



2020 Annual Forum

Innovative Practices to Mitigate "Shock" Claims
Monday, November 9, 2020 | 3:45 PM – 4:45 PM ET



Chris Syverson
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#NatAllForum

Complex Claims

Clinical Overview

Christine Hale, MD, MBA
Vice President, Clinical Consulting
Lockton Dunning Benefits



What's Really Driving Employer Health Plan Costs?

0.6%



of a population
drives 35%
of employers'
spend



High-cost claims
are different



Specialty Medicines,
especially injectables,
are the fastest-growing
driver of high-cost claimants

High-cost claimants
are made up of
cancers, kidney
failure, sepsis,
complex newborns
and hemophilia



High-Cost Claimant
Predictive Analytics
can **sometimes** identify
these individuals and target
early interventions

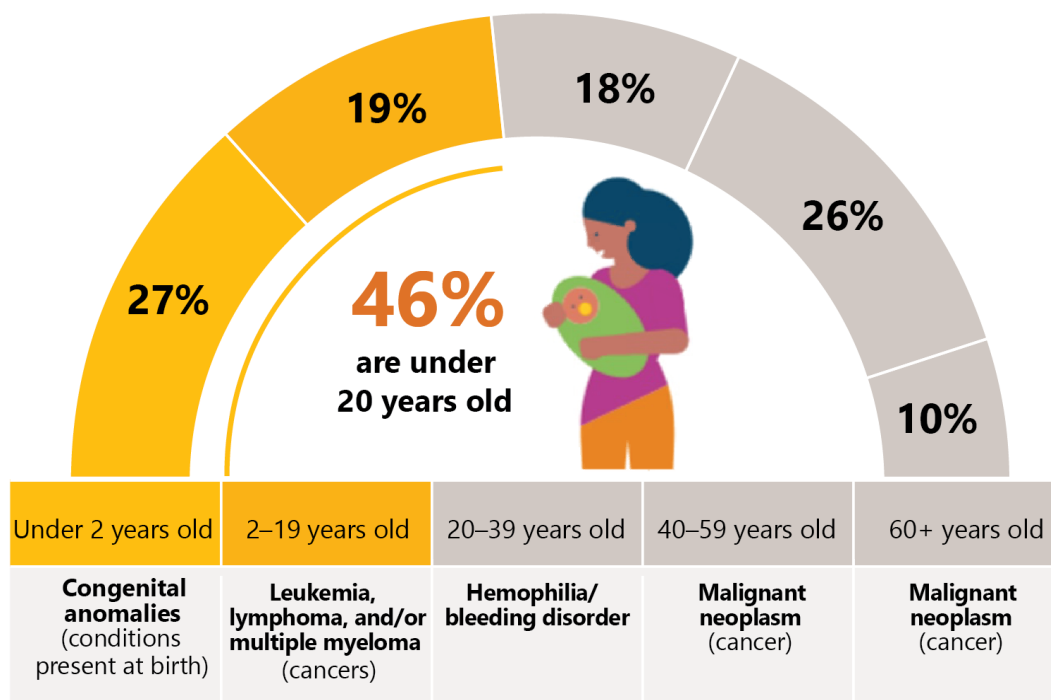


Health care
inflation is driven
by price increases,
not utilization, think
new medical and Rx
technologies.



Chronic conditions are the direct cause of less than a
quarter of medical and pharmacy claims over \$50,000
(high-cost claims)

Stop Loss \$1M+ Claimant Risk Drivers

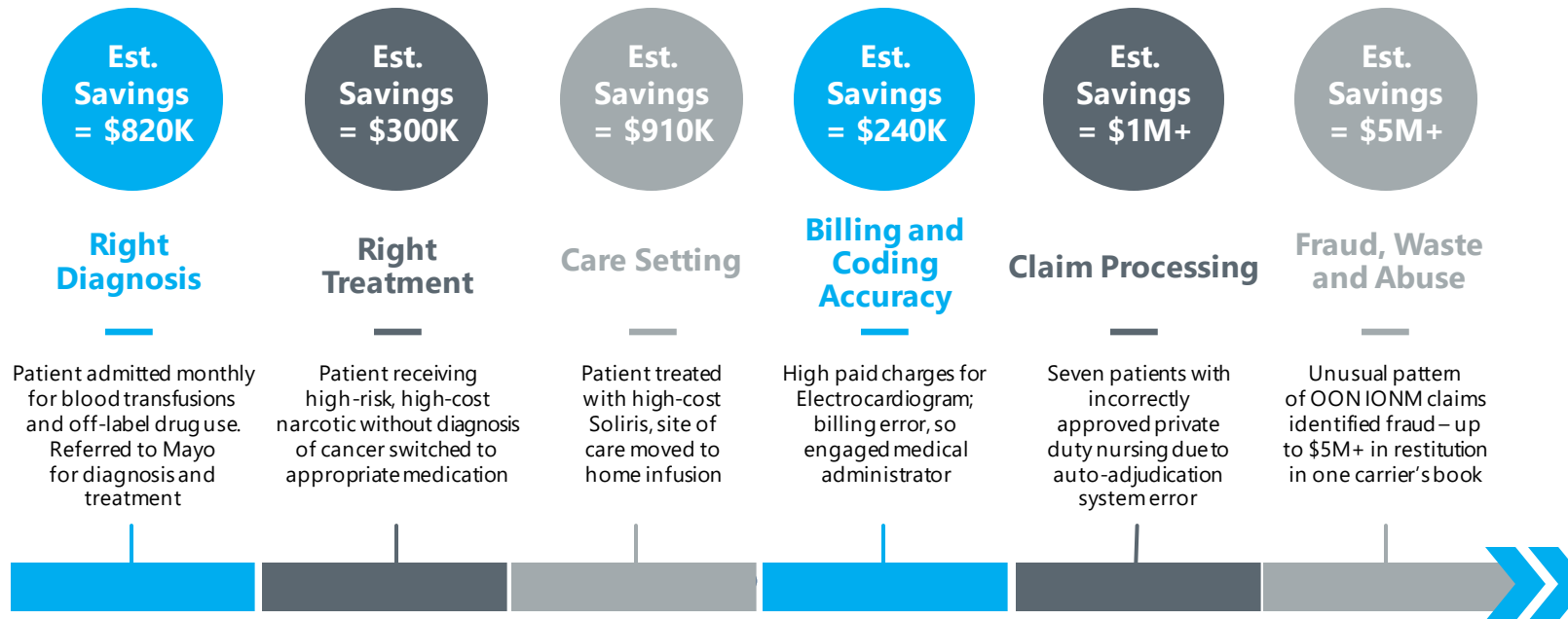


Leading high-cost condition

Source: Sun Life Financial book of business data, 2015-2018.

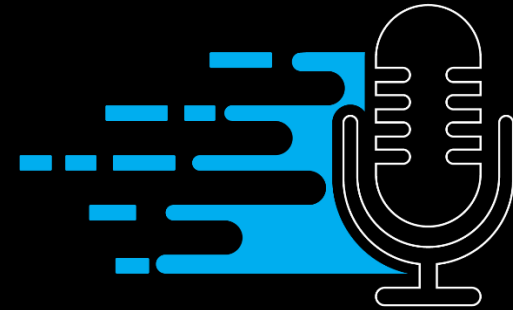
1. From 2016 to 2019, 27% of people with claims \$1M and higher were under age 2, 46% were under age 20.
2. In 2019 members under age 2 were 6% of total stop loss claims however, they were 26% of claims \$1M and over and 43% of claims over \$3M.
3. Infants are particularly prevalent amongst the highest cost claimants. Members under age 2 represent 43% of claimants over \$3M.

Case examples



*Lockton as a
verb Podcast*

w/ Christine Hale



LOCKTON

Innovative Practices to Mitigate “Shock” Claims

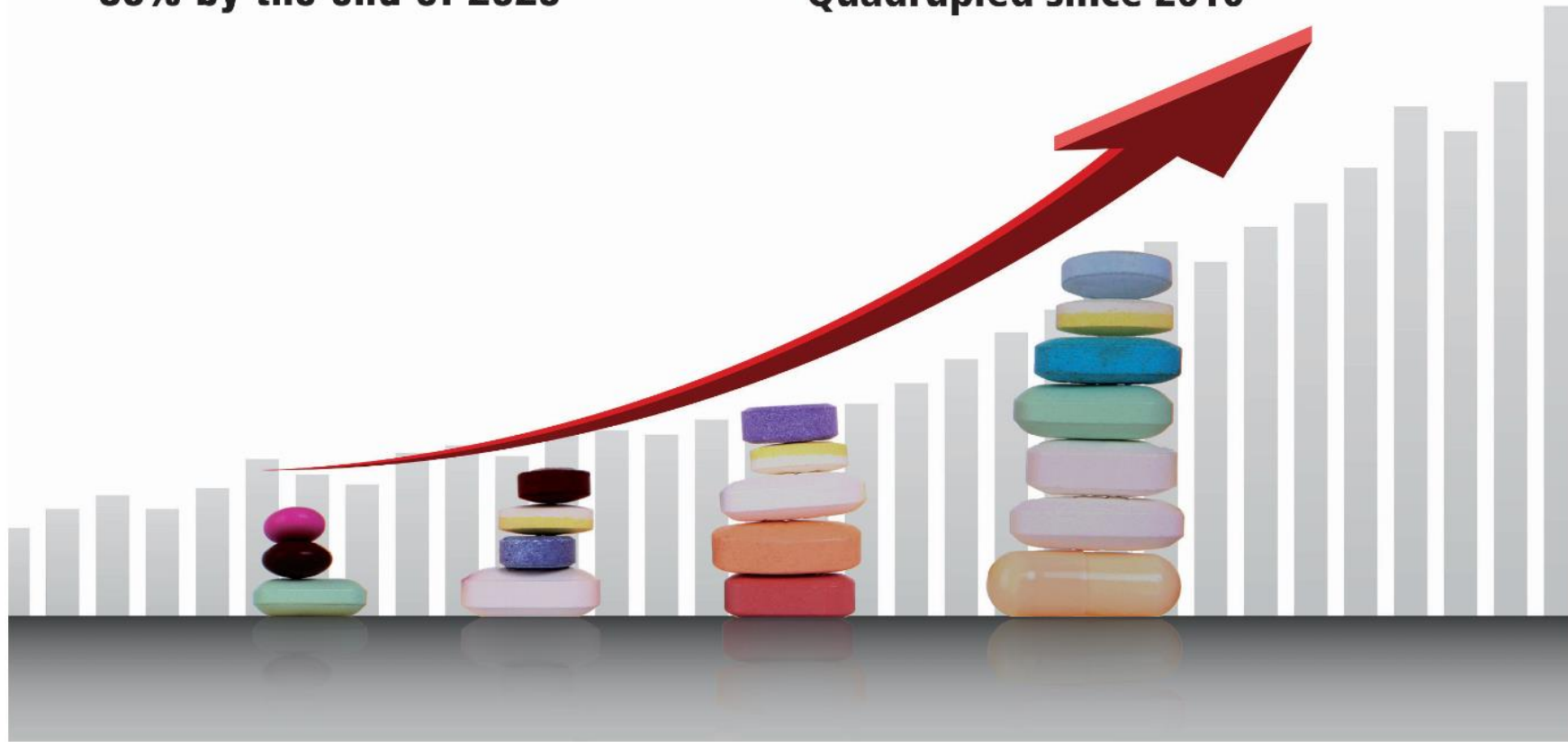


 **US-R_x Care**
Leading Change

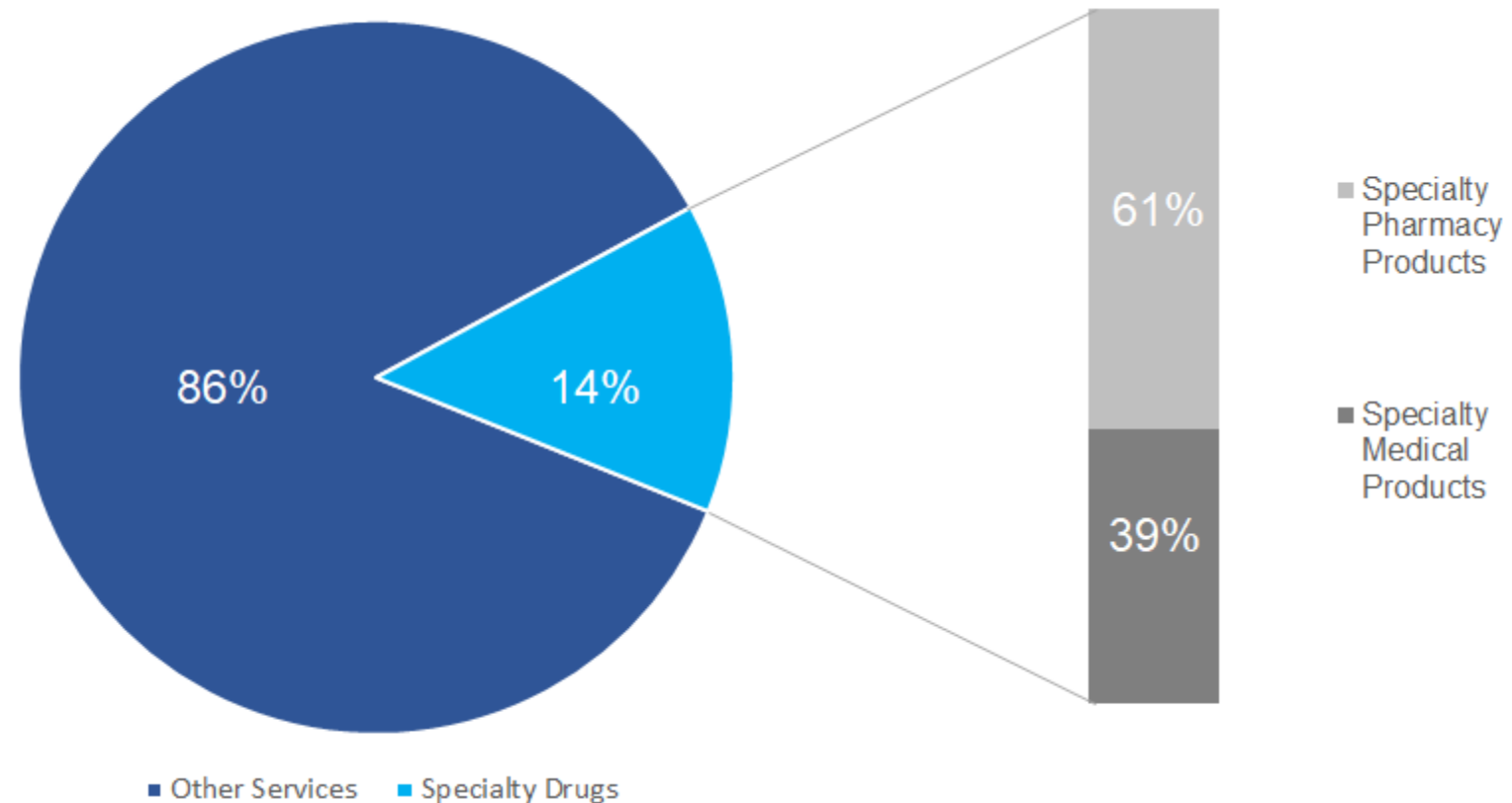
Specialty Pharmaceutical Costs' Unsustainable Trajectory

Specialty drug portion of National pharmacy spend:
50% by the end of 2020

Utilization of Specialty Medications:
Quadrupled since 2010

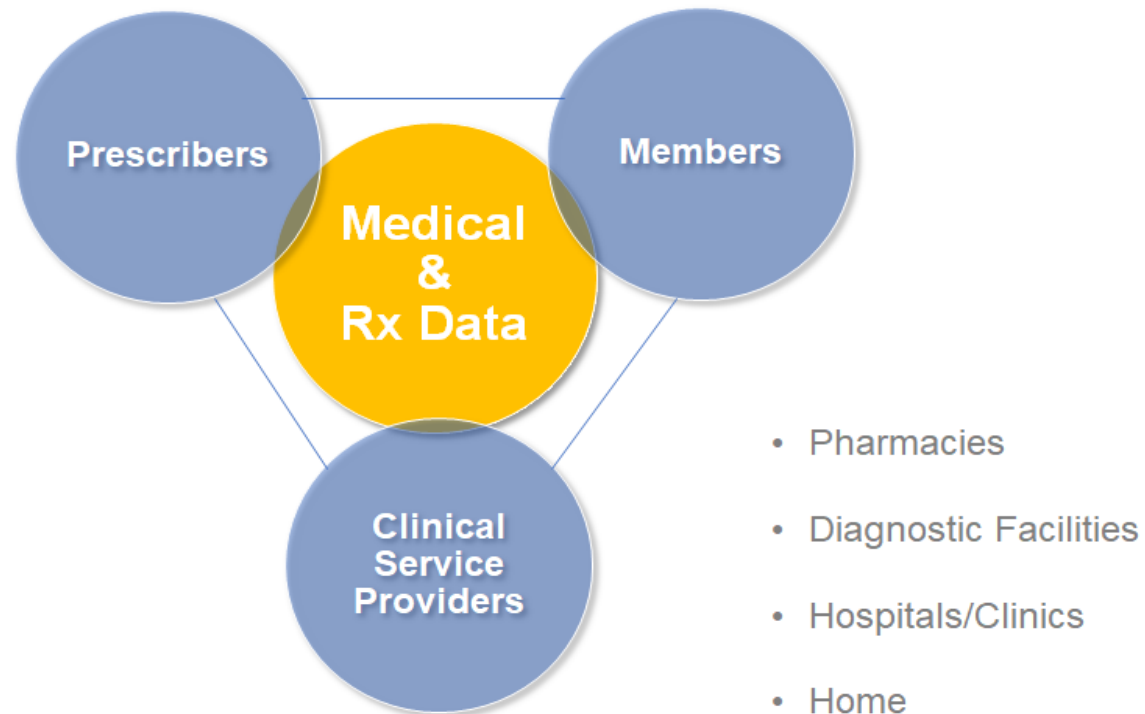


2019 Commercial Healthcare Costs



Source: Milliman

Coordination and Communication Across The Quality of Care Continuum



Proven, Efficient Cost-Control Solutions

CLINICAL RIGOR AND COST-EFFECTIVE SOURCING

De-Conflicted Clinical Oversight

- Separation of dispensing/ rebates from clinical functions
- Independent, expert clinical management
- Cost-effective step therapy, when appropriate
- Elimination of waste

Sourcing At Lowest Available Cost

- Fully leveraged copay and patient assistance programs
- Specialty generics filled in retail, not specialty pharmacy
- Site of care optimization for provider administered drugs

Clinical Case Example

\$92,625 savings to the plan



BD is a 35-year-old female diagnosed with severe Stevens-Johnson syndrome and was ordered Acthar HP 80 units by injection every 24 hours for 3 days.

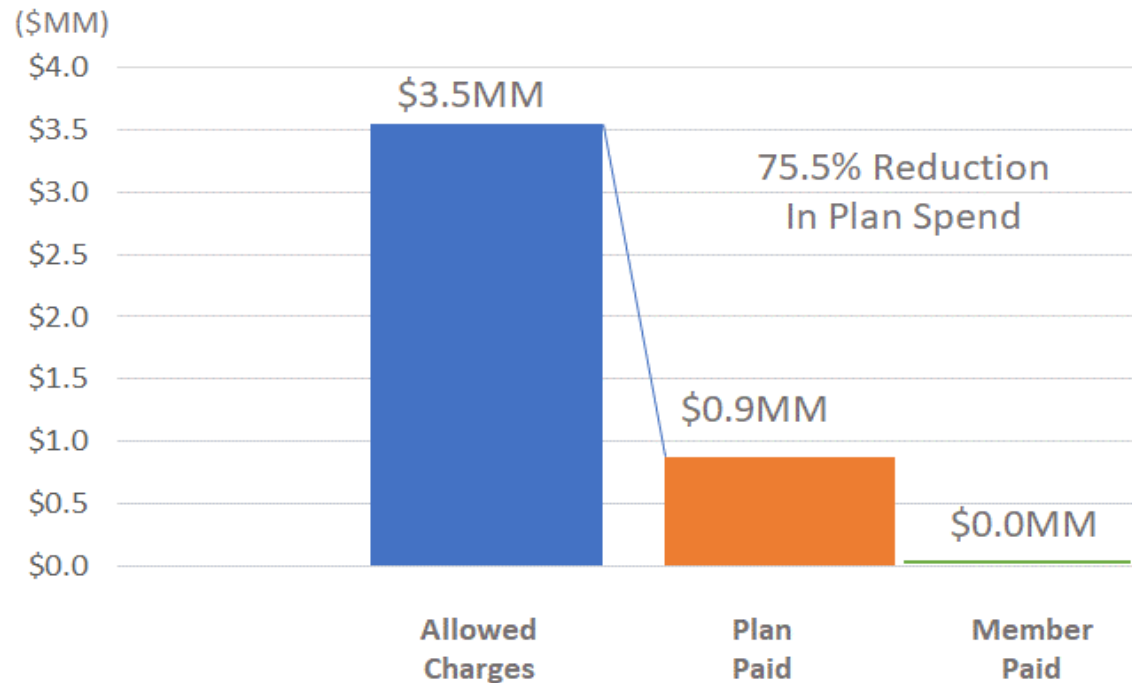
US-Rx spoke with MD and recommended methylprednisolone IV 250mg followed by oral Medrol tapering dose. The cost of Acthar HP therapy would have been \$93,000. Methylprednisolone 250mg was \$15.00/vial and methylprednisolone IV infusions \$110/day for a total treatment cost of \$375. The patient response was excellent.

Small Wins Can Quickly Add Up To Big Wins

Condition	Initial MD Suggestion	Filled	Reason For Change	Savings
Malignant neoplasm of the extrahepatic bile duct	Stivarga & Nexavar	Nexavar	National Guidelines	\$112,200
Prostate Cancer	Zytiga	Not Filled/ Not Medically Appropriate	National Guidelines	\$103,536
Pulmonary Arterial Hypertension	Adcirca	Sildenafil	Alternative	\$26,431
Multiple Sclerosis	Betaseron	Extavia	Same Active	\$8,808
Multiple Sclerosis	Copaxone	Glatopa	Generic	\$23,328
Growth Hormone Therapy	Genotropin	Zomacton	Same Active	\$32,850
Prostate Cancer	Lupron	Trelstar	Alternative	\$7,416
Chemotherapy Induced Neutropenia	Neulasta	Neupogen	Alternative	\$2,021/cycle

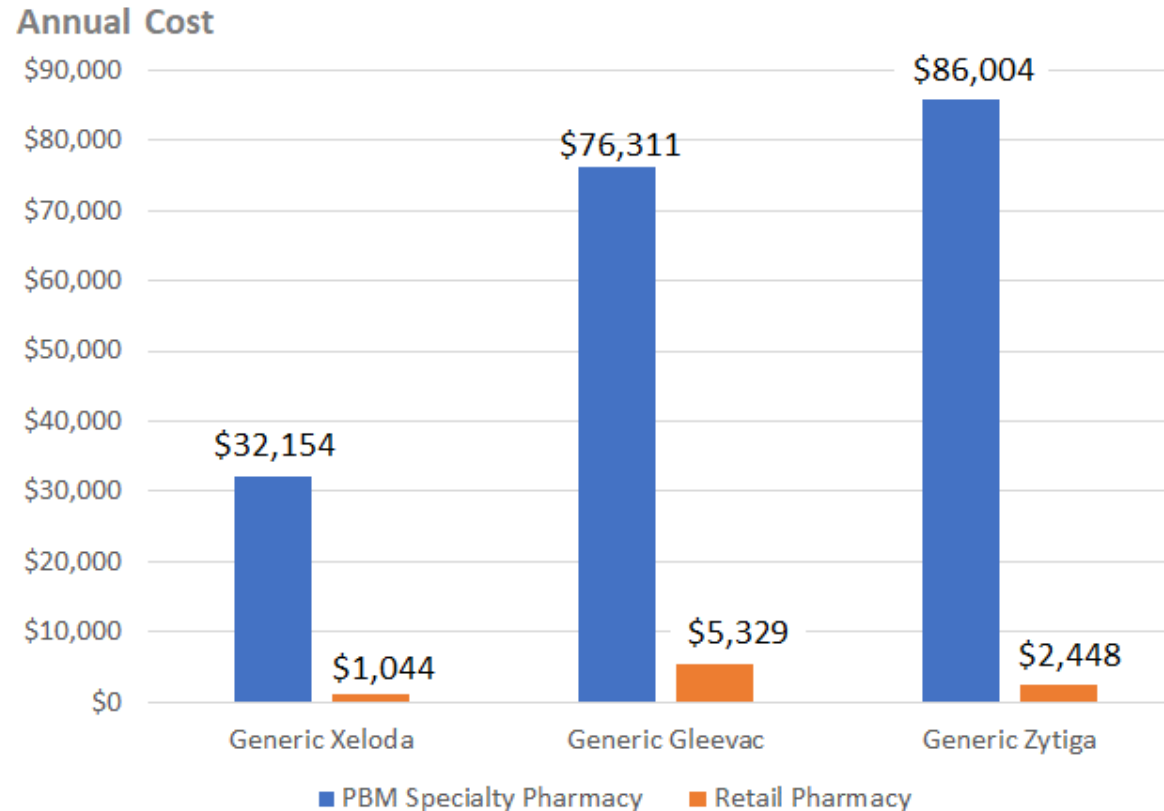
Hemophilia Sourcing Example

UNION TRUST FUND ANNUAL SAVINGS FOR 3 MEMBERS WITH HEMOPHILIA



Specialty Pharmacy vs. Retail Pharmacy Cost Comparison

ACTUAL PAID CLAIMS (2020)



Capecitabine (Zeloda) 500mg | Imatinib (Gleevac) 400mg | Abiraterone (Zytiga) 250mg

Top Medication Targets for Low / No-Cost Dispensing Programs

RECENT SELF FUNDED EMPLOYER EXAMPLE

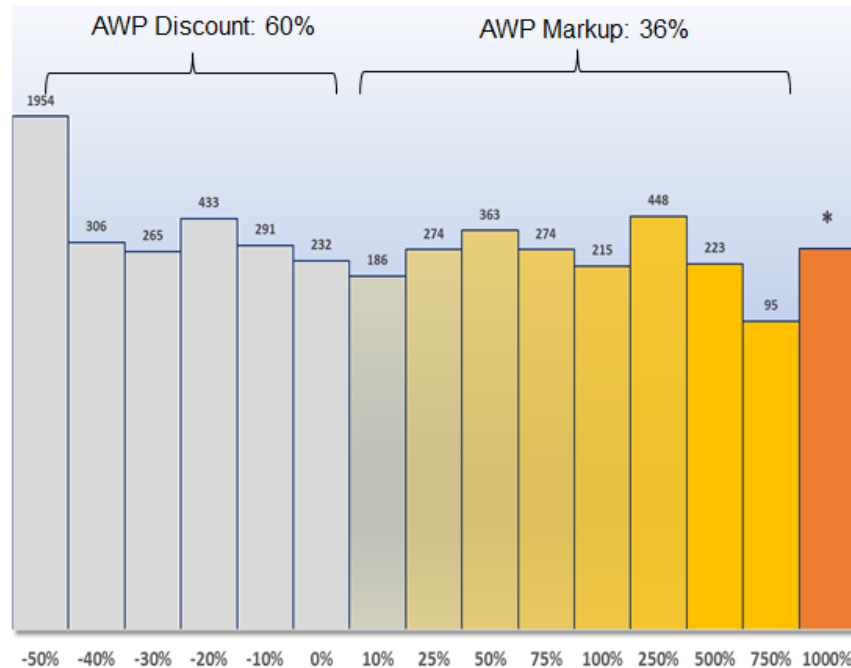
Target Medication	RX Count	Plan Paid
Humira	85	\$833,927.33
Stelara	28	\$566,134.19
Enbrel	59	\$435,989.31
Tremfya	20	\$229,184.45
Xyrem	18	\$216,818.89
Orkambi	10	\$212,379.30
Xeljanz XR	26	\$200,074.80
Eloctate	6	\$183,008.60
Revlimid	11	\$158,412.54
Jadenu	12	\$141,515.73
Betaseron	14	\$139,482.54
Otezla	27	\$134,357.50
Aubagio	6	\$132,647.52
Enbrel Mini	20	\$131,872.98
Alecensa	4	\$122,955.90
Tagrisso	4	\$122,338.64
Tecfidera	9	\$119,456.79
Tyvaso Refill	6	\$115,389.78
Xtandi	10	\$111,533.97
Ibrance	3	\$108,843.99
Inlyta	7	\$107,690.87
Other	233	\$1,379,875.74
Subtotal	618	\$5,903,891.36
Total	96,608	\$14,964,194.70

Up to 40% of Total Plan Spend Eliminated

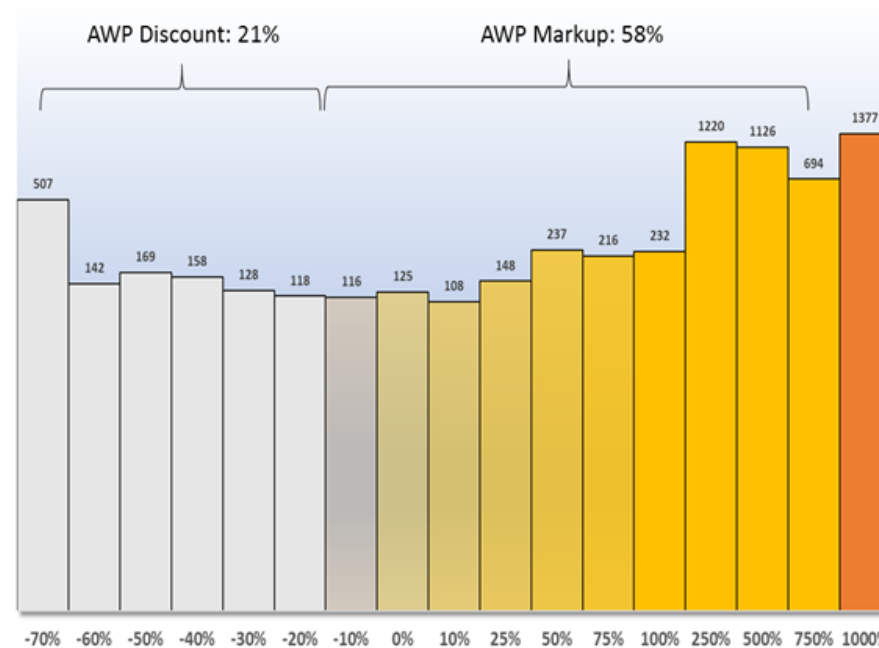
Savings by Reducing Cost Variations For J Code Meds

INSTITUTIONAL PROVIDER DISTRIBUTION BY AWP DISCOUNTS/MARKUPS

Provider Distribution: AWP Discounts/Markups for Branded J-Codes
Institutional Providers (Hospitals) N=5,837



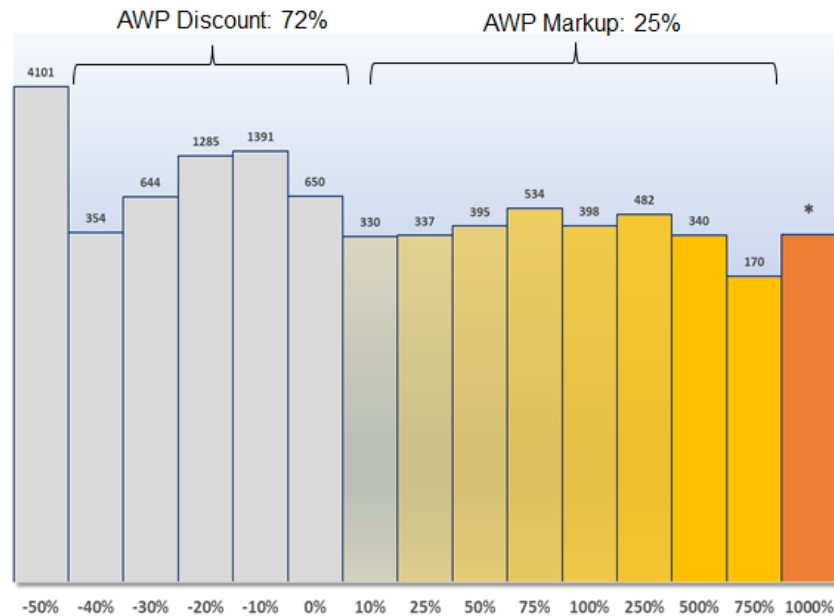
Provider Distribution: AWP Discounts/Markups for Generic J-Codes
Institutional Providers (Hospitals) N=6,821



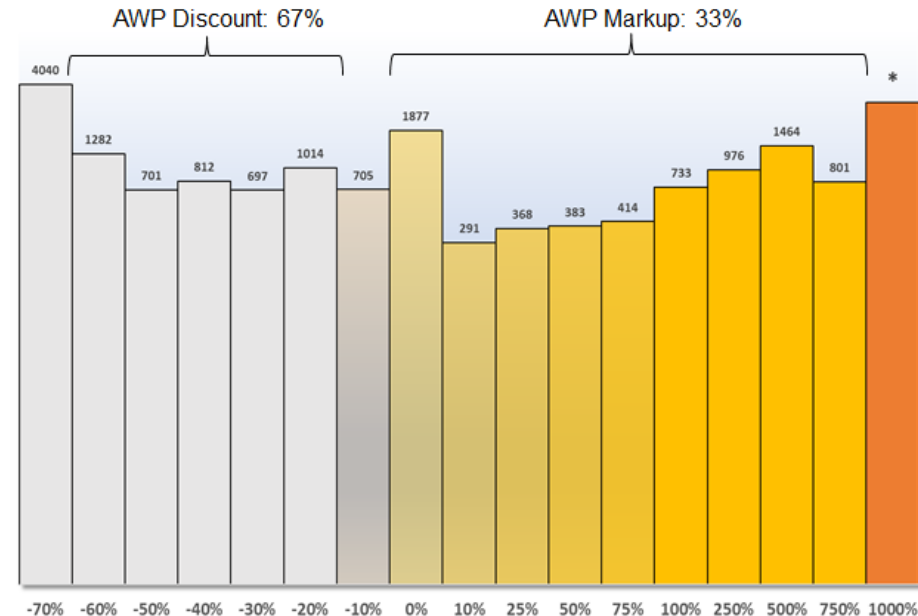
Savings by Reducing Cost Variations For J Code Meds

NON-INSTITUTIONAL PROVIDER DISTRIBUTION BY AWP DISCOUNTS/MARKUPS

Provider Distribution: AWP Discounts/Markups for Branded J-Codes
Non-Institutional Providers (Office) N=16,558



Provider Distribution: AWP Discounts/Markups for Generic J-Codes
Non-Institutional Providers (Office) N=16,558



Pharmacy versus clinic sourcing



\$248,000

TPA Approved
Outpatient Clinic
Charge Per Course
Of Chemotherapy



\$15,000

Cost to Plan
Shipped to Clinic
From Contracted
Specialty Pharmacy

Common PBM Contract Language To Avoid (Example)

NO FIDUCIARY RESPONSIBILITY

Sample PBM Contract Language

Sponsor acknowledge and agrees that, neither it nor the Plan intends for PBM to be a fiduciary (as defined under ERISA or any of PBM's wholly owned subsidiaries or affiliates as a "plan fiduciary"). Upon reasonable notice, PBM will have the right to terminate PBM Services to any Plan (or, if applicable, Members) located in a state requiring a pharmacy benefit manager to be a fiduciary to Sponsor, a Plan, or a Member in any capacity.

Common PBM Contract Language To Avoid (Example)

PBM DISALLOWS CARVING OUT SPECIALTY PHARMACY MANAGEMENT

PBM will solely and exclusively control and supervise the operation and maintenance of PBM's Home Delivery Pharmacies and Specialty Pharmacies and their respective facilities and equipment and provision of Home Delivery and Specialty Pharmacy Covered Prescription Services. All Decisions respecting the provision of Home Delivery and Specialty Pharmacy Covered Prescription Services by Administrator's Home Delivery Pharmacy and Specialty Pharmacies will be made solely by Administrator's Home Delivery Pharmacy and Specialty Pharmacies and their duly authorized personnel, and not by Client.

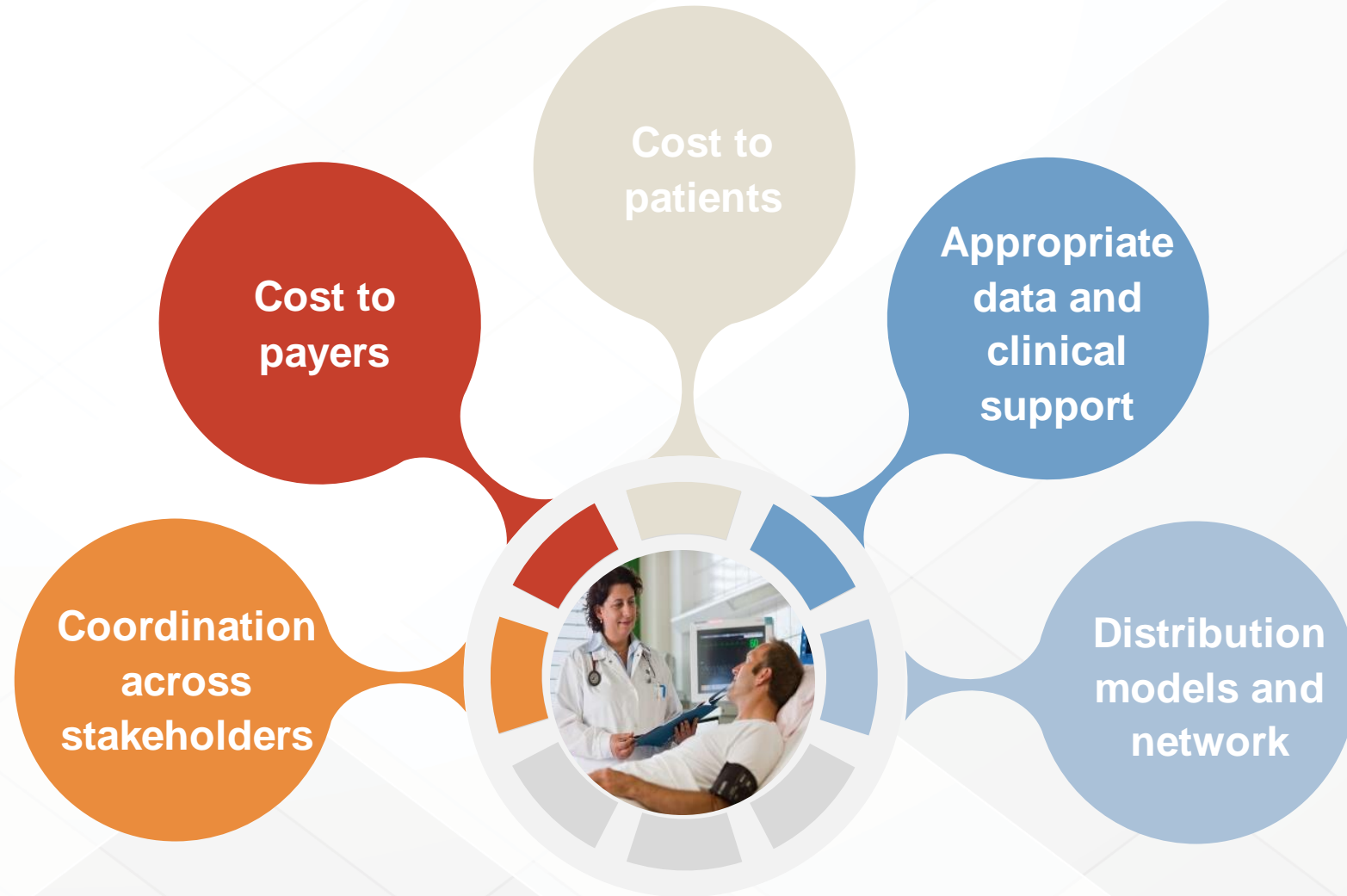
Client will receive Specialty Drug Covered Prescription Services exclusively from PBM's Specialty Pharmacy and not from any other retail, mail, specialty or other pharmacy, including a Network Pharmacy

Innovative Practices to Mitigate “Shock” Claims



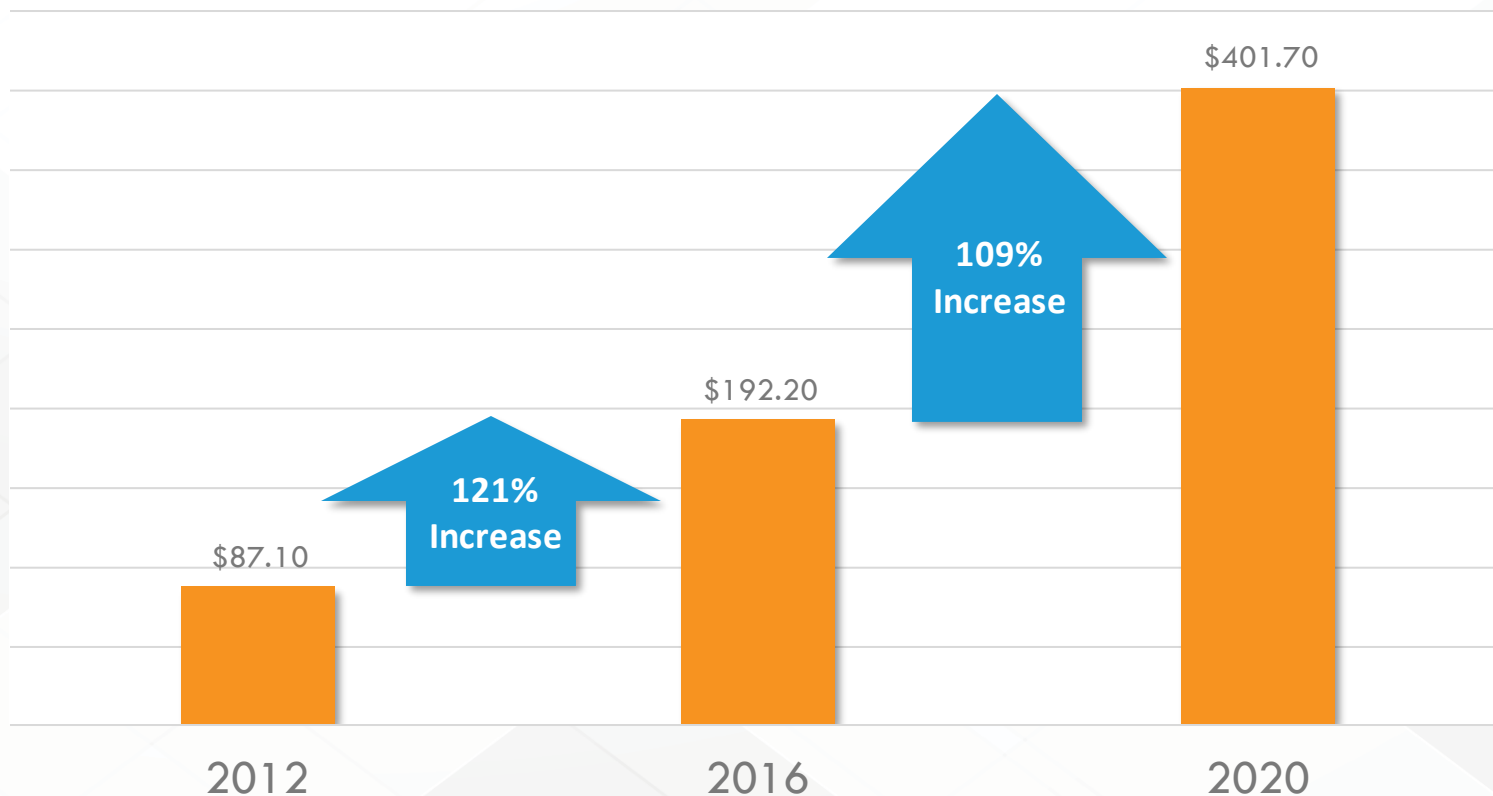
 **US-R_x Care**
Leading Change

CHALLENGES WE FACE



GROWTH OF SPECIALTY PHARMACY SPEND

Specialty Pharmacy Spending in Billions (USD)

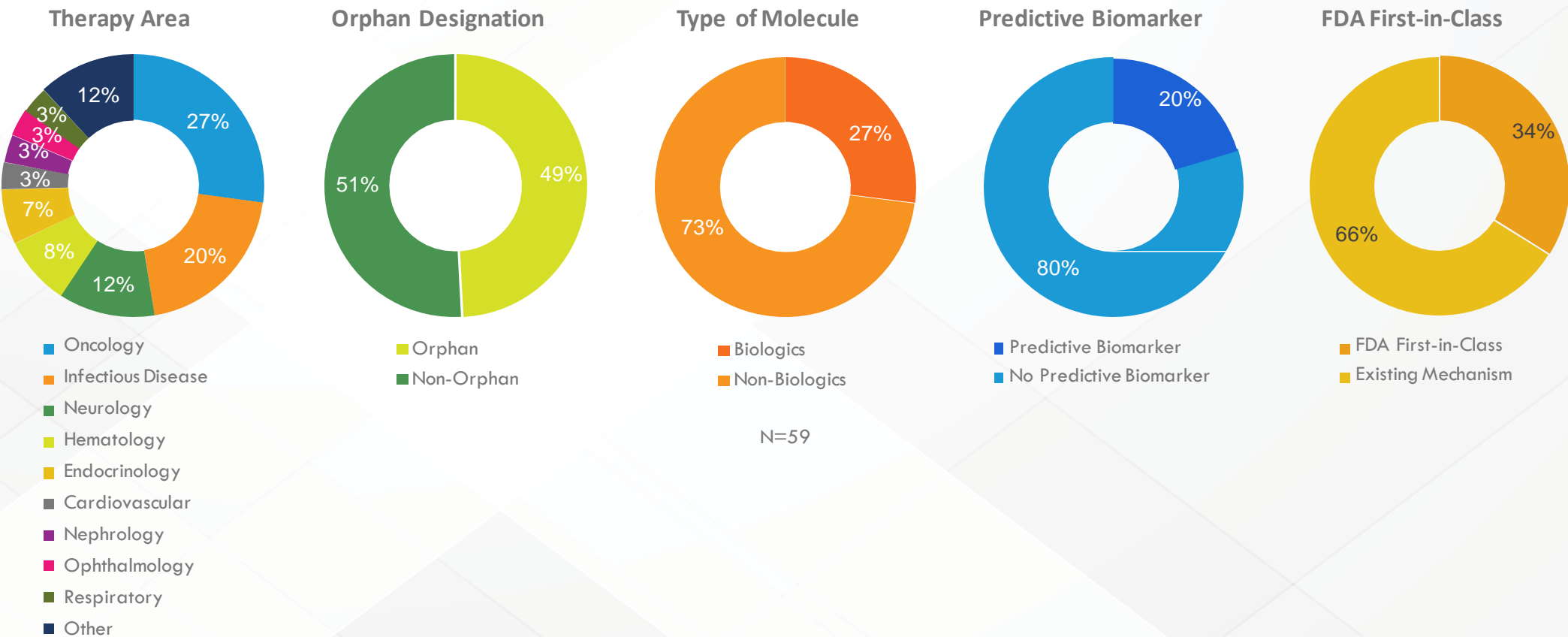


Specialty drugs will account for **47%** of pharmacy revenue by 2022

The market is estimated to grow from **\$336 billion** in 2018 to around **\$500 billion** by 2023 across developed markets

NEW TREATMENT OPTIONS TO PATIENTS

New Actives Substances (NAS) Launched for the First Time in the United States in 2018



N=59

Source: IQVIA Institute, Mar 2019

TOP 20 INJECTABLES WITH MILLION-DOLLAR+ CLAIMS

						Top 20 by treatment type	
Rank	Injectable drug	Paid charges	Claim count	Average paid charges	Most frequently used to treat	Paid charges	Average cost
1	Yervoy	\$13.9M	43	\$323.4K	Cancer	Cancer \$72.8M	Cancer \$62.8K
2	Neulasta	\$12.0M	354	\$33.8K	Cancer		
3	Herceptin	\$10.5M	162	\$64.7K	Cancer		
4	Avastin	\$8.8M	161	\$54.8K	Cancer		
5	Soliris	\$8.5M	20	\$423.6K	Blood disorder		
6	Opdivo	\$6.9M	86	\$80.5K	Cancer		
7	Inflectra, Remicade	\$6.5M	94	\$69.4K	Other		
8	Perjeta	\$5.9M	95	\$62.3K	Cancer		
9	Advate, Kogenate*	\$5.4M	16	\$337.0K	Blood disorder		
10	Rituxan	\$5.1M	118	\$43.2K	Cancer		
11	Eloctate	\$4.1M	11	\$372.4K	Blood disorder	Blood disorder \$394.9K	Blood disorder \$394.9K
12	Keytruda	\$3.6M	42	\$86.2K	Cancer		
13	Unclassified drugs**	\$3.4M	510	\$6.7K	Other		
14	Gammagard	\$3.4M	39	\$86.0K	Other		
15	Alimta	\$3.3M	44	\$75.6K	Cancer		
16	Berinert, Cinryze	\$3.0M	9	\$336.7K	Other		
17	Velcade	\$2.7M	53	\$51.2K	Cancer		
18	Gamunex-C, Gammaked	\$2.6M	31	\$83.4K	Other		
19	Alprolix	\$2.6M	5	\$515.3K	Blood disorder		
20	Tysabri	\$2.4M	28	\$87.3K	Other		
2017 top 20 injectables		\$114.7M					
2017 all injectables		\$186.3M					

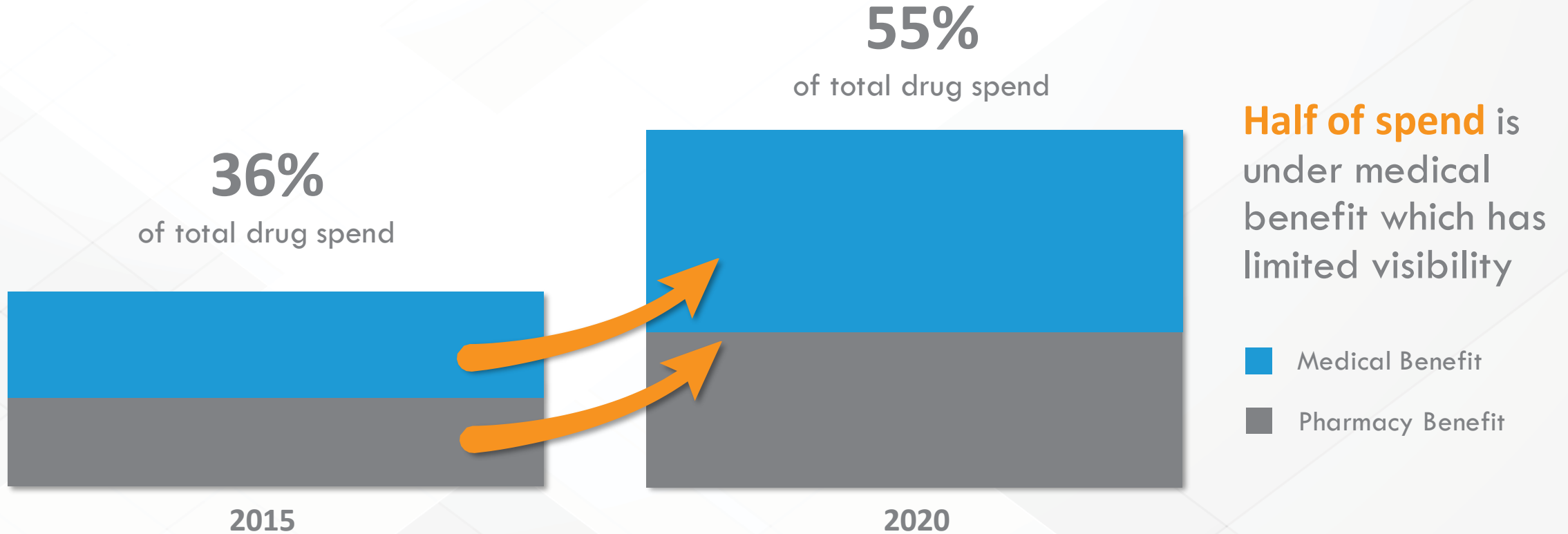
29%
of total
injectable
drug cost

62%
of total
injectable
drug cost

Frequency versus severity

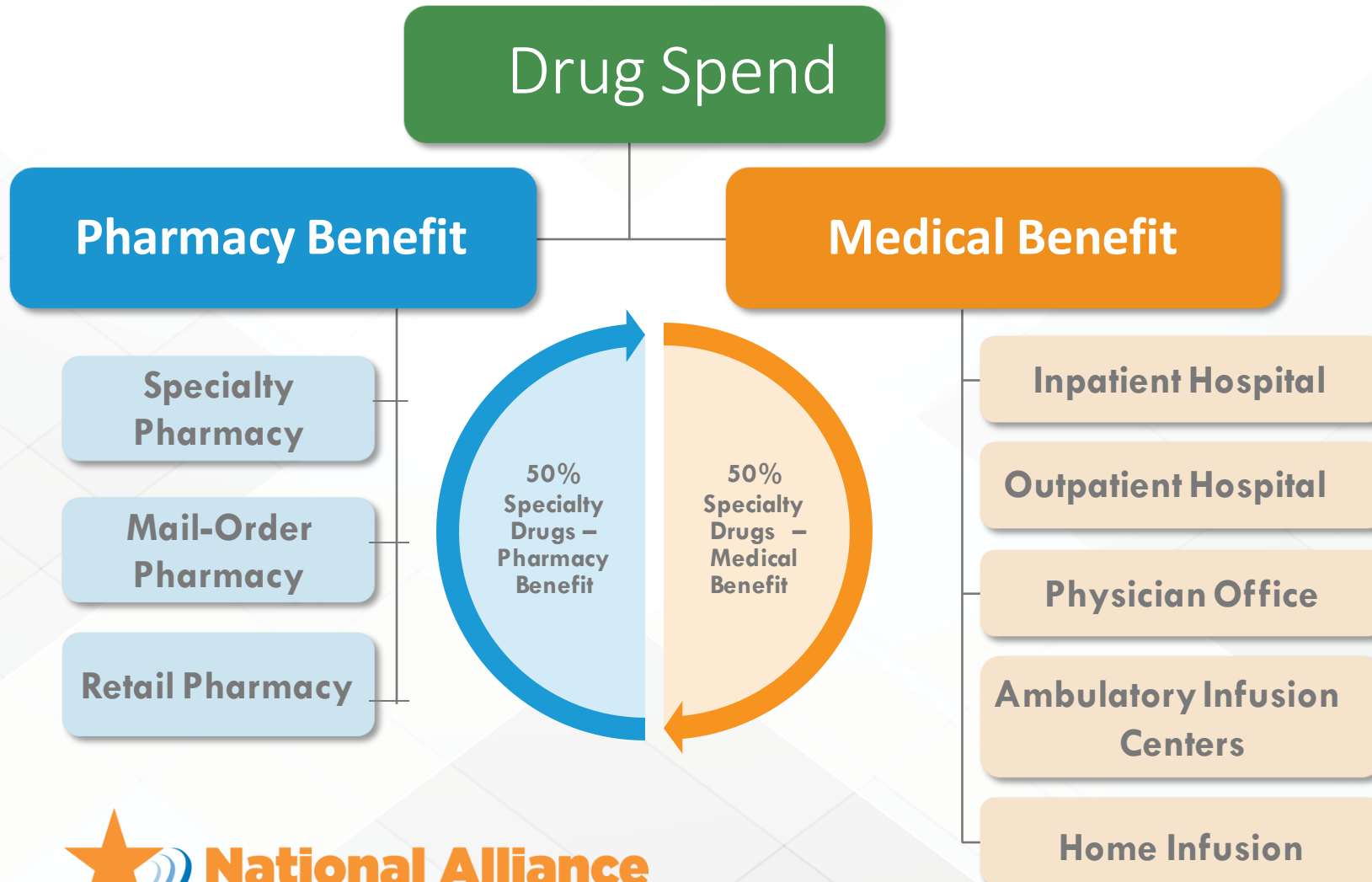
Cancer treatments make up most of the cost for the top 20 high-cost injectables overall. However, for the top 20 high-cost injectables associated with individuals with over \$1 million in claims, medications used to treat blood disorders become dominant

SPECIALTY IS NOT JUST THE PHARMACY BENEFIT



Data Source: Medicines Use and Spending in the U.S. IMS, April 2016. NHE, Artemetrix, CVS Health Internal Analysis, 2016.

DRUG SPEND SPLIT BETWEEN PHARMACY & MEDICAL



74%
of Spend

Contribute to five conditions under the medical benefit

NEW STRATEGIES TO MANAGE MEDICAL BENEFIT DRUGS

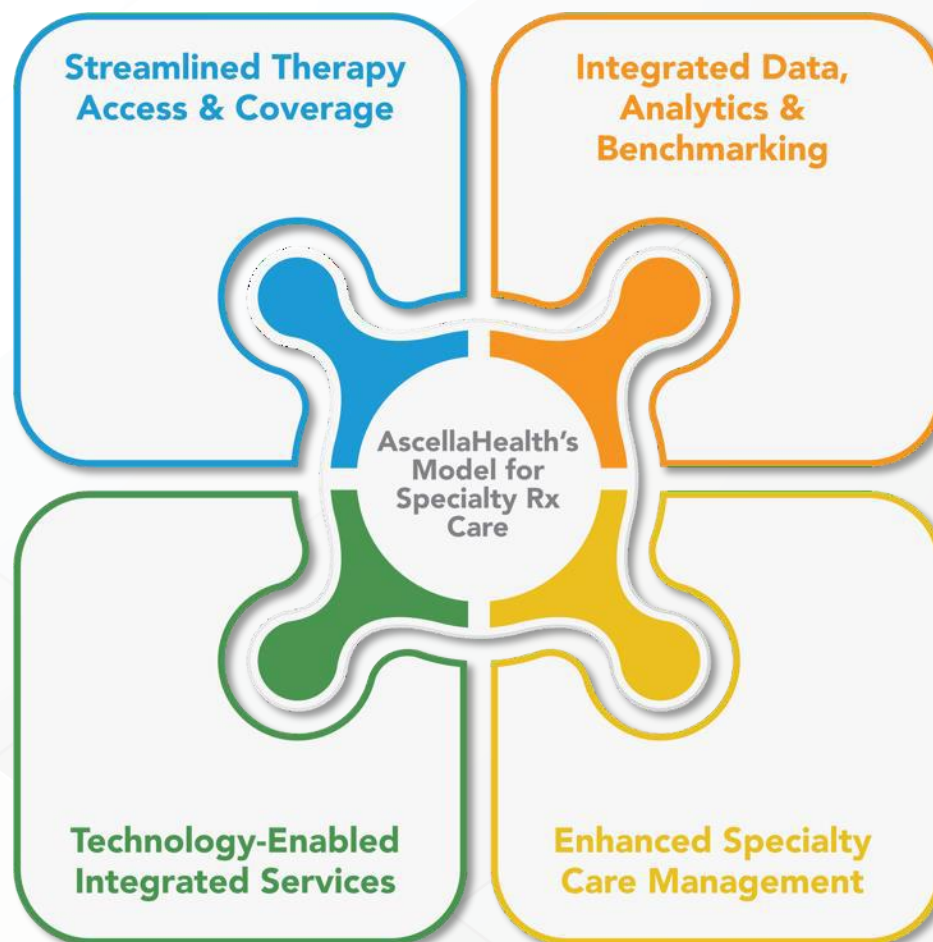
Medical Benefit Management Techniques:

Developing medical formularies

Increasing utilization management

Shifting medical benefit drugs to the pharmacy benefit

Site-of-care management



EMPLOYERS ARE AT A CROSSROAD

- Sponsors feel as though they are *one specialty claim away* from returning to fully insured
- It's not the trend it's whether you are lucky or unlucky to absorb one of the patients
- Proactive responses required



TREND: EMPLOYERS MANAGING SPECIALTY



Many employer groups
are now self-funded

50%

Self-funded groups are
now >50% of health
plans' lines of business



Employer groups are
demanding tighter
control and willing to
put up with abrasion

One popular solution: utilize a
Specialty Pharmacy Benefit Manager Carve-Out

Why Specialty Is Ideal for Carve-Out

The Specialty Challenge

- Price, Price, Price
- Lack of cost transparency
- Overprescribing and questions of value
- Vendor conflict of interest
- Payer owned PBM/ Specialty

Let's Get Vertical: Insurer + PBM + Specialty Pharmacy + Provider



1. Cigna partners with providers via its [Cigna Collaborative Care](#) program. However, Cigna does not directly own healthcare providers.

2. AllianceRx Walgreens Prime is jointly owned by Prime Therapeutics and Walgreens Boots Alliance.

Source: Drug Channels Institute research. An earlier version of this chart appears as Exhibit 89 in *The 2020 Economic Report on U.S. Pharmacies and Pharmacy Benefit Managers*, Drug Channels Institute. (<http://drugch.nl/pharmacy>)

Why Specialty Is Ideal for Carve-Out

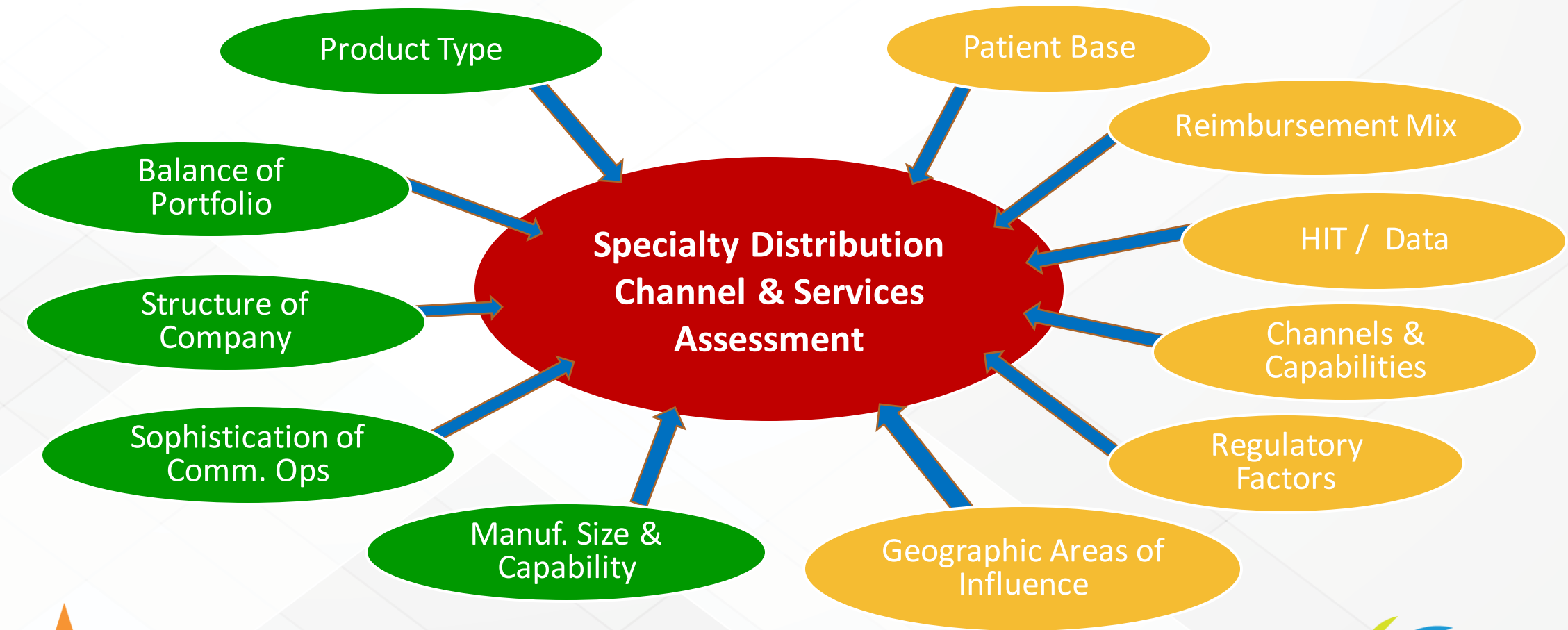
Small Cohort	1-2% of the population
High Cost	\$20k-\$1 million/year
Chronic	Years to a lifetime for many patients
Complex	1,000+ different diseases
Conflicted Vendor s	Easy for vendors to maximize margin at the expense of the plan sponsor



Areas of Opportunity

- ✓ **Carve out Prior Authorization Management from your PBM**
 - This is the single important step to mitigate inappropriate use
- ✓ **Implement a site of care program under Medical**
 - Work with outside vendor
- ✓ **Evaluate a Carve-Out Solution of Specialty Drugs to maximize value**
 - Having the right PBM contract is key

Considerations for Optimal Specialty Distribution Channel & Services Assessment & Strategy Development





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