Improving Outcomes and Controlling Costs:

TAC Health Pool Pharmacy Program Changes

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HEBP History with CVS Caremark

The Pool contracted with CVS Caremark as our PBM for 17 years.

Our relationship with CVS Caremark was positive, and they helped the Pool as we grew from less than 100 to over 200 groups.

QUESTION:

Why fix what wasn’t broken?
What is a PBM?

PBM stands for ‘Pharmacy Benefit Manager’

A health plan contracts with a PBM to manage the prescription drug component of the plan.

The Pharmacy Benefits Landscape

- County or District
- PBM
- Manufacturers
- TAC HEBP or Insurance Carrier
- PBM-Owned Pharmacy
- Pool Members or Patients
- Pharmacy
Of the $3.4 trillion national healthcare spend in 2018, prescription drugs represented 10-14%, and were the fastest growing healthcare sector

*Pharmacy costs make up roughly 25% of TAC health pool claims cost*

Pharmaceutical spending in 2018: over $344 billion for 5.8 billion prescriptions
Prescription Spend Increasing Rapidly Due to Multiple Factors

1. Pharmaceutical lobbying and advertising
2. New, high-cost specialty drugs
3. Price inflation of existing drugs

Why are drug prices increasing dramatically?

1) Manufacturers increase the cost of drugs that have been on the market for years.

The price for a 2-pack of Epipen increased from $94 to more than $600 in just nine years.
Drug Patents: “Evergreening”

Rather than rewarding innovation, our patent system is now largely repurposing drugs. Between 2005 and 2015, over 75% of the drugs associated with new patents were not new drugs coming on the market, but existing ones.

New patents can be obtained on minor tweaks such as adjustments to dosage or delivery systems.

Drug Patents: blocking competition

- Eight drug manufacturers have released “biosimilars” (generics) of Humira in Europe since 2018. Three of these have been approved by the FDA;
- These sell for 10-25% less than Humira, but;
- Cannot be sold in U.S. because Humira’s manufacturer obtained more than 100 patents to block biosimilars from U.S. market until at least 2023

Cost of a 30-day supply for TAC HEBP plans: $7,276
Why are drug prices increasing dramatically?

2) Government does not have pricing controls

Medicare covers over 50 million people, but CMS is not allowed to negotiate drug prices for the program, which spent over $134 billion on prescription drugs in 2017.

Why are drug prices increasing dramatically?

3) Drug manufacturers manipulate the market

<table>
<thead>
<tr>
<th>Ibuprofen</th>
<th>Generic Pepcid</th>
<th>“Combo Drug”: ~ $2,000/month</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 meds purchased over-the-counter: less than $5/month</td>
<td>Manufacturer Coupons</td>
<td></td>
</tr>
</tbody>
</table>
What are Specialty Drugs?

- Often a high-cost medication used to treat chronic, complex and/or rare disease states
- May require special handling, storage, inventory and/or administration
- Require clinical management to optimize safety and adherence

Frequent need for long-term chronic administration accounts for significant spend.

Specialty Drugs – Growing Piece of a Larger Pie
U.S. 2018

Utilization
Specialty < 3%
Non-Specialty 97%

Spend
42% Specialty
58% Non-Specialty

Specialty is expected to grow to 50% of total pharmacy spend by 2020
8 in 10 employers ranked specialty prescription drugs among the top 3 factors in rising health care costs.*

In 2018, 59% of plan sponsors had a separate cost-sharing tier for specialty drugs

*According to National Business Group on Health, 2017 Press Release
The pharmaceutical industry lobby spent over $220 million in 2018.

**Why are drug prices increasing dramatically?**

4) *Someone has to pay for all those pretty commercials.*

Drug manufacturers spend 2.5x more on advertising and administration than on research and development.

Direct-to-consumer drug advertising is only allowed in two industrialized nations: the U.S. and New Zealand.
The federal government is beginning to discuss action on drug pricing and PBM practices

Senate hearing puts spotlight on debate over consolidation in PBM market

Congress putting pressure on drugmakers and PBMs to address steep insulin prices

Federal budget proposal includes changing FDA practices to increase generic drug access

Bi-partisan bill would link a drug’s price to its clinical effectiveness

Lobbyists push Congress hard for changes to proposed legislation addressing surprise medical bills

Senate works on bills to support Administration's proposed ban on drug rebates for PBMs
Insulin prices overall have nearly tripled since 2002

- **Humalog**: increased 585% between 2001 and 2015
- **Novolog**: increased 87% between 2013 and 2019
- **Lantus**: increased 77% between 2013 and 2019

Projected to be over $520 billion by 2021

*51% increase*
**QUESTION:** Why fix what wasn’t broken?

**ANSWER:** It was broken.
Provide TAC HEBP with the net cost of all drugs.

New contract requirements – not the traditional PBM model.

TAC Pool historical per employee per month (PEPM) Pharmacy costs
Pricing and Rebates

Drug manufacturers and wholesalers inflate the ‘list price’ of drugs in much the same way as car manufacturers. No one pays the “sticker price”, but plan sponsors usually never know the true price of a drug.

Lowest Net-Cost Approach

<table>
<thead>
<tr>
<th>Scenario #1</th>
<th>Rebated Drug</th>
<th>Non-Rebated Drug</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Cost</td>
<td>$200</td>
<td>$150</td>
</tr>
<tr>
<td>Rebate</td>
<td>$100</td>
<td>$0</td>
</tr>
<tr>
<td>Net Total Cost</td>
<td>$100</td>
<td>$150</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Scenario #2</th>
<th>Rebated Drug</th>
<th>Non-Rebated Drug</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Cost</td>
<td>$250</td>
<td>$100</td>
</tr>
<tr>
<td>Rebate</td>
<td>$100</td>
<td>$0</td>
</tr>
<tr>
<td>Net Total Cost</td>
<td>$150</td>
<td>$100</td>
</tr>
</tbody>
</table>

Definitions

Total Cost = Plan Paid + Member Paid

Net Total Cost = (Plan Pd + Member Pd) – Rebate
New contract requirements – not the traditional PBM model

Pass-through all $$ received from manufacturers and wholesalers

PBM Conflict of Interest?

There are over 30 labels for payments from drug manufacturers to PBMs. Typically, only 1 or 2 of them are “rebates”.
Agree to specific definitions for drug classifications, with no ability to move drugs between classes.
Moving to a ‘Lowest Net Cost’ model meant changing how drugs are classified

<table>
<thead>
<tr>
<th>OLD CLASSIFICATIONS</th>
<th>NEW CLASSIFICATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Generic</td>
<td><strong>Tier 1</strong></td>
</tr>
<tr>
<td></td>
<td>Lowest cost tier of prescription drugs - most</td>
</tr>
<tr>
<td></td>
<td>are generic, but some are brand-name.</td>
</tr>
<tr>
<td>Preferred Brand</td>
<td><strong>Tier 2</strong></td>
</tr>
<tr>
<td></td>
<td>Medium-cost prescription drugs – includes</td>
</tr>
<tr>
<td></td>
<td>mostly generic and some brand-name prescription drugs.</td>
</tr>
<tr>
<td>Non-Preferred Brand or Specialty</td>
<td><strong>Tier 3</strong></td>
</tr>
<tr>
<td></td>
<td>Higher-cost prescription drugs – includes</td>
</tr>
<tr>
<td></td>
<td>mostly brand-name prescription drugs, and</td>
</tr>
<tr>
<td></td>
<td>almost all specialty drugs.</td>
</tr>
</tbody>
</table>
Allow TAC HEBP to customize the drug formulary

New contract requirements – not the traditional PBM model

Drug Savings Review - Researched the 200 most expensive drugs covered by the Pool

- Strengthened Utilization Management Programs:
  - Quantity Limits
  - Step Therapy
  - Prior Authorization
- Excluded some drugs from coverage
Example: Three Therapeutic Categories:
Approximate Savings in 1 Year: $2,016,989 to $2,037,362

- Proton Pump Inhibitors (PPIs) such as Nexium and Dexilant
- Nasal steroids such as Flonase
- Non-sedating antihistamines such as Zyrtec

<table>
<thead>
<tr>
<th>Brandname</th>
<th>Cost per 30-Day Supply</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACIPHEX</td>
<td>$478.53</td>
<td>Exclude</td>
</tr>
<tr>
<td>ACIPHEX SPRINKLE</td>
<td>$476.75</td>
<td>Exclude</td>
</tr>
<tr>
<td>DEXILANT</td>
<td>$254.17</td>
<td>Exclude</td>
</tr>
<tr>
<td>DUEXIS</td>
<td>$2,077.33</td>
<td>Exclude</td>
</tr>
<tr>
<td>ESOMEPRAZOLE MAGNESIUM</td>
<td>$174.59</td>
<td>Exclude</td>
</tr>
<tr>
<td>LANSOPRAZOLE</td>
<td>$47.70</td>
<td>Cover</td>
</tr>
<tr>
<td>NEXIUM</td>
<td>$190.97</td>
<td>exclude</td>
</tr>
<tr>
<td>OMEPRAZOLE</td>
<td>$30.16</td>
<td>Cover</td>
</tr>
<tr>
<td>OMEPRAZOLE-SODIUM BICARB</td>
<td>$1,928.29</td>
<td>Exclude</td>
</tr>
<tr>
<td>PANTOPRAZOLE SODIUM</td>
<td>$22.95</td>
<td>Cover</td>
</tr>
<tr>
<td>PREVACID</td>
<td>$376.32</td>
<td>Exclude</td>
</tr>
<tr>
<td>PRILOSEC</td>
<td>$74.21</td>
<td>Exclude</td>
</tr>
<tr>
<td>RABEPRAZOLE SODIUM</td>
<td>$76.63</td>
<td>Exclude</td>
</tr>
<tr>
<td>VIMOVO</td>
<td>$2,158.45</td>
<td>Exclude</td>
</tr>
</tbody>
</table>

* combination of 2 OTC medications
**Example: Auto-immune Treatments**

Approximate Savings 1st year: **$1.06 to $2.138 million**

Biologic agents (like Enbrel or Humira) vs generic, less expensive treatment like methotrexate

*The TAC/Navitus formulary includes a Step Therapy program requiring newly diagnosed patients who need auto-immune therapy to try the less-expensive drug as a first-line treatment before moving to more expensive medications.*

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### Auto-immune Treatments

**Prices on 2017 formulary.**

**Methotrexane: less than $25 for 30-day supply**

<table>
<thead>
<tr>
<th>Brandname</th>
<th>Cost per 30-Day Supply</th>
</tr>
</thead>
<tbody>
<tr>
<td>CIMZIA</td>
<td>$4,653.10</td>
</tr>
<tr>
<td>COSENTYX PEN (2 PENS)</td>
<td>$5,594.07</td>
</tr>
<tr>
<td>ENBREL</td>
<td>$4,895.99</td>
</tr>
<tr>
<td>HUMIRA</td>
<td>$5,457.10</td>
</tr>
<tr>
<td>HUMIRA PEN</td>
<td>$5,620.29</td>
</tr>
<tr>
<td>HUMIRA PEN CROHN-UC-HS STARTER</td>
<td>$14,259.77</td>
</tr>
<tr>
<td>HUMIRA PEN PSORIASIS-UVEITIS</td>
<td>$8,231.44</td>
</tr>
<tr>
<td>ORENCIA</td>
<td>$4,155.53</td>
</tr>
<tr>
<td>OTEZLA</td>
<td>$2,969.61</td>
</tr>
<tr>
<td>STELARA</td>
<td>$6,580.25</td>
</tr>
<tr>
<td>TALTZ AUTOINJECTOR</td>
<td>$7,728.73</td>
</tr>
<tr>
<td>XELJANZ</td>
<td>$3,843.51</td>
</tr>
<tr>
<td>XELJANZ XR</td>
<td>$3,845.65</td>
</tr>
</tbody>
</table>
The Pool did an RFP in 2018 and contracted with Navitus Health Solutions as our new PBM

Rollout of new pharmacy program

- Provided literature, webinars, County magazine articles, postcards mailed to home address, and website updates to alert our 46,000+ members to the upcoming change.
- Grandfathered all but a few drugs for first 90 days.
- Permanently grandfathered most drugs for treatment of cancer, rheumatoid arthritis, MS, and ADHD for members who were already taking the drug.
Challenges during transition

- ID cards were late
- Confusion at Navitus customer care and some pharmacies
- Change from Generic/Brand to Tiers was not communicated
  - Flu shots and some medications not processed at correct copay amount
  - Frustrations with Prior Authorization and Step Therapy requirements
  - Difficulty switching to Costco mail order service

TAC HEBP Responses:

- Reacted as quickly as possible to members who were unable to fill prescriptions due to programming or customer service errors
- Refunded members who paid for flu shots
- Re-evaluated formulary and moved some generics back to Tier 1
Program Status:

- Volume of customer service calls to Navitus and TAC HEBP are back down to pre-transition levels
- Monthly and quarterly reviews to monitor contract performance and formulary updates
TAC Pool historical per employee per month (PEPM) Pharmacy costs

22% Reduction from 2018

U.S. Prescription Drug Spending (in billions)

Resources and Solutions for Counties
Various Locations | Fall 2019
TAC HEBP contracts with an outside, independent pharmacy consulting firm to review Navitus’ formulary decisions and monitor their compliance with contract terms.

Exceptions for Medical Necessity:

- Navitus provides an ‘exception to coverage’ process for drugs that require prior authorization, step therapy, and/or quantity limits
- TAC HEBP has an appeal process
- Exceptions are made based on clinical evidence and documentation from the prescribing physician