

Pharmacy Benefits Discussion: Challenges and Opportunities

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Sal Morana, RPh, PhD

Executive Vice President


Pharmacy Benefits Lead - Alliant



Discussion Topics

- Introductions
- Pharmacy Benefits Landscape/Background
- Pharmacy Benefits Management Opportunities
- Current Challenges: Weight loss and Gene Therapies
- Questions and Discussion

Disclosure: I have not, nor has Alliant, received any financial support or commitment from the NH Prescription Drug Affordability Board.



Why is the Pharmacy Benefit a Critical Focus Area?

Frequency

Most utilized employee benefit

30%

Pharmacy represents 30% of healthcare spend for most employers

60%

Specialty represents approximately 60% of drug spend. 1-2% of members utilize 50-60% of cost

Fastest

Fastest growing benefit in healthcare and accelerating rapidly



Quick Rx Math

For Every 1,000 Members on a plan:

- 11x Average Scripts = **11,000 per year**
- \$1,200 drug spend per member = **\$1.2M**
- ~60% Specialty Spend = **\$720k**
- ~25% - 30% of Spend should come back as Rebates = **\$300k**

Pharmacy Landscape



200+

New specialty drugs in the pipeline

Up to 100 cell and gene therapies by 2025



Explosion of new orphan drugs and gene therapies, specialty drugs exceed

50%

of all drug spend (prediction)



Biosimilars

limited benefits to date



Employer Contracting

Need for transparency
Rising Costs
Rebate Cliff



COVID-19

Vaccines and medications reducing need for inpatient care



Mental Health

Pandemic worsened challenges



Political Hot Buttons

State and Federal Legislation



Weight loss and Obesity

New clinical focus area with launch of Wegovy and Mounjaro



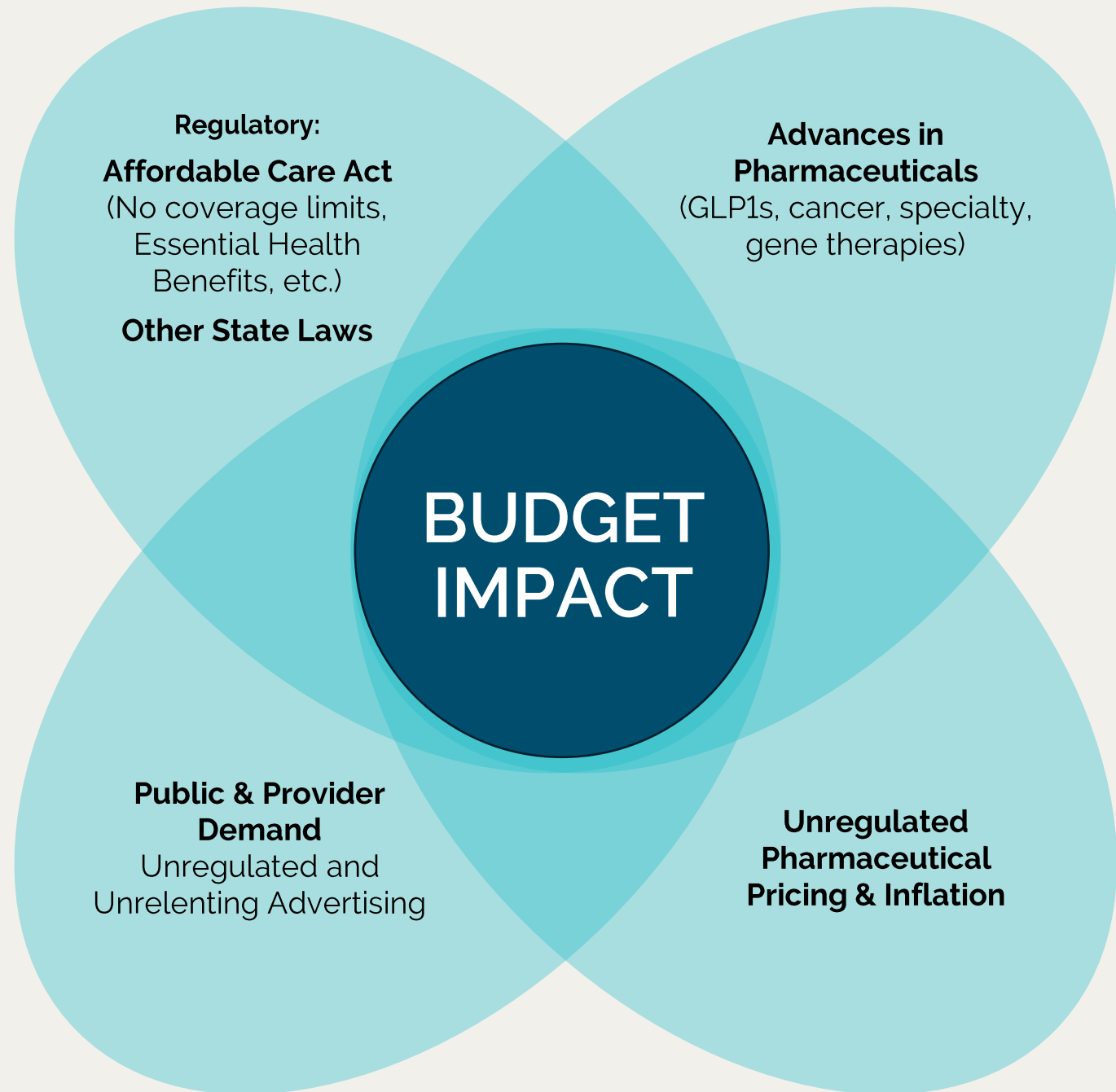
PBM Trade

Mergers
Acquisitions



Change Agents or adding more confusion to the PBM Model?

Pharmacy Cost Drivers: "The Big Picture"



Evolving Pharmacy Marketplace

Vertically Integrated Large Players



And others

Mid-sized Transparent



Potential Disruptors (Standalone PBMs)



And many more!

Potential Disruptors (RX Point Solutions)



An Artist's Depiction of the PBM Industry



Employers and Health Plans have many options for PBM Contracting

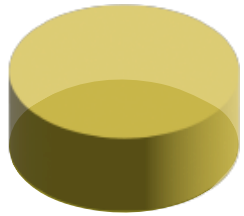
Possible PBM Configuration Options



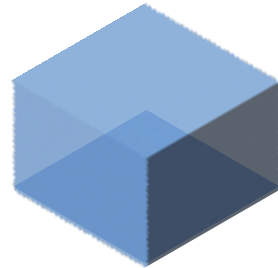
Direct Carve-Out



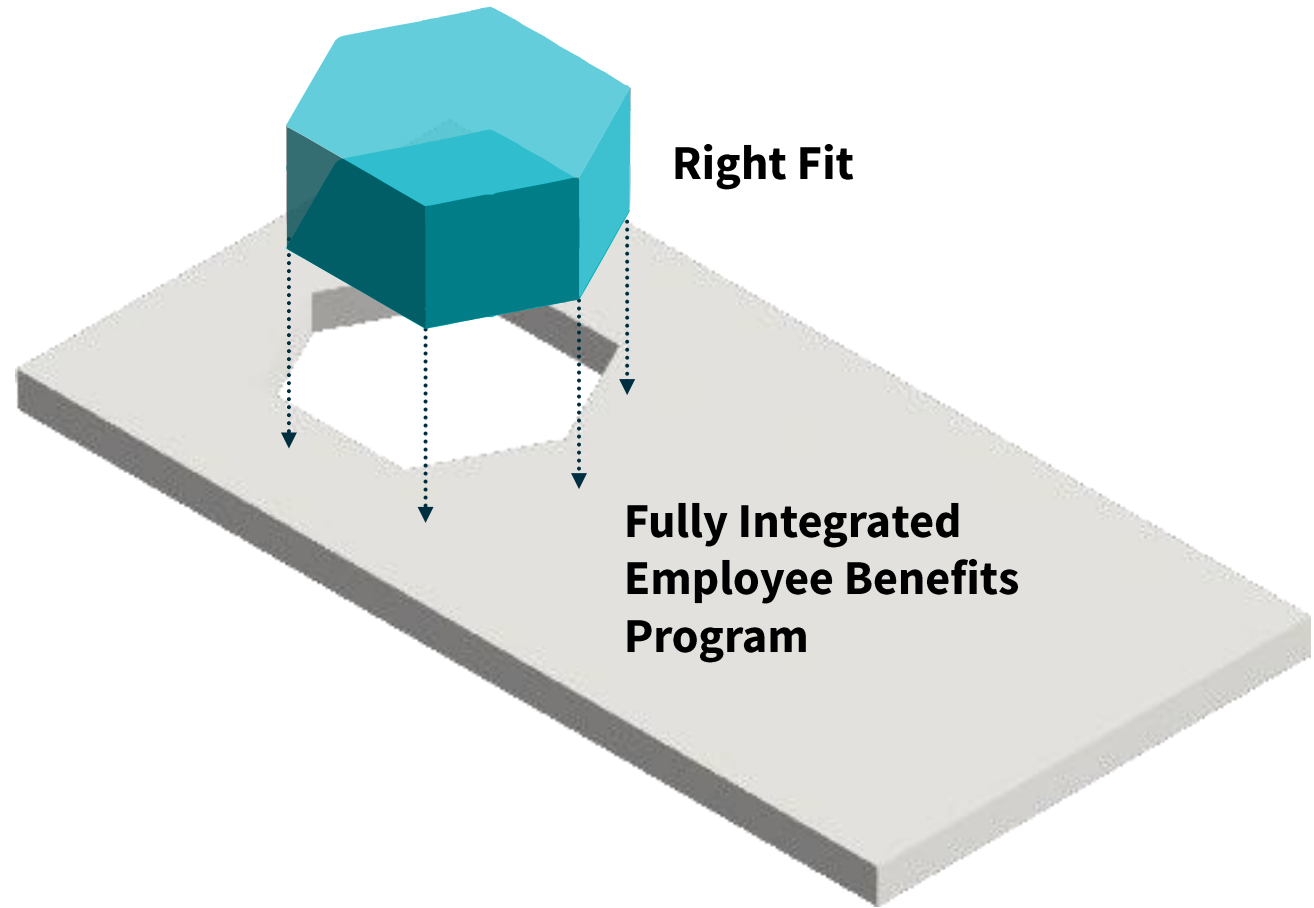
Direct Carve-In



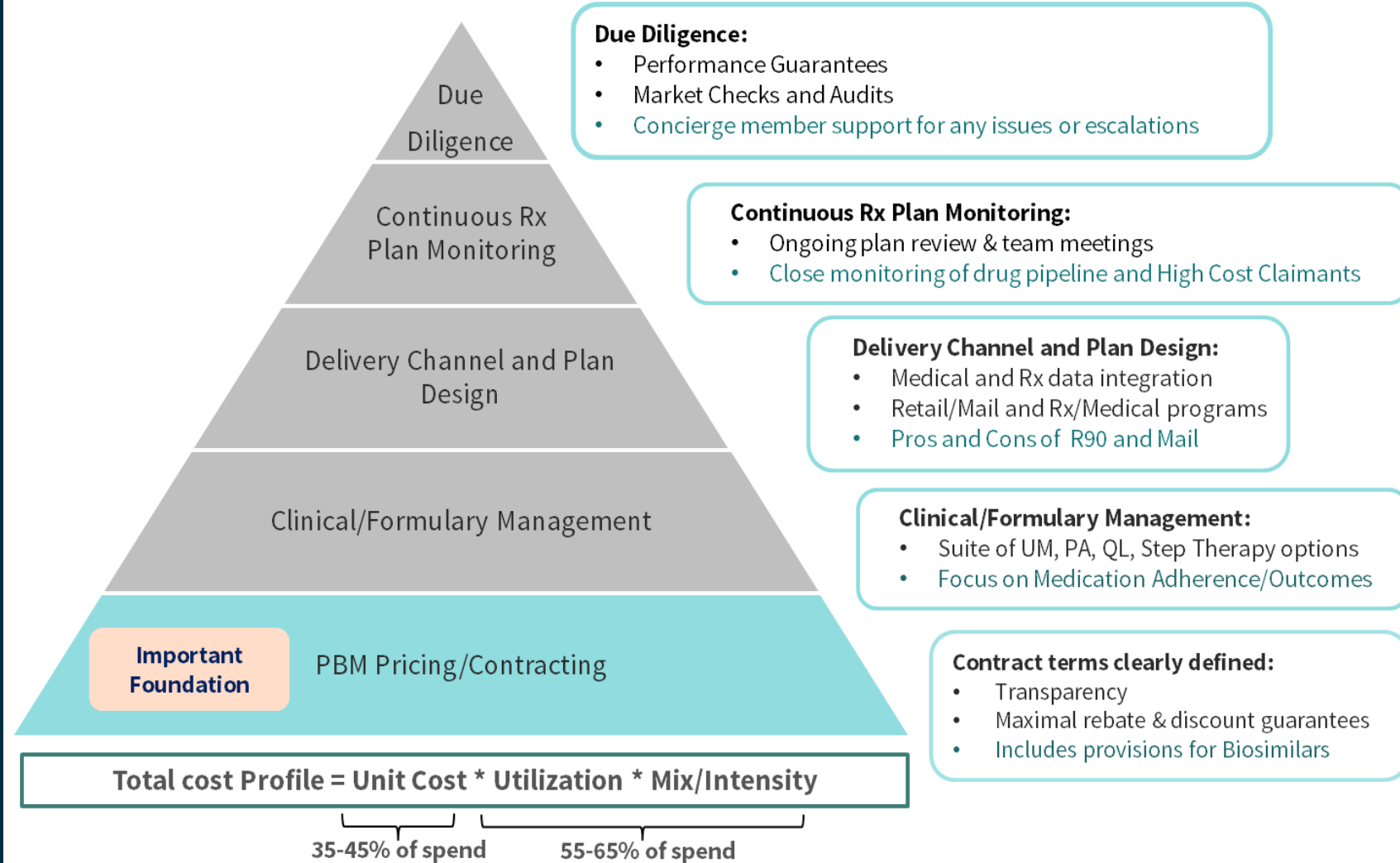
Group Purchasing
Carve-Out



Group Purchasing
Carve-In



Pharmacy Benefits must be managed aggressively at all levels



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Examples of Pricing and Rebate Improvements with Aggressive Management

Client	Industry	Membership Size	PBM	Improvement
A	Technology	4,700	CVS	20%
B	Voluntary Health	8,700	OptumRx	19%
C	Technology	2,200	CVS	21%
D	Manufacturing	12,600	ESI	17%
E	Insurance	2,200	BCBS	21%
F	Retail	44,800	CVS	18%
G	Entertainment	5,000	Cigna	22%
H	Hospitality	2,800	Aetna	19%
I	Banking	9,600	ESI	22%
J	Retail	15,400	OptumRx	13%
K	Legal	1,000	Cigna	17%
L	Manufacturing	8,700	CVS/ESI	12%

Current Pharmacy Focus Areas: Gene Therapies and Weight Loss



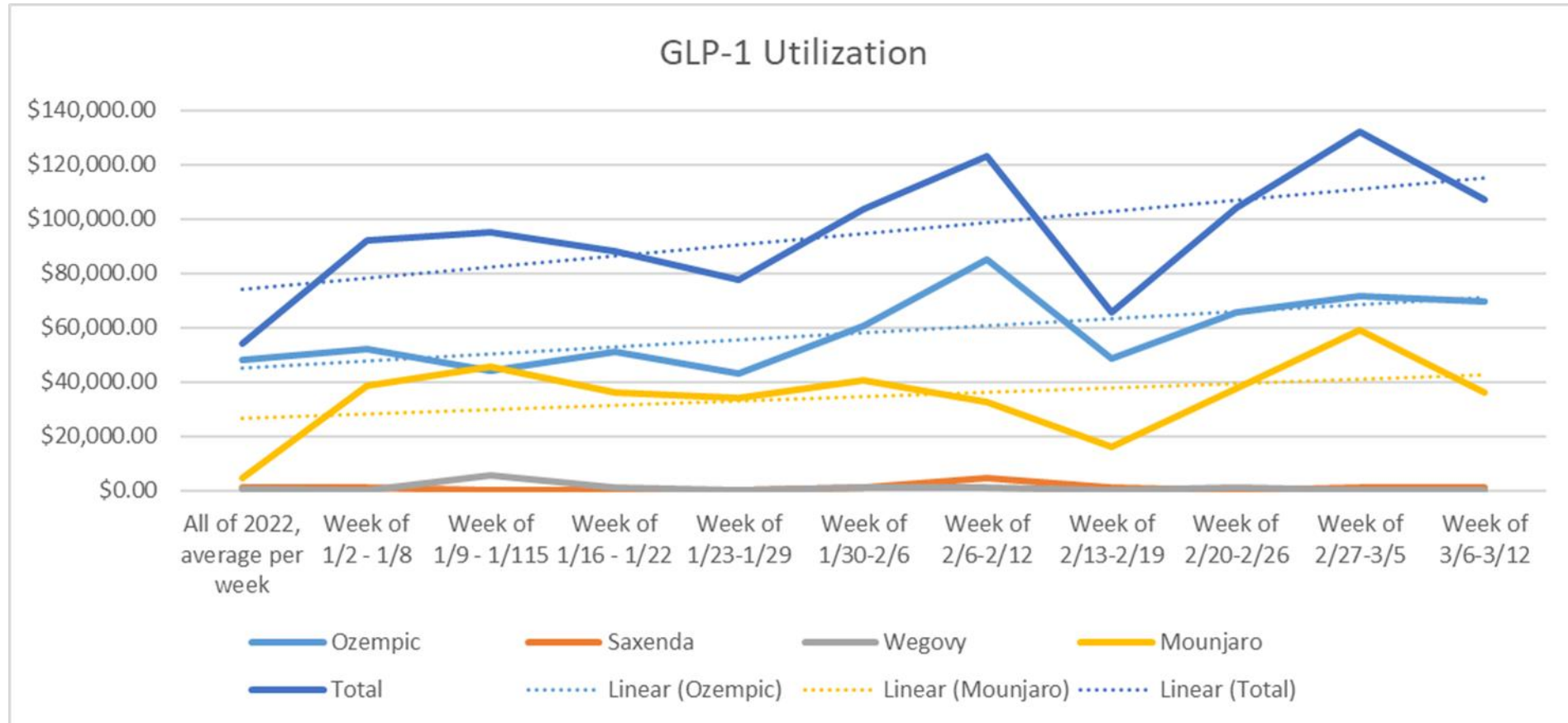
Gene Therapies

Weight Loss

Increased Use of Weight Loss Drugs

	Saxenda (liraglutide)	Ozempic (semaglutide)	Wegovy (semaglutide)	Mounjaro (tirzepatide)
What is it FDA approved for?	Weight loss	Type 2 diabetes	Weight loss	Type 2 diabetes
Year approved	2014	2017	2021	2022
Manufacturer	Novo Nordisk	Novo Nordisk	Novo Nordisk	Eli Lilly
Efficacy (there are no studies directly comparing these products)	About 2.7% over 56 weeks	6% to 7% weight loss	About 12-15%	• About 21% to 22.5% at the highest dose
Average plan cost per year	~\$16,500	~15,750	~\$16,200	~\$13,300
Form of administration	Injection	Injection	<ul style="list-style-type: none"> • Injection • Novo Nordisk is working on a pill form 	Injection

Typical GLP-1 Utilization Patterns



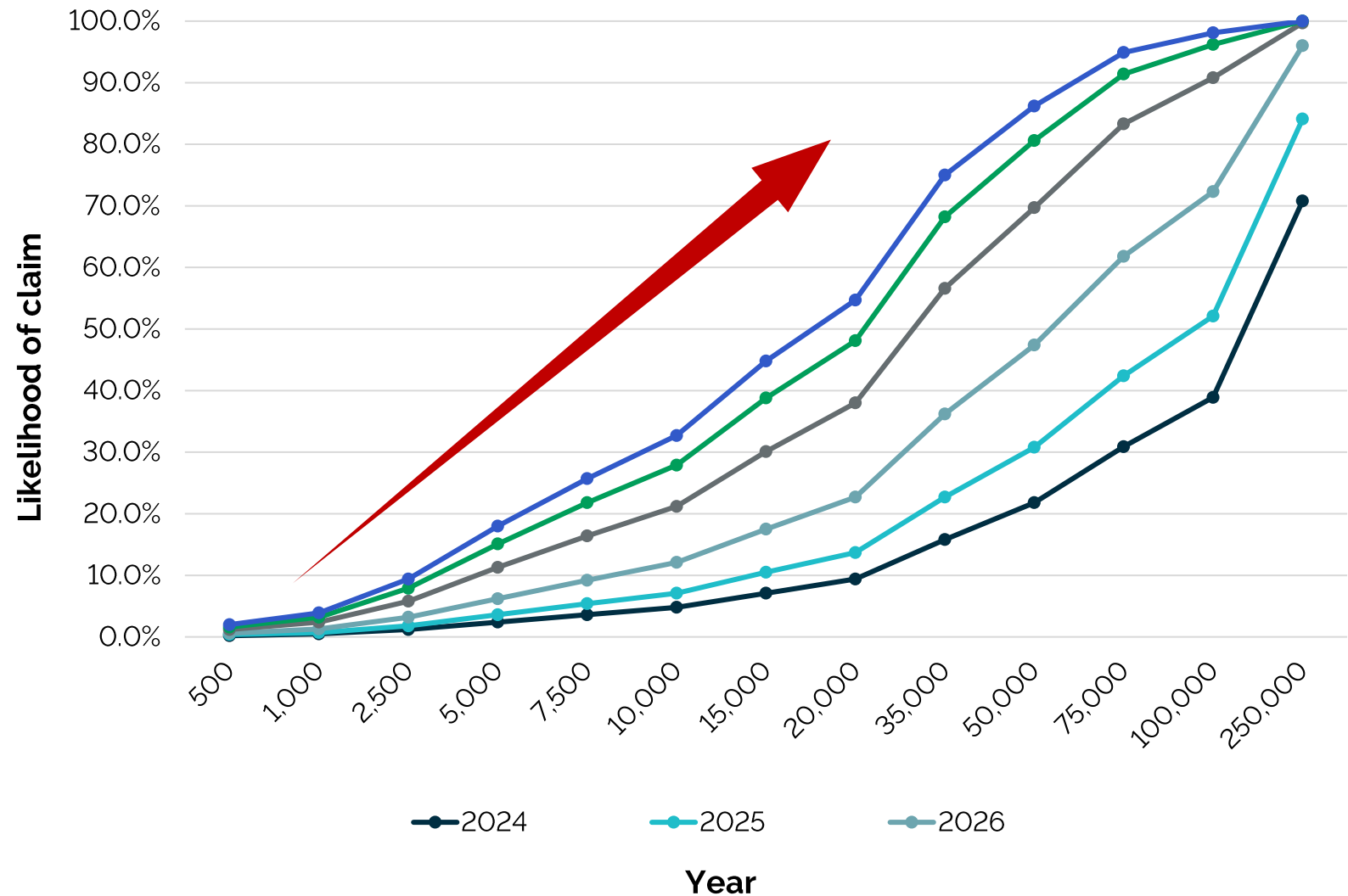
Current FDA Approved Gene Therapies

Therapy Name	Disease or Condition	Prevalence	Estimated Cost	Efficacy
Zolgensma	Spinal muscular atrophy Type 1	450 to 500 infants born per year in the U.S.	\$2.1M	Modest efficacy: Decreases symptoms and extends life of affected children, but is not a full cure
Luxturna	A rare form of blindness caused by inherited retinal disease	1,000-2,000 patients in the U.S.	\$850k	Modest efficacy: Helps to maintain vision in people with this disease
Zynteglo	Transfusion-dependent beta-thalassemia	1,000 patients in the U.S.	\$2.8M	Transfusion independence is the goal; clinical studies to date seem promising
Skysona	Cerebral Adrenoleukodystrophy (CALD)	About 40 cases per year in the U.S.	\$3.0M	To be determined; small trial of 67 patients will be studied for 15 more years for continued safety and efficacy monitoring
Hemgenix	Hemophilia B	1 in 40,000 patients (15% of patients with hemophilia)	\$3.5M	Reduction in annualized bleeding rate and need for routine Factor replacement therapy

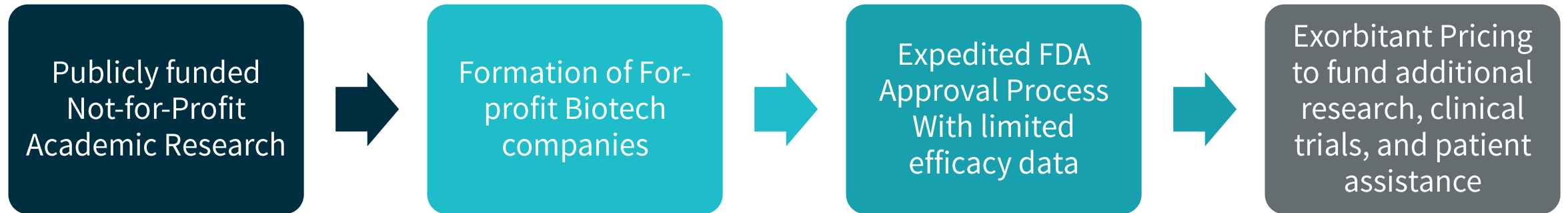
Likelihood of a Gene Therapy Claim is Increasing

Probability of at Least One Gene Therapy Claim

- ▶ FDA is prioritizing review of Gene and Cell Therapies
- ▶ The FDA is set to approve 5-10 new therapies per year.
- ▶ Each therapy is estimated to cost \$2M



Gene Therapy and Biotech Business Model



Key Challenges

- ▶ Questionable efficacy and long-term durability
- ▶ Global cost shifting (uninsured to insured)
- ▶ Equity and Sustainability

Gene Therapy Coverage: A Difficult (But Necessary) Decision

Cost

- Financial risk is growing and many employers do not have the ability to absorb these costs if a case arises
- Costs are NOT currently built into client projections unless there is a known risk, as the prevalence rate for these therapies is too low to assume any utilization
- Financial protection – stop loss or specific gene therapy protection programs are coming to market

Administrator Consideration

- Carrier partner medical policies may strongly support coverage of gene therapies
- Excluded should mean excluded – no matter who is in need or individual circumstances

Employee/ Public Relations

- Can an employer “afford” to not cover an FDA approved therapy?
- Can an employer answer why other high-cost therapies are covered and these are not?

Compliance

- Most compliance experts have determined that excluding gene therapies is not a discrimination issue
- There is not a mandate to cover these therapies

Questions or Comments?

