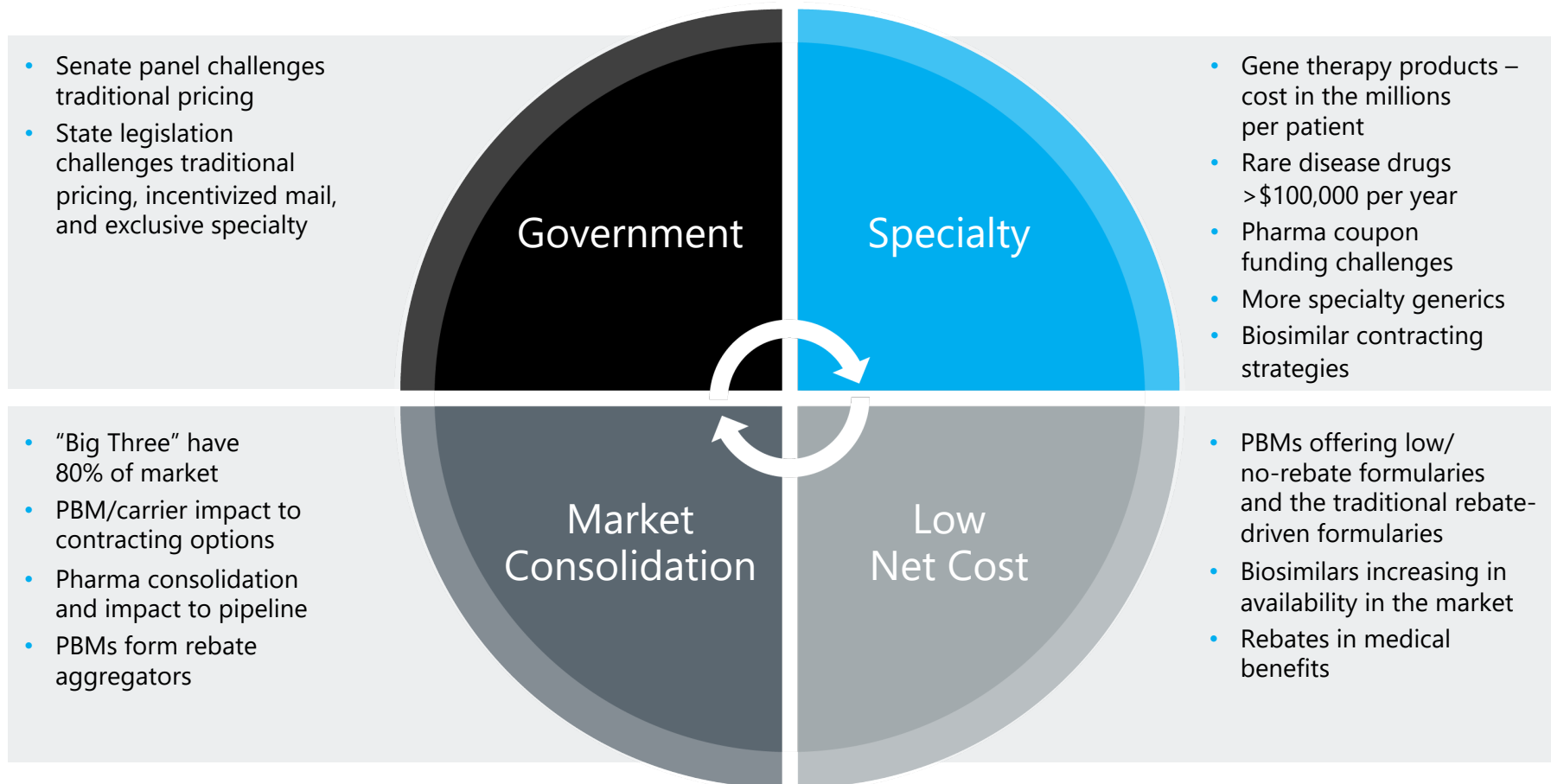


# Demystifying Pharmacy

October 12, 2023

# Pharmacy Landscape



# *PBM Legislation*

## *Federal*

### Pharmacy Benefit Manager Reform Act

- Would ban spread pricing
- Would require 100% of rebates to be passed through to plans

### Other key focuses of federal attention

- Delinking PBM compensation from the price of the drug (pushed by pharma)
- Transparency reporting requirements for PBM
- Copay adjustment programs (all amounts paid by pharma should accumulate toward member OOP)
- Community pharmacists are pushing for federal legislation to carve-out PBM exemption

## *State*

Resulting in patchwork of legislation

US Supreme Court decision, *Rutledge v. PCMA*, resulted in confusion over ERISA preemption

OK case, *PCMA v. Mulready*, will have impact on ERISA preemption once decided

Common state provisions include:

- Banning spread pricing
- Reimbursing based on acquisition cost
- Removing network restrictions
- Limitations on utilization management programs
- Removing copay accumulator programs

## Prescription Drug Reform Act

# *Florida SB 1550*

Effective 7/1/23

- Licensing and reporting requirements of PBMs
  - Requires PBM to get Certificate of Authority and report certain investment/ownership information
- Annual attestation
- Retail networks may not limit or direct to affiliated pharmacies
- Restricts use of step therapy
- Prohibits mandatory mail
- Requires pharma to report certain price increases
- Requires 60-day continuity of care period for certain formulary changes made during the plan year
- Network requirements
- Note: not all PBMs agree this applies to self-funded ASO groups

Contracts renewed/amended on or after July 1, 2023, between PBM and plan: No spread pricing, and 100% pass-through of all manufacturer rebates

Contracts renewing after July 1, 2023, between the PBM and the network pharmacies also have requirements

# Vendor Landscape

## BUNDLED PBMs

- BUCA Carriers
- Preferred TPA Partnerships

## COLLECTIVES

- RxBenefits
- Employers Health
- Health Action Council
- National CooperativeRx
- CoreTrust

## TRADITIONAL PBMs

- CVS Caremark
- Express Scripts
- Optum



## EMERGING PBMs

- Capital Rx
- SmithRx
- Ventegra
- Navitus

## SPECIALTY CARVE-OUT

- Archimedes
- RxResults
- VIVIO

## INNOVATIVE SOLUTIONS

- Pharmacogenomics
- RxResults
- Alternative Funding (Payer Matrix, Paydhealth)
- Condition Management (Tria Health)
- GoodRx
- Amazon RxPass
- Cost Plus

# PBM Verticals

## Vertical Business Relationships Among Insurers, PBMs, Specialty Pharmacies, and Providers, 2023



1. Since 2021, Prime's Blue Cross and Blue Shield plans have had the option to use Express Scripts or AllianceRx Walgreens Pharmacy for mail/specialty pharmacy services. In Dec. 2021, Walgreens purchased Prime Therapeutics' 45% ownership interest, so this business had no PBM ownership as of 2022. Effective June 2022, the company was rebranded as AllianceRx Walgreens Pharmacy.

2. Centene has announced that it would outsource its PBM operations to Express Scripts in 2024. In 2023, Centene rebranded its pharmacy benefit subsidiary as Centene Pharmacy Services.

3. In 2021, Centene sold a majority stake in its U.S. Medical Management to a group of private equity firms.

4. Since 2020, Prime has sourced formulary rebates via Ascend Health Services. In 2021, Humana began sourcing formulary rebates via Ascend Health Services for its commercial plans.

5. Previously known as Evernorth Care Group and Cigna Medical Group.

6. In 2021, Cigna's Evernorth business acquired MDLIVE.

7. In 2022, Cigna invested \$2.7 billion for an estimated 14% ownership stake in VillageMD. Walgreens owns a majority of VillageMD.

8. In September 2022, CVS Health announced its acquisition of Signify Health. In February 2023, CVS announced its acquisition of Oak Street Health. Both transactions closed in 2023.

9. Previously known as IngenioRx.

10. In 2021, Partners in Primary Care and Family Physicians Group businesses were rebranded as CenterWell Senior Primary Care.

11. In 2022, Kindred at Home was rebranded as CenterWell Home Health. In 2022, Humana announced an agreement to divest its majority interest in Kindred at Home's Hospice and Personal Care Divisions to Clayton, Dubilier & Rice. Humana also announced plans to close a majority of its SeniorBridge home care locations.

Source: The 2023 Economic Report on U.S. Pharmacies and Pharmacy Benefit Management, Exhibit 234. Companies are listed alphabetically by corporate name.

# Anti-Obesity Medications



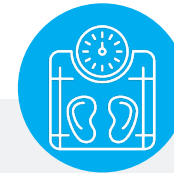
## MEDICATIONS AND WEIGHT LOSS

- GLP-1 – Wegovy & Saxenda: 10%-16% loss.
- Mounjaro (pending): 20%+ loss.
- GLP-1 – also approved for diabetes.
- Intended for patients with BMI >30 or BMI >27 and co-morbid conditions.
- Weight likely to return if medication stopped; results of clinical trials included intensive lifestyle modification programs.



## COST

- GLP-1 - average price \$1,200 per month.
- Priced significantly higher than oral appetite suppressants (e.g., Xenical, Contrave, Qsymia).
- According to ICER, GLP-1 price needs to be reduced by 40-50% to be cost effective.
- Obesity medications now in plan cost top 10 therapy class.



## OUTLOOK

- GLP-1 use has expanded quickly. Wegovy/Saxenda for obesity. Ozempic and other diabetes medications are used off-label 25% or greater.
- Expected to be chronic medications. Manufacturers indicate therapies to be used lifelong.
- Mounjaro expected approval for weight loss in 4Q23.
- 60% of health system employers and 40% of other employers cover AOM; seeing increase in coverage.

## *GLP-1 Place in Therapy*

### Relative to APPETITE SUPPRESSANTS

- Substantially superior efficacy.
- Substantially higher cost.

### RECOMMENDED STRATEGIES

- Diabetic GLP-1 PA to prohibit off-label use.
- If cover AOM, require prior authorization and lifestyle modification program.



- Humalog, Novolog, Levemir, and Lantus are primary brands used today.
- Insulin represents 5% of brand claims and 1% of overall claims.
- 0%-1% net plan sponsor savings with reduction in AWP and loss of rebates.
- Lower ingredient cost and lower rebates to plan sponsor.

## *Insulin Market*

**Some manufacturers announced** a 70%-78% reduction in list price for late 2023 and 2024 for many products.

**Rebates expected** to be eliminated.

**High-cost options expected** to remain on the market for rebate-focused formularies (e.g., Tresiba).

Lilly and Sanofi **capping patient price** at \$35 per month.

**Favorable** to patients.





## *Biosimilar Update: Humira*

- First biosimilar (Amjevita, Amgen) launched end of January 2023, having two different pricing structures:
  - High list price + rebates
  - Low list price + low or no rebates
- Up to 11 more products/formulations launching in 2023
- Formulary decision announcements from PBMs/carriers are coming out now
- Each PBM is handling contract and rebate ramifications differently
- Be alert that Humira's manufacturer field sales reps may attempt to convince prescribers to transition long-stable Humira patients to "successor products" Rinvoq or Skyrizi

# Biosimilar Update: Humira

Product/Manufacturer	Citrate-Free?	Interchangeable?	Launch Date	Annual WAC	Discount Off Brand Humira
<b>50 mg/mL Concentration (40 mg/0.8 mL)</b>					
Humira/AbbVie	No	–	2002	\$89,994	–
Amjevita (high WAC)/Amgen	Yes	No <sup>a</sup>	1/31/2023	\$85,494	–5%
Amjevita (low WAC)/Amgen	Yes	No <sup>a</sup>	1/31/2023	\$40,497	–55%
Abrilada/Pfizer	Yes	Seeking <sup>b</sup>	Not launched <sup>b</sup>	–	–
Cyltezo/Boehringer Ingelheim	Yes	Yes	7/1/2023	\$85,494	–5%
Hadlima/Samsung Bioepis; Organon	No	Seeking <sup>c</sup>	7/1/2023	\$13,494	–85%
Hulio/Biocon	Yes	Seeking <sup>c</sup>	7/1/2023	\$85,494	–5%
Adalimumab-fkjp (unbranded Hulio)/Biocon	Yes	Seeking <sup>c</sup>	7/1/2023	\$12,935	–86%
Hyrimoz/Sandoz	No	No	Not launched	–	–
Idacio/Fresenius	Yes	No	7/1/2023	\$85,494	–5%
Yusimry/Coherus	Yes	No	7/1/2023	\$12,935	–86%
Yusimry (Mark Cuban Cost Plus Drug Company)/Coherus	Yes	No	7/1/2023	\$7,400 <sup>d</sup>	–92%
<b>100 mg/mL Concentration (40 mg/0.4 mL)</b>					
Humira/AbbVie	Yes	–	2015	\$89,994	–
Hadlima HC/Samsung Bioepis; Organon	Yes	Seeking <sup>c</sup>	7/1/2023	\$13,494	–85%
Hyrimoz HCF/Sandoz	Yes	No	7/1/2023	\$85,494	–5%
Adalimumab-adaz (unbranded Hyrimoz HCF)/Sandoz	Yes	No	7/1/2023	\$17,099	–81%
Yuflyma/Celltrion	Yes	Seeking <sup>c</sup>	7/2/2023	\$85,494	–5%
AVT02/Alvotech; Teva	Yes	Seeking <sup>e</sup>	1H 2024 (CRL <sup>e</sup> )	–	–
Amjevita HC/Amgen	Yes	Seeking	2023–2024 (Phase 3)	–	–
Cyltezo HC/Boehringer Ingelheim	Yes	Seeking	2H 2023–2024 <sup>f</sup>	–	–
Yusimry HCg/Coherus	TBD	TBD	TBD	–	–

## Considerations

- High WAC – retain rebates
- Low WAC – no/low rebates
- Availability of patient copay cards
- Interchangeability
- Patient acceptance
  - Pain of injection
  - Cost



## *Biosimilar Update: Stelara*

- Eight pending versions (no high concentration vs. low concentration issue as with Humira).
  - Two products were initially expected in 2023, but now, due to patent litigation, **the earliest we expect Stelara biosimilars is 2025.**
  - Six remaining products in Phase III clinical trials.
- Caution – seven years elapsed between FDA approval and biosimilar product launch for Humira, due to legal delays and entanglements.
- Far too early to know anything about definitive launch dates, pricing, formulary placement, etc.
- Be alert that Stelara's manufacturer field sales reps may attempt to convince prescribers to transition long-stable Stelara patients to "successor product" Tremfya.

# Hemophilia Gene Therapy

## Hemophilia A

Hemophilia A is more common and more likely to be severe; two-thirds of patients are estimated to have severe disease.

- Prevalence: 1 out of 5,000 male births
- **Roctavian** was approved by the FDA in July 2023
- Not considered a cure or lifelong benefit
- Price of \$2.9M for a 1x IV infusion

## Hemophilia B

Hemophilia B is less common and only 50% have severe disease.

- Prevalence: 1 out of 25,000 male births
- **Hemgenix** (etranacogene dezaparvovec) – HOPE-B trial showed an 80% reduction in bleeding; manufacturer submitted to the FDA
- Approved Nov. 2022
- Price of \$3.5M-\$4.2M
- Most expensive drug on the market

Current average annual cost of therapy is **\$160,000**.

Severe cases can exceed **\$1M per year**.





# *Specialty Copay Card Challenges*

J&J sues  
SaveOnSP

AbbVie blocks  
copay cards for  
patients enrolled  
in variable copay  
programs

15 states require  
copay assistance  
to count toward  
indemnities\*

Biosimilars in  
the market

\*State regulated plans

*Independence changes everything.*