

# Taking a Total View

Linking Pharmacy + Medical Drug Trends

2017 Commercial Report



## Transforming Pharmacy Management With a Total View

The challenges of managing prescription drug benefits continue to make today's news. Headlines feature the hardships of soaring drug prices and the growing number of innovative drug approvals. As health care spending continues to outpace the economy, the need for changes in drug management intensifies.

This led Anthem Inc. to launch IngenioRx, a new pharmacy benefit manager (PBM) that will offer a full suite of services in 2020. The goal of IngenioRx is to improve health outcomes, reduce total health care costs, and provide consumers a simplified experience in a highly fragmented and confusing health care system.

IngenioRx will serve customers of Anthem's affiliated health plans, as well as non-Anthem customers, with a seamless, consumer-centric approach to managing health and driving better outcomes. To accomplish this, clinical experts use integrated pharmacy + medical data and perspectives to guide decision making and effective use of traditional and non-traditional management tools. This allows us to achieve meaningful clinical outcomes at an affordable price. The ability to see the whole picture enables an examination of the total drug trend and provides insights and recommendations that go well beyond a traditional PBM.

With the launch of IngenioRx last year, we are proud to provide you with our inaugural annual drug trend report, detailing the 2017 consolidated pharmacy + medical drug trends for Anthem's affiliated health plans, which will feature pharmacy benefits powered by IngenioRx beginning in 2020. We look forward to expanding and enhancing these strategies and solutions as we grow our pharmacy business within Anthem's existing footprint and beyond.

We hope you find this report helpful in understanding the importance of addressing all drivers impacting drug spend and trend.

**Deepti Jain**

IngenioRx Leader

# A Total View at a Glance

Taking a total view includes reviewing pharmacy and medical drug trends in their totality rather than in silos. By having a complete understanding of drug trends, management strategies can be refined, member outcomes and the member experience can be enhanced, and costs can be driven down.

In 2017, comprehensive management held total pharmacy + medical drug trend to 2%.

Navigating the fragmented health care system can be difficult especially when drugs can be covered under pharmacy and medical benefits. By focusing on the member experience and providing cohesive care, members are better able to focus on maintaining their health rather than navigating the health care system.

**By taking a total view for trends, management, member outcomes, and the member experience—a real difference can be made.**

## 2017 Total Drug Trend Insights in This Report

Page <b>2</b> 21% of drug spend is missing from other trend reports	Page <b>3</b> Coupling a total view with holistic management cut total drug trend to 2.0%
Page <b>6</b> Inflation is the primary component of 2017 drug trend	Page <b>9</b> Specialty drugs dominate the pipeline
Page <b>10</b> 68% of total drug spend occurs in 15 commonly treated conditions	Page <b>12</b> Taking a total view drives down non-specialty trend by 9.1%
Page <b>13</b> 50% of pharmacy + medical drug spend was from specialty drugs	Page <b>14</b> Successful specialty trend management requires aligned and consistent policies

# Taking a Total Trend View

Unlike other trend reports that assess pharmacy drug spend alone, this report takes a total view of pharmacy + medical drug spend and trend. A synchronized review of medications dispensed by a retail or specialty pharmacy as well as medications administered in a physicians' office, infusion suite, or outpatient hospital, is key to a comprehensive data-integration methodology. This total view drives decision-making, transformative management approaches, and member support. It also provides a true opportunity to bend the cost curve versus shifting the cost burden back and forth across pharmacy or medical benefits. Without using a total view approach, there is a huge margin for misinterpretation of drug spend and trend data, as well as missed opportunities for innovation in the management of drug spend and member experience.

In 2017, 21% of total drug spend occurred under the medical benefit; this is even more pronounced for specialty drugs, where 42% of drug spend was under the medical benefit. In order to make smart decisions and develop strategies for managing specialty drugs, a key driver of trend today and in the future, the complete picture is essential.

## 2017 Pharmacy + Medical Drug Spend The Best Decisions Occur When Viewing the Total Picture

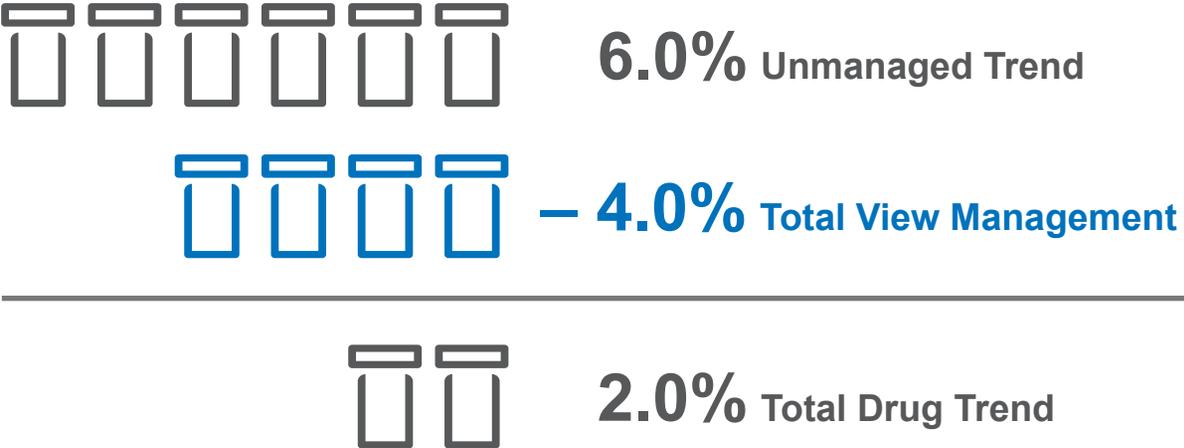


Without medical drug spend, large gaps exist in the understanding and management of drugs.



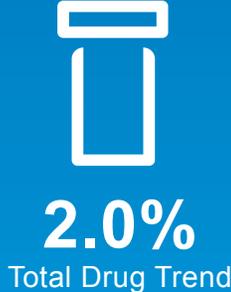
# Total View Trend Insights

The total view approach allows for the development of complete management strategies that support the member experience and drive better member health and cost savings.



Total view insights cut 2017 pharmacy + medical drug trend to 2.0%.

## 2017 Total Pharmacy + Medical Drug Trend





# Total View Insights Drive Management Strategies

Comprehensive Management Strategies Improve Health Outcomes



Evidence-based  
Drug Lists



Channel and Site  
of Care Optimization



Provider and Member  
Engagement



Clinical Management  
and Programs

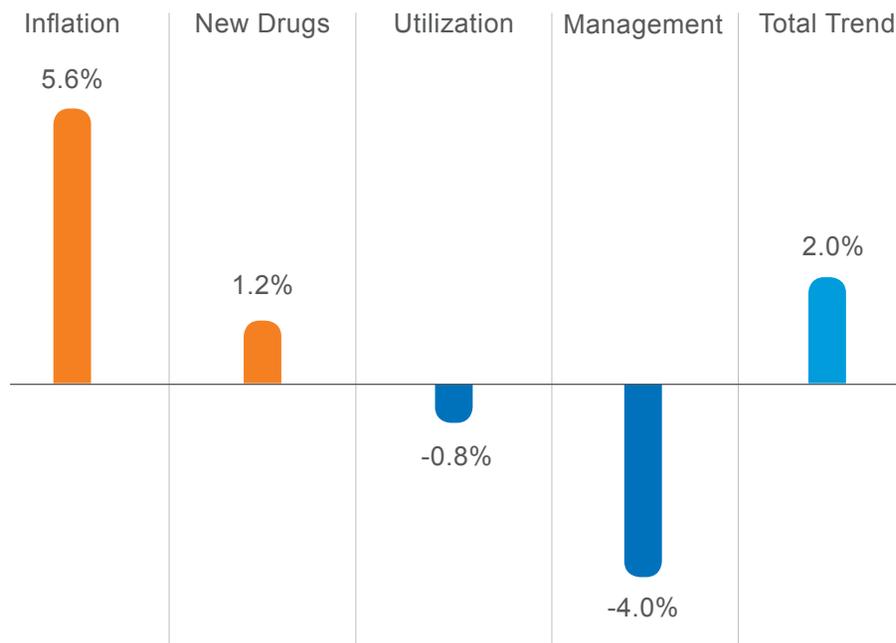
Taking a novel approach to data integration and analysis creates a foundation to drive aligned management strategies that unite clinical and specialty management, evidence-based drug lists, and doctor and member engagement. The goals: improve member health and enhance care delivery, while reducing drug spend and trend.

# Total Drug Trend

## Innovative Total View Strategies Reduced Total Drug Trend by 4%

Inflation was the primary contributor to 2017 drug trends. New drugs entering the market, which were predominantly high-cost specialty drugs, also impacted 2017 drug trends. Unlike other drug trend reports, this report assesses the impact of new medications on total drug trends. In 2017, the total trend was 2.0% due to end-to-end management strategies that lowered utilization and cost trends. One key mechanism mitigating total drug trends was an evidence-based drug list strategy that improved members' health while controlling drug costs. Promoting access to drugs and therapies with clinical evidence demonstrating optimal clinical outcomes, and providing the greatest return for the health care dollar, lowers the total cost of care across pharmacy and medical, and ensures that members receive quality care.

### 2017 Total Pharmacy + Medical Drug Trend Drivers



- With a total view of pharmacy and medical drug spend, unnecessary utilization is prevented, and providers can see a more complete picture of their patients' health, allowing for more informed care.
- Total view management strategies drive clinically appropriate utilization and eliminate waste by zeroing in on the right member, right drug, right time, right setting, right duration, right dosage, and right benefit.
- Alignment of pharmacy and medical benefits allows for consistent application of unique strategies that enable mitigation of total drug trend, driving quality and affordability.

# Spotlight on Inflation

Drug price inflation has become commonplace over the past several years. In 2017, there was a lower rate of drug price inflation for both specialty and non-specialty drugs, but it remained the primary component driving specialty and non-specialty drug trends.

When looking at pharmacy and medical drug costs, price increases are more common in medications covered under the pharmacy benefit than those covered under the medical benefit. Under the medical benefit, drug reimbursement is typically based on average sales price (ASP). Drug reimbursement under the pharmacy benefit, on the other hand, is based on average wholesale price (AWP). Historically, AWP inflation has been more than double ASP inflation, but this gap is beginning to narrow as AWP brand inflation declines.

This inflationary trend can adversely impact everyone in the health care marketplace, including health plans, plan sponsors, and members.

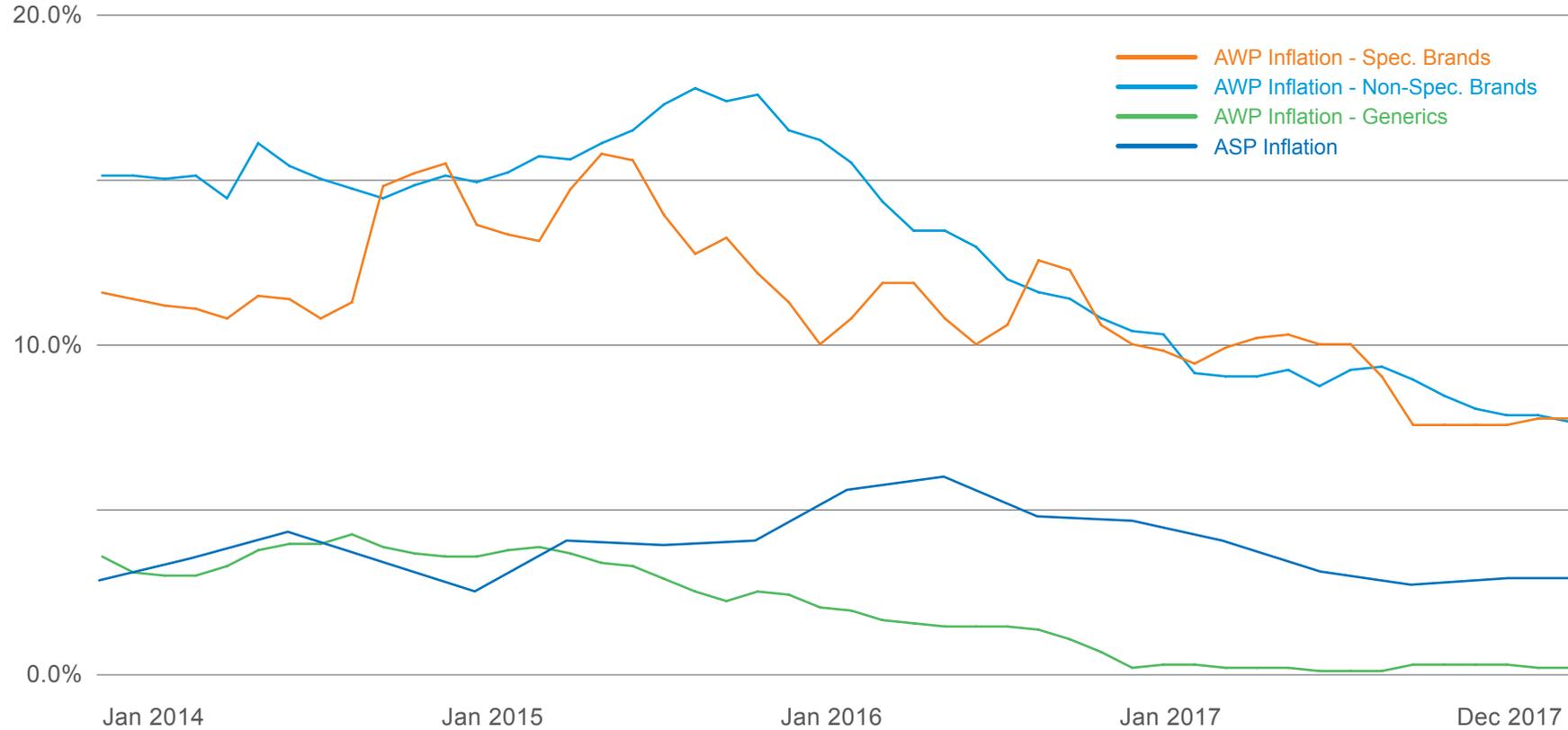
**Inflation is the primary component of drug trends today and is expected to be in the future.**

**As such, management strategies to combat rising drug prices are critical.**



# Innovative Drug List and Clinical Management Strategies Help Mitigate Increasing Drug Prices

Applying pricing pressure to manufacturers by limiting the selection of medications in the same therapeutic category which have clinically appropriate alternatives, coupled with a comprehensive drug list management, are imperative to curtail price increases and inappropriate utilization, while maintaining the availability of the most effective drugs for members.



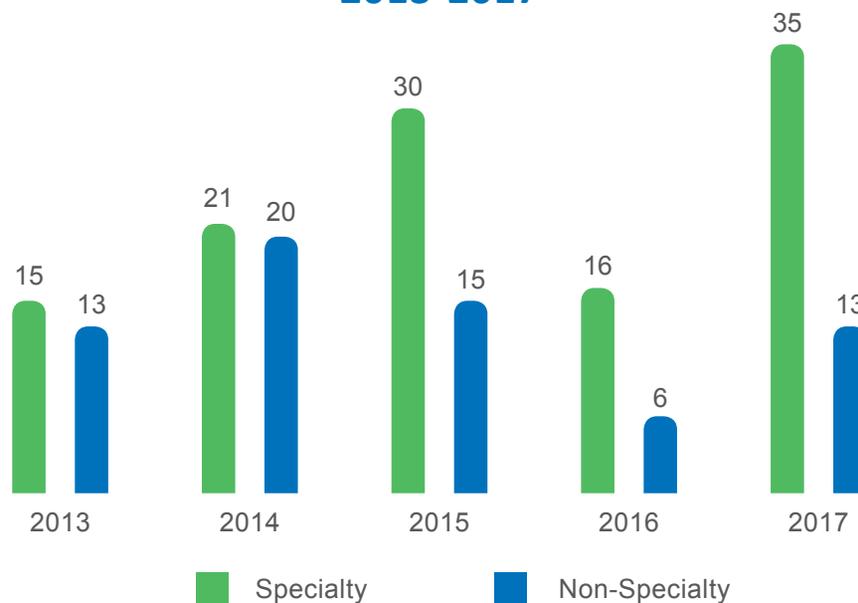
Source: CMS published ASP rates and Medispan published AWP rates.

# Spotlight on New Drug Approvals and Pipeline



An analysis of the drug-approval pipeline shows that new drug approvals will continue at a rapid pace. This has been accelerated by the release of guidelines by the Food and Drug Administration (FDA) to speed the introduction of novel therapies. It is also expected that these remarkable scientific advancements, particularly for specialty drugs, will come at a high price and drive total and specialty drug trends for years to come. In today's environment, it's critical to have visibility into pharmacy + medical trends to optimize clinical and economic outcomes.

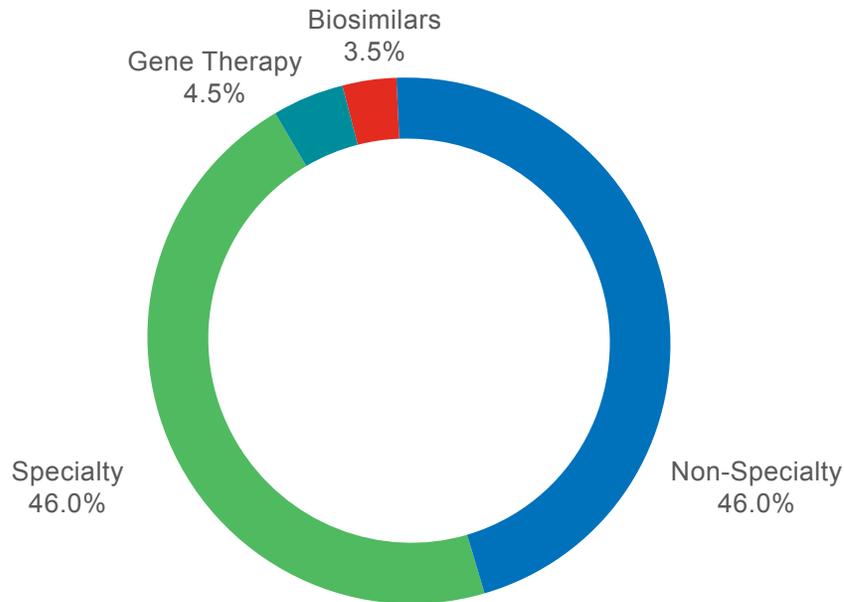
## New Drug Approvals 2013-2017



**High-cost therapeutic advances require proactive management and monitoring strategies.**

**Rigorous drug pipeline and clinical reviews are conducted prior to a drug's FDA approval to ensure appropriate drug utilization criteria is ready upon market entry.**

## Drug Pipeline\*



\*Phase III and pre-launch drugs as of 12/31/17

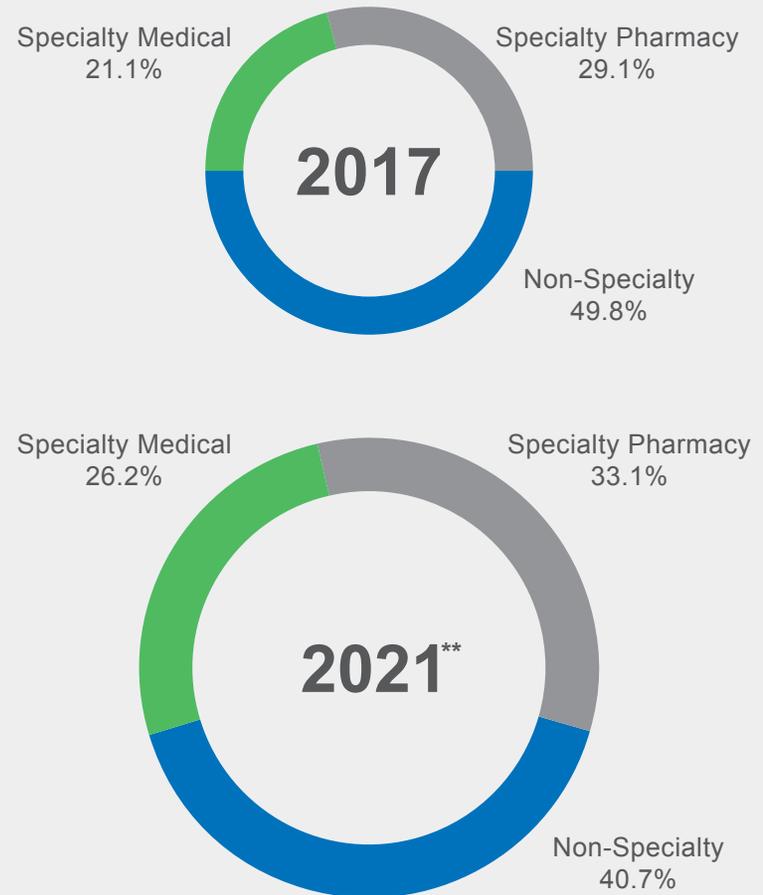
### Gene Therapy

Gene therapy involves altering the genes inside the body's cells in an effort to treat or stop disease. The first gene-replacement therapy was FDA approved in 2017 to treat vision loss due to an inherited retinal disease. One-time treatment for both eyes is \$850,000.

### Biosimilars

Biosimilars are often confused with generics; in actuality, biosimilars are "biologically similar to" specialty drugs. Although they cost less than the innovator drug, they are still expensive, and their impact on drug trends remains to be seen.

## Current and Future Distribution of Drug Spend



\*\*Based on an internal 2018 analysis and Drug Channels Institute.

**Specialty drugs are expected to grow to over 59% of total drug spend by 2021.**

# Total View: Top 15 Commonly Treated Conditions

A review of the top therapeutic categories demonstrates why a total view is imperative—you can't manage what you don't see—and for many of these top commonly treated conditions, drug spend occurs under both pharmacy and medical benefits. This report provides a complete picture of pharmacy + medical benefit drug trends by including the full array of drug categories utilized to manage commonly treated conditions.

## These Top 15 Commonly Treated Conditions Account for 68% of Total Drug Spend

Rank*	Commonly Treated Conditions	% of Total Spend
1	Inflammatory/Autoimmune Conditions	14%
2	Cancer	13%
3	Diabetes	8%
4	Multiple Sclerosis	5%
5	HIV	4%
6	Hypertension/Heart Disease	3%
7	Asthma	3%
8	Attention Deficit Disorders	3%
9	Depression	3%
10	Contraception	2%
11	High Cholesterol	2%
12	Inflammatory Pain	2%
13	Blood Cell Deficiency	2%
14	Psychiatric Disorders	2%
15	Immune Deficiency	2%
	All Other Commonly Treated Conditions	32%

\*Ranked by Drug Spend

### Hepatitis C

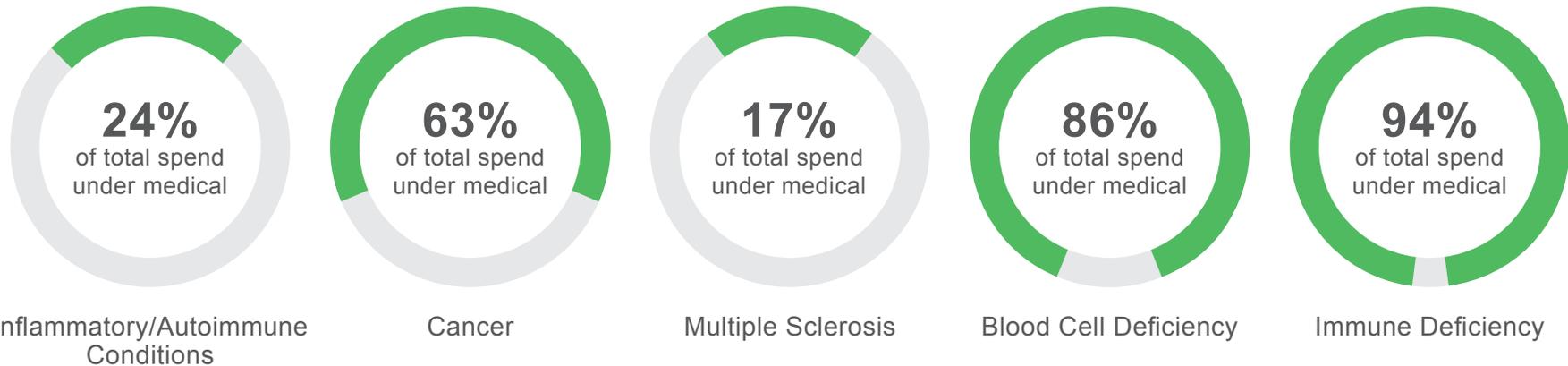
- Hepatitis C spend was not in the top 15 most commonly treated conditions in 2017 because spend decreased by 47%.
- Drug list management strategies, coupled with member outreach, assisted in lowering Hepatitis C spend.
  - The drug list promoted the most clinically effective, well tolerated, and easily used regimens.
  - Member outreach resulted in Hepatitis C regimen completion rates of over 98%.

### Diabetes

- Diabetes drug spend was reduced by 5.5% in 2017 due to drug list management strategies that promoted medications that lower total cost of care (pharmacy + medical) and those with proven reductions in cardiovascular events and heart failure exacerbations for members with diabetes.

# Completing the View: Top Commonly Treated Conditions

Inflammatory/autoimmune conditions, cancer, diabetes, and multiple sclerosis are the key therapeutic areas that influenced drug spend when taking a total view across pharmacy and medical drug benefits in 2017. Notably, the majority of these conditions include specialty drugs that are self- and/or clinician-administered and span across pharmacy and medical benefits. As such, the importance of having integrated data to assess and address opportunities and challenges in managing commonly treated conditions cannot be overstated.



## Inflammatory/Autoimmune

- Through total view management programs such as Preferred Product Step Therapy, Quantity Limits, and Site of Care, spend and trend was managed cohesively across pharmacy and medical channels.
- Members were primarily treating inflammatory bowel disease (37%), rheumatoid arthritis (16%), and psoriasis/psoriatic arthritis (20%).

## Cancer

- Management programs such as Split Fill and Right Drug Right Channel helped manage the cancer spend ensuring the best benefit but also eliminating medication waste.
- Members were primarily treating breast cancer (47%), colorectal cancer (7%), and lung cancer (6%).

-4.6%

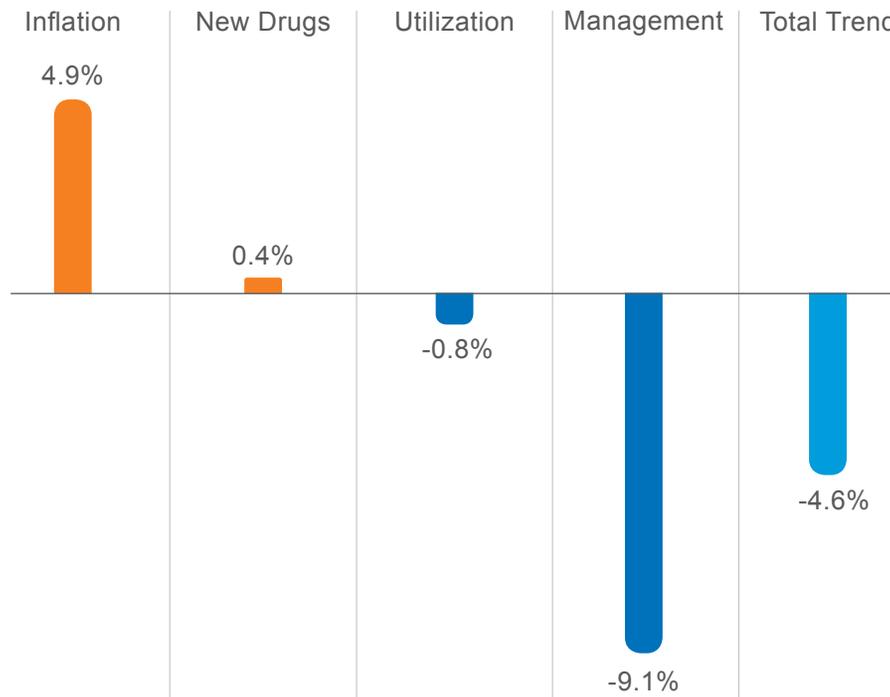
Total Non-Specialty Trend

# Non-Specialty Drug Trend

## Comprehensive Management Lowered Total Non-Specialty Trend by 9.1%

Non-specialty drug trends are primarily driven by the interplay between brand and generic drug utilization and price increases rendered by drug manufacturers. A complete drug list management approach ensures members are on the most effective medications while managing total cost of care (pharmacy + medical). This approach has also reduced non-specialty drug spend by optimizing use of the lower-cost brand and generic alternatives.

### 2017 Non-Specialty Drug Trend Drivers



- Non-specialty drugs comprised 49.8% of total drug spend.
- Brand non-specialty utilization decreased by 11.2% and generic utilization increased by 1.1%.
- Drug list management strategies successfully increased the generic dispensing rate (GDR) by 1.2%, moving to clinically equivalent, lower cost generic alternatives.
- Robust clinical programs, partnered with drug list strategies, ensure members are on the right medications, reduce duplicate therapies, and prevent access to unsafe medications that led to a negative non-specialty trend.

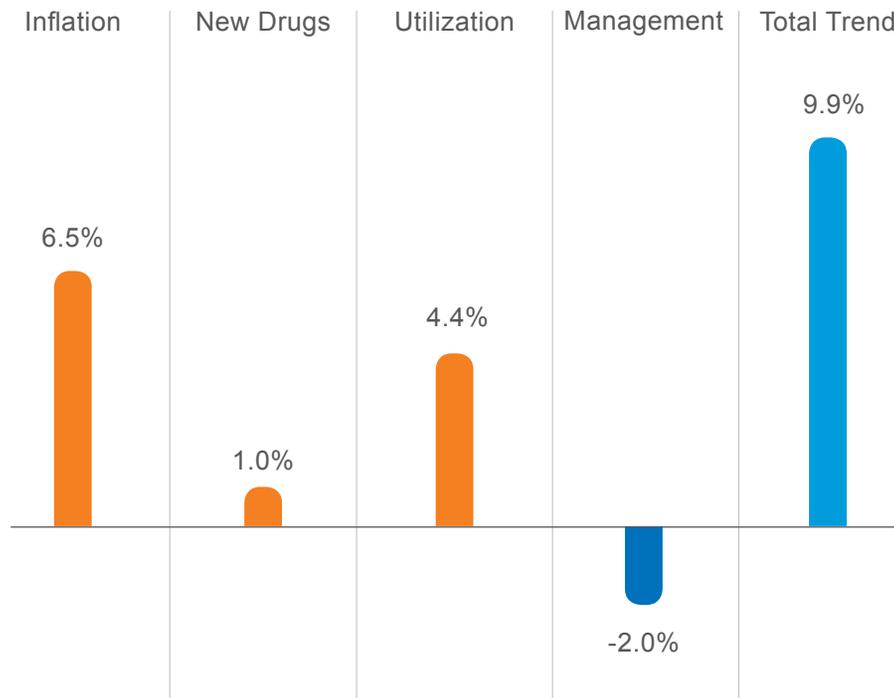
# Specialty Drug Trend

9.9%  
Total Specialty Trend

## Extensive Specialty Drug and Site of Care Management Lowered Specialty Trend

Specialty drugs bring advances in health care and can improve the clinical outlook for patients with complex and chronic conditions like cancer, rheumatoid arthritis, and multiple sclerosis. These innovative therapies are expensive to develop and have a greater rate of inflation, making the specialty category a primary driver of drug trends today. Specialty drugs had a 9.9% increase in drug spend in 2017, a trend that is expected to continue in the future.

### 2017 Pharmacy + Medical Specialty Drug Trend Drivers



- Specialty drugs comprised 50.2% of total drug spend.
- Existing specialty drugs are obtaining expanded drug indications, and providers and members are becoming more comfortable utilizing specialty drugs, resulting in increased utilization. Pharmacy and medical utilization programs that ensure clinically appropriate use, dose, and frequency, helped to control this trend.
- A holistic approach across pharmacy and medical benefits ensures unnecessary drug costs are avoided. Drug list management, Site of Care, and Right Drug Right Channel programs play a key role in managing this spend.

# Managing Specialty Drug Costs With a Total View Approach

Great advancements bring great hope and opportunity for better health. That's what specialty drugs offer, and that's why more than half of therapies in the drug pipeline are specialty drugs, specialty biosimilars, or emerging gene therapy. People with complex, rare conditions are receiving treatments that weren't possible before.

Specialty drug management is a complex issue with no simple solution. Nearly half of specialty drug spend occurs under the medical benefit, and the process for administering specialty drugs is very different than the pharmacy setting. That's why it's critical to have a full view of pharmacy + medical drug spend.

## A Holistic Approach to Managing Specialty Drugs

The Key to Managing Specialty Drug Trend Is Having a Multifaceted Strategy

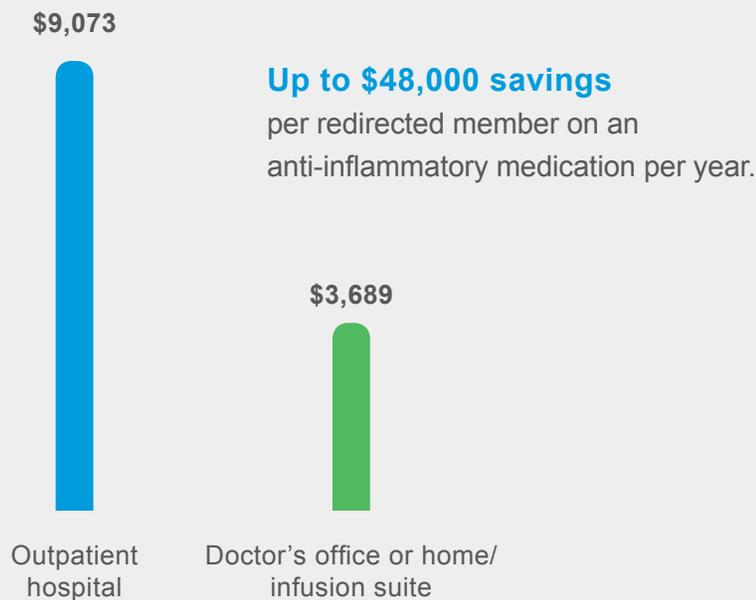


This data-driven, comprehensive approach spans across pharmacy and medical drug benefits. Using a balanced strategy, in conjunction with the 4 pillars of specialty management, it addresses the industry-wide high specialty drug trends, while supporting the needs of members and caregivers.

# Holistically Managing Specialty Drugs and Seeing Results

Reviews of pharmacy + medical drug spend show that moving all specialty drugs to the pharmacy benefit is not necessarily the most cost-effective way to manage specialty spend. Inappropriate shifting of benefits has also been found to result in increased member and doctor disruption, decreased care management, loss of integrated drug data, and lack of control over total cost and clinical management. Big picture analyses show that certain specialty drugs administered by a doctor can cost up to 15% less under the medical benefit, compared to the pharmacy benefit, when administered at the least costly sites of care.

## Average cost by site of care for one treatment of an infused anti-inflammatory medication



## Managing Specialty Drugs: Total View Savings

**\$9.00**  
**PMPY**

Channel and Site of Care Management

**\$24.96**  
**PMPY**

Specialty Pharmacy and Medical Edits

# One Member's Journey to Better Health



**Leveraging a keen focus on integration enables solutions that cross medical and pharmacy benefits. This perspective makes a meaningful difference for members, employers, and providers and helps drive total cost savings.**

Through comprehensive care management, members are successfully treated for multiple health conditions, and the member's experience is simplified.

Here is Betsy's story.

Betsy learns she has diabetes. Her doctor prescribes medications on her preferred drug list, which promotes the most effective and safe medications that are shown to improve overall health.

After a few months, Betsy experiences medication side effects and stops taking them, triggering a care gap alert to Betsy and her doctor. Betsy's care manager contacts her to discuss any questions and concerns.

Betsy then has some stomach issues and is diagnosed with Crohn's disease. Betsy's doctor prescribes a first-line oral therapy, but she doesn't feel better. Her doctor then prescribes an infused medication — a preferred drug under the medical benefit. Betsy is concerned about her new infused medication, because the outpatient hospital facility is inconvenient, and the drug's cost is high. Betsy's Anthem plan includes medical and pharmacy benefits, so her care team suggests home infusion, a more convenient and less costly option.

Betsy is on multiple medications, so an Anthem pharmacist contacts her regarding questions and to discuss the importance of adherence. Seeing a total view of Betsy's medical and pharmacy benefits, the pharmacist can talk about all her medications.

Thanks to her doctor, and the integration and coordination of her pharmacy and medical benefits and care teams, Betsy has never felt better. She hasn't had a Crohn's disease flare-up in more than 6 months, hasn't missed any workdays, and has time to have fun with her family.

**Collaboration with doctors ensures preferred drugs with the greatest clinical benefit and cost savings for members and employers are prescribed.**

**Pharmacist-driven member outreach can prevent member complications and decrease inpatient hospitalizations and ER visits. Anthem's affiliated health plans have seen a 2.5% reduction in inpatient stays and a 4% reduction in ER visits when members are engaged.**

# Methodology

Pharmacy and medical de-identified drug utilization data were analyzed representing Commercial large-group clients with both pharmacy and medical coverage carved-in (all data contained herein reflects 2017 trend data from Anthem affiliated health plans). Pharmacy dispensed non-specialty drugs, pharmacy dispensed specialty drugs, and medically covered specialty drugs administered under the medical benefit (excluding inpatient site of service and gene therapy) are included. Integrated trend statistics assess the change in gross spend, which includes drug ingredient costs (under medical and pharmacy), as well as pharmacy specific taxes, dispensing fees, and administrative fees and is net of rebates. Medical administration costs were not included.

Total trend comprises utilization and unit-cost trend further stratified into different trend drivers.

- Utilization is defined as the rate of change in total days' supply per member.
- Inflation is defined as the trend impact resulting from changes to average wholesale price (AWP) on the pharmacy benefit and average sales price (ASP) on the medical benefit.
- New drugs are defined as the trend impact from drugs that entered the market after the first half of 2016.
- Management is defined as the trend impact resulting from various trend-management strategies driving drug trends.

There is no universally accepted definition of a specialty drug. Specialty drug attributes include the following:

- Used to treat complicated disease states that are chronic and low incidence. Typically, 2% to 4% of a group's population will utilize specialty drugs, with spend being reimbursed under both pharmacy and medical benefits.
- Usually biologic in origin and derived from a cell culture versus being chemically manufactured. This increases their cost and can cause immunogenicity issues for members. It also limits the number of manufacturers leading to less competition and fewer treatment choices.
- Usually injected or infused and may require administration by a clinician. Some may be orally administered or inhaled.
- Require frequent dosing adjustments and clinical monitoring, which is why they are typically dispensed through specialty pharmacies.
- Dosage adjustments also present challenges with delivery needs and possible treatment disruptions if the drug is not readily available.
- Typically high in cost. CMS defines this as >\$600 per month, but some cost hundreds of thousands of dollars a year.



[www.ingenio-rx.com](http://www.ingenio-rx.com)

---

©2018 Anthem, Inc. All Rights Reserved. The IngenioRx name and IngenioRx logo are trademarks of Anthem, Inc. No portion of this publication may be reproduced in any format, print, electronic, or otherwise, without the express written permission of Anthem, Inc.