

The Pace of Change Is Accelerating

Staying on Top of Emerging Trends

Specialty Pharmaceuticals,
Patient Cost Sharing, &
Health Care Everywhere

August 12, 2015



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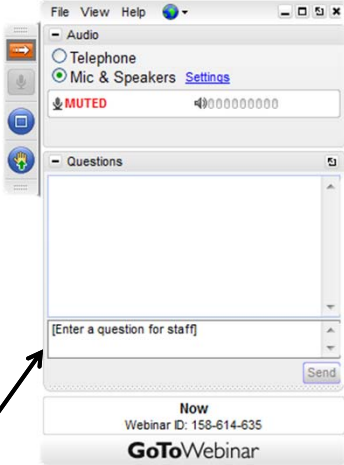
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How to Ask a Question



Type your question in the 'Questions' area

Welcome

- This activity is made possible through a collaboration between the AMCP Foundation and Pfizer
- One of a series of 3 webinars
- Webinar protocol and housekeeping: submit your questions, which will be addressed at the end by our faculty

Faculty

- **Phil Schneider** (*moderator*)
 - Senior Consultant, Strategic Initiatives, Academy of Managed Care Pharmacy & Interim Executive Director, AMCP Foundation
- **Thanh-Nghia Nguyen, DrPH, MBA**
 - Director, Customer Marketing, Pfizer, Inc.
- **Jeremy Nobel, MD, MPH**
 - Medical Director, Northeast Business Group on Health & Faculty, Center for Primary Care; Dept of Global Health and Social Medicine at Harvard Medical School

Introduction

- Health care transformation driven by the “Triple Aim”
- Based on the results of a survey conducted by the AMCP Foundation, this Webinar will:
 - Help delineate today’s most critical changes
 - Identify trends that are inter-related
 - Identify opportunities for pharmacists and pharmacy leaders to reshape their organizations to meet today’s and tomorrow’s challenges



Agenda

- **Study Background and Objectives**
- Research Methodology
- Spending and Utilization for Specialty Pharmaceuticals
- Increasing Patient Cost Sharing
- Migration to Value-Oriented Benefits Design
- Health Care Everywhere
- Conclusion: Balancing Access and Rewarding Innovation

Goals of the Research Initiative

Top **10** *emerging trends in US health care impacting managed care pharmacy in the next* **5** years

RESEARCH GOAL:

- Identify the top 10 emerging health care trends expected to have a significant impact on managed care pharmacy organizations in the next 5 years

ADDITIONAL STUDY OBJECTIVES:

- Provide real-world insights on key health policy priorities relevant to a set of broader health care stakeholders
- Develop a comprehensive reference resource for managed care provider organizations, health care payers, policy makers, and other stakeholders

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Overview of Research Methodology

- Pulse of public opinion in secondary sources was combined with the insights of thought leaders, identifying the most important trends and thinking beyond the current evidence
 - Distilled summary of current evidence analyzed by an advisory panel
 - Ranking exercises and in-person workshop to reach group consensus



SECONDARY RESEARCH

- A targeted literature review gathered available information on emerging trends impacting managed care pharmacy



ADVISORY PANEL

- Advisory panel validated trends from the public domain, identified and prioritized the most important trends, and provided insight on implications across stakeholders

Advisory Panel for "Ahead of the Curve"

THOUGHT LEADER	PROFESSIONAL AFFILIATION
Joseph Biskupiak, PhD, MBA	Research Associate Professor & Associate Director, PORC at the University of Utah College of Pharmacy
Chris Dawe	Former Health Care Policy Advisor, the White House (National Economic Council)
Jeffrey Dunn, PharmD, MBA	Senior Vice President, VRx Pharmacy Services
Jeremy Nobel, MD, MPH	Medical Director, Northeast Business Group on Health (NEBGH); Faculty, Center for Primary Care, Harvard Medical School
Sandy Robinson, BA, MPA	Senior Vice President, Avalere Health
Rebecca Snead, RPh	Executive Vice President and CEO of the National Alliance of State Pharmacy Associations
Mark Snyder, MD	Specialist Leader, Deloitte Consulting
JoAnn Volk, MA	Research Professor and Project Director, Center on Health Insurance Reforms at Georgetown University Health Policy Institute
Mitzi Wasik, PharmD, BCPS	Director of Medicare Pharmacy Clinical Programs at Coventry Health Care, Inc./Aetna
Jed Weissberg, MD	Senior Fellow, the Institute for Clinical and Economic Review

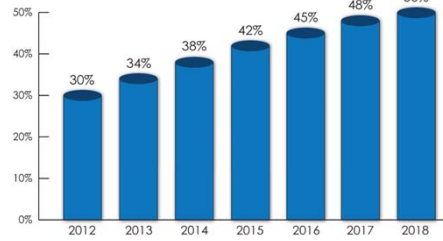
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Spending and Utilization for Specialty Pharmaceuticals Will Grow 17-20% Annually

- Specialty drug spending is projected to consume half of the pharmacy budget by 2018

Forecasted Net Prescription Drug Spending Percentage for Specialty Medicines in Commercial Plans



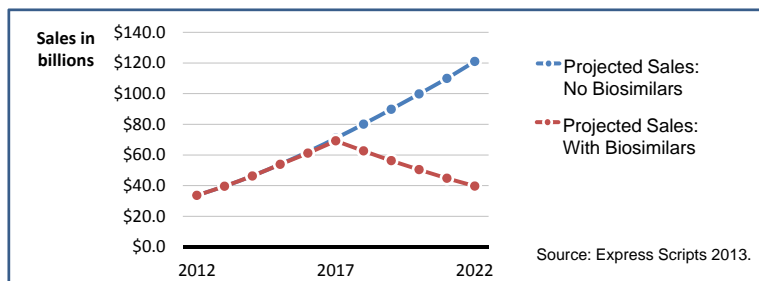
- Growth forecast for at least 5 years
- Driven by new agents in older categories (e.g., hep C, hypercholesterolemia)

Source: Artemetrix 2014:



Biosimilars Have the Potential to Shift the Cost Curve

- The potential of biosimilars to spur price erosion in the biologics market poses opportunities to reduce costs and increase patient access for some specialty pharmaceuticals
 - Between 2009 and 2019, > \$50 billion in biologic drug market will go off-patent
 - They may save an estimated \$250 billion through 2024



Source: Express Scripts 2013.



Biosimilar Savings Dependent on Many Factors

- **Legal issues, including patent challenges**

- Possible delays in launch
(e.g., Amgen vs. Sandoz injunctions)



- **Competitive pricing**

- Will biosimilar discounts be 10%, 30%, or more?

- **Label indications and extrapolation**

- Will biosimilars be used for all of the indications of the reference product?



- **Interchangeability**

- Will prescribers readily use the biosimilar?



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Can Personalized Medicine Shift the Specialty Spending Curve?

- Personalized medicine and advances in genomic science can support more efficient patient selection for targeted specialty therapies
 - Reducing unnecessary treatment or avoiding treatment unlikely to improve patient outcomes
- Though not likely to curtail near-term spending
- Expect R&D spending in personalized or “precision” medicine to continue
- Expect greater reliance on practice guidelines and clinical pathways to guard against inappropriate specialty drug use

Source: “Ahead of the Curve” Report, AMCPF 2014



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Promoting Optimal Use of Specialty Medications Requires New Approaches

- Payers and providers under risk-based contracting will shoulder the burden for rising specialty drug costs, while ensuring access and affordability
- New approaches are needed to balance incentives for manufacturer innovation with health system affordability
- Systems for identifying best treatment options for subsets of patients should be improved in disease areas with many alternatives

Health Plan Survey Responses to the Rise in Specialty Spending

1. Implementing open formularies, emphasizing provider choice, but based on robust treatment guidelines
2. Increased number of drug formulary tiers
3. Site of care and channel management
4. Increased patient cost sharing within and across tiers
5. Closed formularies based on central decision-making

Source: "Ahead of the Curve" Report, AMCPF 2014



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Key Challenges and Opportunities

Spending and Utilization of Specialty Pharmaceuticals

CHALLENGES

- Double-digit growth in specialty drug spend
- Medical/pharmacy benefit dichotomy for specialty drugs
- Lack of information about the value of new specialty meds

OPPORTUNITIES

- A **unified** managed care pharmacy stance on the use of biosimilars can accelerate development and finalization of the regulatory framework
- A harmonized approach to benefit design and reimbursement practices across medical and pharmacy benefits
- Work towards improved requirements for demonstrating value in pharmaceuticals, including comparative effectiveness, leading towards value-based benefit design, while not impacting access to populations who would benefit most

Source: "Ahead of the Curve" Report, AMCPF 2014



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Patient Cost Sharing Is Increasing

- In general, cost sharing initiatives seek to curtail costs and increase patient involvement
 - 40% of employers are considering offering only high-deductible plans in the future
- Without thoughtful benefit design and effective beneficiary communication, rising out-of-pocket costs can reduce access and therapy adherence



Coinsurance Amounts

Year	Coinsurance Amounts (all lives)
2010	17%
2011	20%
2012	26%

Copayment Amounts

Year	Copayments (all lives)
2010	\$43
2011	\$46
2012	\$75

Source: iCore Pharmacy Trend Report, 2012


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A Variety of Approaches Are Needed to Effectively Engage Patients

- Monitor and avoid increases in cost sharing that “tip” patients to stop seeking appropriate care or adhere to therapy
- Where feasible, use personalized digital technologies to power patient-engagement tools; providing convenient education, guidance, and support to optimize health behaviors
- Utilize incentives to motivate patients towards healthier lifestyles (not just economic ones)
 - Effective and sustained employee communication is employees needed
- Implement value-based approaches to benefit design that reduces obstacles to full beneficiary participation
- Ease patient financial burden through manufacturer-based copay assistance, as well as increase manufacturer role in disease education and management programs



Key Challenges and Opportunities

Patient Cost Sharing Is Increasing

CHALLENGES



- Patient cost burdens are great and are increasing
- Even without cost sharing, adherence less than optimal

OPPORTUNITIES

- Implement strategies to ensure that beneficiary cost sharing does not negatively affect patient behavior or limit care access
- Novel consumer-focused tech tools can engage patients, drive appropriate behavior, and promote high-value pharmaceuticals
 - Without incurring additional or excess financial risk

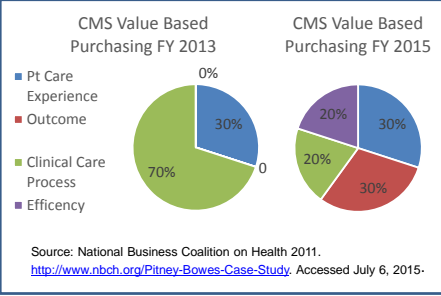
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Value-Based Models for Benefit Design and Provider Reimbursement Are Emerging

- Balances care quality and costs—incentivizes the delivery and use of high-value services
 - Part of payer shift from “volume to value”
 - Pitney Bowes in 2001 was first to use and report on concept of co-pay waivers; others have followed
- Examples include:
 - Medicare’s value-based programs for physicians/hospitals
 - Several commercial initiatives (i.e., employer and health plan); all incentivize provider efficiency while still meeting quality thresholds (ACOs, PCMHs)
 - Pharmaceutical risk-based (outcomes-based) contracting (e.g., MS, PCSK9 inhibitor)



Metric	FY 2013	FY 2015
Pt Care Experience	30%	30%
Outcome	0%	30%
Clinical Care Process	70%	20%
Efficiency	0%	20%

Source: National Business Coalition on Health 2011. <http://www.nbch.org/Pitney-Bowes-Case-Study>. Accessed July 6, 2015.


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More-Specific, Measurable Definitions Are Needed

- Measurement and Metrics Are Key
 - Total cost of care, adjusted for quality benchmarks, is essential for health care value determination
 - Proxy quality measures alone are insufficient (e.g., HEDIS measures that focus on process rather than outcome)
 - “Outcomes” also need to encompass nonclinical parameters, like quality of life and productivity
 - No currently accepted metric of value (like QALY in cost-effectiveness analysis) in routine use
- Patient Outcomes + Provider Performance = Value
 - Success of value-oriented benefit designs is dependent on the ability to define and track meaningful, measurable patient outcomes/provider performance

Multi-Faceted Approaches Needed

“You get what you pay for. And we ought to be paying for better quality.”

—Mark McClellan, former CMS administrator

- Totally true, ...BUT *financial incentives alone* will not be sufficient to achieve value in health care
 - Even \$0 dollar co-pays have only modest effect on adherence
 - Payment bonuses alone may be insufficient to improve quality or provider performance
- We need to better understand two things:
 - How best to get patients fully involved in their care
 - How to design and sustain “continuously-improving” care delivery, optimize outcomes, and reduce clinician burnout

Key Challenges and Opportunities

Migration to Value-Oriented Benefit Design

CHALLENGES

- Lack of consistent definition of value and benchmark criteria
- Lack of available data to track meaningful, measurable outcomes and provider metrics
- Non-financial incentives needed to drive high-value interventions

OPPORTUNITIES

- Champion a dialogue on benchmark standardization
- Commit to a process to better understand ALL requirements for patient engagement and delivery system optimization

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Health Care Everywhere

- The location of care is shifting from hospitals and doctors' offices to homes, and community and workplace settings
 - According to a 2012 Ernst & Young report, 50% of health care will shift away from hospitals and clinics over the next decade
 - Health/well-being becoming a community-wide effort; includes retail pharmacies, medication therapy management, and new coaching models
 - Primary care clinics onsite or near-site at a growing number of corporate locations
 - Digital communication platforms and telehealth are enabling infrastructure

Non-Physician Care Roles Are Expanding

- Advanced practice nurses and physician assistants
- Pharmacy scope of practice expanding, in retail-based clinics
- As technologies become more commonplace, and patient care moves outside of conventional settings, opportunities for non-MDs increase
 - Those who excel at communication and consumer engagement, data and analytics
 - New roles may evolve through telemedicine expansion
 - Digital platforms can not just “deliver” care, but measure it, reward it, and improve it...allowing non-MD clinicians to be more effective care-team members

The Medicalization of Consumer Devices

- New tools and mobile applications are creating new opportunities for patient engagement, along with new health care delivery roles
- Google, Apple, and Samsung announced major new efforts to launch digital health care platforms for smartphones
 - Integrate information from consumer watches (Apple), wristbands (Fitbit devices), other wearable technologies with compatible sensors
 - Enables consumers to generate and monitor their health data
 - Enables consumers to interact with health care professionals remotely



Key Challenges and Opportunities

Health Care Everywhere

CHALLENGES

- Care coordination and continuity of care
- Data portability and technology integration

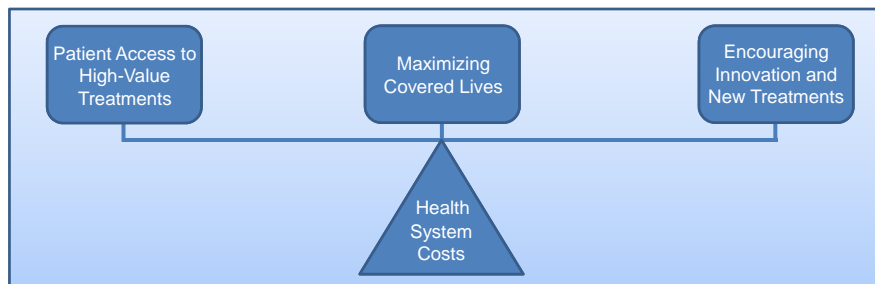
OPPORTUNITIES

- Coordination of care
 - Establish billing and optimize care processes and protocols across the continuum of care and locations of care (right care, right place, right time)
 - Invest in linking and integrating fragmented data from new care sites and care providers
 - Explore new collaborations and partnerships, leveraging health care everywhere to enhance drug delivery and support medication management in new settings

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Balancing Access and Rewarding Innovation



- Specialty pharmaceuticals offer the promise of latest- and next-generation medical interventions
 - But innovation in the 2010s may come at a high price
- The health delivery system challenges can be met by
 - Utilizing value-oriented benefit designs (with clearer concepts of what value actually is)
 - Reasonable patient cost sharing to optimize access
 - More efficient and varied points of care: right care, right provider

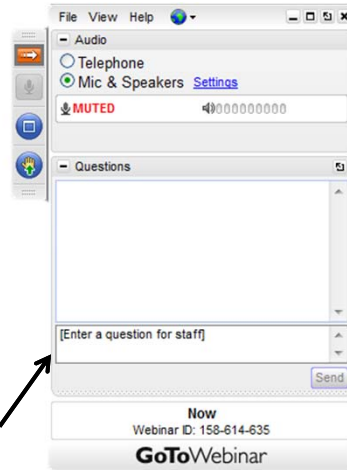
Forcing Functions: What to Track and Monitor

- Legal/regulatory factors that influence trends
 - Continuing expansion of Medicaid
 - *King v. Burwell* Supreme Court decision: Quickening effect on health exchanges
 - 21st Century Cures
 - New initiative to speed medications to market, enhance innovation
 - Focus on state pharmacy laws
 - To broaden scope of practice
 - To allow substitution of biosimilars
 - Medicare value-based purchasing initiatives
- Market-related factors that influence trends
 - Continuing consolidation (health plans: e.g., Aetna-Humana, Anthem-Cigna; PBMs: OptumRx-Catamaran; Chains: CVS-Target)
 - Divergence/convergence in provider, payer, and care delivery functions
 - More formation of integrated structures through provider purchases; large systems starting insurance carriers (e.g., Long Island Jewish Care Connect)
 - Employers' questioning whether to remain in the "health care business"
 - Growing reliance on standard quality measures
 - Purchaser demand for transparency continues
 - Consumers insistence on personalization, convenience, and service

Wildcards: What to Watch out for

- 2016 Presidential elections and other ACA uncertainty
- Risk-based contracting for pharmaceuticals: will it take off?
- Possible repeal or modification of health insurance "Cadillac Tax"
- If cost-containment efforts fail, will a move to single payer be next?
- Health care goes retail: new players emerge (e.g., Google, Amazon, Walmart)
- Will consumers push back on narrow networks and high-deductible plans?

How to Ask a Question



Type your question
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