

Prescription Drug Programs: Knowledge is Power

Paul Rosowski, M.S., R.Ph.,
Manager of Clinical Pharmacy
WEA Trust
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Program objectives:

1. Discuss four important issues in the current pharmaceutical landscape
2. Discuss four metrics or measurement areas that can be used to monitor and manage the pharmacy benefit
3. Provide examples of three programs that can be used to manage the pharmacy benefit



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Landscape issues

Average wholesale price (AWP): Where do we go from here?

- History:
 - Originally adopted by California Medicaid (1960s) (WAC +20%)
 - Widespread acceptance (1980s)
 - Wholesaler consolidation (1990s)
 - Pricing pressure of managed care (2000s) (WAC +25%)
- First Databank and Medi-Span Ruling:
 - *New England Carpenters v. First Databank* (2003)
 - First Databank: 22,288 NDCs & Medi-Span 18,795 NDCs
 - First Databank and Medi-Span agree to price roll back (9/26/2009) and to eliminate AWP within two years



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Landscape issues

Average wholesale price (AWP): Where do we go from here? (cont.)

- Future price benchmark marks:
 - Wholesale acquisition cost (WAC)—self-reported and may not include all NDCs
 - Average selling price (ASP) or average manufacture price (AMP)—geared toward Medicare/Medicaid: validation issues, reported quarterly, lag times in data
 - Alternative benchmark price (ABP)—AWP all over again?
 - Redbook average wholesale price (R-AWP)
 - Gold standard: calculated AWP (C-AWP)



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Landscape issues

Average wholesale price (AWP): Where do we go from here? (cont.)

- Challenges and considerations:
 - Different pricing benchmarks? Contracting issues?
 - Application across different medication reimbursement channels (i.e., retail pharmacy, specialty pharmacy, home health care, clinic, and hospital)



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Brand and generic medications: It's not that simple anymore

- Brand and generic medications:
 - Drug price competition and Patent Restoration Act of 1984 (Hatch Waxman Act)
 - New generics are typically priced 10% less than the brand (AWP)
 - Generic price falls precipitously after six months: average generic = \$24 per Rx vs. brand = \$177 per Rx
- Generic forecasting has become more difficult:
 - Section Four of Act allows for At-Risk Launches (e.g., Protonix and pantoprazole)
 - Brand and generic manufacturer agreements



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When can a generic launch?

Hatch Waxman Act Sections:

- The original developer has failed to file the required patent information on the drug
- The listed patent has expired
- The generic manufacturer will not market its version before the patent expires
- The patent is listed and has not expired but is legally invalid



Source: The provisions of Hatch-Waxman are described by John R. Thomas in "Authorized Generic Pharmaceuticals: Effects on Innovation," CRS Report to Congress, August 8, 2006.

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Brand and generic medications: It's not that simple anymore

- Has generic competition decreased?
 - Authorized generics
- Expensive generics
 - Not all generics can be treated equally (e.g., Fexofenadine [Allegra®] vs. loratidine [Claritin®])
- Biosimilars
 - Pending federal legislation



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Select brand manufacturers with authorized generics

Brand Manufacturer	Generic Manufacturer	Authorized Generic (Brand Drug)
Pfizer	Greenstone	Sertraline (Zoloft®)
Shire	Teva and Global	Mixed Amphetamine Salts (Adderall XR®)
Johnson and Johnson	Prasco	Norgestimate/Ethinyl Estradiol (Ortho-Novum 7/7/7®)
Glaxo Smith Kline	Watson	Bupropion-sustained release (Wellbutrin-SR®)
Roche Pharmaceuticals	PAR	Torseamide (Demadex®)
Aventis	Andryx	Controlled-delivery diltiazem (Cardizem-CD®)
Proctor and Gamble	Watson	Nitrofurantoin (Macrochantin®)



Source: "Assessment of Authorized Generics in the U.S.," Prepared for PhRMA, Spring 2006, IMS Consulting, Plymouth Meeting Pennsylvania.

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Pharmaceutical promotion: The new targets—patients and employers

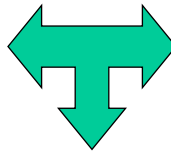
Prescriber Detailing



Prescriber Education

Samples

Coupons, Copay Waiver Cards, Rebates, and Trial Offers



Pricing Strategies: Rebates and Incentives



Educational Programs and Screenings



Direct to Consumer Advertising

Patient Engagement Programs: Social Marketing, Self-Management, Online Relationship Building



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Pharmaceutical promotion example: Ziana®

The screenshot shows the Ziana Gel website with a navigation bar (Home, About ZIANA, About Acne, Prescribing Information, Savings Card). The main content area features the Ziana logo and the text: "ZIANA Gel combines two active ingredients in one effective treatment.³" Below this, there is a promotional banner: "Pay no more than a \$25 co-pay for a 60-gram tube with this card!" and an image of the rebate card. To the right, it says "Receive up to a \$35 rebate on ZIANA Gel." and "This rebate will help offset your cost when purchasing ZIANA Gel. Receive up to \$35 back on your co-pay. Please make sure your pharmacist fills the prescription exactly as written in order to receive your rebate." Below the banner, there is a section titled "Is ZIANA Gel right for you? Ask your dermatologist. To find a dermatologist in your area, click here." with an image of silhouettes of people. At the bottom, it says "Here's how the Medicis Rebate Program works:" followed by a 6-step list: 1. Click here to download the rebate form. 2. Purchase a qualifying product as show on the front. 3. Completely fill out this official mail-in certificate. 4. Attach the original pharmacy prescription receipt with the product name and price listed. No cash register receipts will be accepted. 5. Make copies of all required documentation for your records. 6. Mail this completed certificate and original pharmacy prescription receipt to: MP08-3001. The WEA TRUST logo is in the bottom left, and the weatrust.com logo and page number "11" are in the bottom right.

Pharmaceutical promotion example: Ziana®

Medication	Ingredient Cost	Monthly Member Out-of-Pocket*	Monthly Plan Cost
Ziana® Gel	\$312 / 60gm	\$15 (\$50 copay - \$35 rebate)	\$263
Clindamycin 1% Gel +	\$13 / 30gm	\$10 (\$5 for each medication)	\$8
Tretinoin 0.025% Gel	\$44 / 30gm		\$39
Monthly Cost Difference		\$5	\$216
Annual Cost Difference (8 tubes/year)		\$40	\$1,728

* Based on a three-tier \$5/\$20/\$50 Prescription Drug Plan

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Specialty medications: The new frontier

- Specialty medications:
 - No standard definition exists, but most are:
 - High cost (\$13,000-\$200,000 per patient per year)
 - Used to treat chronic or rare diseases (genetic autoimmune disorders)
 - Complex medicines (recombinant DNA or biologically derived)
 - Require special handling and/or administration
 - Require special patient monitoring and/or have patient adherence issues
 - Reimbursed in multiple distribution channels and using different price benchmarks



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Specialty medication cost examples

Disease	Example Specialty Medications	Average Annual Cost Per Patient	Number of Patients Affected in U.S.
Respiratory syncytial virus (RSV)	Synagis	\$ 8,000	90,000-115,000, ≈ 60% may be treated with Synagis.
Cancer	Herceptin, Rituxan, Mylotarg, Campath	\$ 8,000	1.3 million new cases in 2002.
Multiple sclerosis	Avenox, Betaseron, Rebif, Copaxone	\$ 12,000	250,000
Rheumatoid arthritis	Remicade, Enbrel, Arava	\$ 15,000	2.5 million
Crohn's disease	Remicade, Humira	\$ 16,000	400,000
Growth hormone deficiency	Growth hormones (Humatrope, Nutropin)	\$ 18,000	15,000 - 25,000
Hereditary emphysema	Prolastin, Aralast	\$ 25,000	100,000
Hepatitis C	Peg-Interon, Rebetol	\$ 30,000	4 million
Various autoimmune disorders	Intravenous immunoglobulin (IVIg)	\$ 40,000	Depends on particular disease
Pulmonary hypertension	Flolan, Tracleer, Remodulin	\$ 65,000	25,000
Hemophilia	Blood clotting factor (multiple brands)	\$ 80,000 - \$ 125,000	20,000
Gaucher's disease	Cerezyme	\$ 150,000	3,000



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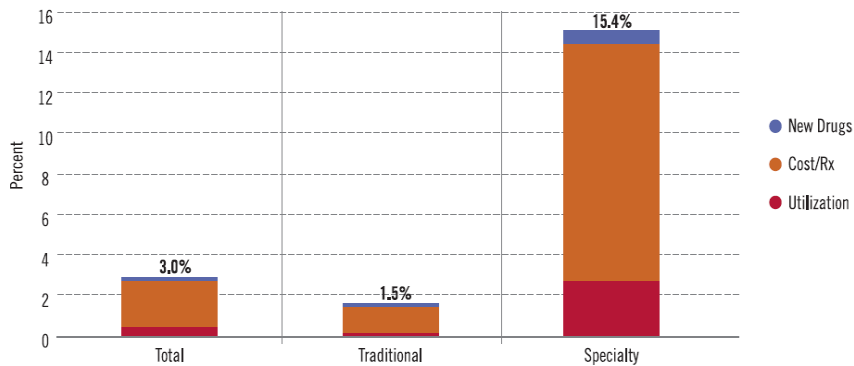
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Specialty medications: The fast growing component of pharmacy spend and trend (2008 data)

Components of Total, Traditional and Specialty Trend



Source: Express Scripts 2008 Drug Trend Report, Exhibit 1, page 3.



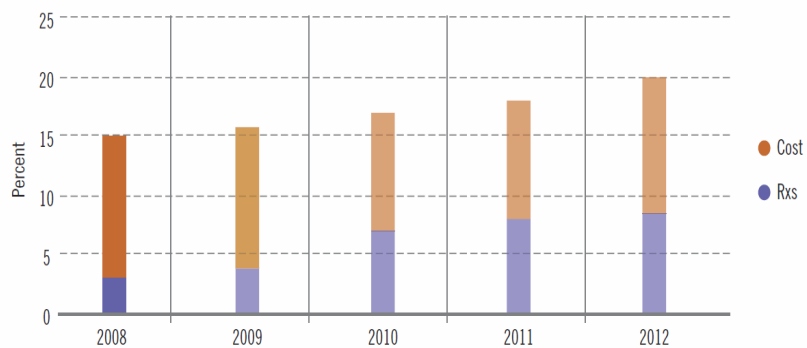
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Specialty medications: Trend expected to continue to rise in the next several years (2008 projection)

Changes in PMPY Specialty Ingredient Cost for Express Scripts Commercial Business 2008 (Actual) and 2009 to 2012 (Projected)



Source: Express Scripts 2008 Drug Trend Report, Exhibit 17, page 44.



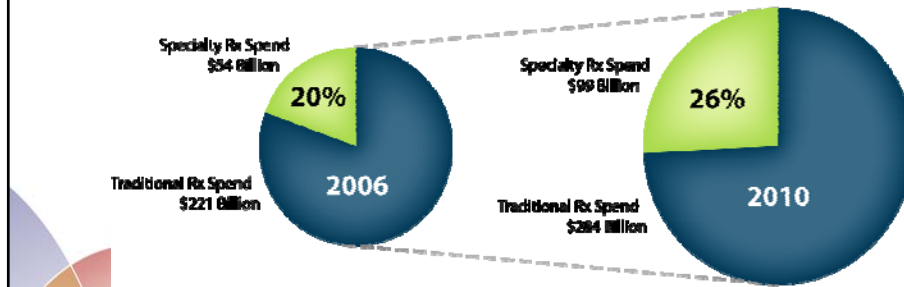
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Specialty medications: Expected to become a larger portion of the pharmacy budget: 2006 to 2010 Projections (US)



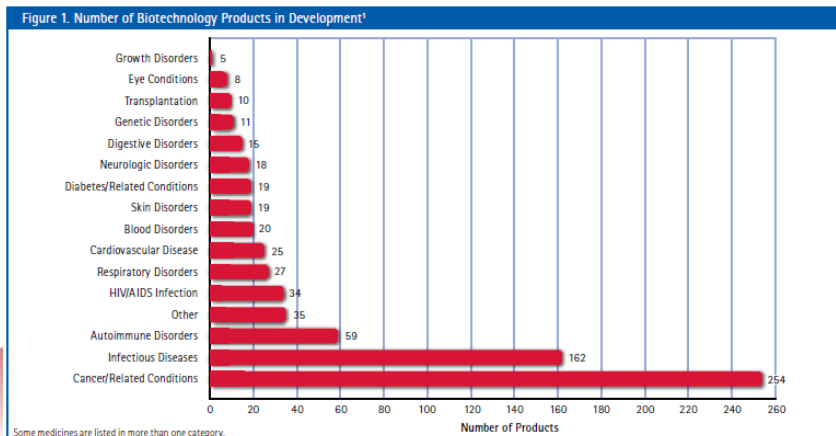
Adapted from Express Scripts Analysis of IMS Health Data, Express Scripts 2006 Drug Trend Report

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Specialty medications: A robust pipeline with increasing PhRMA research & development spending



Source: "PhRMA 2008 Report: Medicines in Development." Available at: http://www.phrma.org/files/1_Biotech%202008.pdf.

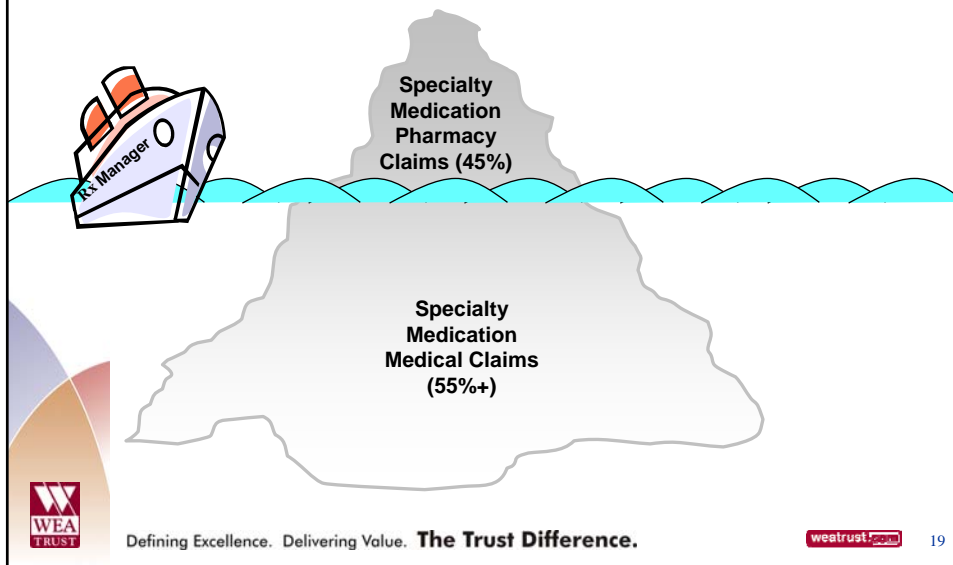
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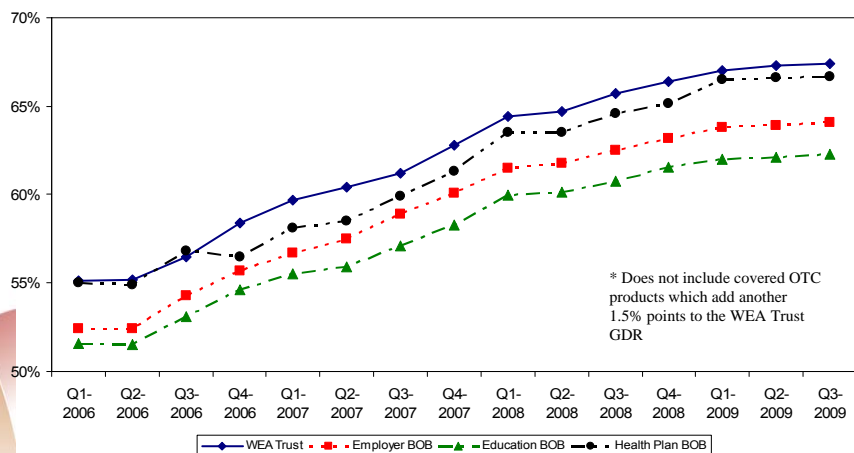


Specialty medications: What we don't see or measure could be dangerous



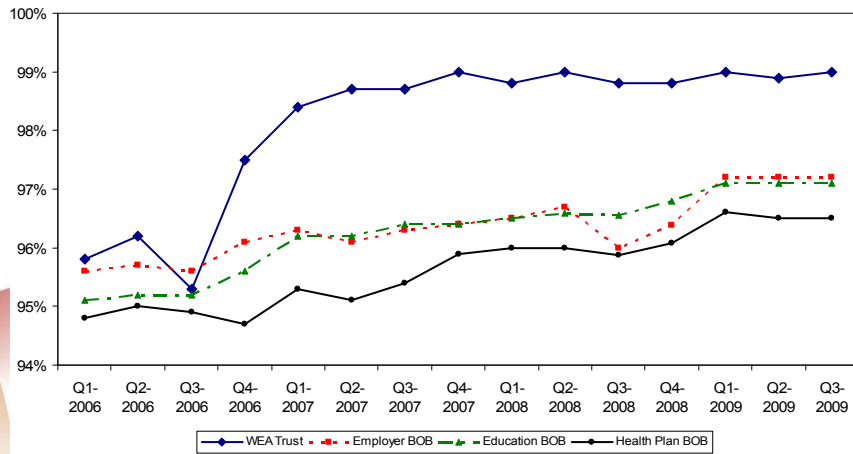
Creating a pharmacy dashboard: Your flight instruments

Generic dispensing rate (GDR) = # Generic Rx / # Total Rx



Creating a pharmacy dashboard: Your flight instruments (cont.)

Generic substitution rate (GSR) =
 $\frac{\# \text{ Generic Rx}}{\# \text{ Generic Rx} + \# \text{ Multi-source Brands}}$



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Creating a pharmacy dashboard: Your flight instruments (cont.)

Top therapeutic class analysis:

- Identify your top five to ten therapeutic classes by gross cost
- Calculate cost and use metrics in each class
- Identify which classes are performing against your peer benchmarks
- Determine gaps and opportunities for improvement



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Creating a pharmacy dashboard: Your flight instruments (cont.)

Top Therapeutic Class Analysis: Example

						Percent Change: Q1-Q3 2008 vs. Q1-Q3 2009				
						Cost	Cost Components		Utilization Components	
							Utilization	Drug Mix/Inflation	Density of Use	
Prior Rank	Current Rank	Therapeutic Class	Total Gross Cost	Utilizing Members	Gross Cost PMPM	Gross PMPM	Days Supply PMPM	Gross Cost per Day	Utilizing Members	Days Supply/ Utilizing Member
1	1	Antihyperlipidemics	\$8,390,037	15,433	\$7.78	-2.4%	5.4%	-7.3%	4.0%	1.3%
2	2	Antidepressants	\$5,988,491	15,025	\$5.55	-5.3%	2.5%	-7.6%	0.3%	2.2%
3	3	Ulcer Drugs	\$5,844,735	11,494	\$5.42	3.6%	-0.4%	4.0%	1.0%	-1.3%
4	4	Antiasthmatic and Bronchodilator Agents	\$5,419,223	10,674	\$5.03	10.6%	0.4%	10.2%	0.3%	0.1%
5	5	Antidiabetics	\$4,406,920	4,385	\$4.09	10.7%	5.1%	5.3%	4.8%	0.3%

Therapeutic Class	Jan-Sept 08 GDR	Jan-Sept 09 GDR	Industry GDR	Employer BOB	Oct-Sep 10 Forecasted GDR	Oct-Sep 11 Forecasted GDR
Antihyperlipidemics	40.8%	44.4%	35.3%	37.4%	43.7%	43.4%
Antidepressants	72.2%	74.2%	66.3%	65.6%	74.8%	81.2%
Ulcer Drugs	51.4%	61.9%	41.2%	48.7%	39.0%	41.4%
Antiasthmatic and Bronchodilator Agents	15.8%	4.8%	8.8%	11.1%	6.5%	9.0%



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Creating a pharmacy dashboard: Your flight instruments (cont.)

Specialty pharmacy analysis:

- Measure specialty medications claims in both your pharmacy benefit and medical benefit claims
- Calculate cost and use metrics in both benefit areas
- Identify your key cost drivers in specific therapeutic classes
- Identify specialty medications that could be accessed through a more cost-effective channel
- Identify opportunities for preferred specialty medications



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Creating a pharmacy dashboard: Your flight instruments (cont.)

Specialty Pharmacy Analysis: Example

Specialty Class	Total Gross Cost	% Specialty Gross Cost	Total Gross Cost PMPM	Total Utilizing Members	% Qtrly Change in Utilizing Members	Total Gross Cost per Utilizer	Total Number of Prescriptions	% Prescriptions CVS Caremark Specialty Pharmacy
Rheumatoid Arthritis	\$3,315,143	29.9%	\$3.07	291	10.2%	\$11,392	1,888	96.4%
Multiple Sclerosis	\$3,261,460	29.4%	\$3.02	177	-3.8%	\$18,426	1,351	99.6%

Book of Business Rank	Prior Rank	Current Rank	Drug Name	Specialty Class	Total Gross Cost	% of Total Gross Cost	Utilizing Members	Total Rx	Average Gross Cost/Rx
1	1	1	Enbrel	Rheumatoid Arthritis	\$1,782,810	2.07%	161	1,012	\$1,761.67
2	2	2	Humira	Rheumatoid Arthritis	\$1,493,450	1.74%	135	860	\$1,736.57
3	3	3	Copaxone	Multiple Sclerosis	\$1,298,561	1.54%	80	514	\$2,526.38
4	4	4	Avonex	Multiple Sclerosis	\$791,592	0.92%	43	341	\$2,321.38
5	6	5	Rebif	Multiple Sclerosis	\$647,168	0.75%	34	276	\$2,344.81



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Managing your drug benefit: Programs to control cost and ensure quality

- Value Choice Drug Plan (VCDP)
 - Value-based benefit design principles and Consumer Reports Best Drug® approach as a basis for formulary design
 - Three-tier formulary with a free “Value-Tier”
 - Value-Tier medications are evidenced-based, high-value medications in 15 key therapeutic areas (e.g., high blood pressure, cholesterol management, allergies, stomach-acid reduction)
 - Increased copays for non-preferred drugs
 - Excludes limited-value medications especially when other therapeutic options exist
 - Differentiates between high and low cost generic medications
 - Offers the added member convenience of a 90-day at retail pharmacy program



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Managing your drug benefit: Programs to control cost and ensure quality

- Specialty medication management plan: Three Phases
 - Phase I:
 - Self-injectable and oral specialty medications
 - Caremark Specialty Pharmacy selected as the preferred vendor with improved unit discounts over retail pharmacy
 - “High-touch” clinical services to ensure appropriateness of care, side-effect monitoring, and adherence to therapies



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Managing your drug benefit: Programs to control cost and ensure quality

- Specialty medication management plan: Three Phases (continued)
 - Phase II:
 - Home health care administered specialty medications
 - Enhanced volume unit discounts
 - Phase III:
 - Clinic, office, and hospital administered specialty medications
 - Estimated 55% or more of total specialty medication spending
 - Vendor partnership in 2010: costs and quality parameters



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Managing your drug benefit: Programs to control cost and ensure quality

- **Coverage and promotion of Over-the-Counter (OTC) Proton-Pump Inhibitors (PPIs) (stomach-acid reducing agents).**
 - Evidence shows most PPIs are similar (Oregon State University and Consumer Reports)
 - Several branded PPIs became OTC recently
 - The cost difference among the PPIs is significant

Drug	Brand/Generic	Tier	Cost (AWP or MAC)
Omeprazole OTC	Generic OTC	0 or 1*	\$0.52
Prevacid HR 24®	Brand OTC	0 or 1*	\$0.76
Prilosec OTC®	Brand OTC	0 or 1*	\$0.76
Pantoprazole	Generic	1	\$4.08
Aciphex®	Brand	3	\$7.18
Nexium®	Brand	3	\$6.50
Lansoprazole	Generic	Not covered	\$2.15
Kapidex®	Brand	Not covered	\$4.38



* \$0 for VCDP, tier-1 for other Rx plans.

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Managing your drug benefit: Programs to control cost and ensure quality

- Promotion and coverage of OTC PPIs
 - Benefit design: 90-day supply of OTC PPIs at retail for one copay
 - Communication:
 - Targeted mailings
 - Personalized Letters
 - Reminder post cards
 - Evidence-based reports
 - Promotional pilot:
 - Nexium

BEST BUY DRUGS

Drug Recommendations

Drug	Strength	Quantity	Current Price	Recommended Price	Recommendation
Aciphex	360 mg	30	\$7.18	\$0.76	Switch to generic OTC
Nexium	60 mg	30	\$6.50	\$0.52	Switch to generic OTC
Prevacid	30 mg	30	\$0.76	\$0.52	Switch to generic OTC
Prilosec	30 mg	30	\$0.76	\$0.52	Switch to generic OTC
Pantoprazole	40 mg	30	\$4.08	\$0.52	Switch to generic OTC
Lansoprazole	30 mg	30	\$2.15	\$0.52	Switch to generic OTC
Kapidex	30 mg	30	\$4.38	\$0.52	Switch to generic OTC



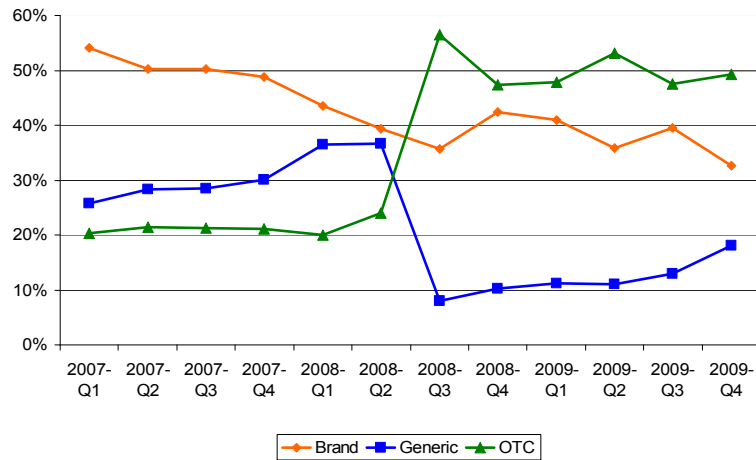
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Managing your drug benefit: Programs to control cost and ensure quality

Market Share by Quantity: PPIs (Brand, Generic, and OTC)



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Thank you



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