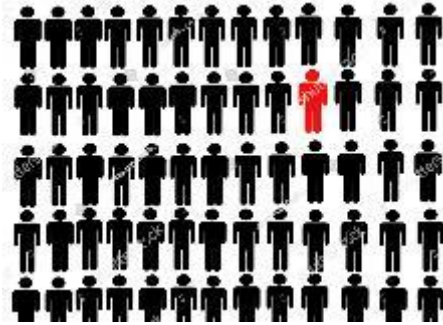


What Price is Too High? Managing Specialty Drugs for Value

Brenda Motheral, BPharm, MBA, PhD

Specialty 101



2-4% of Population
Uses Specialty Drugs

Rheumatoid
Arthritis

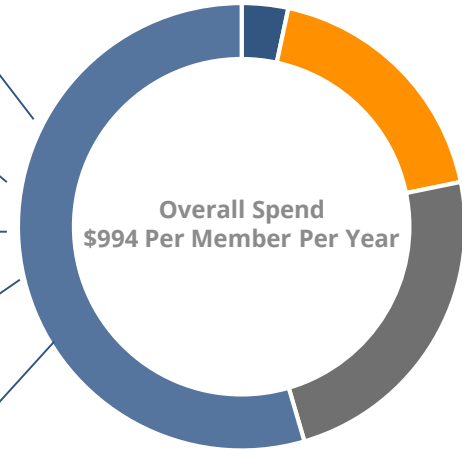
Multiple
Sclerosis

Cancer

Hepatitis C

Rare
Diseases

Covered Under Pharmacy and Medical Benefit

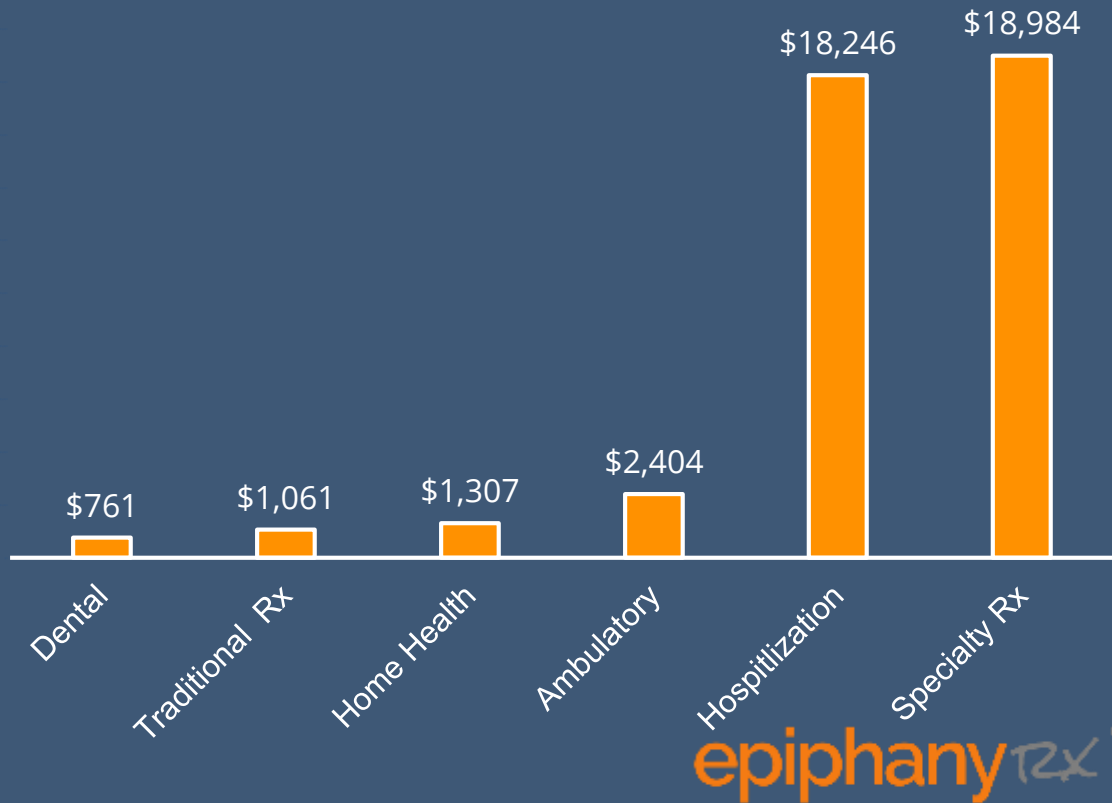


- Hospital Infusion
- Physician Office
- Outpatient Hospital
- Pharmacy Benefit

Specialty Drug Overview

ARCHIMEDES

Average Annual Expenditure Per Person With an Expense, 2017

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LETTERS

Anger Over High Drug Prices in U.S.

Readers criticize the pharmaceutical industry for reaping high profits by charging much more for prescription drugs in the United States than elsewhere in the world.

March 1, 2019

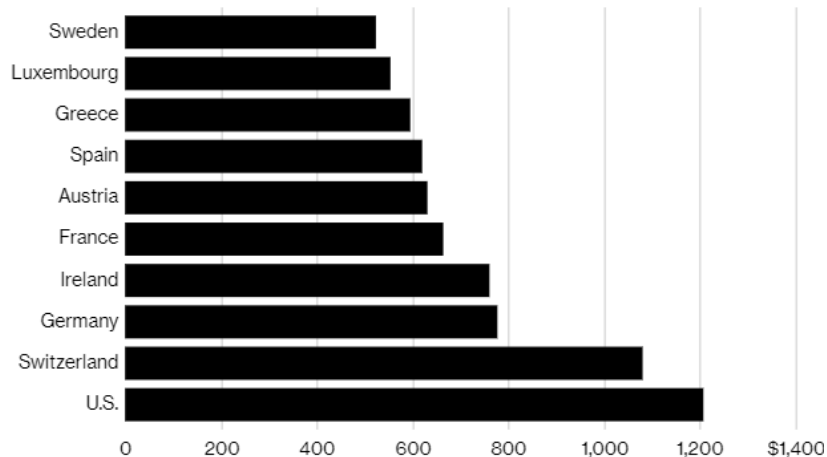


Wren McDonald

US became an outlier on drug spend in the mid-1990s

Bills for Pills

Top spenders per capita on drugs in 2016, in U.S. dollars



Source: Organisation for Economic Co-operation and Development

Why The Higher Spend?

- ~~X~~ Less Use of Generics
- ~~X~~ Better health
- ~~X~~ Research & development



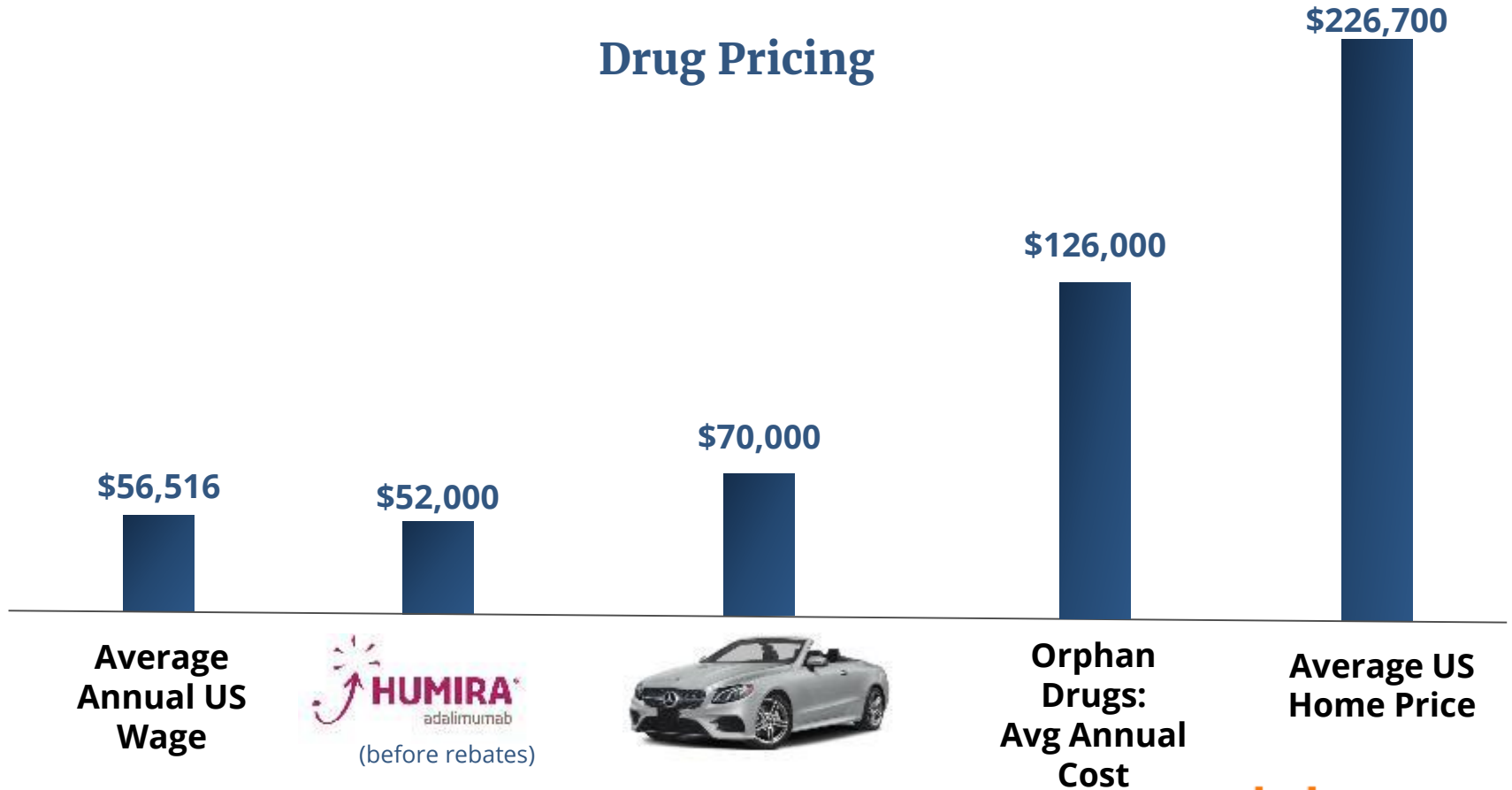
PRICE

US Leads the World in Drug Pricing

Pricing Ratio	UK	Japan	Ontario
All Drugs	3.6x	3.2x	4.1x
Diabetes	9x		
Specialty drugs	11.5	8x	8x

Source: Health Affairs, May 2019

Drug Pricing



How Did We Get Here?

Industry	Total
Pharmaceuticals/Health Products	\$3,937,356,877
Insurance	\$2,704,636,807
Electric Utilities	\$2,353,570,360
Electronics Mfg & Equip	\$2,230,043,875
Business Associations	\$2,217,425,929
Oil & Gas	\$2,096,923,653
Misc Manufacturing & Distributing	\$1,687,618,725
Education	\$1,633,122,450
Hospitals/Nursing Homes	\$1,604,696,566
Securities & Investment	\$1,548,537,463
Telecom Services	\$1,538,038,434
Real Estate	\$1,522,817,733
Health Professionals	\$1,453,558,737
Civil Servants/Public Officials	\$1,437,730,535
Air Transport	\$1,392,972,584
Health Services/HMOs	\$1,108,096,260
Defense Aerospace	\$1,101,303,893
Automotive	\$1,093,277,816
Misc Issues	\$1,056,530,748
TV/Movies/Music	\$1,035,372,905

Source: opensecrets.org, Center for Responsive Politics, as of August 2018

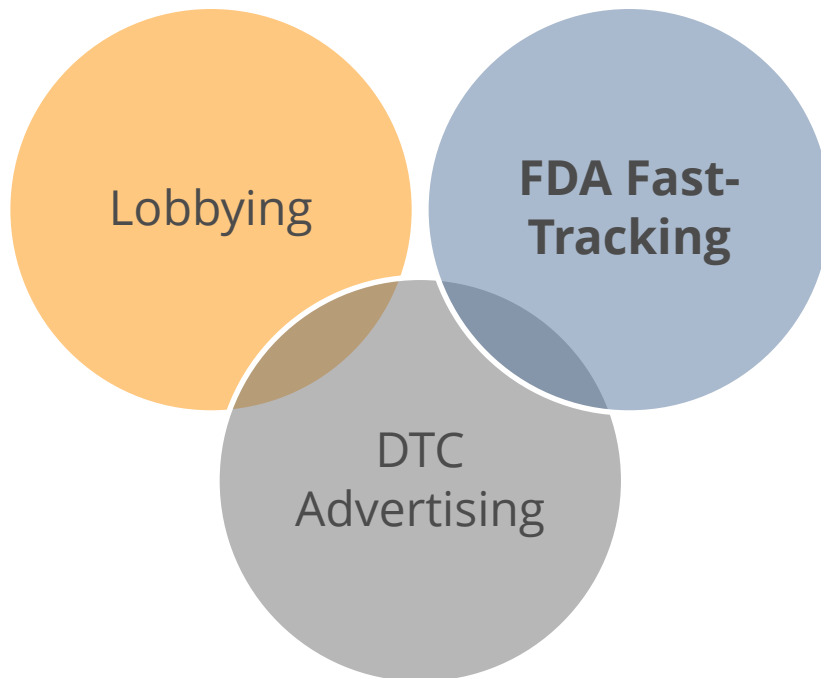
Pharma Spent
\$4 Billion
 on lobbying in 2018

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How Did We Get Here?

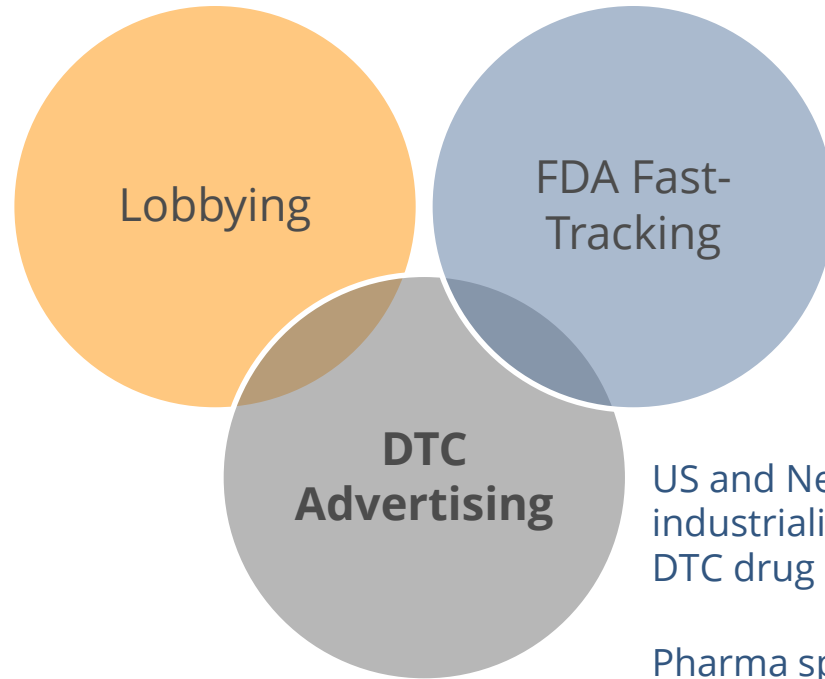
The ACA removal of the lifetime limit on benefits lead to higher drug prices

Acthar's price increased from \$500 to \$25,000 per dose with the passing of the ACA



- FDA received **75% of its funding** from pharma in 2017 (27% in 1993)
- 68% of drugs fast-tracked from 2014 to 2016
- FDA **denied only 19%** of applications in 2017 (59% in 2010)

How Did We Get Here?



US and New Zealand are the only industrialized countries that allow DTC drug ads

Pharma spend **\$10B** on DTC in '16

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Defining Value

$$\text{Value} = \frac{\text{Costs}}{\text{Benefits}}$$

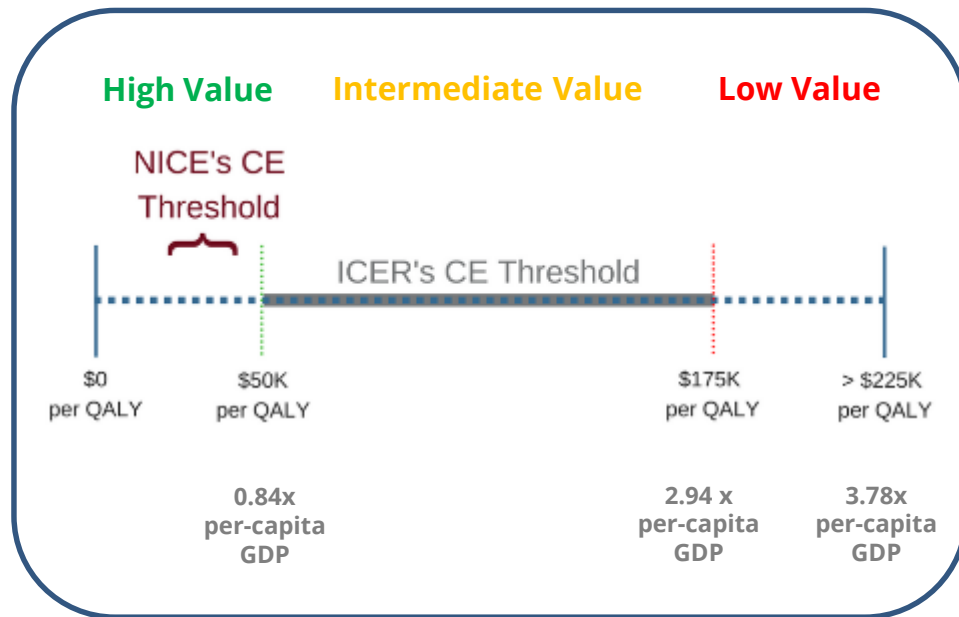
$$\frac{\text{Costs}}{\text{Life Years Saved (LYS)}}$$

$$\frac{\text{Costs}}{\text{Quality-Adjusted Life Years Saved (QALYs)}}$$

Other Countries Approach to Drug Value Assessment

Country	Use Cost-Effectiveness	Cost-effectiveness Threshold	GDP Multiple
US	No		
England (NICE)	Yes	£20,000-30,000 / QALY	0.70 - 1.04x (2015)
Australia	Yes	A\$46,400 / QALY	1.35x (1999)
France	Yes		
Brazil	Yes		
Mexico	Yes		

- ICER is an independent watchdog on drug pricing in the US.
- ICER's drug assessment reports include efficacy and cost-effectiveness.
- ICER funding is free of conflicts of interest

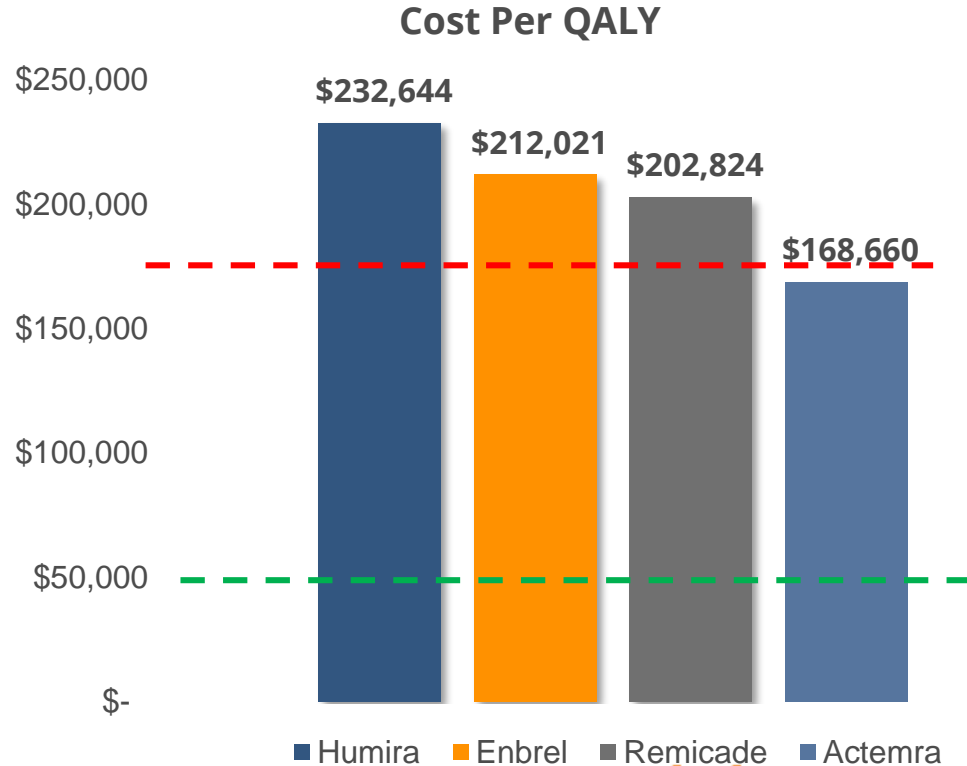


ICER Findings for Rheumatoid Arthritis

- Drugs compared to standard DMARD therapy
- Pricing is net of discounts and rebates

ICER Conclusion:

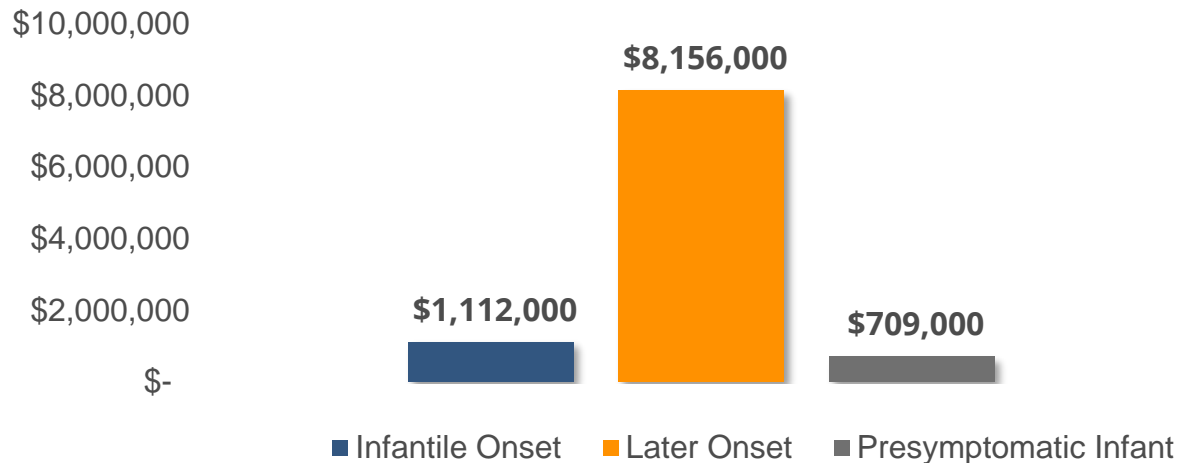
Drug prices need to drop by as much as 60% to meet cost-effectiveness thresholds



ICER Findings: Spinal Muscular Atrophy

- Rare, genetic neuromuscular disease
- Mostly affects infants and young children
- Severe cases rarely survive beyond age 2
- Spinraza's effectiveness varies based on disease onset
- Spinraza costs \$750K in first year and \$350K per year thereafter

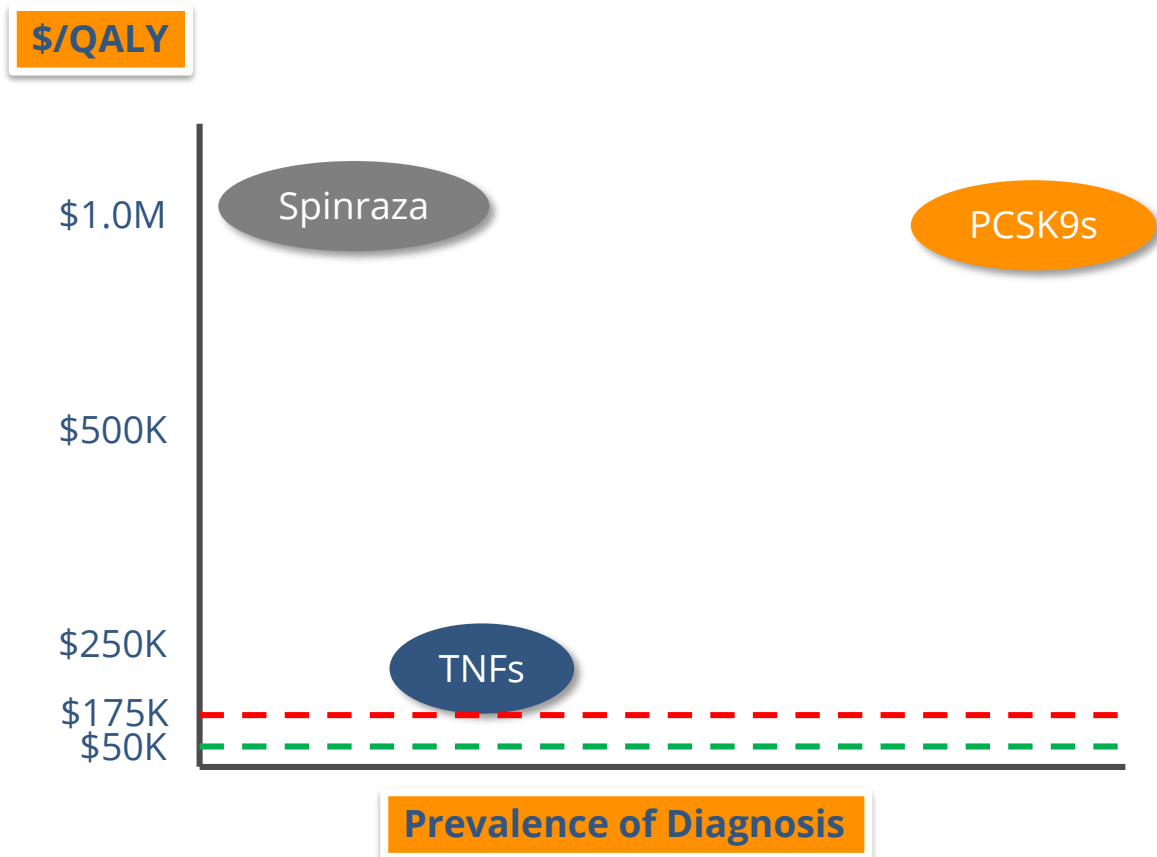
Spinraza Cost Per QALY



“These treatments will be covered by US insurers regardless of the pricing, but the ripple effect of pricing decisions like these threatens the overall affordability and sustainability of the US health system.”

ICER 2019

Value Versus Budget

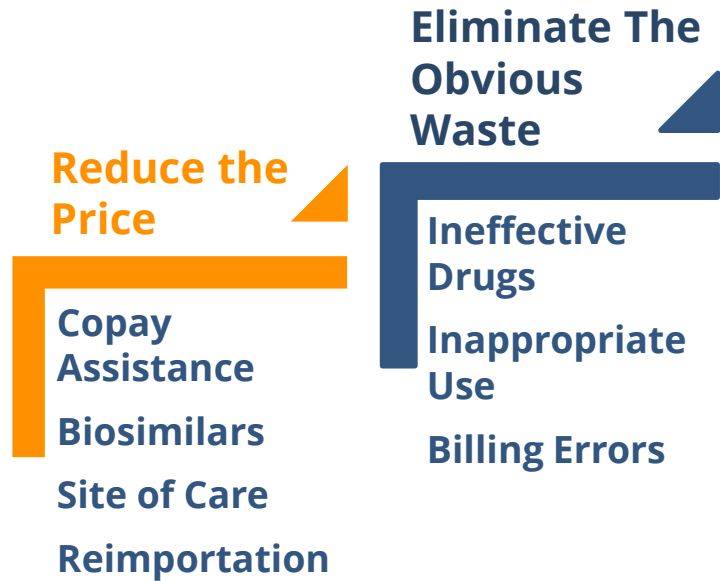


Affordability Standard

“If we get a cure for Alzheimer’s priced at \$100,000 a pop, we’re toast.”

Director of Health Programs at the
Office of Management and Budget

Taking Control of Specialty Drugs



Robust Prior Authorization

Prospective

Clinical Guidelines



- Appropriateness
- Value
- Limit coverage length**
- Evaluate response to therapy**

Technology-Supported Process



- Proprietary decision-support technology
- **Documentation submission is required**
- Clinical teams with specialty expertise

Communication



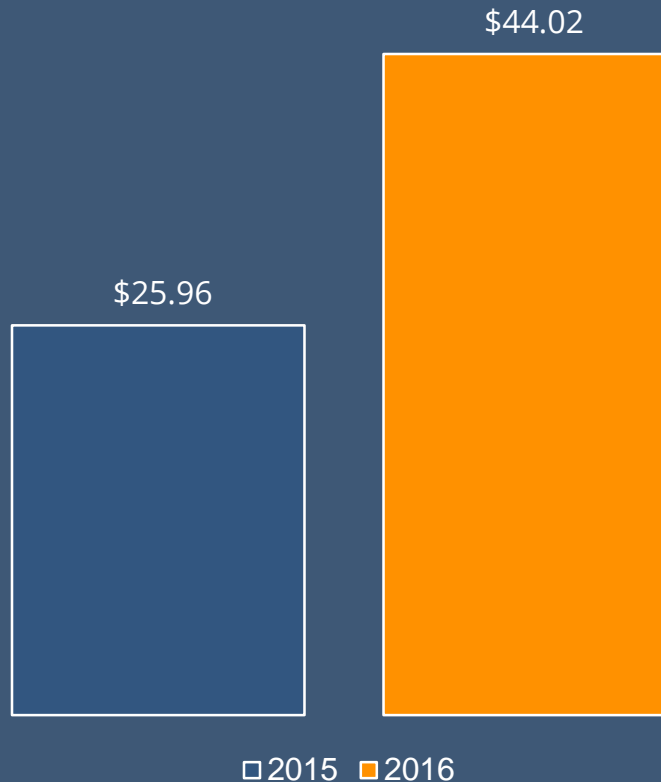
- **Peer to peer discussion**
- **Cost information**
- Member, Pharmacy and Physician communication
- In-depth client reporting

48% of EpiphanyRx's prior authorizations are denied or changed

Specialty Rx Spend, PMPM

Case Study

- Employer in the Southeast
- Specialty spend grew 44% in 2015
- PBM offered little insight or new solutions for management
- Reached out to us to identify savings opportunities



Spend net of rebates

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Case Study (continued)

- We identified nearly a 50% savings opportunity
- Implemented specialty program on Jan 1, 2017
- Experienced more than a 50% decrease in specialty spend from 2016 to 2017
- 22% of savings were due to improved clinical mgt

Actions Taken

- Enhanced Prior Auth
- Optimized Formulary
- Variable Copay with True OOP Tracking

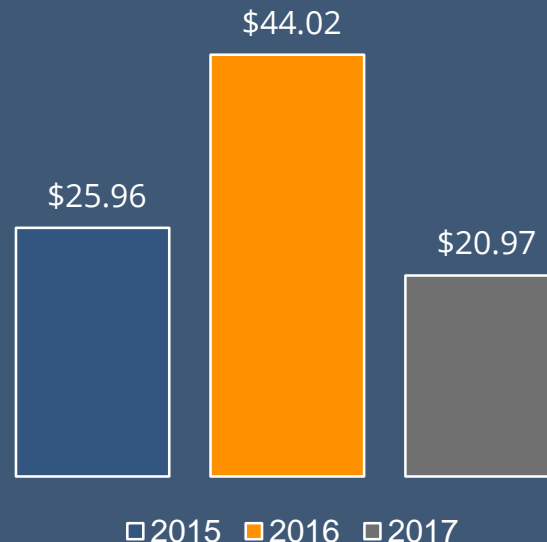
New Specialty Pharmacy

Across Rx and Medical

Performance Transparency

Results Achieved

Specialty Rx Spend, PMPM



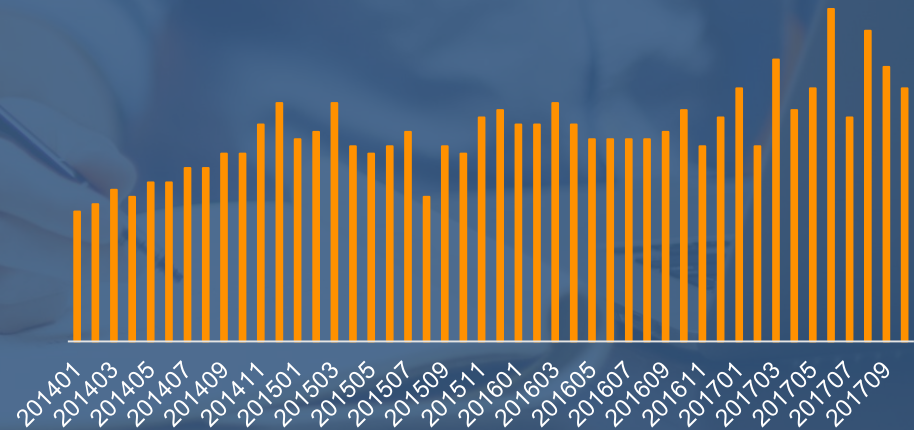
Spend net of rebates

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Member Experience

- Small number of member calls
- No member dissatisfaction
- Members continue to use specialty drugs-focus is on appropriate drug, dose, and duration

Number of Specialty Drug Users

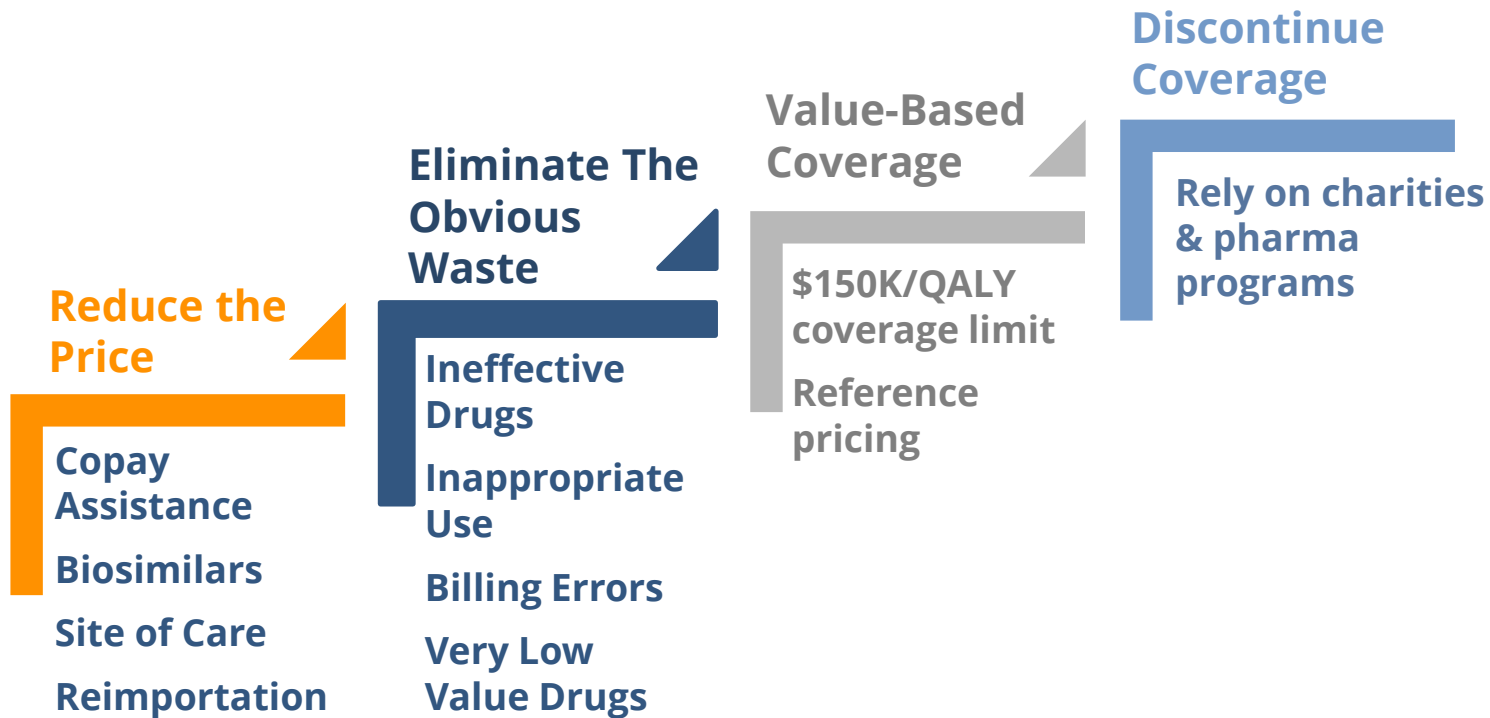


Specialty Drug Case Studies

Client	Prior Spend for Specialty Drugs	Post Spend for Specialty Drugs	Overall Spend Decrease	Escalated Calls	Savings Per Escalated Call
Employer A 40,000 lives	\$2,755,675	\$1,569,254	43%	1	\$1,569,254
Employer B	\$3,222,535	\$2,665,866	17%	1	\$556,669
Employer C 15,000 lives	\$3,491,450	\$2,434,939	30%	3	\$352,170
Employer D 4,000 lives	\$2,002,558	\$953,967	51%	3	\$349,530

Note: Employer A spend was compared for Q12018 to Q12019. Employer B and C were evaluated 6 months pre and post the PBM change. Employer C was evaluated 12 months pre and post.

Taking Control of Specialty Drugs



About **epiphany**T2X™



Our mission

Eliminated the waste in prescription drug benefits



Our solution

Value-based management across the benefits

Questions: motheralb@epiphanyrx.com (615)-418-7200

epiphanyT2X™