BUSINESS AGENTS' CONFERENCE

SHEET METAL | AIR | RAIL | TRANSPORTATION

SMART®

2015

GROWTH

SEIZING EVERY OPPORTUNITY

Presentation to Business Agents

Pharmacy Benefits Update

Susan Hayes, AHFI, CPhT.
Pharmacy Outcomes Specialists

Prescription Drug Update

- Review of Audit Findings for 2014 and 2015
- Review of Benefit Committee Activities in the last two years
- What to expect in 2015 and 2016

Envision 2013 Audit Findings*

Audit Metric	**Savings/(Penalty)**
Retail 30-Day Claims	$2,405,373
Retail 90-Day Claims	Did not have guarantee
Mail Service Claims	$127,630
Average Rebate - 2 tier	$436,885
Average Rebate - 3 tier	$639,846
Realized Savings	$5,134,327
Penalties	($42,559)
Net	**$5,091,768**

*Presented in 2014

Envision 2014 Audit Findings*

Audit Metric	Savings/(Penalty)
Retail 30-Day Claims	$1,101,470.85
Retail 90-Day Claims	$516,539.13
Mail Service Claims	($116,156.35)
Rebate - 2 tier	$423,832.23
Rebate - 3 tier	$582,206.86
Realized Savings	$2,765,564
Penalties	($186,316)
Net	**$2,579,248**

*Presented in 2015

2015 Retail Discounts and Guarantees

Audit Metric	**2014 Goal**	**Total - All Funds**	**Difference**
Retail 30-Day Claims			
Brand Discount (% off AWP)	15.13%	15.08%	-0.05%
Brand Dispensing Fee	$1.29	$1.21	$0.08
Generic			
Generic Non-MAC Applied Claims (% off AWP)	25.96%	24.83%	-1.13%
Generic Non-MAC Dispensing Fee	$1.30	$1.25	$0.05
Generic MAC Applied Claims (% off AWP)	78.64%	80.81%	2.17%
Generic MAC Dispensing Fee	$1.38	$1.28	$0.10
Retail 90-Day Claims			
Brand Discount (% off AWP)	19.90%	19.14%	-0.76%
Brand Dispensing Fee	$0.00	$0.18	($0.18)
Generic			
Generic Non-MAC Applied Claims (% off AWP)	25.00%	28.15%	3.15%
Generic Non-MAC Dispensing Fee	$0.00	$0.09	($0.09)
Generic MAC Applied Claims (% off AWP)	75.00%	86.18%	11.18%
Generic MAC Dispensing Fee	$0.00	$0.12	($0.12)

2015 Mail Order and Rebate Guarantees

Audit Metric	2014 Goal	Total - All Funds	Difference
Mail Service Claims			
Brand Discount (% off AWP)	21.35%	21.27%	-0.08%
Dispensing Fee	$0.00	$0.00	$0.00
Generic			
Generic Non-MAC Applied Claims (% off AWP)	25.00%	25.00%	0.00%
Dispensing Fee	$0.00	$0.00	$0.00
Generic MAC Applied Claims (% off AWP)	80.34%	78.71%	-1.63%
Dispensing Fee	$0.00	$0.00	$0.00
Average Rebate	2-Tier Benefit		
Retail Claims (Brand Only)	$14.71	$20.05	$5.34
Mail Service Claims (Brand Only)	$44.03	$59.87	$15.84
Specialty	$9.50	$59.83	$50.33
Average Rebate	3-Tier Benefit		
Retail Claims (Brand Only)	$14.97	$20.92	$5.95
Mail Service Claims (Brand Only)	$53.09	$67.56	$14.47
Specialty	$51.17	$27.41	($23.76)

Activities of the Benefits Committee

- Review of ACA changes
- Develop specialty product with Envision
- Move all non-Envision specialty services to Orchard, Envision’s owned specialty vendor

Why were these changes done?

- Better pricing
- More control
- Improved programs
  - MTM
  - Specialty and PA process

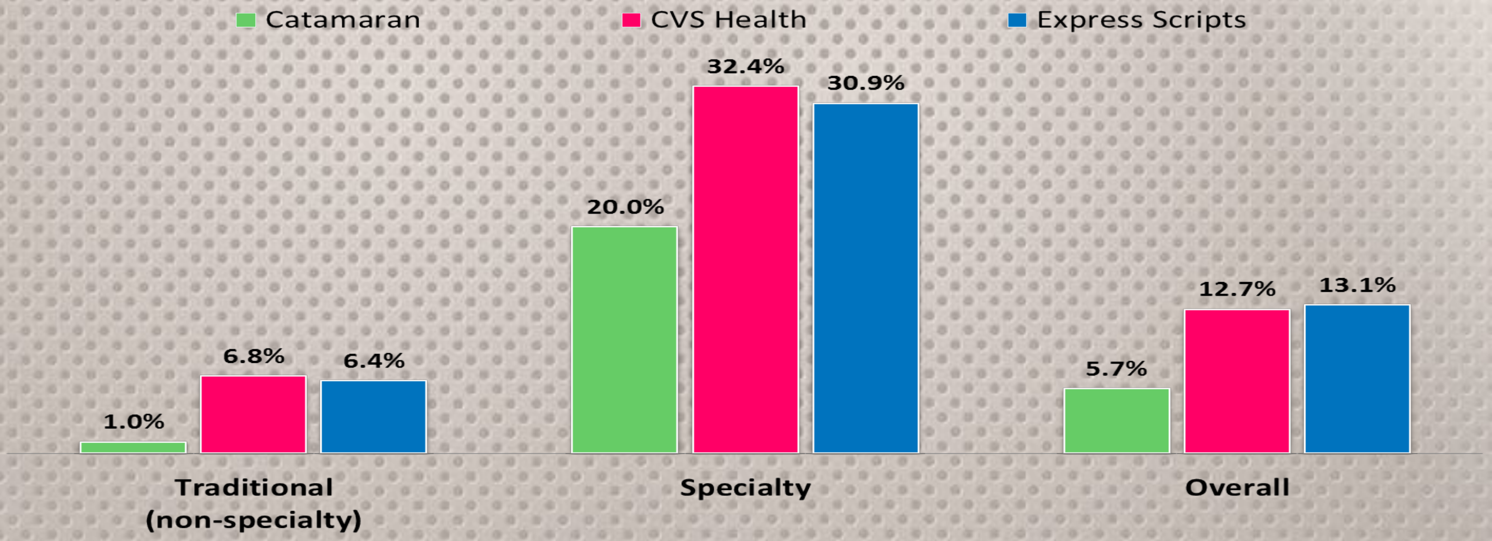
What to expect in prescription drugs in 2016?

- Specialty, specialty, specialty drugs
  - The median revenue per patient of the Top 100 drugs has increased from $1,260 in 2010 to $9,400 in 2014, representing an seven-fold increase.
  - The median patient population size served by a Top 100 drug in 2014 is 146,000, down from 690,000 in 2010.
  - There are now seven treatments priced in excess of $100,000 per patient per year in 2014, versus four in 2010.

Develop a Specialty Strategy

- Opdivo released December 2014
  - New PD-1 inhibitors (Lambrolizumab and Nivolumab)
  - Harnesses the body's immune system to fight tumors, including melanoma
  - Cost: **$165,600** annually Undiscounted AWP Cost
    - @ 15% discount = $140,000
- PCSK9 – Familiar Hyperlipidemia
  - July 24 – Praluent
  - August 24 – Repatha
  - Cost = Estimated **$12K** annually
  - Self injected antibody
  - Extremely effective, no drug interactions and fewer side effects
  - Broad indication likely
  - No initial outcomes data

Drug Trend, Traditional vs. Specialty Drugs, by PBM, 2014



Source: Pembroke Consulting analysis of company drug trend reports. CVS Health and Catamaran figures represent each PBM's overall book of business. Express Scripts figures represent commercially insured beneficiaries only.

Published on Drug Channels (www.DrugChannels.net) on May 27, 2015.

DRUG CHANNELS INSTITUTE

Plan Design Recommendations

- Prior Authorizations
  - You may want to conduct an audit of this process
- New to Market Strategy
- Copay alignment
- Copay assistance
- Carve out specialty to Orchard

DOL Recommendations about Pharmacy Programs

- **Recommendation No. 1: The Department should consider making Section 408(b)(2) Regulations applicable to welfare plan arrangements with PBMs, and thereby deem such arrangements reasonable only where PBMs disclose direct and indirect compensation, including compensation paid among related parties such as subcontractors, in a manner consistent with current Section 408(b)(2) Regulations.**

The 2014 ERISA Advisory Council, Executive Summary to the Secretary of Labor, November 4, 2014. Retrieved from: ww.dol.gov

DOL Recommendations about Pharmacy Programs

- **Recommendation No. 2:** The Department should consider issuing guidance to assist plan sponsors in determining whether to and how to conduct a PBM audit of direct and indirect compensation.

The 2014 ERISA Advisory Council, Executive Summary to the Secretary of Labor, November 4, 2014. Retrieved from: ww.dol.gov

Conclusions

- Audit findings indicate that Envision is still a good value
- Specialty prescription drugs will be 50% of your health care spend in 2016
- Develop a strategy for specialty
- Continue the audit process