Specialty Trend: Drivers & Management

Brandeis Forum

Troyen Brennan, MD MPH
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Growing U.S. Health Care Spending

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

- New Drugs: 88
- New Indications: 110
- Aging Population: 6x

= Increasing Utilization

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

Specialty Continues to Grow: By 2018, It Will Represent 50% of all Drug Spend\(^1\)

**TOTAL INDUSTRY SPECIALTY SPEND\(^1\)**

- **30%** of total drug spend in 2012 vs **50%** in 2018
- **Half** of spend under medical benefit with limited visibility

**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.
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

**Newly diagnosed**
- Review Diagnosis
- Review Prescription

**Tried and failed other therapies**

**Advanced disease**

**DRUG-LEVEL APPROACH**

**CONDITION-LEVEL APPROACH**
- Manage therapy in context of disease progression
- Enable drug selection across medical and pharmacy benefit
- Provide lower cost site of care options
- Simplify workflow with proprietary technology
Condition-Level Example: Addressing Unique Opportunities Based on Specific Patient Needs

**Newly diagnosed**
- New to RA; prescribed infused drug before other self-injectables

**Advanced disease**
- Living with RA for over 15 years with significant joint deformities

**DRUG-LEVEL APPROACH**
- **Review Diagnosis**: Is Remicade appropriate treatment for RA?
- **Review Prescription**: Are there any contraindications for Remicade?

**CONDITION-LEVEL APPROACH**
- **Try generics first**: PA regardless of benefit
- **Preferred self-injectable**: Transition to lower cost site of care

PA (Prior Authorization).
There is An Opportunity for an Integrated, Proactive Program to Reduce Medical Costs

PER PATIENT PER YEAR MEDICAL AND PHARMACY COSTS*

<table>
<thead>
<tr>
<th>Condition</th>
<th>RX Cost (No Specialty)</th>
<th>SPRX Cost Billed as RX</th>
<th>SPRX Cost Billed as Medical</th>
<th>Medical Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multiple Sclerosis</td>
<td>0%</td>
<td>100%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Rheumatoid Arthritis</td>
<td>20%</td>
<td>80%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Ulcerative Colitis</td>
<td>40%</td>
<td>60%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>All Rare Conditions</td>
<td>60%</td>
<td>40%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Managed by
Health Plan

Managed by
Specialty
Pharmacies and
PBMs
Technology can Provide Visibility and Control of Price Variation Under Medical Benefit

CLAIMS FOR INFUSED REMICADE, IBD

Source: Milliman data, 2011. This slide contains references to brand-name prescription drugs that are trademarks or registered trademarks of pharmaceutical manufacturers not affiliated with CVS/caremark.
Biosimilars That May Significantly Affect The Cost of Treating Specialty Conditions

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.
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 development

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.

Specialty Medications Require a Different Approach

<table>
<thead>
<tr>
<th>Indications</th>
<th>AVONEX¹</th>
<th>CRESTOR²,³</th>
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</thead>
<tbody>
<tr>
<td>US Patient population</td>
<td>~350K</td>
<td>~22.5 million</td>
</tr>
<tr>
<td>Approx. cost of therapy</td>
<td>$1,200/week or $62,000/year</td>
<td>$240/month or $2,880/year</td>
</tr>
<tr>
<td>Dosage form and route</td>
<td>Reconstituted protein/injection</td>
<td>Tablet/oral</td>
</tr>
<tr>
<td>Side-effect profile</td>
<td>Severe flu-like symptoms common</td>
<td>Generally well-tolerated</td>
</tr>
<tr>
<td>Duration of therapy</td>
<td>Lifelong (disease is incurable)</td>
<td>Ongoing (maintenance medication)</td>
</tr>
<tr>
<td>Handling requirements</td>
<td>Refrigeration necessary</td>
<td>No special requirements</td>
</tr>
</tbody>
</table>

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.