

Emerging Pharmacy Benefit Trends and Cost Drivers



PRESENTATION

Emerging Managed Care Trends
Specialty and Gene Therapy
Know What You Can Control
Innovative Cost Containment Strategies

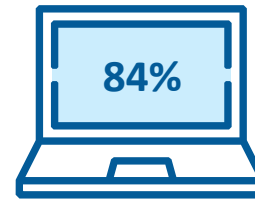
FEATURED SPEAKER

Timothy P. O'Hayer, CLU, CHFC
Vice President
Employee Benefits

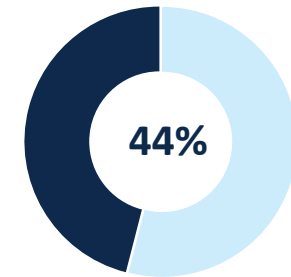
Healthcare Trends to Watch in 2023

In 2021, about 1 in 5 adults missed or delayed medical care due to the pandemic ¹

- 45%** Have seen an increase in claims from delayed care
- 21%** Have seen an increase in disability claims due to long COVID and 24% expect to see an increase
- 43%** Expect to see an increase in late-stage cancers

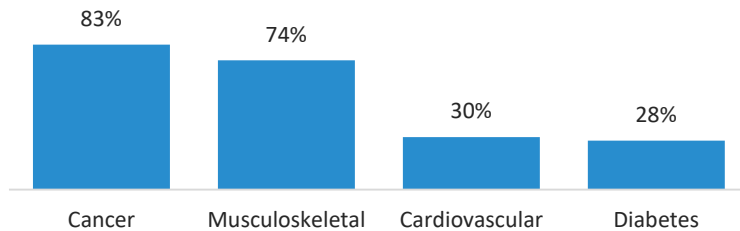


84% of employers believe that integrating virtual health and in-person care delivery is essential ¹



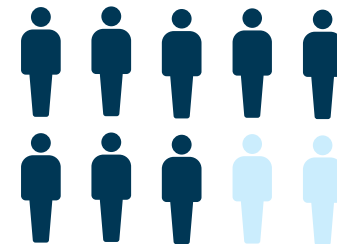
Post COVID, 44% of employers are committed to ongoing flexible work arrangements and policies and 25% have increased or plan to increase flexible work locations ²

Cancer is now the leading condition that drives employers' health care costs, a spot historically held by musculoskeletal ¹



56% of all pharmacy spend is specialty pharmacy ¹

FDA approvals for biosimilar cancer and specialty drugs (e.g. Humira, Lantus) are expected to impact the overall cost of pharmaceuticals as they are launched throughout 2023. In addition, new high cost specialty drugs are in the 2023 pipeline for rare conditions such as anemia, hemophilia, etc.



Eight in ten employers selected improving access to mental health services making it a top mental health priority for employers in 2023 ¹

SOURCE: ¹ Business Group on Health. 2023 Large Employers' Health Care Strategy and Plan Design Survey. August 2023. Available at: <https://www.businessgrouphealth.org/resources/2023-large-employers-health-care-strategy-survey-intro>; ² McGriff. 2023 National Benefit Trends Survey Results. 2023.

PBM Marketplace Competition

The PBM Marketplace Is Highly Competitive

Pharmacy benefit managers (PBMs) advocate on behalf of consumers to increase access to affordable prescription drugs, while improving clinical outcomes. The diversity in the PBM marketplace creates a competitive environment and a wide variety of PBM choices for health plan sponsors.

PBMs differentiate themselves through product innovation and client service.

The FTC has repeatedly found that the PBM industry is diverse and competitive.¹

A new analysis shows the number of PBMs is increasing, reaching

70 IN 2021

Since 2019, almost

10% MORE

PBMs have opened

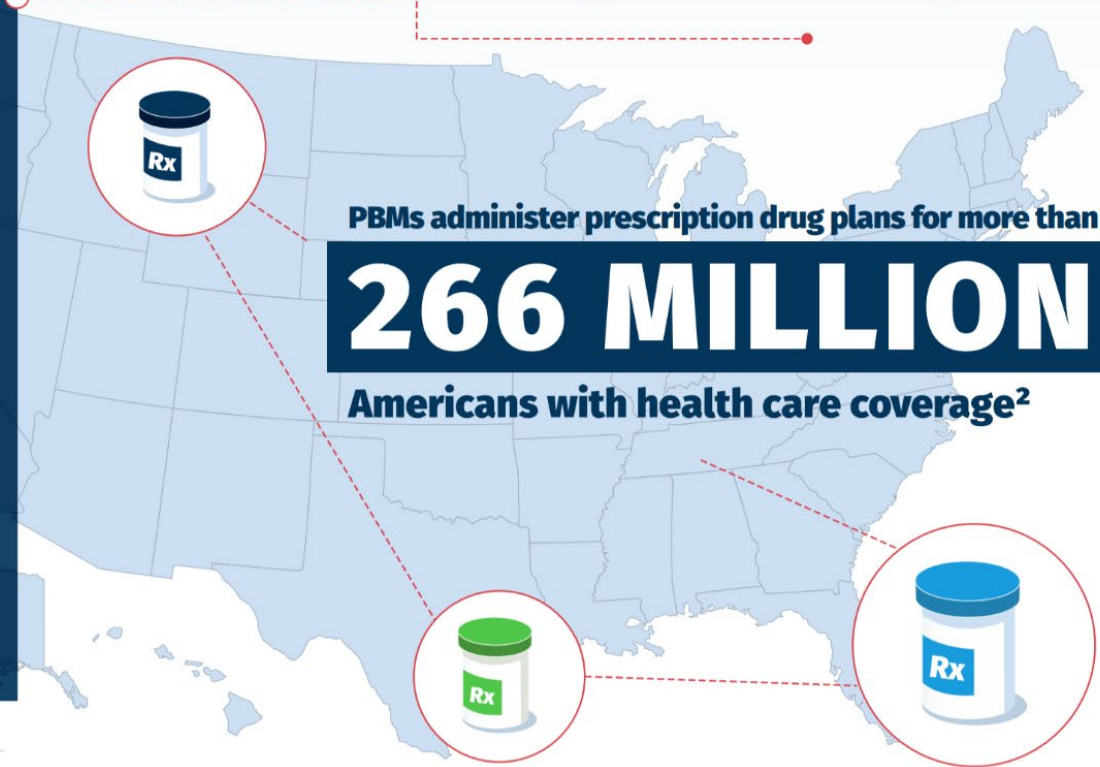
70 PBMs

that offer a full range of services are currently in the marketplace

PBMs administer prescription drug plans for more than

266 MILLION

Americans with health care coverage²



Source: PBMI/PSG Analysis, 2021. PBMs in this analysis offer only full range services

1. Federal Trade Commission (FTC), Letter to Larry Good, Executive Secretary ERISA Advisory Council, 2014.

2. Visante, The Return on Investment (ROI) on PBM Services, 2020.

Top 20 high-cost claim conditions

Stop-loss claim reimbursements

2022 rank	4 Year rank	Condition/Disease/Disorder	2022 reimbursements	2019-2022 reimbursements
1	1	Malignant Neoplasm	\$324.5M	\$1.13B
3	2	Leukemia, Lymphoma, Multiple Myeloma	\$115.2M	\$462.5M
2	3	Cardiovascular	\$142.4M	\$443.5M
4	4	Orthopedics/Musculoskeletal	\$106.0M	\$338.5M
5	5	Newborn/Infant Care	\$106.0M	\$338.1M
9	6	Respiratory	\$69.4M	\$255.7M
6	7	Sepsis	\$89.7M	\$240.4M
8	8	Neurological	\$70.0M	\$236.4M
7	9	Gastrointestinal	\$70.2M	\$231.5M
10	10	Urinary/Renal	\$54.3M	\$220.6M
13	11	Congenital Anomaly (structural)	\$43.5M	\$172.9M
12	12	Physician Treatment	\$50.1M	\$164.9M
11	13	COVID-19	\$52.5M	\$128.3M
20	14	Transplant	\$17.9M	\$112.4M
15	15	Cerebrovascular	\$25.7M	\$103.4M
14	16	Mental and Behavioral Health	\$32.0M	\$103.0M
17	17	Hemophilia/Bleeding	\$23.1M	\$99.9M
18	18	Immune System	\$21.4M	\$87.9M
16	19	Malnutrition	\$25.3M	\$85.5M
19	20	Blood and Blood Forming Organs	\$21.0M	\$78.1M
Total reimbursements				Reimbursement breakdown
Top 3 conditions			\$2.04B	37% of total
Top 10 conditions			\$3.90B	71% of total
Top 20 conditions			\$5.04B	92% of total
All conditions			\$5.50B	

Indicates a change in 3 or more places compared to the single year rank

Top 20 high-cost injectable drug trends

2021 rank	→	2022 rank	Injectable drug	Total cost	Average cost
1	—	1	Keytruda	\$53.1M	\$163.8K
2	—	2	Opdivo	\$20.7M	\$113.1K
17	▲14	3	Darzalax Faspro	\$17.1M	\$141.4K
6	▲2	4	Tepezza	\$15.0M	\$384.6K
4	▼-1	5	Soliris	\$13.1M	\$484.3K
3	▼-3	6	Neulasta	\$11.9M	\$31.9K*
5	▼-2	7	Perjeta	\$11.8M	\$81.4K
16	▲8	8	Yervoy	\$9.6M	\$143.5K
13	▲4	9	Adcetris	\$9.1M	\$240.5K
8	▼-2	10	Ocrevus	\$8.4M	\$98.2K
20	▲9	11	Hemlibra	\$6.9M	\$490.3K
15	▲3	12	Kadcyla	\$6.8M	\$132.9K
N/A	—	13	Rylaze	\$6.5M	\$808.7K
22	▲8	14	Spinraza	\$6.0M	\$378.0K
14	▼-1	15	Gammagard	\$5.4M	\$67.8K
10	▼-6	16	Avastin	\$5.3M	\$46.0K
12	▼-5	17	Inflectra, Remicade	\$4.8M	\$55.3K
18	—	18	Ultomiris	\$4.7M	\$292.4K
21	▲2	19	Alimta	\$4.7M	\$66.6K
37	▲17	20	Advate	\$4.4M	\$260.3K

□ Indicates a change in five or more places compared to previous year rank

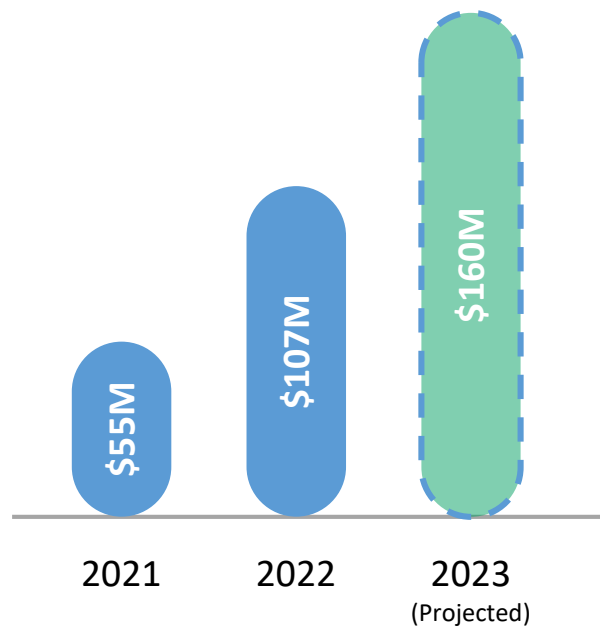
Totals

■ Cancer conditions	\$156.5M
■ Other disorders	\$39.7M
■ Blood conditions	\$29.0M
Overall top 20	\$225.3M
All injectables	\$407.0M

GLP-1 Drug Ozempic Diabetes Drugs Prescribed Off-Label for Weight Loss

Financial Impact to Plan Sponsors

Up to 40% of this spend
may be driven by off-label usage



According to the RxBenefits Book of Business

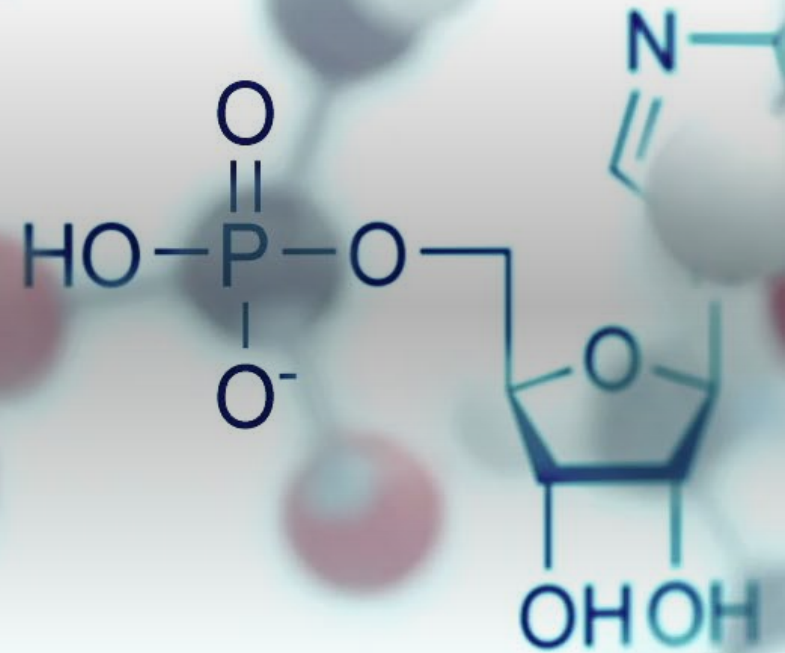
Member Impact

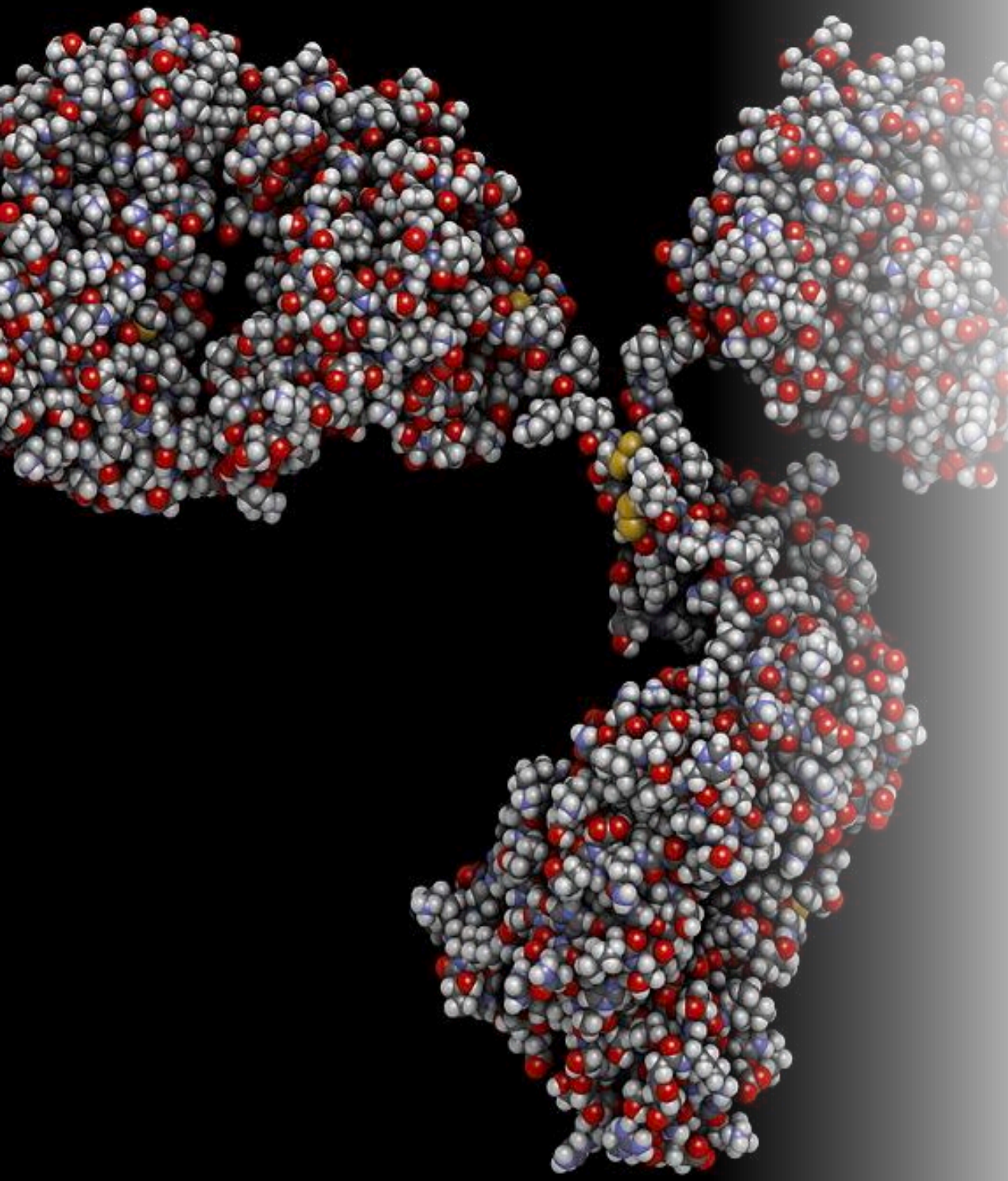
- Shortages of GLP-1s forcing diabetic patients to switch medications that have been working well to improve their blood sugar
- Surge in PA requests causing delays for members to get their legitimate prescriptions approved

How Plan Sponsors Can Address the Issue

- Work with your PBM to ensure PA criteria includes chart notes and/or lab tests to validate a diabetes diagnosis
- Employ a diabetes/wellness education solution like Virta or Noom

Emerging Trends Specialty Medication Gene Therapy





Specialty Drug Utilization

- 1.5% of total claims
- 1 - 2% of members
- 50 - 60% of total spend

Specialty Drug Definition

- Biologics made from living organisms
- 8 - 10 years to develop
- \$800M - \$1 Billion R&D to develop
- Targets specific disease process
- Developed to treat rare conditions
- Smaller patient population
- Intensive clinical monitoring
- Extensive patient training
- Ongoing patient coaching
- Limited distribution
- Special handling

Specialty Medication Management Solutions

There continues to be a push to find ways to address the growing impact of specialty medications on employer healthcare costs.

Manufacturer Assistance Programs

Coshare and plan cost is adjusted based on the level of financial assistance
Accumulators must be adjusted for deductible and OOP

Excluding Specialty / Carve-Out

The PBM claim payment system rejects the prescription as “not covered”
Coverage is managed through another entity / alternate funding

International Mail / Canada Procurement

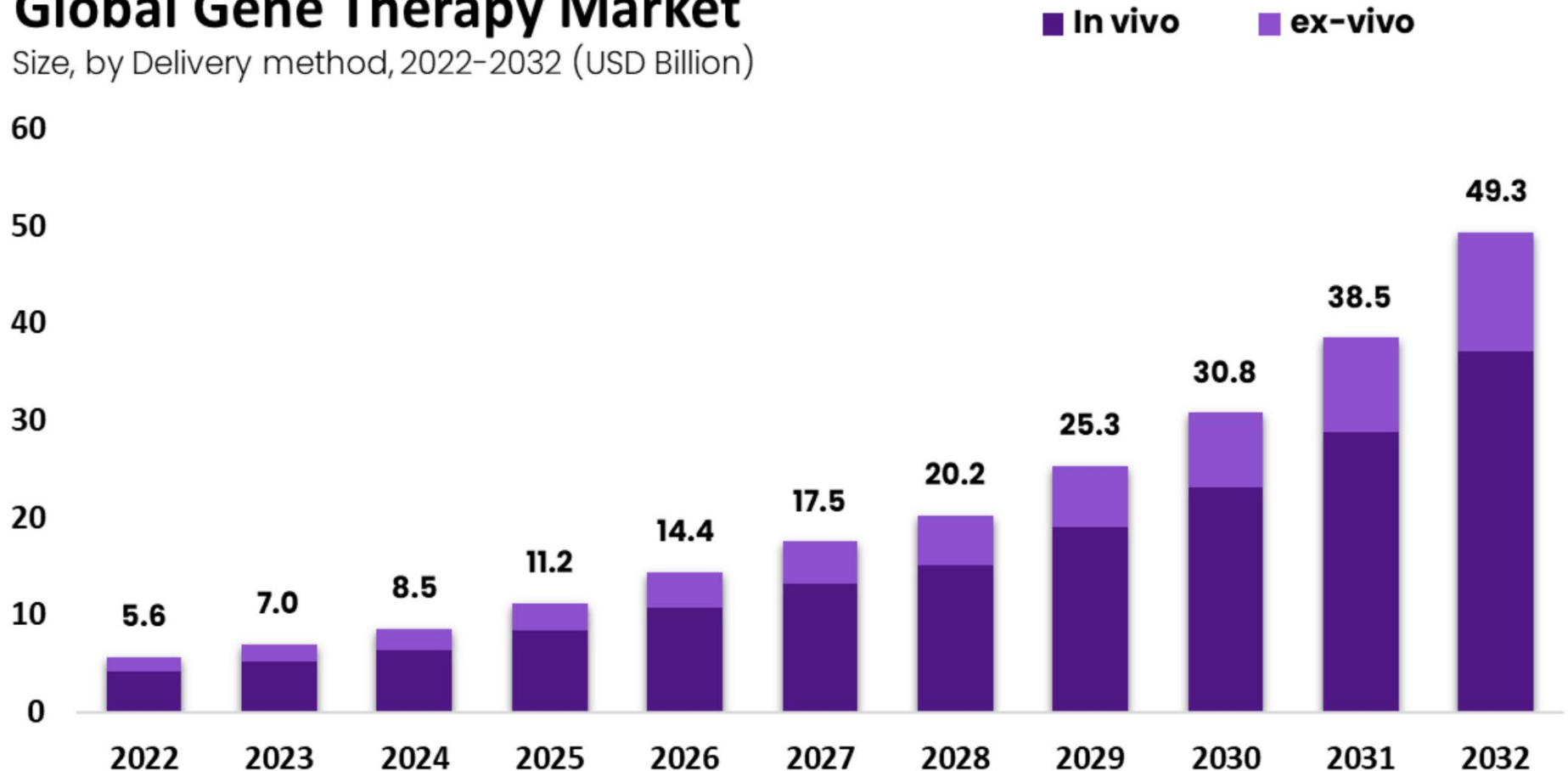
Facilitated by the specialty carve-out entity
Average savings of 60% compared to U.S. drug cost

Gene Therapy U.S. Spend Forecast

Luxturna®	Zolgensma®	Hemgenix®
Inherited retinal disease	Spinal muscular atrophy	Hemophilia B
\$850K one-time cost	\$2.1M one-time cost	\$3.5M one-time cost

Global Gene Therapy Market

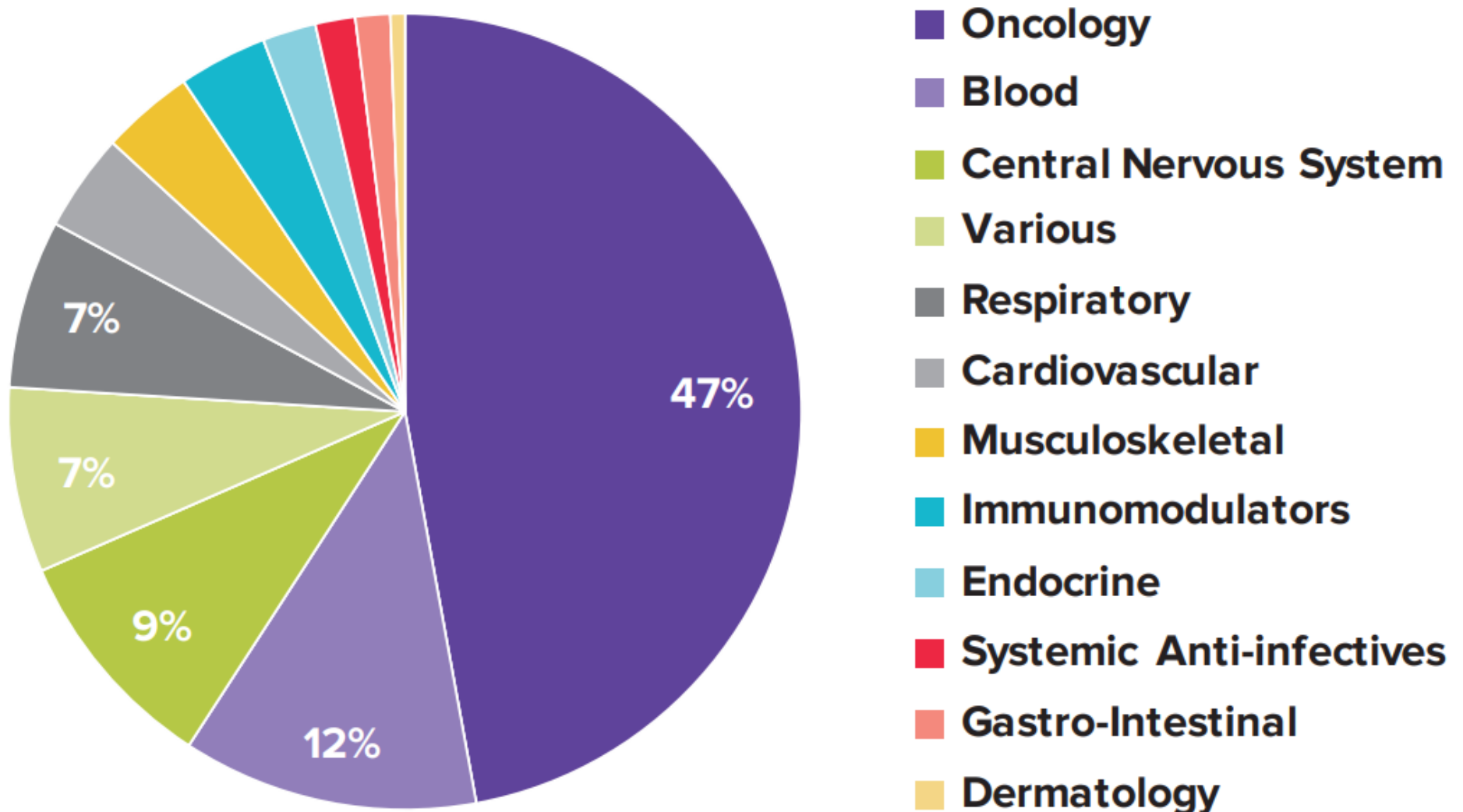
Size, by Delivery method, 2022-2032 (USD Billion)



Rare Diseases and Orphan Drugs

15 FDA Approved Gene Therapies

- 2075 in the pipeline





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