

# focus on trend

COMMERCIAL

In the first half of 2017 Prime continued to drive down drug trend in the midst of powerful upward forces on prescription drug costs. **Prime’s commercial clients experienced 0.8 percent overall drug trend in Q1 and Q2 of 2017.**<sup>1</sup> Costs were lowered by substantial negotiated savings and increased use of powerful tools such as Prime’s NetResults™ formulary and Walgreens-anchored preferred networks.

“Prime is building on our industry-leading trend of 2016 with outstanding results in the first half of 2017. Our mid-year figures reflect Prime’s commitment to deliver a powerful combination of lowest cost and highest confidence for our clients and their members.”

—Jim DuCharme, President and CEO



**\$2 billion** Prime is again on-track to deliver over

**in incremental client savings this calendar year**

Based on internal Prime analysis

A utilization increase of more than 11 percent in specialty drugs was a key contributor to specialty trend that exceeded 15 percent. These upward pressures were offset by negative trend of five percent in traditional drugs, driven by significant reductions in unit cost.

	Unit cost (%)	Utilization (%)	Total (%)
<b>Overall</b>	-2.8	3.6	0.8
<b>Traditional</b>	-8.6	3.5	-5.1
<b>Specialty</b>	3.7	11.5	15.2

<sup>1</sup> Compared to the same period in 2016.

## Top ten drug categories

Drug category	% of Spend*	Trend**
1. <b>Autoimmune</b>	13.6%	24.9%
2. Diabetes	13.6%	4.3%
3. HIV	5.5%	22.3%
4. <b>Cancer (oral)</b>	5.2%	19.8%
5. <b>Multiple sclerosis</b>	5.0%	4.2%
6. Respiratory	4.0%	-3.0%
7. ADHD	3.9%	-5.3%
8. Pain	3.8%	-13.9%
9. <b>Hepatitis C</b>	3.3%	-3.7%
10. High blood pressure	2.6%	-8.6%

\*Total expenditures before rebates and inclusive of discounts **Bold = Specialty**  
 \*\*Change in PMPM spend 2016 to 2017 after rebates and discounts

## Top ten individual drugs

Drug	Condition	% of Spend*
1. <b>Humira® Pen</b>	Autoimmune	5.4%
2. <b>Harvoni®</b>	Hepatitis C	2.4%
3. <b>Enbrel® SureClick®</b>	Autoimmune	2.3%
4. Lantus® SoloSTAR®	Diabetes	1.4%
5. Vyvanse®	ADHD	1.3%
6. <b>Copaxone®</b>	Multiple sclerosis	1.3%
7. NovoLog® Flexpen®	Diabetes	1.2%
8. Victoza®	Diabetes	1.2%
9. <b>Stelara®</b>	Autoimmune	1.2%
10. NovoLog®	Diabetes	1.1%

All brand names are the property of their respective owner.

## Key drivers

### Traditional spend

Diabetes remains a top spend category with increasing utilization and the ongoing introduction of new brand-name products, including combination products. While still a top-ten contributor to overall spend, the pain category saw a significant reduction in trend in the first half of this year. These results complement a 16 percent decrease in opioid claims over the past five years for Prime's commercial book of business. Prime recently announced its Controlled Substance Management Program which brings together current and new efforts into a comprehensive approach to help address the national opioid epidemic.

### Specialty spend

The autoimmune category continued to be the primary driver of spend among specialty drugs. It edged past diabetes as the top spend category overall. Utilization increases for both autoimmune and cancer categories exceeded 10 percent, with new approvals in the highly active cancer category. New oncology offerings are providing options for treating patients with progressive disease (i.e., second and third line treatment). Utilization likely will continue to grow with an increasing number of oral oncology drugs in the pipeline. Hepatitis C trend is leveling off; utilization continues to decline as more people have been treated. New hepatitis C therapies introduced this year will continue to push costs down.

## 2017 High-cost drug pipeline

Prime closely tracks new drugs, particularly those that might significantly impact drug spend. The table below lists drugs on Prime's pipeline watchlist and others to which Prime is paying close attention in 2017.

Drug brand (generic)	Condition	Potential cost impact*	FDA approved**
Ocrevus™ (ocrelizumab)	Multiple sclerosis	\$0.08–\$0.39 PMPM	✓
Dupilixent® (dupilumab)	Atopic dermatitis	\$0.08–\$2.00 PMPM	✓
Radicava™ (edaravone)	ALS	\$0.08–\$0.39 PMPM	✓
Ingrezza™ (valbenazine)	Tardive dyskinesia	<\$0.08–\$0.39 PMPM	✓
Translarna™ (ataluren)	Duchenne muscular dystrophy	\$0.08–\$0.39 PMPM	
Emflaza™ (deflazacort)	Duchenne muscular dystrophy	\$0.08–\$0.39 PMPM	✓
Zejula™ (niraparib)	Ovarian cancer	\$0.08–\$0.39 PMPM	✓
Kymriah™ (tisagenlecleucel) [genetically modified CAR-T cells]	Leukemia	\$0.08–\$2.00 PMPM	✓
axicabtagene ciloleucel (KTE-C19) [genetically modified CAR-T cells]	Lymphoma	\$0.08–\$2.00 PMPM	
Luxturna™ (voretigene neparvovec) [gene therapy]	Inherited retinal disease	<\$0.08–\$0.39 PMPM	
RoxyBond™ (oxycodone tablets) [abuse deterrent formulation for immediate release opioid]	Severe pain	\$0.60–\$3.60 PMPM	✓

\*Includes impact on pharmacy and medical benefit \*\*As of 9/22/2017

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success stories

Prime's commercial clients have experienced significant trend reductions\* in the first half of 2017. These are being driven by increased use of Prime's PBM tools and substantial negotiated savings.

**Autoimmune**



**Cancer (oral)**



**Diabetes**



**MS**



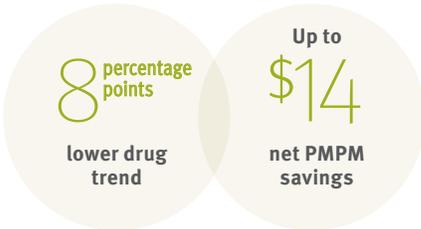
**Pain**



**Respiratory**



\*Relative change in net trend comparing 2017 mid-year trend to mid-year trend for 2016.



**NetResults™ formulary** Drug trend for clients who adopted Prime's NetResults formulary in Q1 and Q2 of this year was 8 percentage points lower on average compared to clients not using this approach.

Total savings for lives covered by NetResults have ranged from \$10 – \$14 net PMPM for the first half of 2017.

**Incremental negotiated savings** Commercial clients have benefited from \$846 million in year-to-date incremental negotiated savings through Prime's delivery of competitive rebates and pharmacy MAC pricing plus network savings fueled by client adoption of Walgreens-anchored networks.



Other value delivered to our clients

\$930 million

**Utilization Management savings**, including prior authorization, step therapy and quantity limit programs, are estimated\*\* to exceed \$930 million for the first half of 2017. \*\*Based on actual savings for 1Q2017 and projected savings for 2Q2017.

\$115 million

**Prime's GuidedHealth® alerts** to address gaps in care and adherence generated approximately \$115 million in total savings for our commercial clients.

\$71 million

**Prime's fraud, waste and abuse (FWA) efforts** have generated more than \$71 million in total savings. \$57 million was due to pharmacy terminations and denied network enrollments to support the quality of our networks.

## Prime's expanding PBM toolbox will create even greater impact in the year ahead.

**Best in Care™** Our Best in Care disease-specific programs are designed for members with costly chronic conditions. These programs provide robust, comprehensive support to members through specially trained pharmacists, online resources and focused clinical programs.

Prime offers Best in Care programs for members with autoimmune conditions, diabetes and high cholesterol. Programs for additional conditions are in development. These programs capitalize on our unique insights into how medical and pharmacy benefits can work together to strengthen outcomes and reduce costs. And through our collaboration with Walgreens, Prime leverages the power of frequent member interaction and award-winning consumer tools to drive engagement.

Best in Care programs help drive down costs and include financial guarantees for qualifying employer groups that choose additional cost-saving tools, including our NetResults™ Formulary, NetResults Utilization Management, AllianceRx Walgreens Prime for specialty drugs and a Walgreens-anchored retail network and 90DayMyWay® for non-specialty drugs.

**Controlled Substance Management Program** Over the past five years, Prime's industry-leading work around controlled substances helped contribute to 16 percent fewer opioid claims. Our programs have been associated with reduced health care costs of at least \$1,500 PMPY and a 71 percent decrease in commercial members identified as high-risk outliers.\*

In July 2017, Prime announced an initiative that combines our existing controlled substance programs with new offerings to create a multi-layered response to the national opioid epidemic. Prime's Controlled Substance Management Program uses pharmacy and medical data to identify misuse and abuse. It combines our industry-validated controlled substance score with multiple programs. The results: a comprehensive toolset for prescribers and pharmacists to address potential abuse and poor member outcomes. In 2018, new predictive modeling will allow us to identify high-risk members even sooner.

\*Members without cancer and a 6-month average morphine equivalent dose of 90mg or more who receive opioid prescriptions at more than three pharmacies AND from more than three prescribers OR more than five prescribers regardless of pharmacy total.

**Patient-centered specialty management** As specialty drugs continue to drive trend, Prime's disciplined approach helps to lower it. Our approach begins with clinicians who are dedicated to specific drug categories and focused on connecting the critical dots for high-cost conditions. This combination of targeted and holistic perspectives fuels new insights and more productive member engagement.

For example, Prime is developing new processes to detect gaps in care and prioritize intervention opportunities. Building on our GuidedHealth® platform, we will soon launch a pharmacist-driven program to identify high-cost specialty members. The resulting engagement will help improve both member care and cost control. All efforts will leverage Prime's decades of experience in health plan integration for a highly coordinated approach to member health.

**Forward-looking research and analytics** In 2013, Prime was the first PBM to predict that specialty drugs would exceed 50 percent of all drug spend by 2018. This forecast remains on target.

Today, Prime is leading the industry in analyzing new treatments that challenge the definition of medicine. These revolutionary options include CAR-T cell and gene therapies that offer new hope and new cures. Our deep health plan connections and unique insights driven by medical data give our clients a powerful advantage as they work to anticipate tomorrow's drivers of drug spend.

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**METHODOLOGY**

**Trend** Represents change for Q1&Q2 2016 vs Q1&Q2 2017 for Prime's commercial book of business (which includes Health Insurance Marketplace populations) for Total Costs (plan + member PMPM) inclusive of network discounts + tax + dispensing fees minus total rebates. Calculations include plans with 2016 and 2017 data.

**Utilization** Rate of change per member based on 30-day equivalent prescriptions.

**Unit cost** Rate of change in costs due to inflation and mix inclusive of discounts and rebates.