergency use authorization (EUA) process, the federal government has covered the ingredient costs of vaccines thus far. However, employers may still incur administration fees in the process of vaccinating the majority of the US population. Looking ahead, potential boosters or annual vaccinations for COVID-19 may be required to prevent further outbreaks, meaning the costs associated with these vaccines will continue for private payers.

## HEART FAILURE

Heart failure occurs when the heart is unable to pump enough blood and oxygen to support the body's organs.

- **Entresto®** (sacubitril/valsartan) was approved in February 2021 for use in a broader group of heart failure patients, which will likely increase utilization. More impactful is a change to the American College of Cardiology's heart failure guidelines, which now list angiotensin receptor-neprilysin inhibitors (ARNI) as the preferred first-line agent for patients with heart failure and reduced ejection fraction. Entresto is the only FDA-approved ARNI currently on the market. This guideline change is expected to increase the utilization of Entresto.
- The FDA has started approving sodium-glucose-cotransporter-2 (SGLT2) inhibitors, originally approved for the treatment of type 2 diabetes, for additional indications including heart failure with reduced ejection fraction. **Farxiga®** (dapagliflozin) was approved by the FDA in May 2020 and **Jardiance®** (empagliflozin) is expected to receive an FDA decision near the end of 2021.
- **Verquvo®** (vericiguat) was approved in January 2021 as the first oral guanylate cyclase stimulator for treating heart failure. It can reduce the risk of cardiovascular hospitalization and death from heart failure with reduced ejection fraction, a more serious condition. Vericiguat's indication may expand to include less serious types of heart failure. Vericiguat was used with other common heart failure medications in trials, including Entresto (sacubitril/valsartan).

## HIV

HIV attacks the body's immune system and can lead to AIDS. Over the last 10 years, HIV treatments have become more effective with fewer adverse effects. Treatments can now be tailored to individuals for greater effectiveness and adherence.

- **Cabenuva (cabotegravir/rilpivirine)** is a complete anti-retroviral injection that only needs to be administered by a health care provider once a month. Approved by the FDA in January 2021, it may significantly improve adherence, which is vital for treating HIV.
- The long-acting injectable formulation of **cabotegravir** was designated as a breakthrough therapy in late 2020 for use in HIV pre-exposure prophylaxis (PrEP). In clinical trials, this every-eight-week injection was shown to be superior at preventing HIV compared to Truvada® (emtricitabine/tenofovir disoproxil).
- The approval of generic **emtricitabine/tenofovir disoproxil**, used to prevent and treat HIV, was another significant change in 2020. As more manufacturers release generics in 2021, the price reduction should make them even more accessible.



# METHODOLOGY

Drug trend is measured by comparing the total-net-cost per member per month (PMPM) for 2020 and 2019. The 2020 forecasted industry average PMPM was calculated by taking the calculated 2019 PMPM average and applying a 3.7% trend. Total net cost is the discounted ingredient cost plus dispensing fee and tax and minus rebates, and includes both plan paid and member paid (copay) portions. Specialty drugs are included in our calculations. It is important to note that Navitus operates as a 100% pass-through PBM, which means every dollar in rebates, fees and incentives from manufacturers is passed through to plan sponsors, along with all network discounts. In addition, Navitus does not retain any spread on pharmacy discounts. PMPM drug cost trend consists of two components: utilization and cost. Utilization trend measures the change in total days of therapy PMPM. Cost trend measures change in unit costs as a result of network discounts and rebate discounts, inflation and drug mix. PBM national averages are calculated using available published PMPM figures from other PBMs in the industry, including Express Scripts and CVS. The forecasted trend increases are based on the 2021 Economic Report on U.S. Pharmacies and Pharmacy Benefit Managers from the Drug Channels Institute.

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