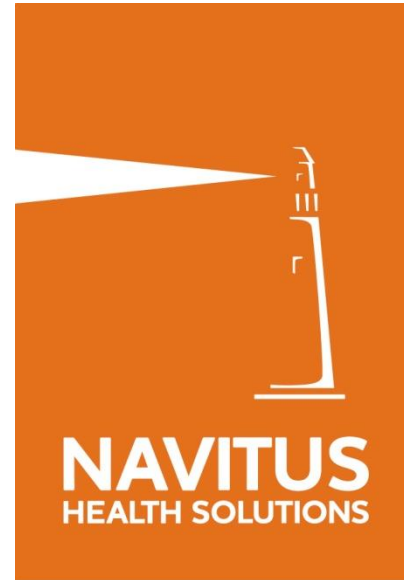


STATE OF WISCONSIN –
EMPLOYEE TRUST FUNDS
GROUP INSURANCE BOARD

PHARMACY BENEFIT REVIEW

November 18th, 2014

Brent Eberle RPh MBA, VP Health Strategies
Tom Radloff RPh, Sr. Director Clinical Client Services



Board	Mtg Date	Item #
GIB	11.18.14	7A

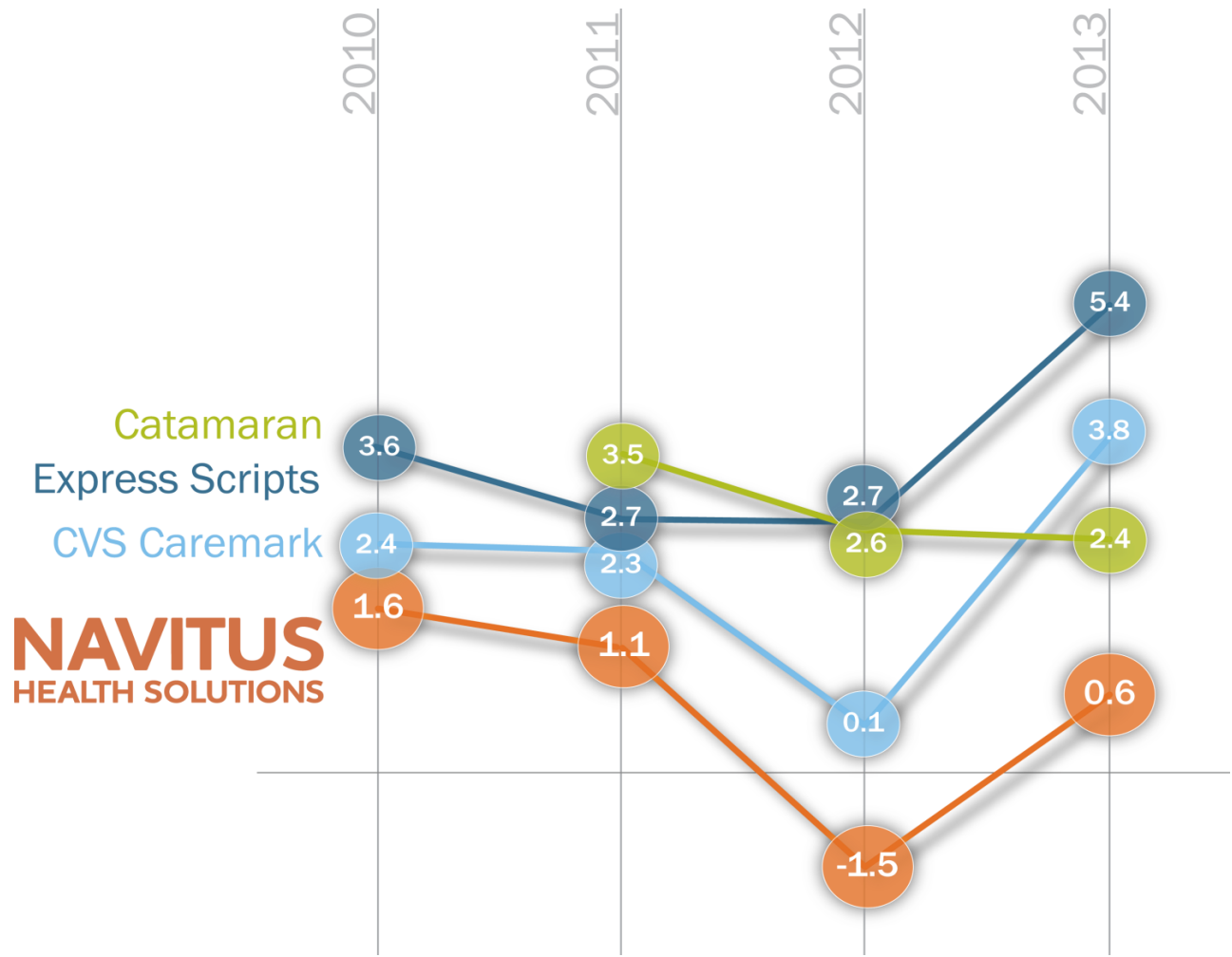
AGENDA



- Pharmacy Trend Update
- 2014 Pharmacy Trend Driver Review
 - Specialty Pharmacy
 - Generic Inflation
 - Brand Inflation
 - Drug Pipeline
- Pharmacy Trend Management Tools
 - Plan Design
 - Formulary and Utilization Management
 - Pharmacy Network
 - Specialty Pharmacy Management

TREND

Industry Trend Comparison



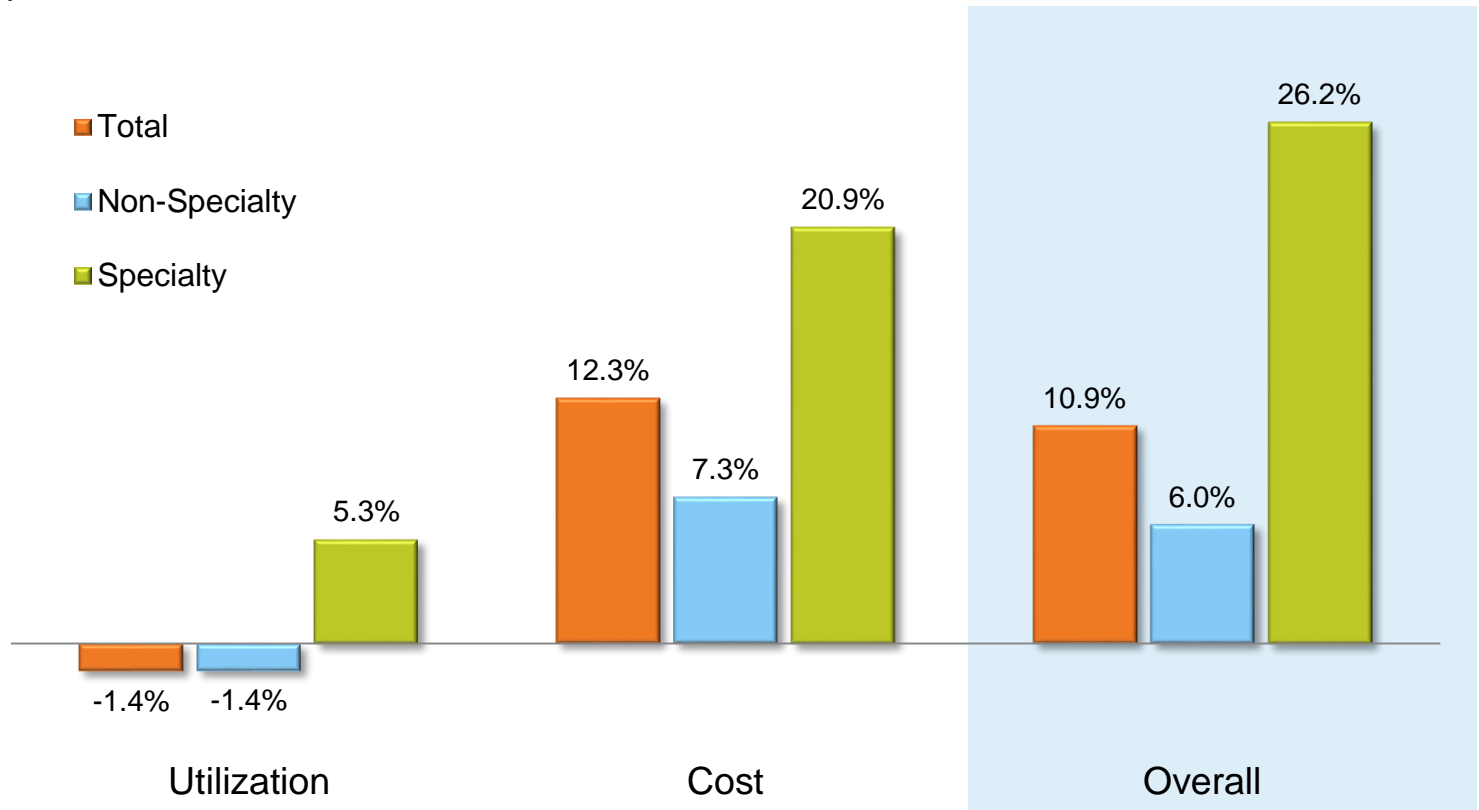
Sources: <http://www.drugtrendreport.com/commercial/total-trend> (ESI)
<https://trendreport.catamaranrx.com/> (Catamaran)
http://cvscaremarkfyi.com/sites/default/files/INSIGHTS_Trend.pdf (CVS)

TREND

ETF Plan Paid PMPM - Commercial

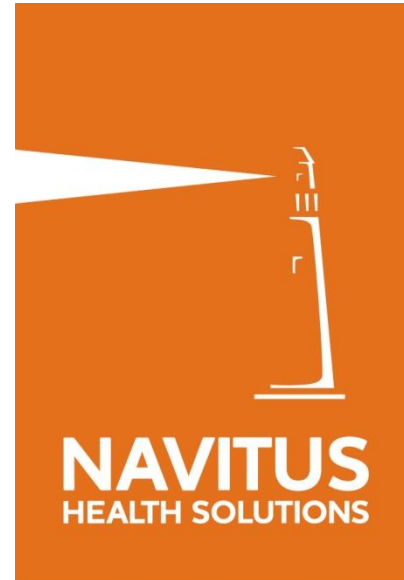


	2014	2013	Change	Percent Change
Total Plan Paid PMPM	\$77.43	\$69.81	\$7.62	↑ 10.9%
Non-Specialty	\$55.86	\$52.71	\$3.15	↑ 6.0%
Specialty	\$21.56	\$17.09	\$4.47	↑ 26.2%



Data does not include Administrative Fees or Rebates.

PHARMACY TREND DRIVER REVIEW



KEY TREND DRIVER REVIEW



- Specialty Pharmacy
- Generic Inflation
- Brand Inflation
- Drug Pipeline

SMALL MOLECULE VS. BIOLOGIC

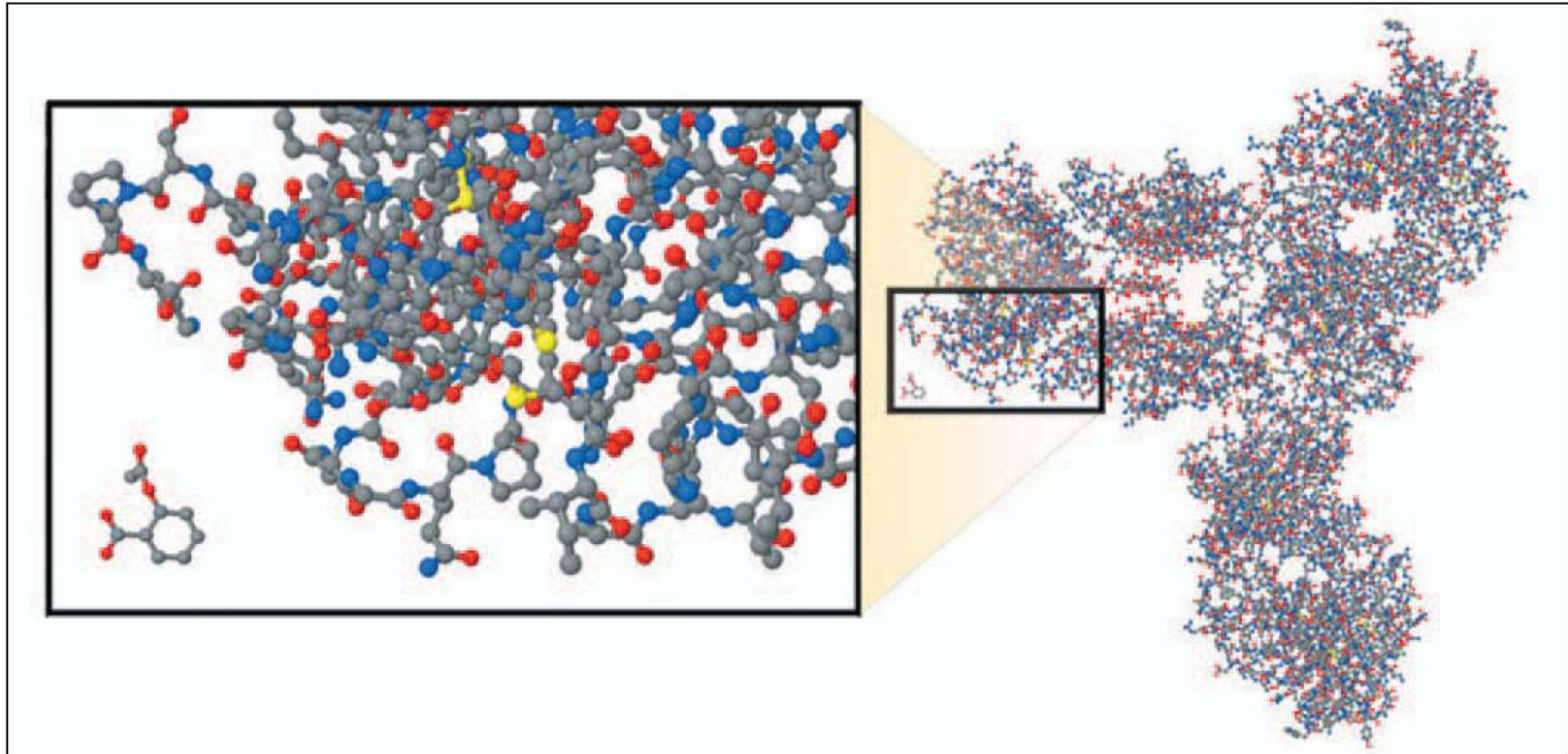


Figure 1. Comparison between a biologic monoclonal antibody and an aspirin molecule

An approximately 800-fold difference in size necessitates magnifying the boxed area to clearly identify the aspirin molecule on the lower left. The antibody structure was taken from the RCSB Protein Data Bank and has the identifier 1HZH.

TREND DRIVERS

Specialty Pharmacy



- ETF will spend over \$70,000,000 on specialty medications in 2014
 - 1% of the membership and 0.9% of prescriptions
 - 28% of the total plan paid
 - Nationally Specialty Spend is expected to increase by 17-20% annually and will consume 50% of the drug budget by 2018*
- Factors increasing specialty pharmacy trend
 - Inflation on existing products
 - Increasing utilization of existing products
 - New Indications and Shifts from Medical to Pharmacy
 - New products to market – Hep C

*Source: Ahead of the Curve – Top 10 Emerging Health Care Trends: Implications for Patients, Providers, Payers, and Pharmaceuticals - 2014

TREND DRIVERS

Specialty Pharmacy



Specialty Pharmacy Price Inflation

- Average cost/script for Specialty increased from \$2,328 to \$2,824 (21% increase)

Drug Name	AWP Unit Price 2014	AWP Unit Price 2013	% Change
GLEEVEC	\$258.71	\$185.98	↑ 39%
AUBAGIO	\$191.95	\$148.35	↑ 29%
CIMZIA	\$3,308.00	\$2,594.00	↑ 28%
AVONEX	\$5,454.00	\$4,696.00	↑ 16%
XELODA	\$42.40	\$36.68	↑ 16%

Specialty Pharmacy Utilization

- ETF Specialty Pharmacy Utilization increased 5% from 2013

New Products to Market

- 71% of all new drugs reviewed by the Navitus P&T Committee in the last 12 months were Specialty Medications.
 - **Solvadi** – Avg. Script cost/month - \$28,000
 - **Olysio** – Avg. Script cost/month - \$22,500

KEY TREND DRIVERS

Hepatitis-C Medication Utilization



Observations:

- Use of the new, higher cost Hepatitis-C medications is having a significant effect on plan spend.
- Sovaldi/Olysio therapy has been utilized by 10 members to date.
- Sovaldi therapy (with Ribavirin +/- Pegasys) have experienced utilization by 5 members.

Member	January	February	March	April	May	June	July	August	Plan Paid	Member Paid	
1		Sovaldi, Ribasphere								\$169,957	\$220
2		Sovaldi, Olysio							\$152,079	\$160	
3		Sovaldi, Ribasphere							\$172,936	\$235	
4		Sovaldi, Olysio							\$96,385	\$435	
5		Sovaldi, Olysio							\$151,495	\$170	
6*		Sovaldi, Olysio				Sovaldi, Olysio			\$151,441	\$224	
7		Sovaldi, Olysio							\$151,435	\$230	
8		Sovaldi, Ribavirin, Pegasys							\$96,747	\$450	
9		Sovaldi, Ribavirin							\$56,788	\$80	
10					Sovaldi, Ribapack				\$85,756	\$195	
11					Sovaldi, Olysio				\$152,353	\$270	
12**					Sovaldi, Olysio				\$206,988	\$400	
13					Sovaldi, Olysio				\$151,535	\$130	
14					Sovaldi, Olysio				\$155,241	\$300	
15								Sovaldi, Olysio	\$101,049	\$60	

*First claim paid in March, member did not begin therapy until June

**Therapy disruption due to incorrect lab results

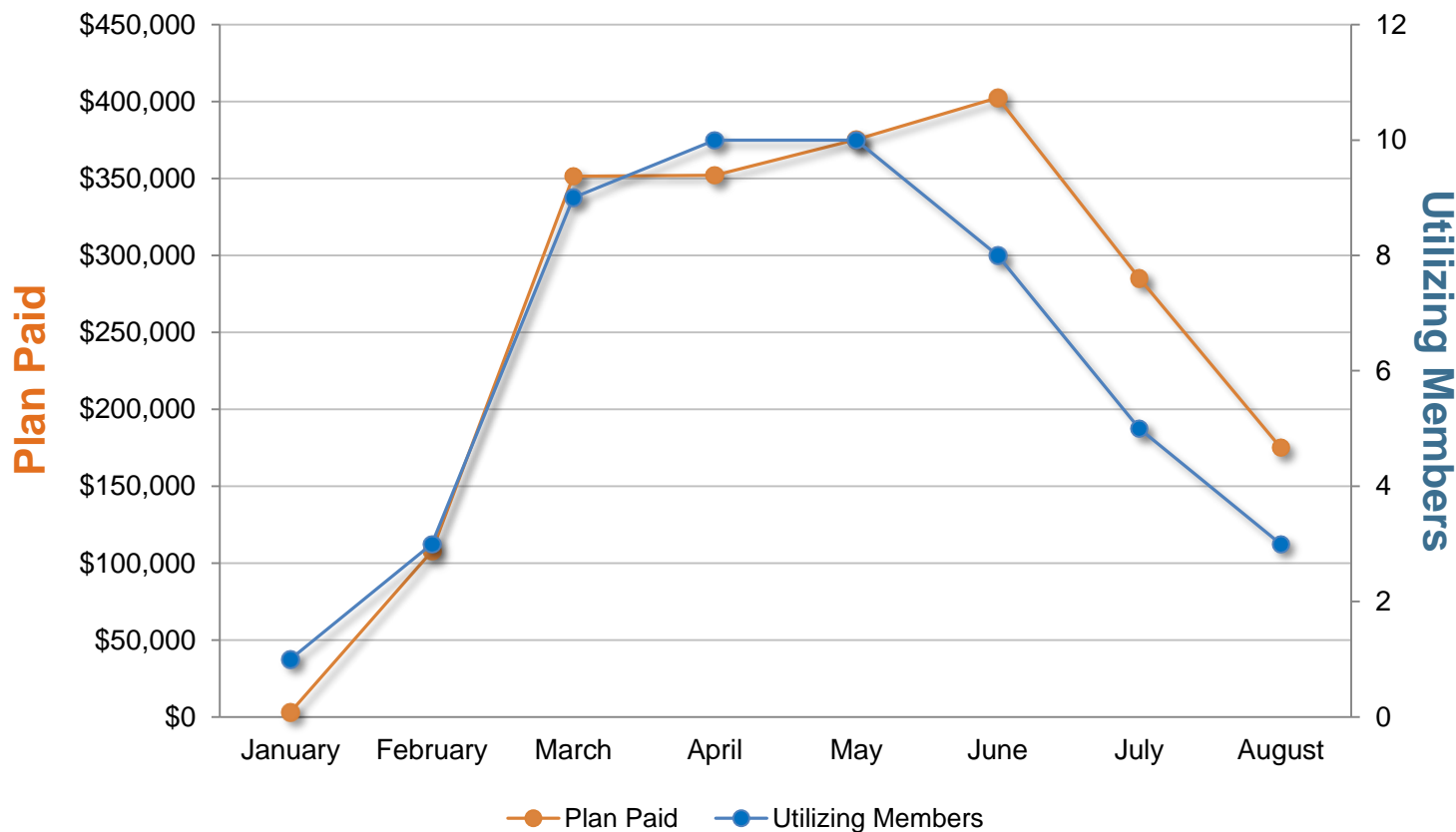
KEY TREND DRIVERS

Hepatitis-C Medication Utilization



Observations:

- Plan Paid for these therapies has exceeded \$1.6 million for Q1 & Q2 2014
- These therapies contributed \$1.49 to the Plan's PMPM for Q1 & Q2 2014
- Decreasing utilization is a likely indicator of prescribers "warehousing" patients until the new Hep C products are released. We are expecting another significant increase in Hep C utilization in 2015.



TREND DRIVERS

Generic Inflation



- **ETF Generic Utilization continues to increase and is currently over 81%**
 - Generics Represent 23% of the ETF's total plan paid
 - Average cost of a generic Rx increased from \$23 to \$25
- **Factors increasing the cost of generics**
 - Consolidation of generic manufacturers
 - Drug shortages

Drug Name	AWP Unit Price 2014	AWP Unit Price 2013	% Change
prednisolone (ophthalmic)	\$10.99	\$2.97	↑ 269%
oxycodone/acetaminophen	\$1.71	\$0.70	↑ 146%
prednisone	\$0.24	\$0.12	↑ 97%
amoxicillin/clavulanate	\$2.24	\$1.28	↑ 76%
levothyroxine	\$0.61	\$0.41	↑ 51%
propranolol ER	\$2.47	\$1.68	↑ 46%

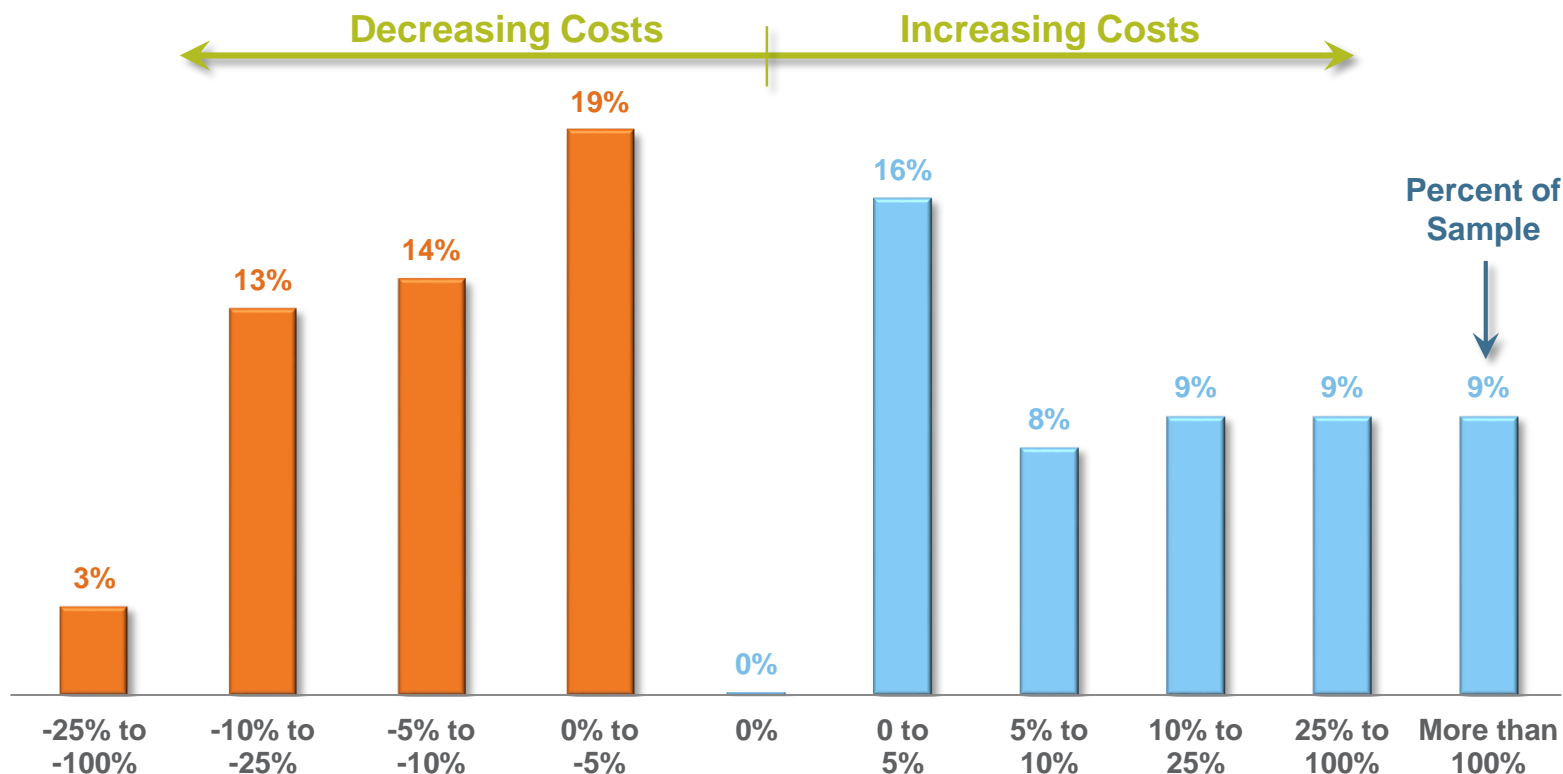
TREND DRIVERS

Generic Inflation



Generic Drugs, Change in NADAC per Unit, July 2013 versus July 2014

N = 2,376 products



Change in NADAC per Unit, by Product

NDC = National Drug Code

NADAC = National Average Drug Acquisition Cost

Source: Pembroke Consulting analysis of Center for Medicare & Medicaid Services data files.

Published on Drug Channels (www.DrugChannels.net) on August 12, 2014

TREND DRIVERS

Non-Specialty Brand Inflation



- ETF non-specialty brand utilization continues to decrease as generic and specialty use increases
 - Non-specialty brand inflation up over 16%
 - Average cost per script for a non-specialty brand increased from \$204 to \$230
- Factors impacting non-specialty drug costs
 - Shrinking market of non-specialty brands
 - Product life cycle (preparing for shift from patented brand to generic)
 - Lack of sales from other brand products by manufacturer

Drug Name	AWP Unit Price 2014	AWP Unit Price 2013	% Change
LUNESTRA	\$12.84	\$8.74	↑ 47%
LEVEMIR	\$23.49	\$16.66	↑ 41%
LANTUS	\$23.51	\$16.34	↑ 44%
EPIPEN	\$192.77	\$144.40	↑ 34%
HUMALOG	\$20.72	\$17.00	↑ 22%
VYVANSE	\$7.93	\$6.81	↑ 17%

TREND DRIVERS

Pipeline



- We have reached the end of the “Patent Cliff”
 - 2010-2013 numerous block buster brands lost patent protection including *Plavix*, *Singulair*, *Lipitor*, and *Diovan*
 - 2014 has had far fewer significant new generic entrants
 - 2015 has some potential for generic savings (see chart)
- Specialty drugs make up a large percentage of the new products to market
 - 71% of all new drugs reviewed by the Navitus P&T Committee in the last 12 months were Specialty Medications.

KEY TREND DRIVERS

New Generics Entering Market

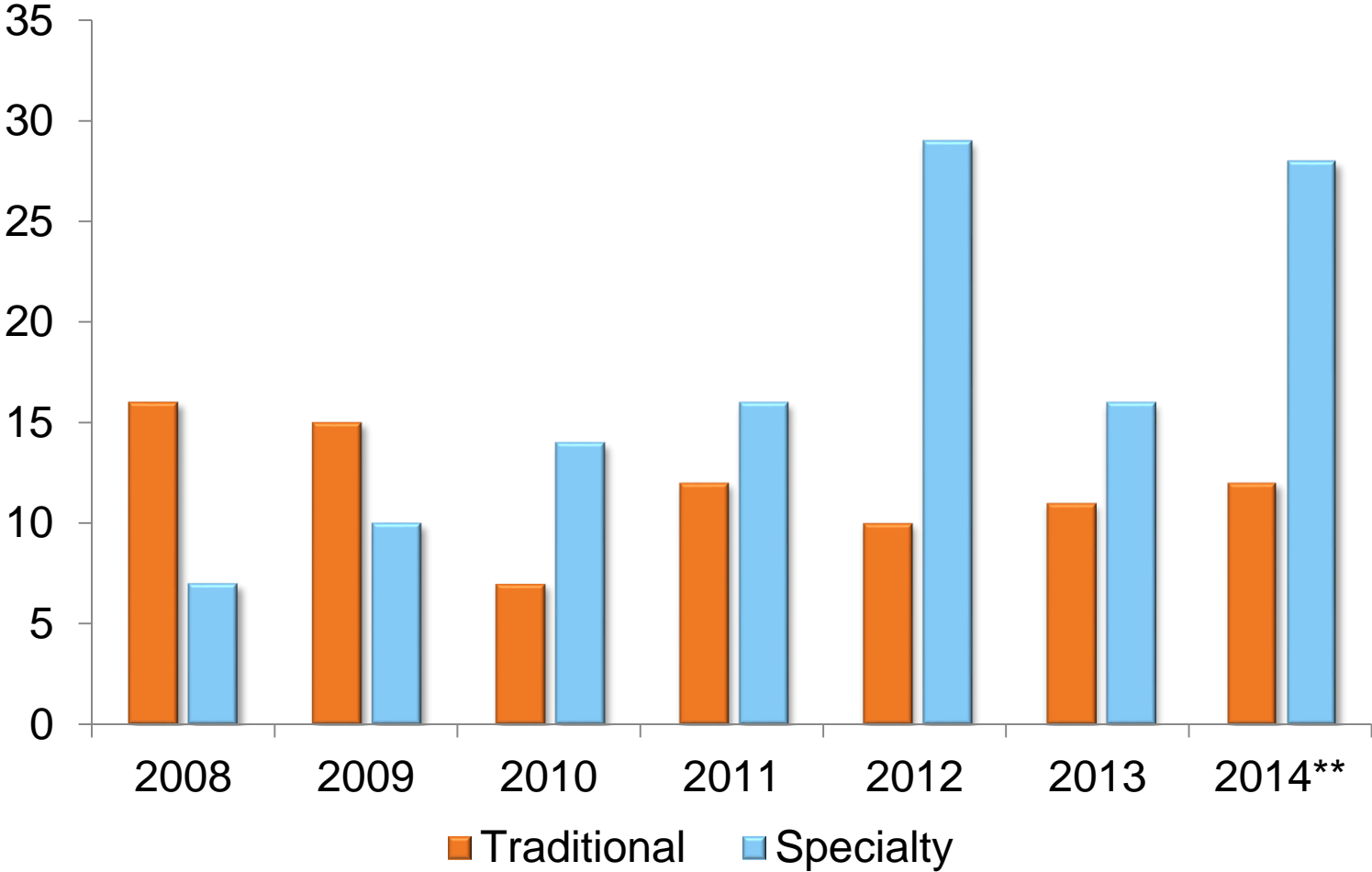


2014 has experienced very few significant brand/generic changes.

Last blockbuster generic released was duloxetine (Cymbalta) in December 2013. The price remained high until July 2014.

Brand (generic) Name	Drug Class	Expected Availability	Cost
Revlimid (lenalidomide)	Cancer	Q4 2014	\$\$\$
Nexium (esomeprazole)	PPI	Q4 2014	\$\$
Copaxone (glatiramer)	MS agent	Q4 2014	\$\$\$
Intuniv (guanfacine) 1,2,3,4 mg	ADHD	Q4 2014	\$
Namenda (memantine)	Alzheimers dementia	Q1 2015	\$
Welchol (colesvelam)	Antihyperlipidemic	Q1 2015	\$
Epipen (epinephrine)	anaphylaxis	Q2 2015	\$\$\$
Lumigan (bimatoprost)	glaucoma	Q2 2015	\$
Zyvox (linezolid)	Anti-infective	Q2 2015	\$
Targretin (bexarotene)	Skin cancer	Q2 2015	\$
Abilify (aripiprazole)	Antipsychotic	Q2 2015	\$\$\$

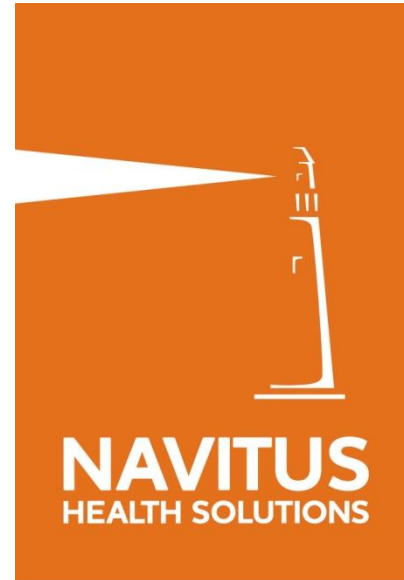
FDA NEW DRUG APPROVALS



*U.S. Food and Drug Administration

**Projection for 2014

PHARMACY TREND MANAGEMENT TOOLS



PHARMACY TREND MANAGEMENT TOOLS



- Plan Design
- Formulary and Utilization Management
- Pharmacy Networks
- Specialty Pharmacy

CURRENT PHARMACY PLAN DESIGN



Prescription Drugs and Insulin		Copayment Level	Copayment Amount	OOPL* (Out Of Pocket Limit)	In Network Pharmacy	Out of Network Pharmacy
Preferred Prescription Drugs	Most Generic Drugs and Certain Lower-Cost Brand Name Drugs	Level 1	\$5	Level 1/Level 2 OOPL: \$410 per individual/ \$820 per family for all Participants, EXCEPT: \$1,000 per individual/ \$2,000 per family for State and Wisconsin Public Employer Participants enrolled in the Standard Plan.	Covered	Not Covered, except when emergency or urgent care is required.
	Most Brand Name Drugs & Certain Higher-Cost Generic Drugs	Level 2	\$15			
Non-Preferred Prescription Drugs that are Covered	High Cost Prescription Drugs that have other Alternatives or Equivalent Drugs on the Formulary	Level 3	\$35	Does Not Apply To OOPL	Covered	Not Covered, except when emergency or urgent care is required.

CURRENT PHARMACY PLAN DESIGN



Specialty & Lifestyle Prescription Drugs	Copayment Level	Copayment Amount	OOPL* (Out Of Pocket Limit)	In Network Pharmacy	Out of Network Pharmacy
Specialty Medications obtained at a Pharmacy OTHER THAN the <i>Preferred</i> Specialty Pharmacy (e.g. Walgreens)	Preferred Specialty Drugs	Level 4	\$50	Covered	Not Covered, except when emergency or urgent care is required.
	Non-Preferred Specialty Drugs	Level 4	\$50		
Specialty Medications obtained from the <i>Preferred</i> Specialty Pharmacy (i.e. Diplomat)	Preferred Specialty Drugs	Level 2	\$15	Covered	Not Covered, except when emergency or urgent care is required.
	Non-Preferred Specialty Drugs	Level 4	\$50		

* Level 1/Level 2 OOPL and Level 4 OOPL accumulate separately. Copays for Specialty & Lifestyle Drugs only accumulate to the Level 4 OOPL.

PLAN DESIGN TRENDS



- Increase in the use of coinsurance on specialty medication
 - **2012: 56%**
 - **2013: 61%**
- Increase in the % of plans using multiple specialty tiers
 - **2012: 33%**
 - **2013: 58%**
- 54% of commercial plans now require separate cost shares for medical benefit specialty products

FORMULARY MANAGEMENT AND UTILIZATION MANAGEMENT

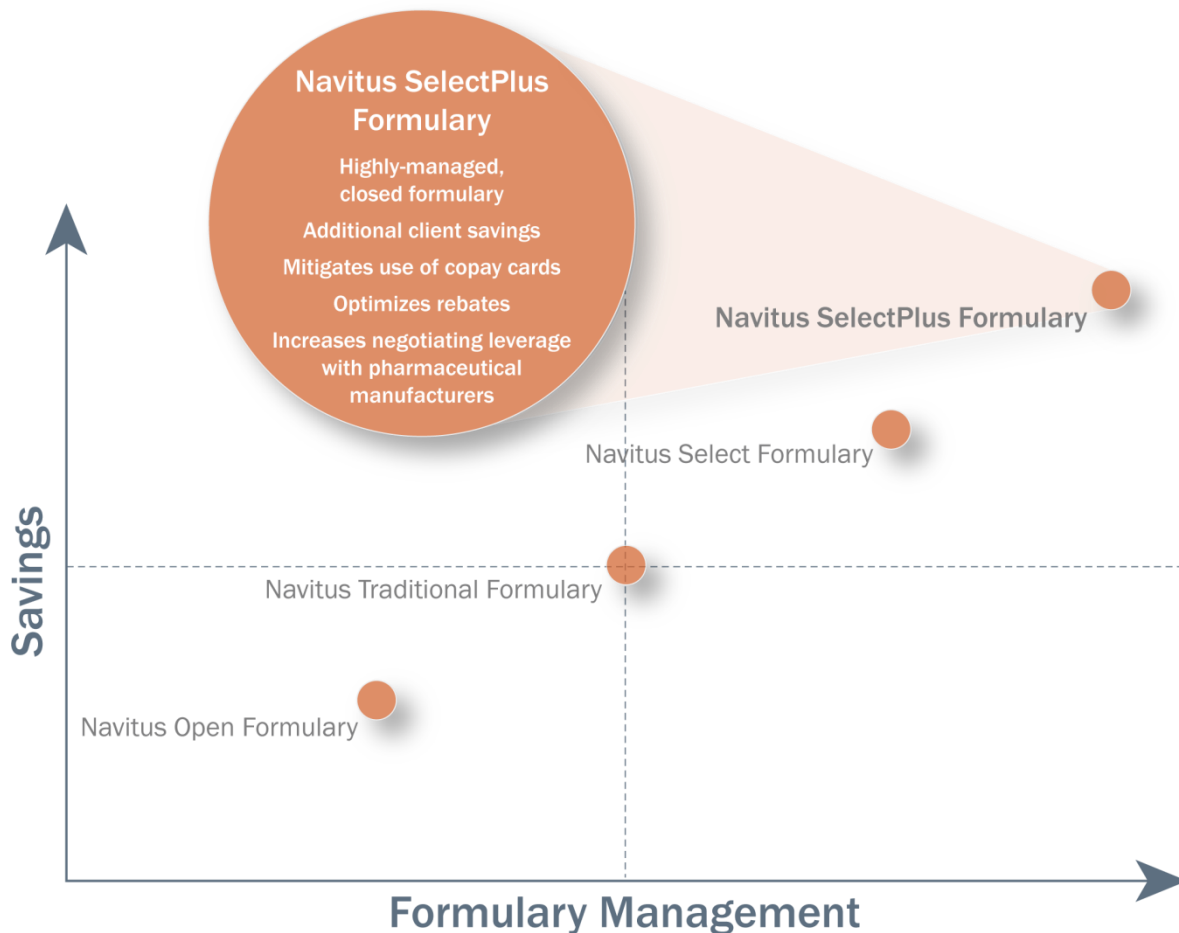


- The Current ETF Formulary (Navitus Select)
 - Provides a high degree of choice
 - Limited number of excluded products
 - Generics aren't mandated to the lowest tier
 - High level of utilization management including prior authorization, step therapy, and quantity and duration edits
 - Price protection strategy around preferred branded products on the formulary

FORMULARY MANAGEMENT AND UTILIZATION MANAGEMENT



A new formulary that excludes more non-preferred brand drugs to increase rebate potential and lower cost



FORMULARY MANAGEMENT STRATEGIES



Select Plus Formulary

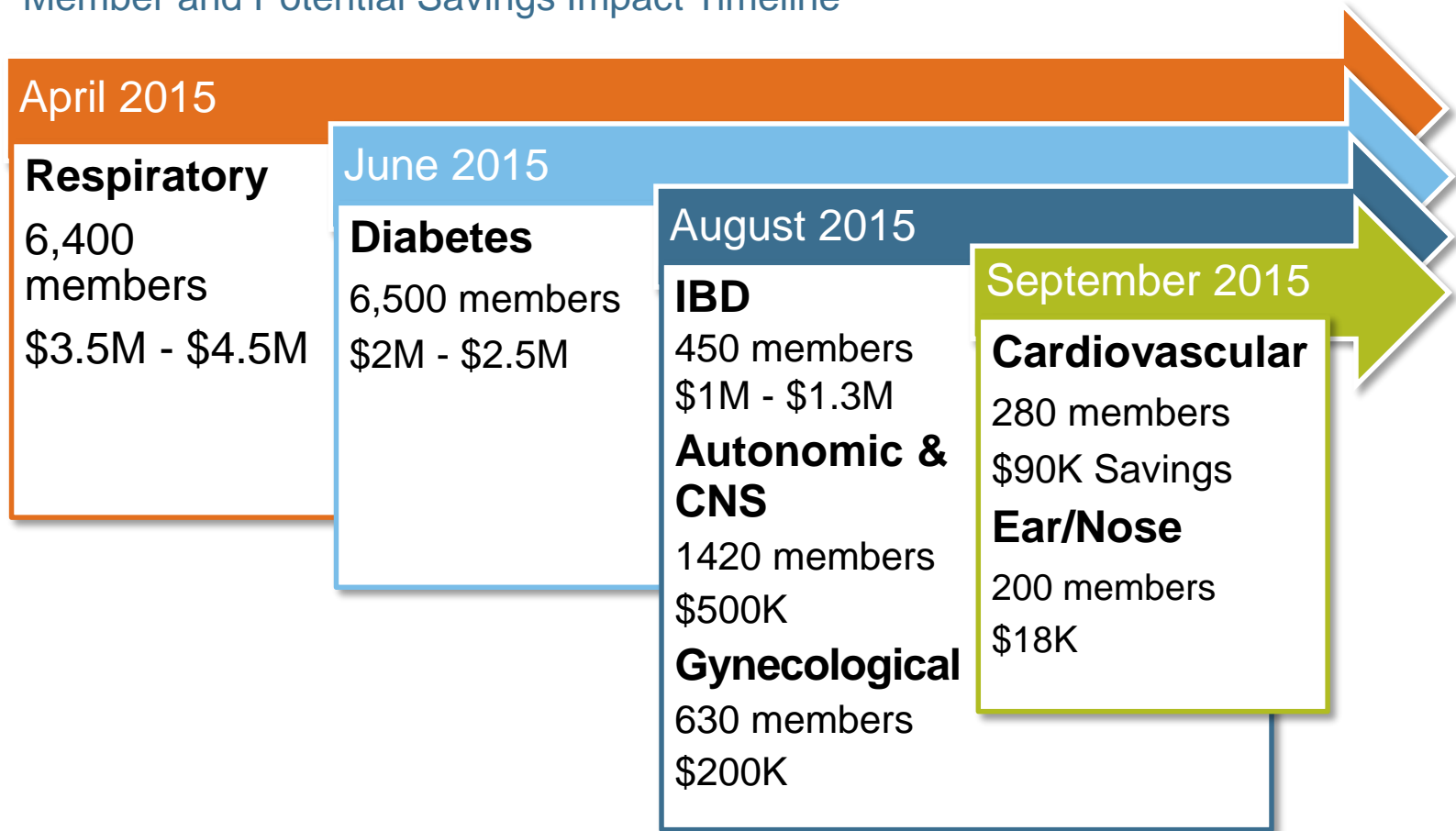
How does the Select Plus Formulary work?

- Increases the number of products excluded from the formulary
- The Select Plus Formulary maximizes potential client savings through lower cost options
- Targets non-preferred brands to < use and prevents copay cards (> 90% of these drugs have copay cards)
- Mitigates price increases (brand inflation)
- More effective than traditional management to stop claims
- Lowers net cost by > rebates – requiring use of preferred brands – and increasing GDR

SELECT PLUS FORMULARY

Cost Savings and Disruption Analysis

Member and Potential Savings Impact Timeline



PHARMACY NETWORK MANAGEMENT



- Continued promotion of 90-day Retail Programs
- Preferred or Custom Limited Pharmacy Network
- Vaccine Administration Network
- Medication Therapy Management Services
- Leverage NADAC (National Average Drug Acquisition Cost) data, distributor data and other sources of retail acquisition cost to create actionable exception reports.
 - Source of pricing transparency on generics
 - NADAC is updated weekly
 - Pricing is based on a survey of drug acquisition costs paid by retail community pharmacies (independents and chains)
 - NADAC is managed by CMS and can be found on [Medicaid.gov](https://www.Medicaid.gov)

MANAGEMENT OF SPECIALTY PHARMACY



SPECIALTY PHARMACY



Lumicera Health Services

- Fully-owned subsidiary of Navitus located in Madison, WI
 - Offers innovative specialty pharmacy solutions
 - Functions as a stand-alone specialty pharmacy
 - Adheres to Navitus' core principles of transparency and stewardship
 - Employs the same high-touch, high-quality patient care currently experienced with Navitus

SPECIALTY PHARMACY



Lumicera Health Services

Integrated Approach

- Together, Navitus and Lumicera provide fully-integrated services and data integration to deliver best-in-class trend management:
 - Utilization Management
 - Implement Specialty Pharmacy Care Pathways to ensure medications are delivering the best possible outcome
 - Adherence, Side Effect Management, Education
 - Alignment of P&T and Prior Authorization Processes
 - Formulary Management
 - Optimize use of specialty products proven to be most cost effective
 - Facilitate formulary transition
 - Specialty Rebate Optimization
 - Navitus (PBM) rebate opportunities due to increased formulary compliance and ability to move market share quickly

BIOSIMILARS / BIOGENERICS



- Between 2009 and 2019, specialty medications with an estimated market value of more than \$50B will go off patent.*

Examples:

Pharmacy Benefit		Medical Benefit	
Copaxone	2014	Synagis	2015
Gleevec	2015	Tysabri	2017
Epogen / Procrit	2015	Remicaid	2018
Humira	2016	Xolair	2018

- Final regulatory framework providing guidance on manufacturing, clinical efficacy, safety and interchangeability is still needed from the FDA

SUMMARY



- Navitus and ETF have worked collaboratively to achieve best in class trend management results
 - Pricing Transparency
 - Commitment to Lowest Net Cost
 - Formulary and Utilization Management
- Pharmacy Trend Management will continue to require a balanced approach
 - Formulary and Utilization Management
 - Pharmacy Network Management
 - Plan Design
- Specialty Pharmacy will be a major driver of trend
 - Requires multifaceted approach
 - Biosimilars / Biogenerics may provide some relief



Share a Clear View

High-Touch Service

Lowest Net Drug Costs

Improved Member Health

