PROPHARMA
PHARMACEUTICAL CONSULTANTS, INC.

Pharmacy Benefit News

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01 | Commentary: US Workers Take Bigger Out-Of-Pocket Costs Due to Health Care Deductibles

The Health Care Cost Institute (HCCI) published an analysis of 40 US metropolitan areas to determine the impact of high-deductible plans for employer sponsored health plans.

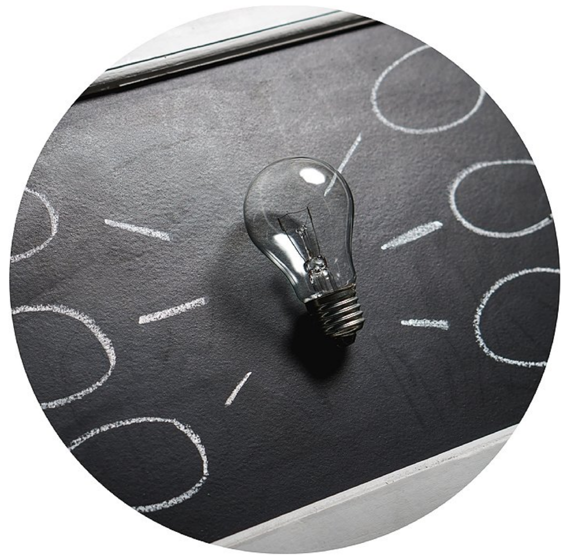
Their finding is that between 2012 and 2015 more workers were covered by high-deductible plans. According to economists, this trend is due to workers choosing plans with lower premiums, but workers with comorbid illness got less medical care. An additional finding was that gains in income were decreased by rising out-of-pocket spending between 2012 and 2015. As a result, company premiums covered less of the cost of health care than did traditional health insurance. Overall the high-deductible plans paid less for inpatient, outpatient, and prescription spending.

This data is of interest for the progress of employer sponsored health care spending. It might be argued that the 2012 to 2015 time-span is too short in that it does not cover the pre and post ACA period. It might also be argued that this is only for employee sponsored health plans and does not compare the impact of the ACA Exchanges on the employer sponsored health plans. However, what is interesting in the data is individual choice. People choose to pay less for health care in the short-term to preserve their fundamental needs. Long-term is not considered. This is a significant problem that needs to be addressed so that health care spending does not become a future catastrophe. Perhaps it is already here.

Trading lower short-term spending for long-term, high severity and high cost care is not a sustainable model!

Ref: WSJ, 9/1/17, B4

Analytics At Work | Forecast & Prediction



Problem: How do you get current and predicted trends at your fingertips? Forecasting and Predictions are not mathematical voodoo. They are the frequent request of Pro Pharma clients. Clients also request how to manage trend to their prearranged target. For example, keep trend at national averages, OR keep trend 1-3% below national averages, OR what is the trend for Specialty Rx versus traditional medications?

The answer to clients is frequently trend predictions predicated on supportable, and measurable, methodologies! Trend models are supported, among other things, by cost accounting, unit cost and utilization increase, provider performance metrics, medication category impact, new entrant impact, age/gender movements, and projections for future growth. All of these analyses are aggregated and provided in Pro Pharma/ProData Analytics cloud-based solutions. So, how is trend predicted, and then managed?

Methodology: First, what is the trend that is associated with predictions? Trend calculations based on PMPM (per-member-per-month) are commonly composed of the ingredient cost, utilization, and new entrant components. Each of these PMPM components are calculated monthly and summed. The result is compared to prior period trends. Second, what are the drivers that contribute to each element of trend? Drawing from cost accounting of every dollar spent on medications and the period-over-period price increases, two elements of trend are readily available. New entrants and price trend analyses contribute the third element.

Summing the results of these elements and comparing to prior periods is the trend prediction.

Aside from the actuarial models that Pro Pharma/ProData Analytics supports, the next problem is to manage trend throughout the year in order to reach targets. Analytics at your fingertips can help with monthly calculations and trends to identify components that require interventions. How do you manage Trend? Linking all elements of trend to their respective driver reports provides:

1. Medications incurring the largest price increases for formulary management
2. Financials for utilization trend leads to therapeutic category expansion/new PA targets/formulary planning
3. Provider performance for Comparative Price Sheets and Comprehensive Medication Reviews
4. Age/gender movement period-to-period impact the denominator of PMPM
5. Financials for new entrants provides a budget impact.

Outcomes: The results are trends, and the elements necessary to manage the trend to your target. The result -- lower paid PMPM, lower budget PMPM, and lower trend.

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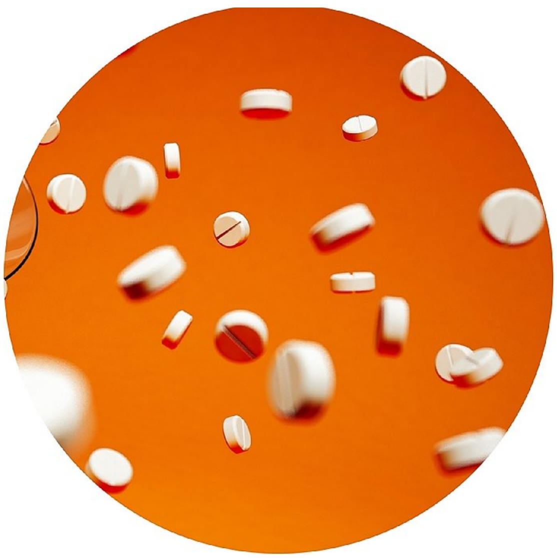

02 | Commentary: Generic Drug Prices Expected to Decrease 7% - 9% Annually

Amerisource Bergen, the second largest US drug wholesaler, estimates that generic drug prices will decline by 7% to 9% yearly. This estimate is also reported by Cardinal Health Inc. and McKesson Corp., other competing drug wholesalers.

Why? Brand prices are raising prices slower due to increased scrutiny. Generic prices tend to fall dramatically when a drug loses patent protection and there is competition from multiple generic manufacturers. However, in the last few years, generic prices increased due to market disruptions and decreased competition. Some drugs were not available as manufacturers stopped making them due to quality control problems, and the FDA was way behind in approving new generic entrants.

Now the trend has reversed. Generic prices are falling faster than their historic averages. Manufacturers like Teva Pharmaceutical Industries Lt., Mylan NV, Perrigo Co PLC, and Endo International PLC all report generic price deflation. Generally, this is a benefit for patients and payers.
The big however, is that specialty pharmaceuticals are quickly taking over the entire drug market. They will increase overall drug spend regardless of generic price deflation. Therefore, micromanagement of brand, generics, multisource, and over-the-counter (OTC) is important in the short-run, but disastrous in the long

run as only one factor is reviewed, not the total picture. Management of total drug cost is the target!

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03 | Commentary: Price Competition Comes to Treatments for Hepatitis C

The introduction of AbbVie's next generation treatment for Hepatitis C was approved last year. Mavyret® is now available to compete with the first-generation Hepatitis C treatments. The cost is estimated to be $26,400 for a standard course of 8 weeks' treatment.

This cost is before rebates and discounts. Compare this price to over $84,000 for 12 weeks of treatment before rebates and discounts.

Clinically, the second-generation Hepatitis C treatments have a shorter duration of therapy. Financially, the cost is far less than first-generation drugs. It will be important to watch therapy over a five-year period, similar to what we observe with cancer chemotherapy, to ensure that the claims are "cure" versus "treatment".

Financially, however, there is still the concern of cost versus affordability. For an average wage in the US of about $59,000 per year, the cost of specialty therapy is still a challenge. Compare this affordability argument to the falling personal savings rate of 3.8% (i.e., money saved as a share of after-tax income) in the second quarter of 2017. A year before, the savings rate was between 5% and 6%.

Couple the cost of specialty medications and lower savings, and the problem of affordability is not just a concern for how much a patient can borrow. It is a problem of access. Rationing of health care may already be here due to cost!

Ref: JP Morgan Chase statistics

About | Pro Pharma

Pro Pharma is a woman owned pharmaceutical consulting firm. Established in 1986, Pro Pharma's services are built on a foundation of data analytics, which are then communicated to the client which provide results and recommendations.

Pro Pharma provides customized support to Health Plans, Self-Insured Employers, Physician Groups, and Workers' Compensation Companies, among others, both in the private and public sectors.

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