

FOCUS ON TREND

For a fourth consecutive year, Prime Therapeutics (Prime) delivered single-digit pharmacy trend increases for the commercial and Medicare Part D lines of business in 2019. Trend for Prime’s commercial population was 4.7%, while Medicare Part D was 0.1%. The most powerful driver of trend? Increased drug utilization — especially among specialty drugs, which was even higher than in 2018. Prime’s effective pharmacy management offerings delivered \$3.3 billion in savings in 2019 for the company’s health plan clients.

“ Keeping cost trends low for our clients is a top priority at Prime. In 2019, we achieved success in delivering modest drug trend increases. We achieved those results by aggressively deploying our suite of total drug management tools to help our health plan clients offer affordable pharmacy benefits to their members. Prime is rapidly evolving to meet the needs of tomorrow’s marketplace and is well positioned to help our plans improve patient outcomes in the new decade. ”

— **David Lassen, PharmD,**
Chief Clinical Officer,
Prime Therapeutics

COMMERCIAL TREND



MEDICARE PART D TREND

\$3.3 billion

CLIENT SAVINGS IN 2019 AS A RESULT OF PRIME’S MANAGEMENT TOOLS

Based on internal Prime analysis of incremental value.

TREND DRIVERS

TRADITIONAL TREND DRIVERS

In commercial and Medicare Part D, trend decreased for traditional drugs, while Medicaid increased. In all lines of business, utilization increased at a typical rate of 0.5–2.7%. Decreased utilization and unit cost in the pain category for commercial (-11%) and Medicare Part D (-19%) helped keep traditional trends negative. That was the result of new medication distribution regulations—such as controlled substance quantity limits. Effective lowest net cost approaches for preferred diabetes drugs kept unit cost trend low for commercial (0.2%) and Medicare Part D (0.5%) business. In Medicare Part D, anticonvulsants (-20%) and respiratory medications (-8%) contributed to the negative traditional trend figures. For commercial and Medicare, inflation protection within manufacturer contracts allowed unit cost trend to stay low despite price increases.

SPECIALTY TREND DRIVERS

Utilization of specialty drugs continued to be the largest driver of trend, as specialty drugs represented 37% of Prime’s pharmacy benefit spend. Cancer (oral) and autoimmune treatments were the most influential drug categories in driving higher trend for all lines of business with trends in the double digits. In these classes, new indications for existing drugs brought unit cost increases to specialty drugs more prevalent in the commercial market. Specialty brand drugs transitioning to generics contributed to negative unit cost trends in the government programs segments. This practice was especially apparent in unit cost trends of multiple sclerosis (-6%) and hepatitis C (-30%) approximately across all three lines of business.

COMMERCIAL	Utilization (%)	Unit cost (%)	Total (%)
OVERALL	2.2	2.5	4.7
TRADITIONAL	2.2	-3.0	-0.8
SPECIALTY	10.0	4.1	14.1

MEDICARE PART D	Utilization (%)	Unit cost (%)	Total (%)
OVERALL	0.5	-0.4	0.1
TRADITIONAL	0.4	-4.2	-3.8
SPECIALTY	15.5	-10.7	4.8

MEDICAID*	Utilization (%)	Unit cost (%)	Total (%)
OVERALL	2.7	7.5	10.2
TRADITIONAL	2.6	3.7	6.3
SPECIALTY	20.1	-2.6	17.5

*State Medicaid regulations continued to broaden formularies and allowed for less ability to implement management tools. Due to these constraints, Medicaid trend is not reflective of Prime’s management capabilities.

PIPELINE INFLUENCE

The pipeline continues to be filled with drugs in specialty categories including oncology, autoimmune and gene therapies. Given their high costs, new specialty drugs will continue to drive trend in the coming years.

- \$132,475 average annual AWP cost for top 10 new drug launches
- 48 new drugs approved in 2019 (19% decrease 2019 vs. 2018)
 - › More than half of them were specialty drugs (56%)
 - › New drug launches account for 1.1% of overall drug trend



Based on internal Prime analysis

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METHODOLOGY

TREND Represents the change in 2019 vs. 2018 for Total Costs (plan + member PMPM) inclusive of network discounts + tax + dispensing fees minus total rebates. Calculations include plans with 12 months of 2018 and 2019 data. For commercial, data includes book of business (which includes Health Insurance Marketplace populations). For Medicare Part D, data includes book of business. For Medicaid, data includes geographic and population weighting application to book of business calculations using the 2019 state-by-state population proportions. Trend analyses in this report were prepared and reviewed by Prime’s actuarial team.

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.