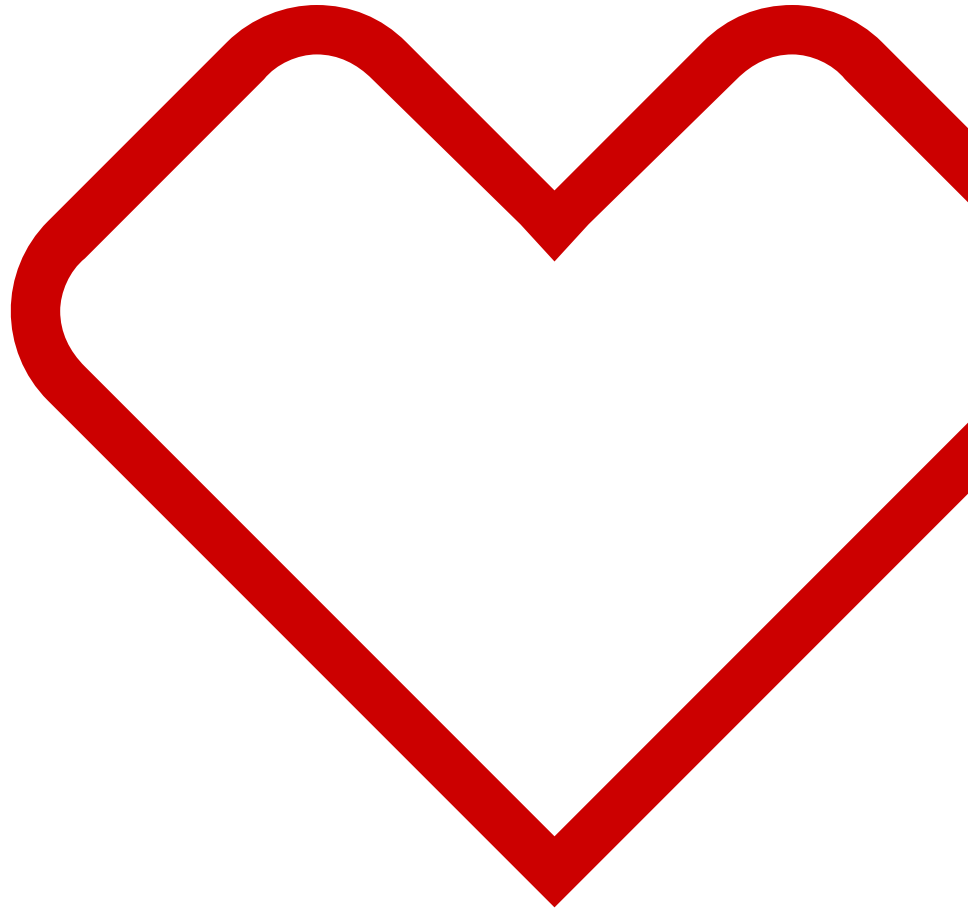


Specialty Trend: Drivers & Management

Brandeis Forum

Troyen Brennan, MD MPH

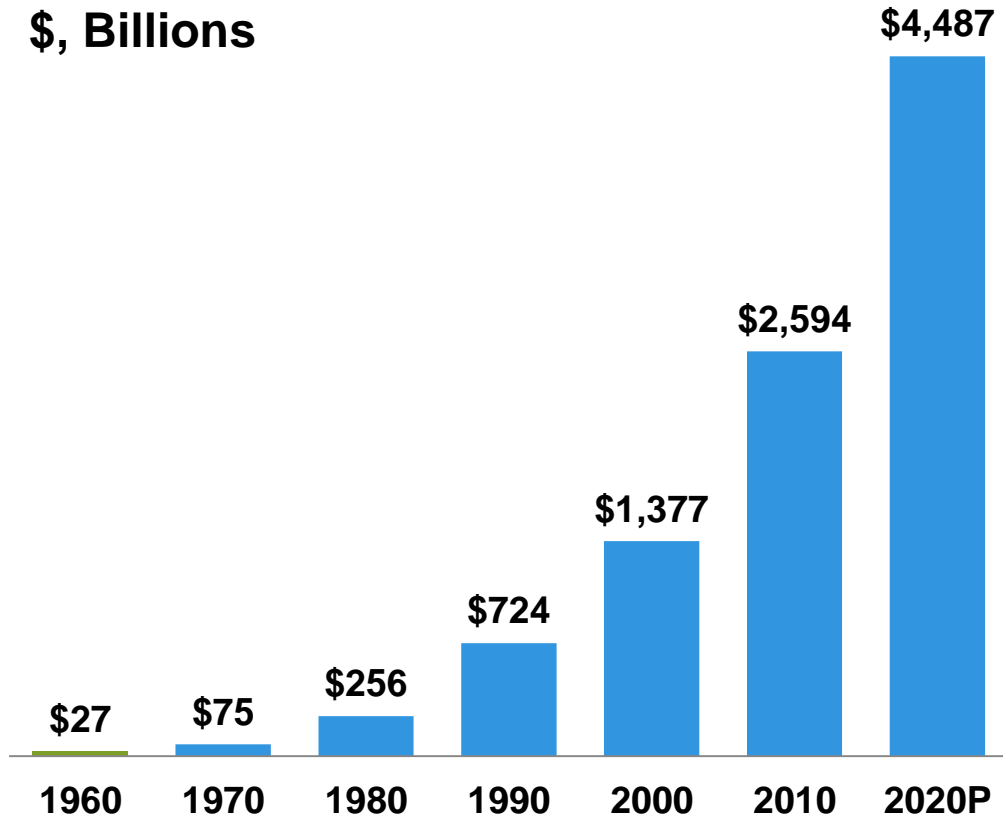
June , 2015





Growing U.S. Health Care Spending

\$, Billions

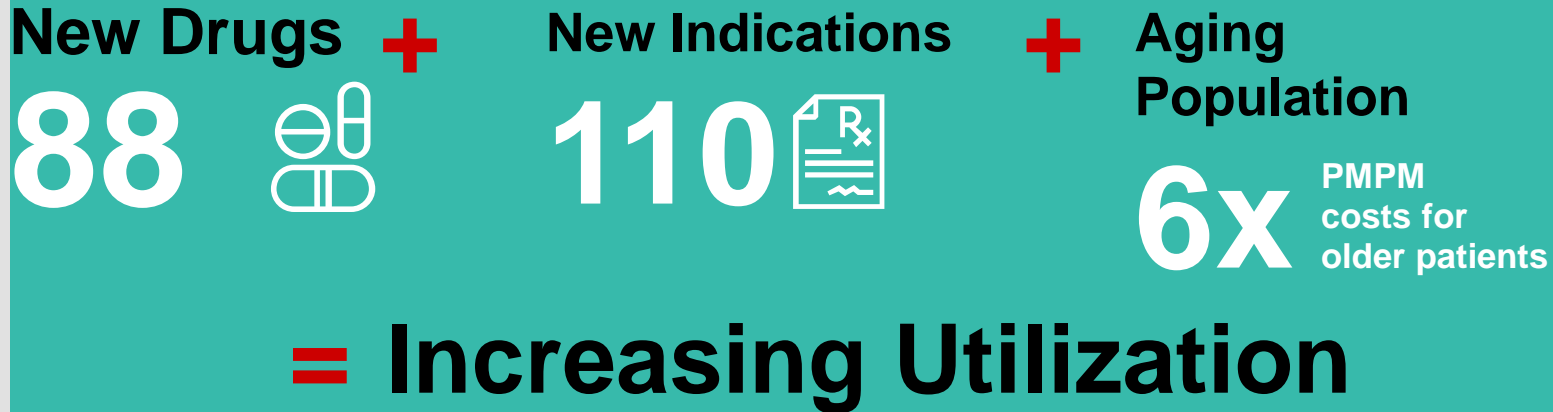


Total health care spending in the United States has **nearly doubled** every decade since 1960

Notes: Health spending refers to National Health Expenditures. Projections (P) include the impact of the Affordable Care Act
Source: Centers for Medicare and Medicaid Services (CMS), Office of the Actuary, National Health Expenditure Data 2012 release

Increasing Utilization of Specialty Drugs

Three Key Drivers 2011-2014



Also consider...

Rising drug launch pricing and inflation

+

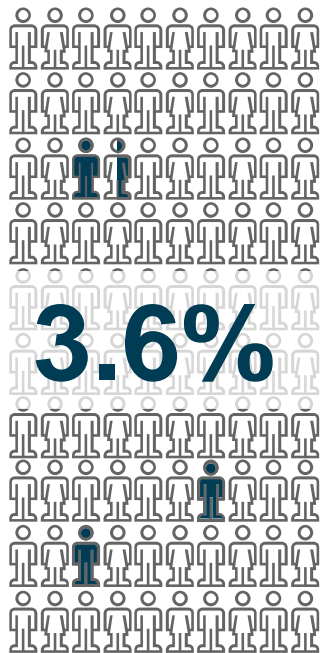
Consolidation toward high-cost sites of care

+

New legislation and ever-changing benefits

Source: CVS/caremark Enterprise Analytics, data 2011 through 2014.
PMPM (Per Member Per Month).

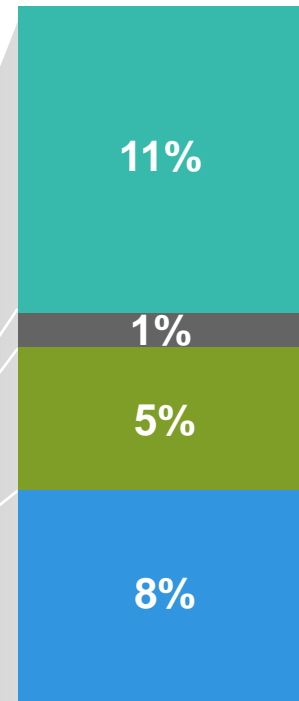
More than Medication: Specialty Patient Care Accounts for 25% of Total Health Care Costs



Patients Using Specialty Drugs



Specialty Portion of Total Health Care Spend



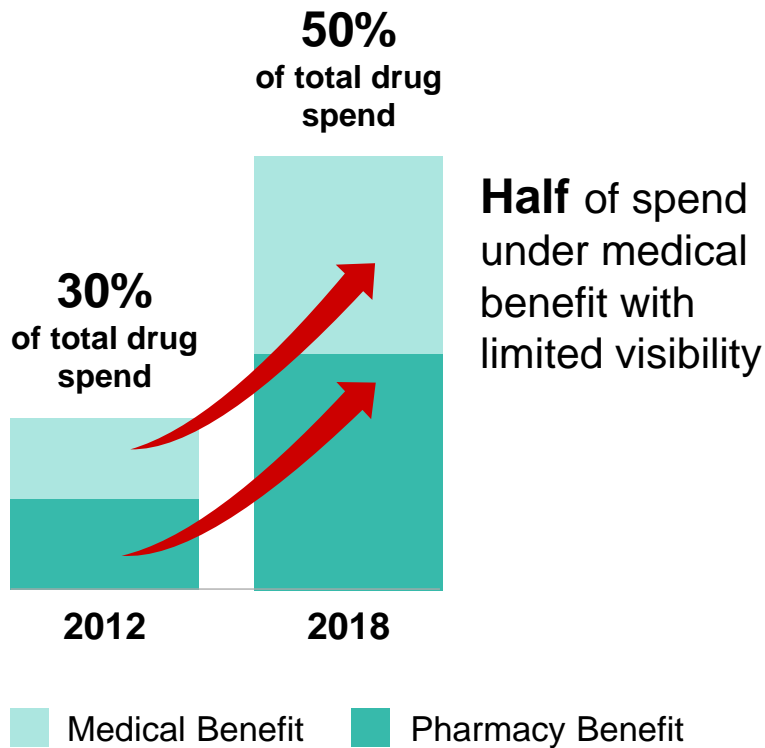
Specialty Drugs are One Third of the Total Cost

- 11% All other medical costs
- 1% All other drugs
- 5% Specialty condition: other medical costs
- 8% Specialty drugs

Source: Milliman Specialty Medication Benchmark Study, 2013 analysis of 2011 data.

Specialty Continues to Grow: By 2018, It Will Represent 50% of all Drug Spend¹

TOTAL INDUSTRY SPECIALTY SPEND¹



KEY FACTORS DRIVING TREND

Increasing utilization

- Aging population
- Robust pipeline
- Expanding indications

Increasing prices

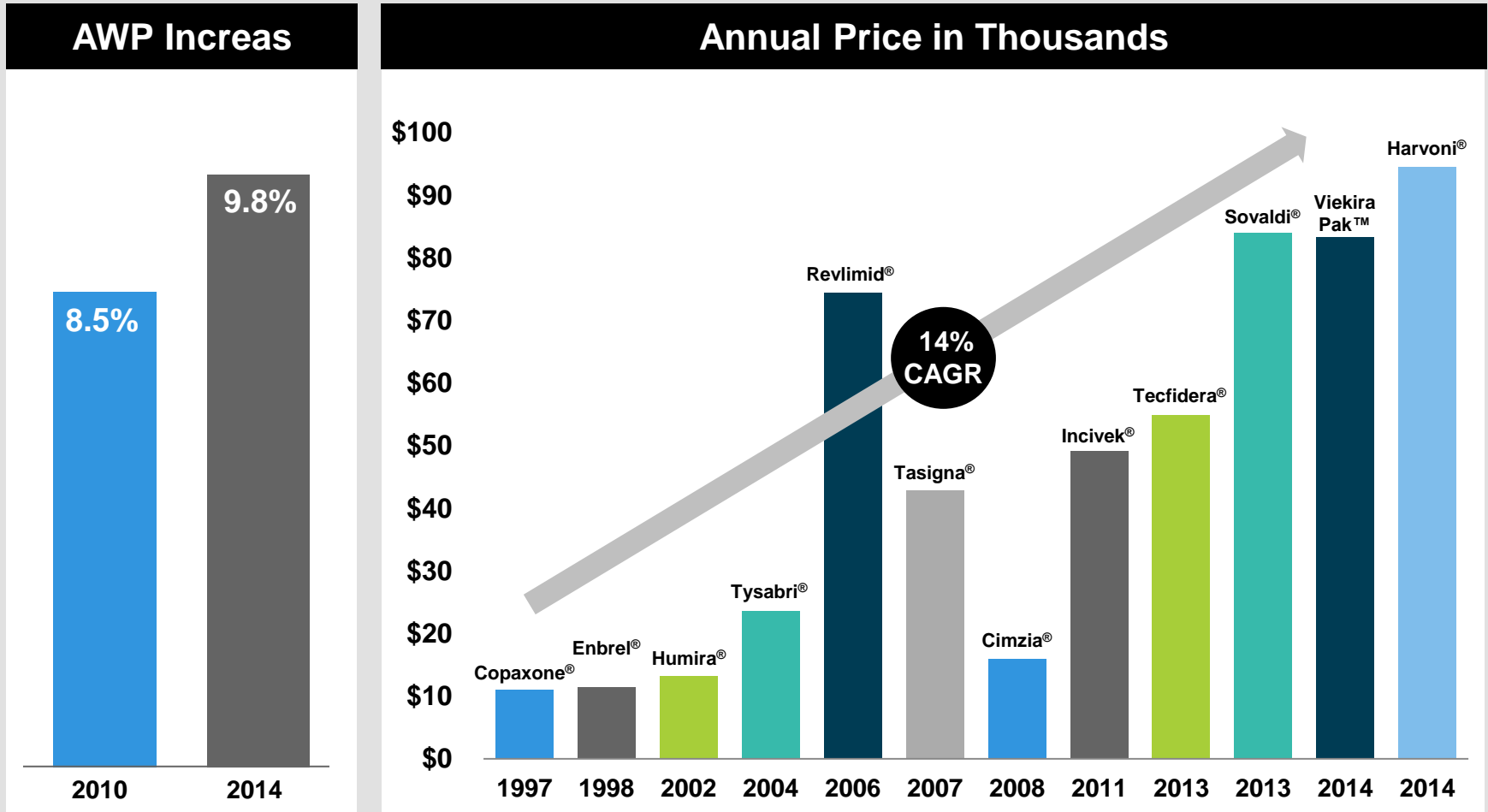
- Brand drug price inflation
- Higher cost for innovative drugs

Regulatory Changes

Source: NHE, Artemetrx, CVS Health Internal Analysis, 2013.



Increasing Specialty Drug Prices: Annual Inflation and Higher Launch Prices



Source: CVS/caremark Specialty Analytics. Annual drug costs based on average wholesale price (AWP) accessed summer 2013. This slide contains references to brand-name prescription drugs that are trademarks or registered trademarks of pharmaceutical manufacturers not affiliated with CVS Health and/or one of its affiliates. Source: CVS/specialty 2010-2014 book of business.

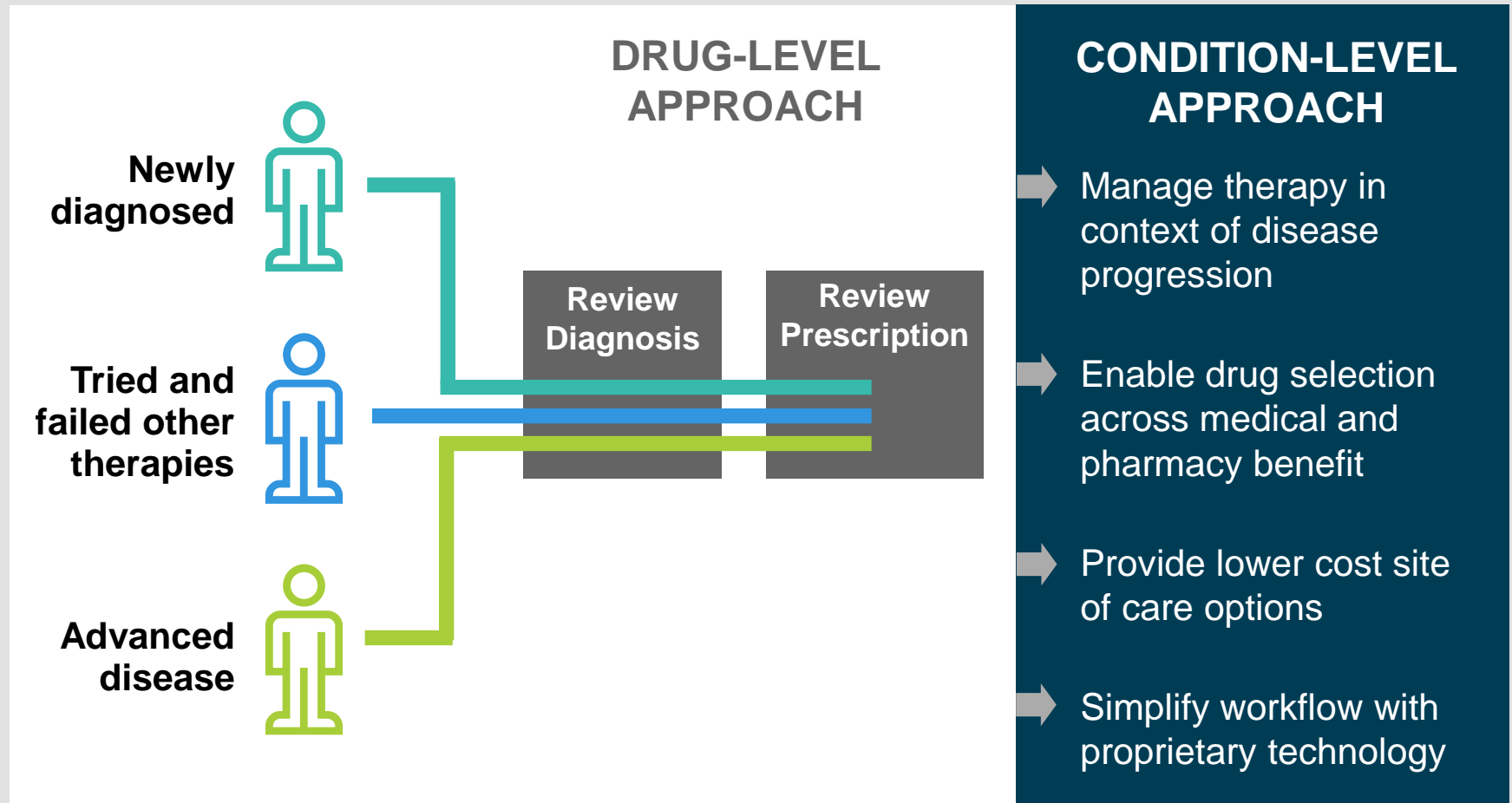
Average Cost Of Commonly Used Specialty Medications

MEDICATION	SAMPLE INDICATION FOR MEDICATION USE	MONTHLY COST FOR SAMPLE INDICATION
Sovaldi (sofosbuvir)	Hepatitis C	\$29,900
Rituxan (rituximab)	Non-Hodgkin's lymphoma	\$21,900
Gleevec (imatinib)	Chronic myeloid leukemia	\$11,900
Avastin (bevacizumab)	Metastatic colorectal cancer	\$11,600
Revlimid (lenalidomide)	Multiple myeloma	\$9,300
Neulasta (pegfilgrastim)	Neutropenia	\$5,700
Copaxone (glatiramer)	Multiple sclerosis	\$5,000
Tecfidera (dimethyl fumarate)	Multiple sclerosis	\$4,900
Humira (adalimumab)	Rheumatoid arthritis	\$4,000
Remicade (infliximab)	Rheumatoid arthritis	\$4,000

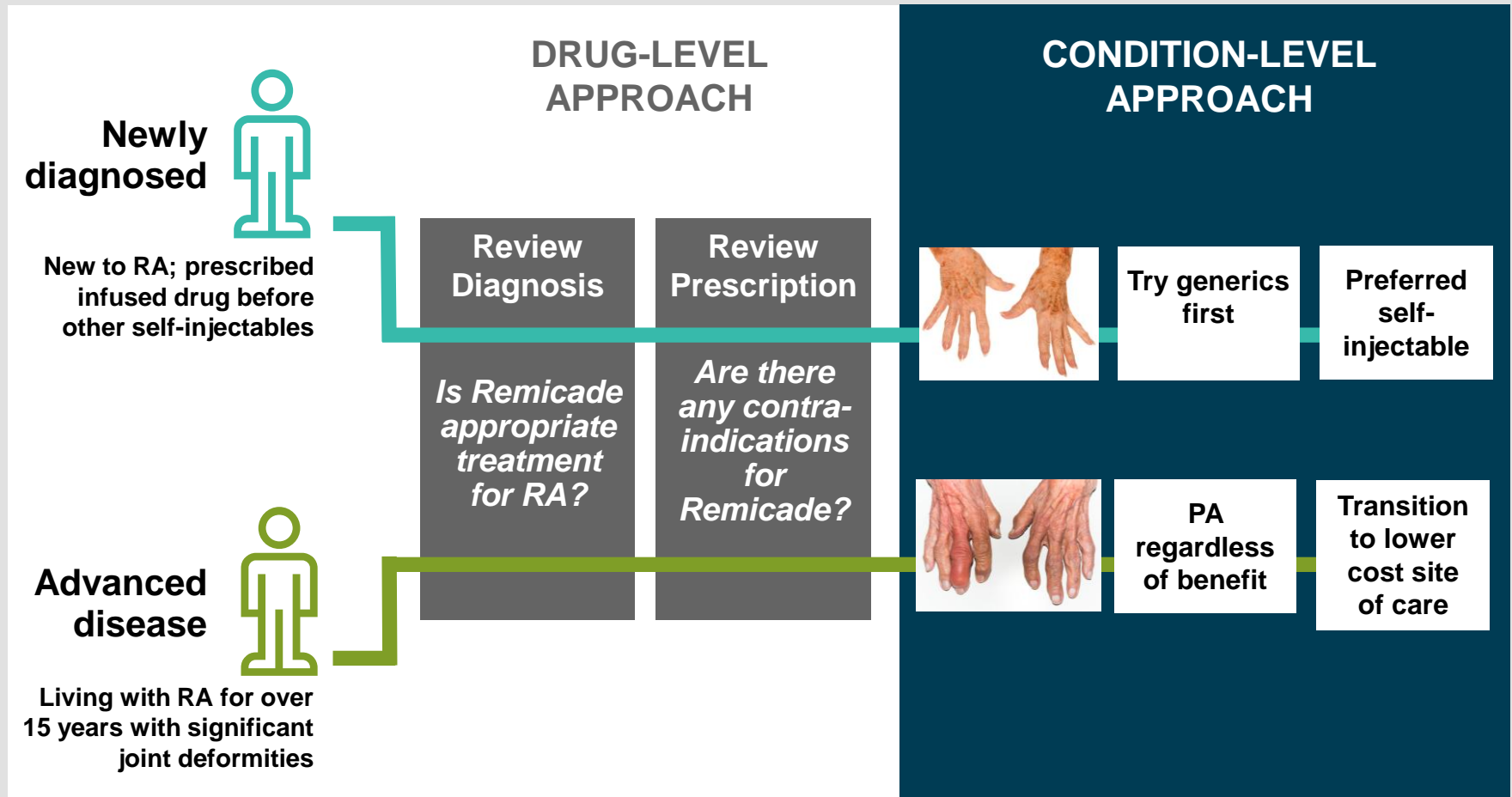
The average monthly cost to payers and patients for a specialty medication is \$3,000—more than ten times greater than that for non specialty medications.

1. Lotvin AM, et al. "Specialty Medications: Traditional and Novel Tools Can Address Rising Spending On These Costly Drugs". Health Affairs, October 2014 33:10. This page contains references to brand-name prescription drugs that are trademarks or registered trademarks of pharmaceutical manufacturers not affiliated with CVS Caremark.

Condition-Level Management Creates Additional Opportunities for Intervention



Condition-Level Example: Addressing Unique Opportunities Based on Specific Patient Needs

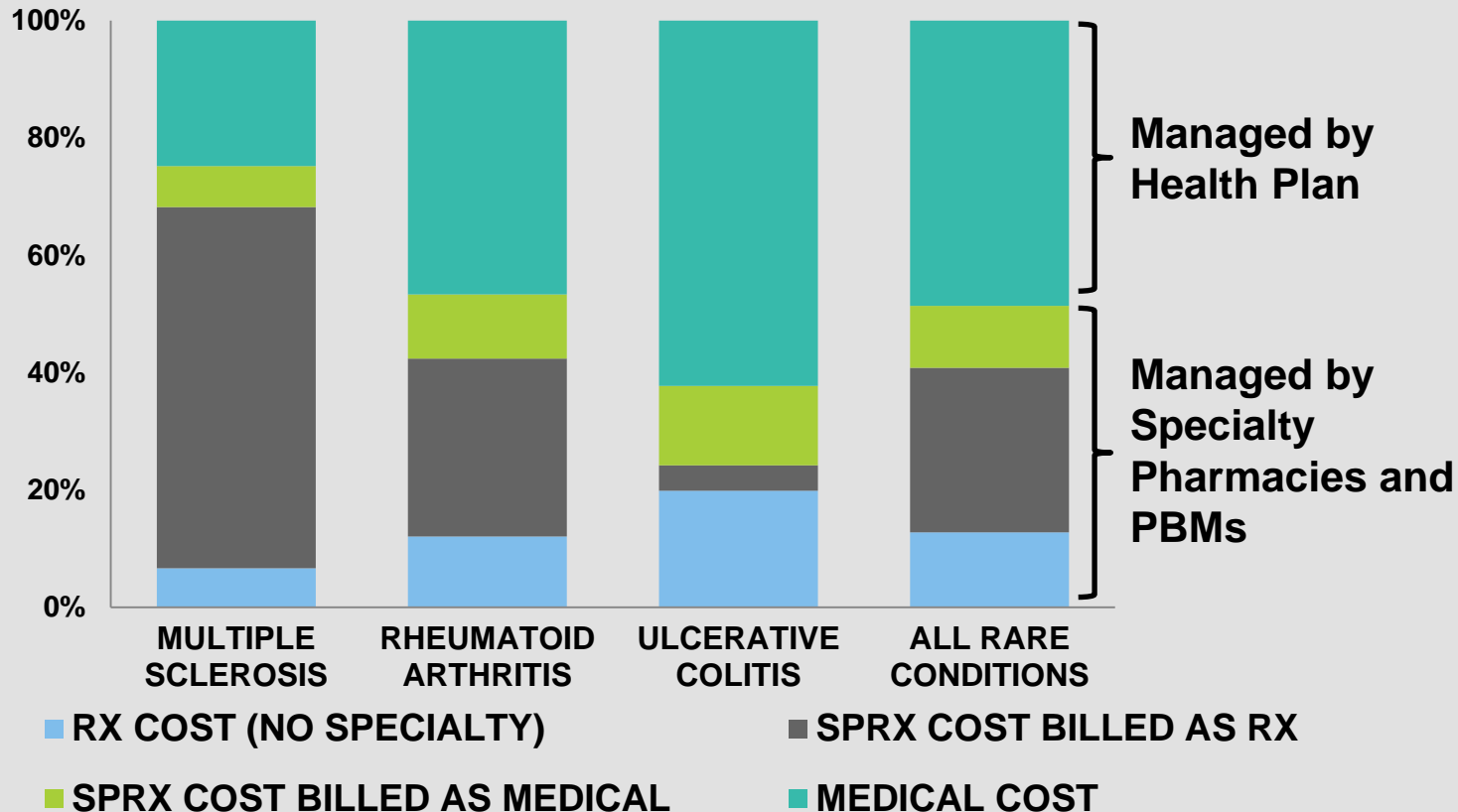


PA (Prior Authorization).



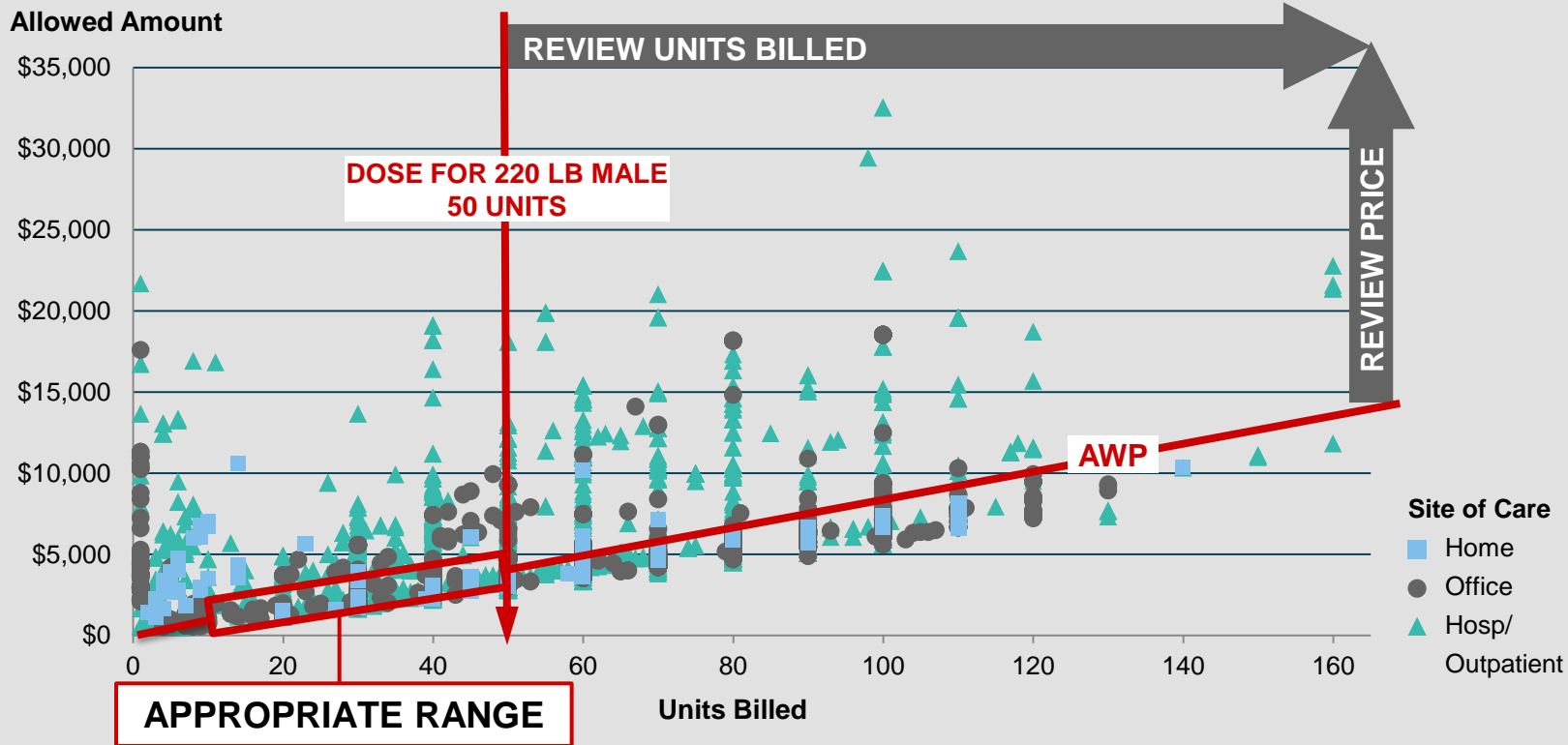
There is An Opportunity for an Integrated, Proactive Program to Reduce Medical Costs

PER PATIENT PER YEAR MEDICAL AND PHARMACY COSTS*



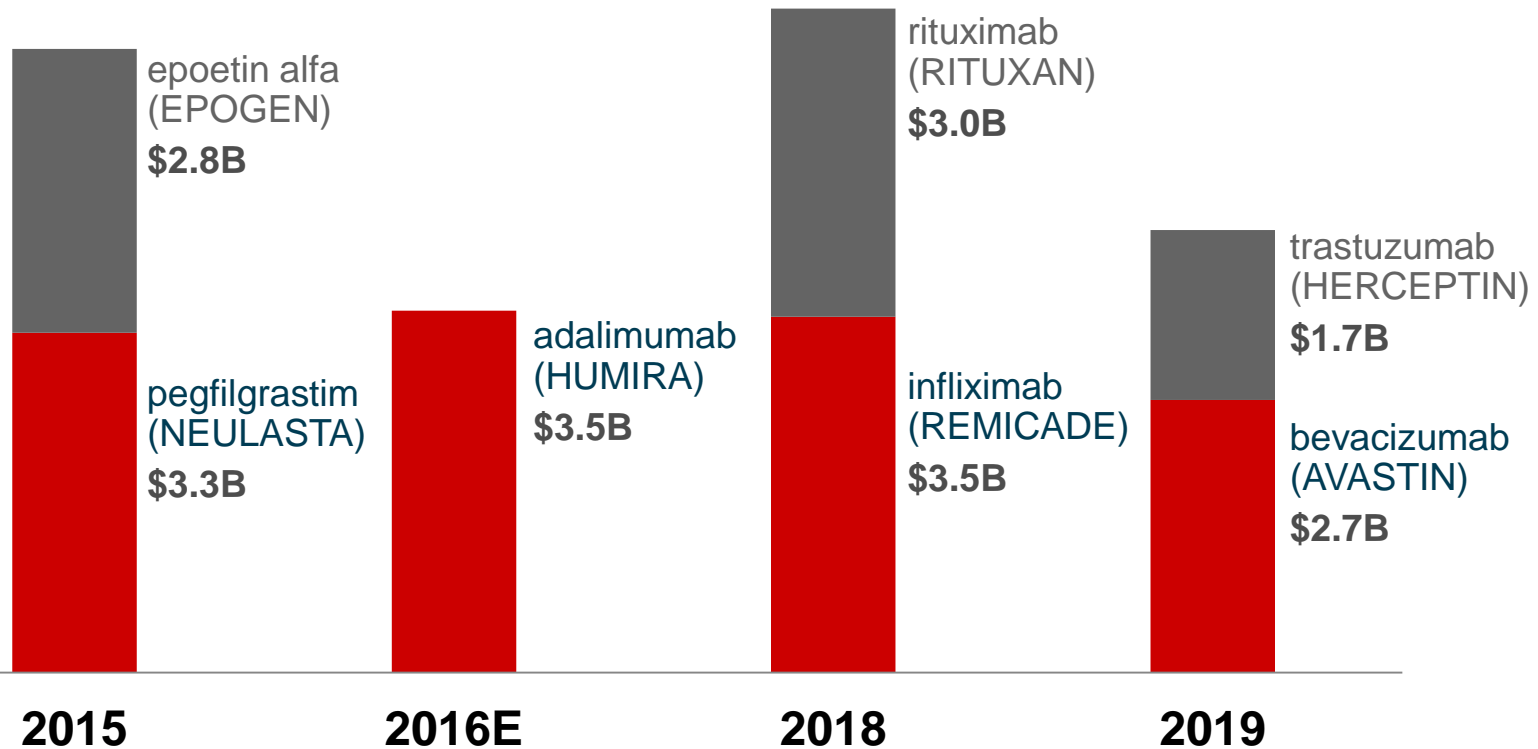
Technology can Provide Visibility and Control of Price Variation Under Medical Benefit

CLAIMS FOR INFUSED REMICADE, IBD



31895

Biosimilars That May Significantly Affect The Cost of Treating Specialty Conditions



Year of anticipated patent expiration

Source: CVS/caremark internal data, 2014.

This slide contains references to brand-name prescription drugs that are trademarks or registered trademarks of pharmaceutical manufacturers not affiliated with CVS Health and/or one of its affiliates.



Appendix



Specialty Landscape

Specialty is one of the **fastest growing segments** in health care

Trend is driven by **increase in drug utilization** and **drug prices**

Specialty drugs **serve relatively small patient populations**



Strong specialty pipeline for **novel therapies** with **~900 specialty drugs** in development¹

Therapies require **comprehensive patient management** and **around the clock clinical support**

Drugs are distributed through **various channels** and **reimbursement method is highly complex**

Specialty drug trend continues to dwarf traditional medications.

1. 2013 Report: Medicines in Development - Biologics (PDF) – PhRMA <http://www.phrma.org/sites/default/files/pdf/biologics2013.pdf> accessed February10,2015



Specialty Medications Require a Different Approach

	AVONEX¹	CRESTOR^{2,3}
Indications	Multiple Sclerosis	High Cholesterol
US Patient population	~350K	~22.5 million
Approx. cost of therapy	\$1,200/week or \$62,000/year	\$240/month or \$2,880/year
Dosage form and route	Reconstituted protein/injection	Tablet/oral
Side-effect profile	Severe flu-like symptoms common	Generally well-tolerated
Duration of therapy	Lifelong (disease is incurable)	Ongoing (maintenance medication)
Handling requirements	Refrigeration necessary	No special requirements

Source: 1.J.P. Morgan. Analyst Report, Healthcare Technology and Distribution, January 08, 2015 2. IMS Health data (July 2013 - June 2014) 3. CVS/caremark Specialty Analytics. Annual drug costs based on average wholesale price (AWP) accessed February 2015

More Visibility to Complex Specialty Patients for Comprehensive Safety and Care

Typical Specialty Scenario



- Newly-diagnosed with RA
- One self-injectable drug at Specialty Mail
- **Single** channel

More Complex Scenario



- Advanced RA with comorbid conditions
- Home infusion drug, plus two drugs filled at retail
- **Multiple** channels

New model captures patient insights across multiple channels and helps ensure safety, fewer drug-drug interactions