PRO PHARMA
PHARMACEUTICAL CONSULTANTS, INC.

Pharmacy Benefit News

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COMMENTARY |

Wall Street Pursues Employee-Benefit Programs

Why would the merger specialists and investment banks be interested in employee-benefits? Predictable revenue to replace declining securities trading and provide principal investments. The banks are also looking for opportunities to sell wealth management to individual customers.

This is a very competitive area for the banks. Morgan Stanley, Goldman Sachs Group, Fidelity Investments, Charles Schwab, and E*Trade Financial are just some of the competitors. This is also a lower cost method to gain new customers for banks that already sell wealth-management to the companies. Now they can sell to the employees of these companies.

Ref: WASJ, 2/13/19, B14

Commentary: Wall Street has the analytics and the money to offer tools to help employees understand and choose between different health care options. A potential problem is that Wall Street has an agenda, i.e., to take the employees extra money and deploy it into wealth management tools. What are the residual options that lead to more disposable income that can be used by Wall Street? To be fair, this may not be significantly different from insurance brokers. Brokers and Wall Street may have different tools, but they both want employee dollars. Does the employee get the best insurance for them? We can only hope that the analytics provided by Wall Street leads them to the best option for them and their family. If not, then the employee has the same

that the bankers are already targeting the insurer and middleman profit margins.

The employer and employee want lower premiums and lower health care cost. The employer also wants higher presenteeism and lower absenteeism. Wall Street must provide analytics to meet these objectives. The greater goal must be to provide the best care at a minimum acceptable risk at an affordable cost. If Wall Street can view employee-benefits under this lens, then the banks are providing a benefit.

What happens to the middle-men like PBMs and TPAs? The bankers have the wherewithal to change the middleman model into a transaction model. The bankers change the health care and prescription costs into credit, e.g. credit cards/debit cards or loans, and charge small transaction fees. This changes the entire complexion of paying for expensive specialty medications, hospital/EM visits, labs, etc. In this scenario, the middle men (TPAs and PBMs) provide value only for commodity services or their services are rolled into a banking portfolio.

This entire banking scenario has the opportunity for changing the entire complexion of health care payment.

ANALYTICS AT WORK |

Retrospective Audit

Problem: A common request these days is -- Can an Audit help me to understand why costs are high, when my PBM is not helpful? At the same time other PBMs say they can help, but I am not sure if this is just marketing. A client contacted us for an expedited Retrospective Audit to determine the drivers of cost and the options available for change.

Methodology: Pro Pharma performed a Retrospective Audit including tests for eligibility, benefit compliance, brand and generic pricing, specialty pricing/utilization, benchmarking to national and local standards, and transparency in bases of cost. The Audit was expedited through the use of 100% electronic/digital analyses to facilitate quick turn-around time to significantly reduced Audit Costs, and available for desk and mobile devices.

Findings included potential problems with formulary claims that were coded as Brand when the Plan Expected Generics; problems with transparency such that AWP was inflated from national reference databases; specialty approved for

diagnostic tests, pricing above benchmarks, discount generic programs, Medicare/Medicaid when applicable, and patients paying more than cost of drug.

Outcome: The client used the findings to redirect coding options to include only Generic formulary options for multisource (especially timed-release products), OTC, store brands and private labels. They worked with the PBM to correct inflated AWP issues, and variances from Medicare and Medicaid. They moved Specialty to Prior Authorization (PA) and improved criteria. They expanded the benefit to include payments for discount generic programs and removed zero-balance options. The result was normative pricing that was measurable and validated, low single digit point-of-sale trends, and a solution for analyzing future spend.

The client felt that they now had control, as they were equipped with a plan, an understanding of the drivers of cost, a solution for matching actual spend to expectations, and improved satisfaction.

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COMMENTARY |

Generic Insulins – Where Are They?

Eli Lilly, in response to Senate Financial Committee questioning, is introducing a generic insulin. The new insulin will be Insulin Lispro, a generic of Humalog®. According to the manufacturer, the generic will cost $137.35/vial and $265.20 for a five-pack of pens. This is a 50% discount off the branded price. The generic is categorized as an “authorized generic” which means that it is the company’s own product repackaged and marketed as a generic. Eli Lilly is working with its network of distributors to make the generic available as soon as possible.

Commentary: It is interesting that there is not a generic presence in the insulin market place as there are in most other medication categories. The authorized generic makes it easier to market, as all of the R&D and FDA processes have already been accomplished. A pricing discount on this Insulin is also an approach to addressing high cost concerns without lowering the price of the branded product.

attacked. Hepatitis C drugs, Epclusa® and Harvoni®, and EpiPen® for life-threatening allergic reactions have recently allowed for authorized generics or true generics providing lower cost options. Repatha® for high cholesterol has significantly lowered the cost of its medication.

Responding to the outcry over high cost may be a smart marketing move to maintain or expand market share, while also keeping the cost of brands unchanged. It would now be no surprise if the Insulin manufacturers initiated a generic market for Insulin. Certainly, Senators have recently called on the FDA to increase approval pathways for generic insulins. FDA requirements may also change to allow for easier development and marketing of Insulin generics. However, in the case of a critical medicine like Insulin, we can expect that the affordability problem will persist. When the cost of standard insulins is approximately $15/month, we can expect that Congress, pharmacists, physicians, hospitals, and the general public will maintain the pressure to lower drug cost and push for purchasing medications on the international market.

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COMMENTARY |

The Patent Cliff In 2019

FiercePharma published a list of drugs losing patent protection in 2019. To remove the suspense... Listed in order of US sales in 2018, they are:

- Rituxan
- Lyrica
- Herceptin
- Avastin
- Epclusa, Harvoni
- Sensipar

- Restasis
- Letairis
- Suboxone film

Commentary: The general approach to loss of patent protection is for generic manufacturers to introduce generics or for the brand manufacturers to introduce or sign agreements with other manufacturers to release generics. After the six-month exclusivity of the first generic, the market price craters. Since several of the products losing patent protection in 2019 are specialty medications, a similar approach would be used to produce biosimilars.

Aside from the many legal cases between branded and generic manufacturers, the real issue is how the branded manufacturers address price, and the competition for treatment of the same conditions. Since these medications are top sellers, competition should be fierce. The race to provide generics and biosimilars should also be fierce and internationally competitive. High cost and international competition feeds into the current arguments in Congress, and movements in some States to buy cheaper drugs in Canada. It is interesting that Epclusa and Harvoni introduced authorized generics in anticipation of the patent loss.

Branded manufacturers have been successful in extending patents to treat different categories of patients like kids, women, elderly, and different diseases. A case in point, the patent for Lyrica® was extended for this reason while Pfizer tested the drug in pediatric patients. Restasis® provided comic relief in this group when Allergan transferred the patent to the Saint Regis Mohawk Tribe to argue sovereign immunity to the patent. No one seems to have been fooled and the courts have not been kind to Allergan or the Mohawk Tribe.

The bottom-line is that formularies will rush to add generics to their lists. Providers and patients should also be assertive in requesting a lower cost generic/biosimilar option. We can also expect that the pressure from Congress may accelerate patent loss by brands that have so far avoided patent loss, e.g., Actemra, Invega Sustenna, Orencia, etc.

What is even more important is that patent loss leads to more flexibility to attack the profit margins of the various players in the healthcare system, namely, generic manufacturers, wholesalers/distributors, hospitals, pharmacies, prescribers and patients. Technology is the vehicle to lead the attack. Payers and patients presumably benefit. The rest of the healthcare system plays on the edge, i.e., some win and some lose. This balancing act is the story for the next decade.

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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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