

The Quest to Control Drug Costs: What More Can Be Done?

Louisiana Department of Insurance
2018 Annual Health Care Conference
Tuesday, Oct. 23, 2018

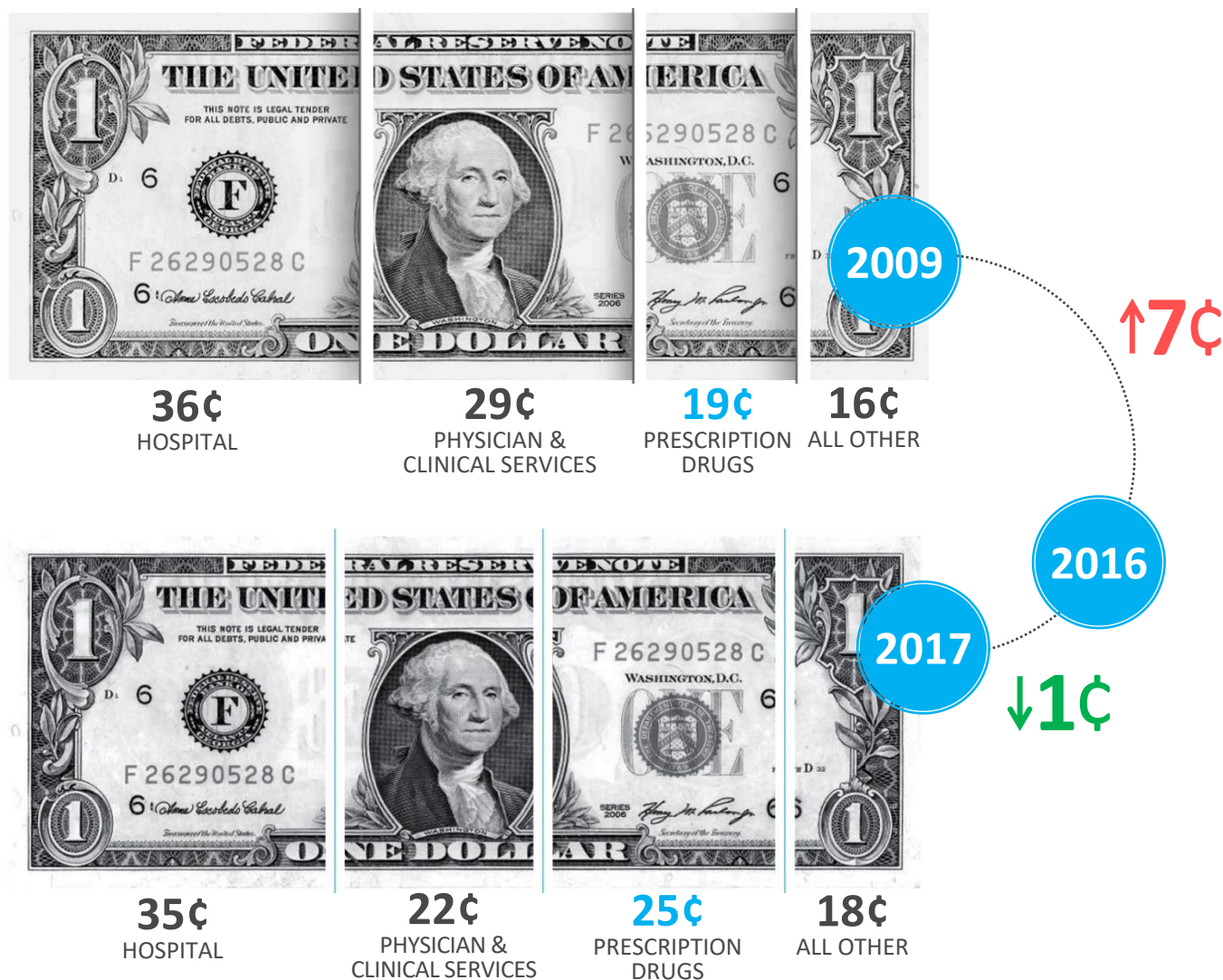
Milam Ford, B.S. Pharm, MBA, MPH
Vice President, Pharmacy Services



Blue Cross and Blue Shield of Louisiana is an independent licensee of the Blue Cross and Blue Shield Association and incorporated as Louisiana Health Service & Indemnity Company.

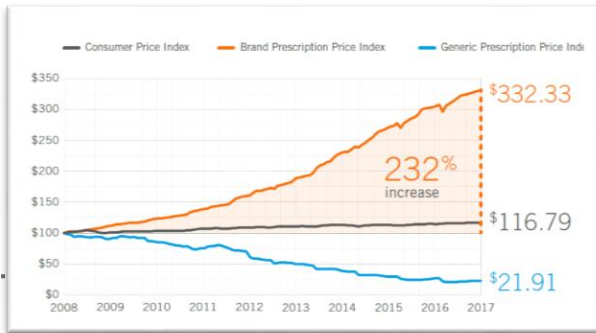
Blue Cross and Blue Shield of Louisiana incorporated
as Louisiana Health Services & Indemnity Company

The Blue Cross Premium Dollar



Represents fully insured group and individual members of both Blue Cross and Blue Shield of Louisiana and HMO Louisiana, Inc. Includes the cost of prescription drugs administered in physician offices and for outpatient hospital care. Drug costs are net of all discounts and rebates. Based on Blue Cross and Blue Shield of Louisiana Financial Data. "All Other" includes taxes, fees, operating costs, commissions and reserves.

Macro Trends Threatening Pharmacy Benefit Affordability



Drug Price Changes:
Drug companies' dramatic & sudden price changes

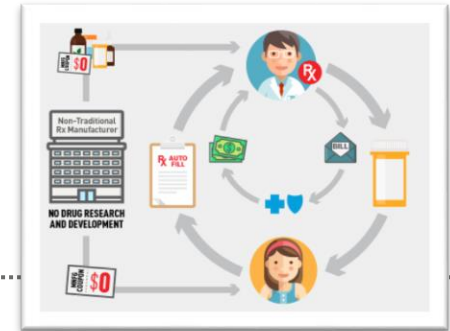


Coupons/Copay Assistance:
Hide true costs from physicians & patients



SPECIALTY DRUGS MAKE UP 1% DRUGS AND 38% COST

Specialty Drugs:
Costs are expected to rise to ~ 50% of total Rx drug costs by 2020



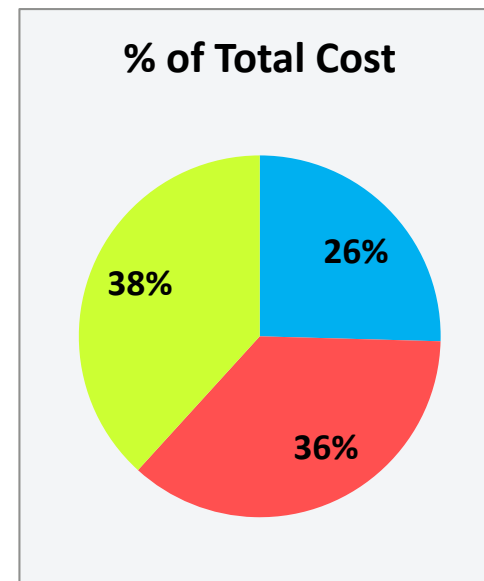
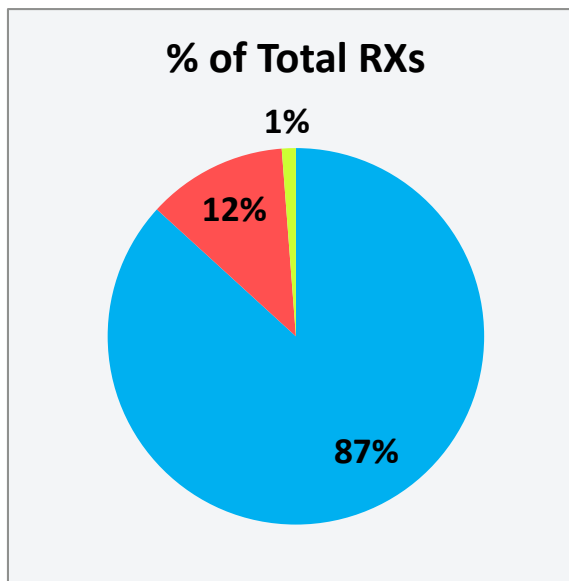
Captive Pharmacies:
Create auto fill programs for a limited mix of mostly low-value, high-priced drugs that cost plans & employers nonstop

Brand & Specialty Drugs Have Low Volume & High Cost



Average Annual Cost/Rx

Generic	\$310
Brand	\$3,175
Specialty	\$33,425



■ Generic ■ Brand ■ Specialty

Fast Facts about Cost

- 26%** • **Generic**, non-specialty drugs make up 87% of claims, but only 26% of cost.
- 74%** • **Brand**, non-specialty drugs and specialty drugs make up only 13% of claims, but 74% of costs.

Blue Cross claims data for fully insured group & individual members from Jan. 1 – Dec. 31, 2017. Brand drug prices are net of rebates.

Moving Toward Precision Medicine



The drug landscape is moving from “**blockbuster**” drugs designed to treat **all** patients with a particular disease toward more personalized medications for each patient.

COMMON
Health Problems
Many People Have

Blockbuster Drug
Trial & Error Design



Example: Cholesterol
Lipitor® = \$5,300/year
(Generic = \$170/year)

SOMEWHAT COMMON
Health Problems
Fewer People Have

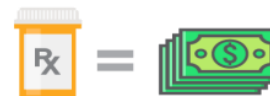
Blockbuster Drug
Target-oriented Design



Example: Arthritis
Humira® = \$58,000/year

LESS COMMON
Health Problems
Various People Have

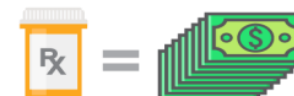
Requires Genetic Testing
Target-oriented Design



Example: Breast Cancer
Tykerb® = \$74,000/year

RARE
Health Problems
Very Few People Have

Biologic Pathway Dependent
Target Agnostic



Example: Cystic Fibrosis
Orkambi® = \$255,000/year

Many new specialty drugs are moving to “**precision medicine**” where drugs are designed to affect biologic pathways and correct genetic abnormalities in a subgroup of the population.



Gene Therapy

Introduces genetic material into a person's cells to edit or replace faulty or missing genetic material.

Example:

Luxturna™ = \$850,000 for both eyes

One-time eye injection to preserve some vision in patients with an eye disease that can lead to blindness.



Cellular Immunotherapy

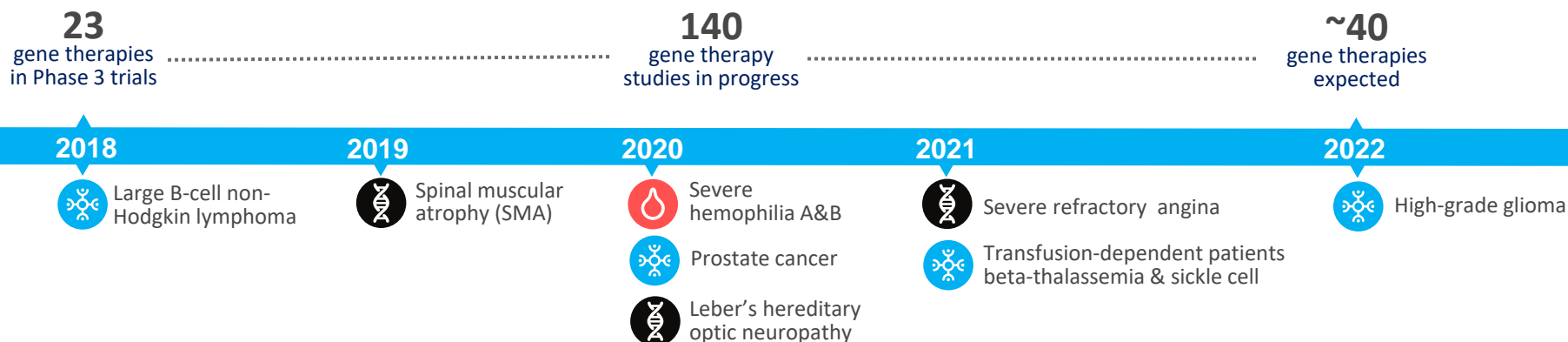
Immune cells from the patient or donor are collected, reprogrammed to fight a disease, then administered to the patient.

Examples:

Kymriah® (tisagenlecleucel) = \$475,000

Yescarta® (axicabtagene ciloleucel) = \$373,000

T-Cell immunotherapy drugs for blood cancer.



References:
 Express Scripts | clinicaltrials.gov
 MIT NEWDIGS FoCUS (Nov 2017)

UTILIZATION MANAGEMENT

- Prior Authorization
- Step Therapy
- Quantity Per Dispensing Limits
- Opioid Over-utilization Management

BENEFIT DESIGN

- Tiered Benefit Plans
- High Deductible Health Plans
- Mandatory Generic Programs (Brand Buy-Up)

INTEGRATED BENEFITS

- Consistent Pharmacy & Medical Policy
- Value-based Payment Programs
- Quality Blue Programs
- Provider Education
- Medical Rebates

FORMULARY MANAGEMENT

- Managed/Closed
- Excluding Select Drugs

NETWORK MANAGEMENT

- Select Retail Pharmacy Network
- Exclusive Specialty



Different Prices for Different Forms

Fluoxetine 10mg, 20mg
(antidepressant)

\$938

OR

\$35

TABLETS

CAPSULES

Tizanidine 2mg, 4mg
(muscle relaxer)

\$1,665

OR

\$177

CAPSULES

TABLETS

Venlafaxine ER
37.5mg, 75mg, 150mg
(antidepressant)

\$2,069

OR

\$143

TABLETS

CAPSULES

Mupirocin 2%
(prevents bacterial infection)

\$8,191

OR

\$362

CREAM

OINTMENT

- costs per year -



High Cost, Low Value

VS.

Effective Lower Cost Alternatives

Corticosteroid

(skin conditions)

\$8,354 OR **\$2,429**

fluocinonide
0.1% cream

clobetasol
0.05% cream

Anti-inflammatory

(pain, inflammation)

\$31,987 OR **\$91**

DUEXIS®
800-26.6 mg

800 mg ibuprofen
+ 20 mg famotidine

Anti-inflammatory

(pain, inflammation)

\$31,996 OR **\$418**

VIMOVO® DR
375, 20 mg or 500, 20 mg

375 or 500 mg naproxen dr
+ 20 mg esomeprazole dr

Anti-inflammatory NSAID

(pain, inflammation)

\$34,473 OR **\$1,996**

PENNSAID®
2% pump

diclofenac
1.5% solution

- costs per year -



We use the cost and care management programs you heard about today to

- uphold clinically proven care and
- hold the line on prescription drug costs' affects on premiums.

These programs are threatened by Louisiana legislation nearly every session.

What's happening at the capitol:

- Pharmaceutical companies and their lobbying power influence legislators.
- Proposed legislation designed to reduce health plans' ability to negotiate rates and manage pharmacy benefits.
- Laws that benefit drug companies have far reaching consequences for Louisiana citizens and businesses.
- These consequences are often unforeseen by legislators.

Benefits of pharmacy management tools go far BEYOND COST.

These tools protect against:

- off-label prescribing,
- intolerable side effects,
- harmful drug interactions and
- high cost, low value drugs that aren't clinically superior

Questions?

Milam Ford, B.S. Pharm, MBA, MPH
Vice President, Pharmacy Services

Milam.Ford@bcbsla.com