

NYSARH




The Changing Landscape of Pharmacy Benefit

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What is causing the Rx Increases?

- Across the nation there is commonality
- What are the main drivers?
- Who are using them?



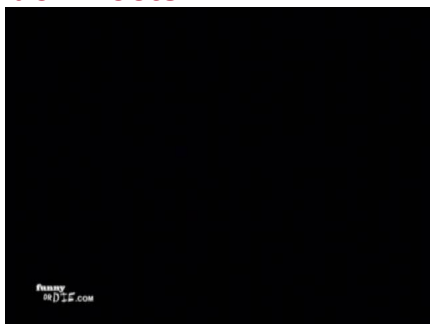
Top Five Health Ailments *

1. High Cholesterol – \$109.80
2. High Cholesterol / Heart Disease - \$54.09
3. Diabetes - \$126.66
4. Ulcer Disease – \$146.74
5. Depression – \$89.84

Ingredient cost per Rx Source: ESI PharmacAnalytics 2009
*Disease States



Side Effects



Bored to Death? It could happen!

- The more bored you are, the more likely you are to die early
- Boredom alone isn't likely to kill you - but symptoms are:

excessive drinking	smoking
taking drugs	over eating
lack of exercise	depression



Bored to Death?

- More likely to have a cardiovascular event
- When bored, dangerous hormones release in the body and stress the heart
- Produces anger suppression, which raises blood pressure
- Ulcers
- **Fact: the busier you are the less likely you will be depressed... you don't have time!**



The Top Five Health Ailments

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All of the disease states were a result of boredom

Ingredient cost per Rx Source ESI PharmacoAnalytics 2009



Heart Disease Risk Factors

- Inactivity - 39.5%
- Obesity - 33.9%
- High Blood Pressure - 30.5%
- Cigarette Smoking - 20.8%
- High Cholesterol - 15.6%
- Diabetes - 10.1%



High Blood Pressure & Heart Disease

- Heart disease caused 26% of deaths - more than one in every four - in the US
- Annually, about 785,000 Americans have a 1st heart attack
- In 2010, heart disease will cost the US \$316.4 billion
- 2007 were highest deaths in Mississippi and lowest in Minnesota



Diabetes

- Type 2 diabetes - linked to obesity & physical inactivity - accounts for 90%–95% of diabetes cases
- Type 2 is usually associated with older age, obesity, family history of gestational diabetes, impaired glucose metabolism, physical inactivity, race and ethnicity



Did you know that soda links to pancreatic cancer?

- Insulin helps the body metabolize sugar and is made in the pancreas
- Tumor cells use more glucose than other cells
- Drinking 2+ sweetened soft drinks a week increases risk to 87% higher risk
- Pancreatic cancer is one of the deadliest forms of cancer

Source: 2010 Reuters



Soda and Pancreatic Cancer

- Cancer is #12 on top drugs utilized - \$551.77 per Rx
- The five-year survival rate for pancreatic cancer patients is approx 5%
- 230,000 cases globally
- In the US 37,680 people are diagnosed annually and 34,290 die of it



Reminder - Top Five Health Ailments - Warning

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Ulcer Statistics

Approximately 10% of Americans eventually develop peptic ulcer disease (PUD), and 10% of patients presenting with abdominal pain are diagnosed with PUD.

- Potentially injurious drugs and causes:
 - NSAIDs
 - Aspirin
 - Alcohol
 - Tobacco
 - Caffeine
 - (eg: coffee, tea, colas)



Let's talk about Value Based Plan Designs.....



Value Based Plan Design (VBPD)

- Benefit Design:
 - Aggregate: prescription drug copayments lowered for all patients taking medications in designated 'high value' classes
 - Patient Centric: targets specific patients; uses medical and pharmacy data in tandem to identify probable future 'high cost' use

¹Chernew, M.E., Rosen, A.B., Fendrick, A.M. Value Based Insurance Design Health Aff (Millwood). 2007 Mar-Apr;26(2):w204-7



Value Based Plan Designs

- Most common programs are reduced copays coupled with therapy management focused on:
 - Diabetes
 - Hypertension
 - High cholesterol
 - Asthma



VBPD Prevalence

- 51.5% of responding employers have not implemented VBPD tools
 - Using traditional UM approaches
 - › \$0 copayment for generics
 - › Copay/deductible waiver for a switch to generics
 - › Mandatory generics
 - › Out-of-pocket limits or incentives

Source: Milliman 2009 Survey & Report



Who is using VBPD?

- Hospitals have been on the fore front of the design
- Most use in house pharmacy for certain disease states
- Some target patient centric



Compliance By Plan Design

Diabetic Patients Compliance

Plan Design	Compliance Level
\$10/25/40	60%
\$0/12.5/30	72%
\$0/0/0	89%
\$10/10/10	75%

Source: Milliman Client Report, Value-based Insurance Designs for Diabetes Drug Therapy: Actual and Implementation Considerations, December 2008. Available at http://www.milliman.com/press/press_releases/healthcare/publications/pdfs/mbid-diabetes-drug-therapy-RR12-01-08.pdf



Considerations

- Potential for short term increase in utilization and pharmacy cost
- Operational implementation costs
- Communication/education
- Privacy/HIPAA

Expectation is better control and fewer exacerbations of chronic conditions



Mis-Use

- Addictions
- Hypnotics
- Growth Hormones-Steroids
- Lifestyle Drugs - Ritalin, Retinol, Viagra
- Controlled Substances - Oxycodone, Actiq (lollypops)



Stats About Changing Behavior

- People statistically would rather take a pill than change behavior. *True or False?*
- People believe that talking about their “feelings” will change or improve their behavior. *True or False?*
- Reducing salt by 3 grams per day reduces heart diseases by 5%. *True or False?*



Answers

- **True:** Statistics show habit changing in Americans is slow to take hold
- **False:** You cannot feel your way to better behavior but you can behave your way to better feelings
- **False:** Lower your risk of heart disease by 33% by eliminating 3 grams of salt!



PBM Understanding

- Understanding that “most folks don’t know what they don’t know” regarding PBM
- Attractive numbers on paper don’t mean much
- Spread-sheeting doesn’t work
- Understanding the fine print
- Re-pricing of the top 50 drugs will not explain pricing



Who knows the answers?

- *True or false?* Will paying higher admin fees per Rx cost the payor more at the end of the day?
- *True or false?* \$-0- admin fee will reduce fixed costs and overall drug spend?
- *True or false?* Are 2 or more generics better than more than 2 generics on a MAC list?



What is – Transparency?

- Pass Through pricing is the contracted rate that the PBM has negotiated with the pharmacy
- 100% of rebates to client
- Plan structure/benefits/incentives that align with the plan sponsor’s interests
- PBM revenue is derived through the administration fees



Formulary/Rebate Goals

- Appropriate clinical construction
- Member satisfaction
- Decrease the drug PMPM
- Lowest net cost
- Outcomes based management



Example - Higher Rebates vs. Lowest Net Cost

	Drug A: Vytorin 10- 80mg 15% rebate	Drug B: Caduet 10- 80mg 30% rebate
* 30 day supply		
Gross Drug Cost	\$82.54	\$138.47
Member Copay	\$25.00	\$25.00
Plan Cost	\$57.54	\$113.47
Rebate	\$12.38	\$41.54
Net Plan Cost	\$45.16	\$71.93

*based on 30 day supply from retail pharmacy



Contracts - Example Items to Review

- Exclusivity clause
- Termination clause
- Effective date
- Evergreen – auto renew language
- Contract term
- Definition of pass through
- Definition of a rebate



ARMSRx Philosophy

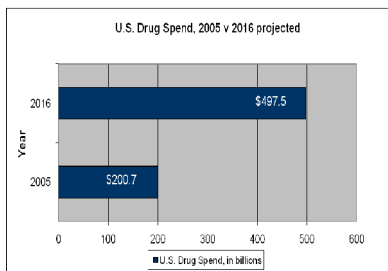
Clients are entitled to...

- verify their contract terms
- an accountable vendor
- understand what they're paying for
- competitiveness and transparency!
- understand importance of benchmarking
- *outside, independent expertise - client advocate*

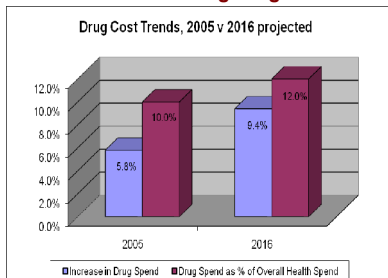
ARMSRx... the people who know PBM



HHS projects a 148% increase in the next 11 years, taking spending from a current \$200.7 billion to \$497.5 billion.



HHS expects increased drug spend due to: generic dispensing rates leveling off; approval of new cancer & chronic disease drugs; and modified versions or new indications for existing drugs.



Pricing Benchmark Changes

- FDB plans to discontinue the publication of AWP information as of March, 2011
- The future of the prescription drug pricing benchmark is uncertain...

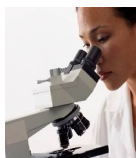
WAC+? ASP? ????

Audit and re-contracting efforts are recommended for all plan sponsors' PBM agreements.

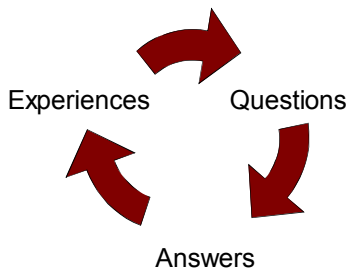


Hospitals Are Auditing Their PBM

- Validating, monitoring and auditing ensures payor is receiving the negotiated contract terms
- The pharmacy benefit is complex and a host of errors can occur
- Independent review of pharmacy claims should be conducted frequently



Questions & Answers



Mis-Use