

# focus on trend

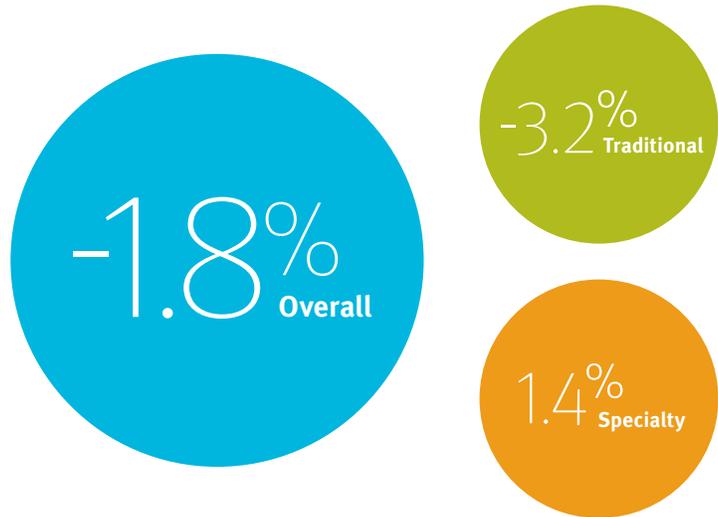
MEDICAID

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 Medicaid clients experienced overall negative drug trend of -1.8 percent in Q1 and Q2 of 2017.<sup>1</sup>**

Net unit cost reductions in multiple categories were fueled by increased use of Prime’s PBM tools, proactive collaboration on population management, and substantial negotiated savings. A 30 percent utilization drop in hepatitis C drugs also helped drive negative trend and resulting client savings.

“The results in this mid-year trend report demonstrate the impact of Prime’s dedicated Medicaid pharmacy management approach. We are committed to client collaboration and focused on delivering quality outcomes and affordability. These are more important than ever in today’s constantly changing health care environment.”

— Rob Behler, vice president and general manager, Medicaid markets



In 2017 Prime's average Medicaid price per script has been

**14% lower** compared to managed care organizations in the states Prime operates in.

Source: Internal Prime analysis and available Medicaid Managed comparison data retrieved from Medicaid.gov state drug utilization database.

Significant net unit cost reductions for both traditional and specialty drugs served to offset utilization increases across the board to drive overall trend into negative territory. Specialty utilization growth outpaced increases in traditional utilization by more than two to one — despite a 30 percent decline in the use of hepatitis C drugs.

	Unit cost (%)	Utilization (%)	Total (%)
<b>Overall</b>	-3.6	1.8	-1.8
<b>Traditional</b>	-5.0	1.8	-3.2
<b>Specialty</b>	-3.7	5.1	1.4

<sup>1</sup> Compared to the first half of 2016.

## Top ten drug categories

Drug category	% of Spend*	Trend**
1. Diabetes	14.5%	-0.3%
2. <b>Autoimmune</b>	9.1%	29.2%
3. Respiratory	9.0%	1.4%
4. HIV	7.8%	22.9%
5. <b>Hepatitis C</b>	7.2%	-34.8%
6. ADHD	5.2%	-10.4%
7. Pain	3.8%	-7.7%
8. <b>Cancer (oral)</b>	3.6%	29.0%
9. <b>Multiple sclerosis</b>	3.0%	3.1%
10. Anticonvulsant	2.9%	-4.1%

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

## Key drivers

**Traditional spend** Despite increasing utilization and the ongoing introduction of new brand-name products, net diabetes spending for Prime’s Medicaid clients was essentially flat due to use of Prime’s cost-saving recommendations. (See next page for details.) Negative trend in the ADHD and anticonvulsant categories was fueled by double-digit decreases in net unit cost for each. Negative trend in pain was driven by a combination of lower utilization and reduced net unit cost. Prime’s commitment to managing opioids and other controlled substances was recently emphasized in the announcement of Prime’s Controlled Substances Management Program. (See the final page of this report for more information.)

## Top ten individual drugs

Drug name	Drug category	% of Spend*
1. <b>Humira® Pen</b>	Autoimmune	4.0%
2. Lantus® SoloSTAR®	Diabetes	2.8%
3. <b>Epclusa®</b>	Hepatitis C	2.8%
4. <b>Zepatier®</b>	Hepatitis C	2.3%
5. Symbicort®	Asthma/COPD	2.0%
6. <b>Harvoni®</b>	Hepatitis C	2.0%
7. Proair® HFA	Asthma/COPD	1.9%
8. NovoLog® Flexpen	Diabetes	1.8%
9. Suboxone®	Pain	1.6%
10. <b>Enbrel® SureClick®</b>	Autoimmune	1.5%

**Specialty spend** The autoimmune and cancer (oral) categories exerted the greatest upward pressure on specialty spending. Trend for each category was powered by double digit increases in utilization plus rising net unit cost. A robust pipeline, including many high-cost drugs intended to serve as second and third line treatments, will likely sustain spending increases for these conditions. Countering these upward forces on spend was the hepatitis C category. Here, spending decreased dramatically, driven by a collaborative formulary strategy with our clients and a major decrease in utilization. Even as the treatable population declines, Prime continues to actively seek out clinically and economically effective hepatitis C therapies.

## 2017 High-cost drug pipeline

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

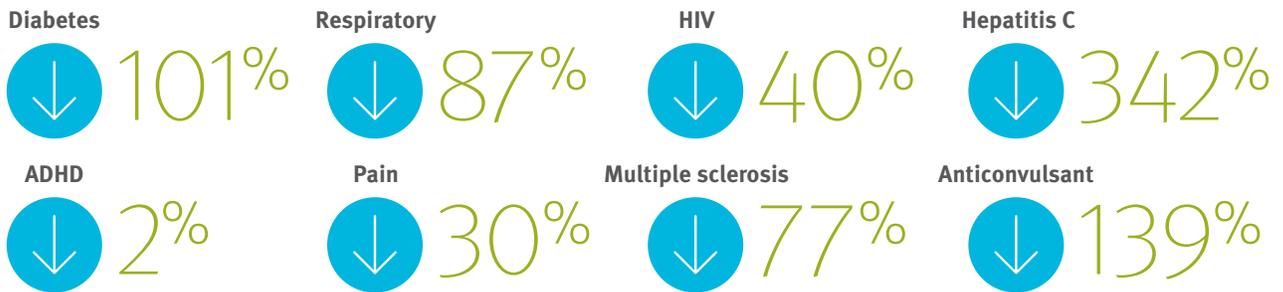
Drug brand (generic)	Condition	FDA approved*
Ocrevus™ (ocrelizumab)	MS	✓
Dupixent® (dupilumab)	Atopic dermatitis	✓
Radicava™ (edaravone)	ALS	✓
Ingrezza™ (valbenazine)	Tardive dyskinesia	✓
Translarna™ (ataluren)	Duchenne muscular dystrophy	
Emflaza™ (deflazacort)	Duchenne muscular dystrophy	✓
Zejula™ (niraparib)	Ovarian cancer	✓
Kymriah™ (tisagenlecleucel) [genetically modified CAR-T cells]	Leukemia	✓
axicabtagene ciloleucel (KTE-C19) [genetically modified CAR-T cells]	Lymphoma	
Luxturna™ (voretigene neparvovec) [gene therapy]	Inherited retinal disease	
RoxyBond™ (oxycodone tablets) [abuse deterrent formulation for immediate release opioid]	Severe pain	✓

\*As of 9/22/2017

Not all drugs may be relevant to all lines of business. All brand names are the property of their respective owner.

Success stories

Prime's Medicaid clients have experienced significant trend reductions\* in the first half of 2017. Increased use of Prime's PBM tools, proactive collaboration on population management and substantial negotiated savings are helping fuel these results.



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

**Collaboration drives savings** Prime's trend bending success in the high-cost diabetes category illustrates how our collaborative approach benefits our Medicaid clients. Prime helped our Medicaid plans lower costs by adjusting formularies, removing more expensive options. We also worked together to identify a lower quantity threshold for insulin. It did not impact patient care but helped reduce waste.

Prime is also working with our Medicaid plans to identify members using high volumes of insulin who could benefit from plan case management.

**Utilization management (UM) helps promote appropriate use and cost control** UM savings associated with prior authorization, step therapy and quantity limit programs are estimated\*\* to exceed \$40 million in the first half of 2017.

**Medical cost avoidance helps reduce overall health spending** Prime's GuidedHealth alerts generate savings by addressing gaps in care, adherence, safety and overuse of drugs. Nearly \$7 million in estimated medical cost avoidance was achieved in Q1 and Q2 of 2017.

**Medicaid-specific MAC lists and generics-based formularies continue to deliver value** Diligent management of MAC rates generated more than \$8.6 million in savings for Medicaid clients in the first half of 2017. In addition, the generic use rate (GUR) among Prime's Medicaid clients was 88.6 percent during this time period. This is up from 86.3 percent for 2016.

**Focused networks help control cost and boost confidence** In Q1 and Q2 of 2017 Prime's Medicaid clients benefited from \$12 million in incremental network savings compared to the same period in 2016. Focused networks that balance both access and affordability have played a significant role. In 2017 Prime is helping Medicaid clients institute networks designed for individual states and border counties. Prime's collaboration with Walgreens has strengthened our ability to deliver excellent access and convenience for plan members.

**Fraud, Waste and Abuse (FWA) Savings** Prime's FWA efforts have generated nearly \$3.5 million in total savings year-to-date for Medicaid clients through efforts such as fraud investigations and pharmacy audits.



In the first half of 2017 Prime has delivered Medicaid value of approximately \$71 million from these efforts.

\*\*Based on actual savings for 1Q2017 and projected savings for 2Q2017.

Prime’s Medicaid service model and the dedicated support we provide separate Prime from other PBMs.

<b>Dedicated resources</b>	Prime leverages the strength of dedicated Medicaid resources across every function, including account directors, program general management, clinical program management, benefits and claims operations, compliance, product and trade. Prime’s account directors partner with clients to understand objectives and foster strategic alignment. They consult with clients on market trends and needs as well as cost control and savings opportunities.
<b>Flexible and aligned benefit design</b>	Because of the resources Prime dedicates to each client, we offer Medicaid plans a variety of benefit structures and system edits to support their coverage and cost containment goals. Our expert consultation helps clients select the right benefit design to achieve their goals. We also continuously review the benefit, making changes designed to optimize outcomes and costs. And clients have ongoing access to monitoring tools to check their progress.
<b>Comprehensive formulary approach</b>	Prime provides a complete set of formulary management services, including formulary development and maintenance, client-specific modeling and analysis, pipeline monitoring and reporting. Prime offers Medicaid-specific help with formulary development through our National Medicaid Business Committee.
<b>Proactive clinical engagement</b>	In the heavily regulated Medicaid sector, clinical teams can be limited in their ability to positively contribute to plan objectives. Prime’s clinical program managers (CPMs) are dedicated to specific clients; they are experts in each program’s unique requirements. CPMs proactively consult on pharmacy strategy, formulary and clinical services to maximize impact while supporting compliance with state requirements. In addition, our clinical experts engage proactively to create comprehensive, client-specific strategies to achieve drug trend management goals.
<b>Strategic network management</b>	Networks and their pharmacies are critical links in the drug chain, helping deliver safety, quality and cost control. Prime offers a highly strategic, integrated approach to network management. It covers MAC negotiations to rigorous fraud, waste, and abuse prevention to comprehensive help desk services to cost saving programs such as narrow networks (including specialty networks in the near future) — all with an eye to promoting access and affordability.
<b>Industry leadership</b>	<p>In July 2017 Prime announced an initiative that combines 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 to provide 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.</p> <p>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 our industry in analyzing new treatments that are challenging the very definition of medicine. These revolutionary options include CAR-T cell and gene therapies that offer new hope and new cures.</p>

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**METHODOLOGY**

**Trend** Represents change for Q1&Q2 2016 vs Q1&Q2 2017 for Prime’s Medicaid book of business for Total Costs (plan + member PMPM) inclusive of network discounts + tax + dispensing fees minus total supplemental rebates. Geographic weighting was applied in the calculation of relative changes in first half 2016 vs. first half 2017 drug category trend.

**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.