

How to Manage the Rising Cost of Specialty Pharmacy

SWBA 42nd Annual Conference – Big League Benefits

May 25, 2017

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Agenda

- 1 Specialty Drug Challenges
- 2 Specialty Drug Landscape
- 3 SWA Plan of Action
- 4 Southwest Approach

SOUTHWEST SPECIALTY DRUG CHALLENGES

Challenges Facing SWA

Soaring drug costs with limited transparency

Limited resources and expertise

Limited visibility into medical drug spend

Preserve member experience

SPECIALTY DRUG LANDSCAPE

Top 10 Drugs by U.S. Sales per Pharmacy Times

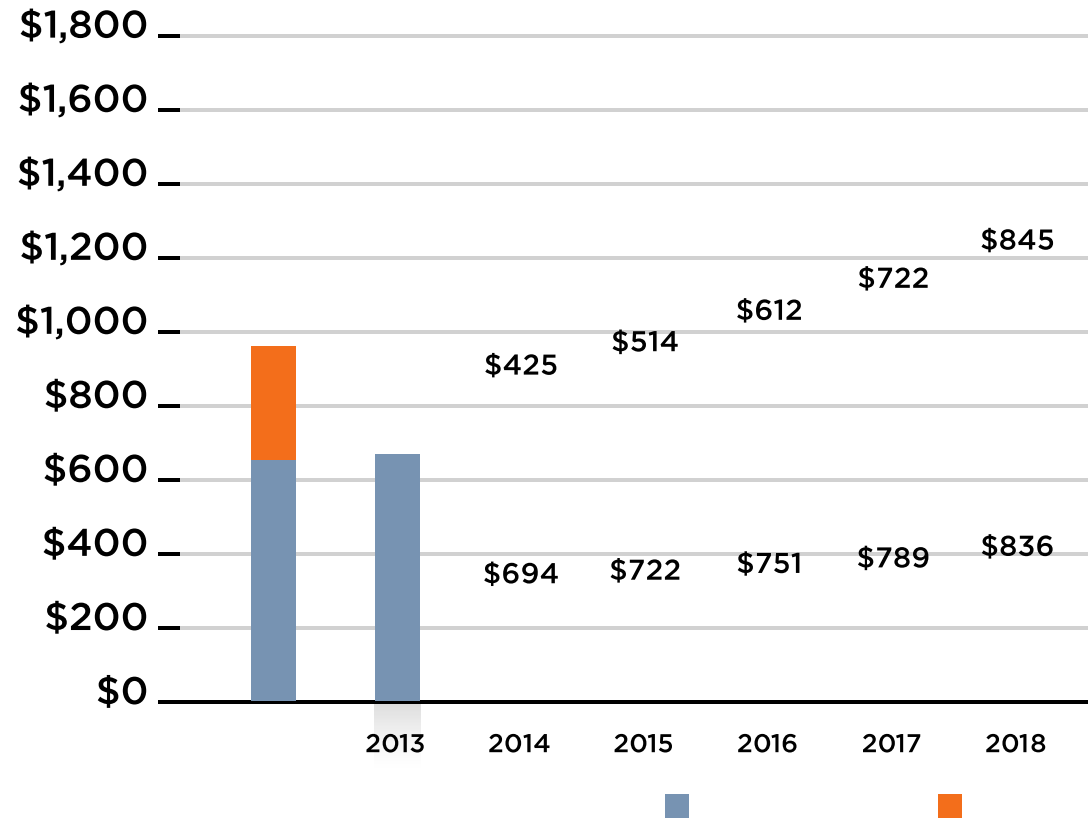
2008	2012	2013
1. Lipitor	1. Nexium	1. Abilify
2. Nexium	2. Abilify	2. Nexium
3. Plavix	3. Crestor	3. Humira
4. Advair Discus	4. Advair Diskus	4. Crestor
5. Seroquel	5. Cymbalta	5. Cymbalta
6. Singulair	6. Humira	6. Enbrel
7. Enbrel	7. Enbrel	7. Remicade
8. Actos	8. Remicade	8. Copaxone
9. Prevacid	9. Copaxone	9. Neulasta
10. Neulasta	10. Neulasta	10. Rituxan

In 5 short years, specialty drugs went from 20% to 60% of top 10 drugs sold.

Specialty Drug Forecast

• Growth Drivers

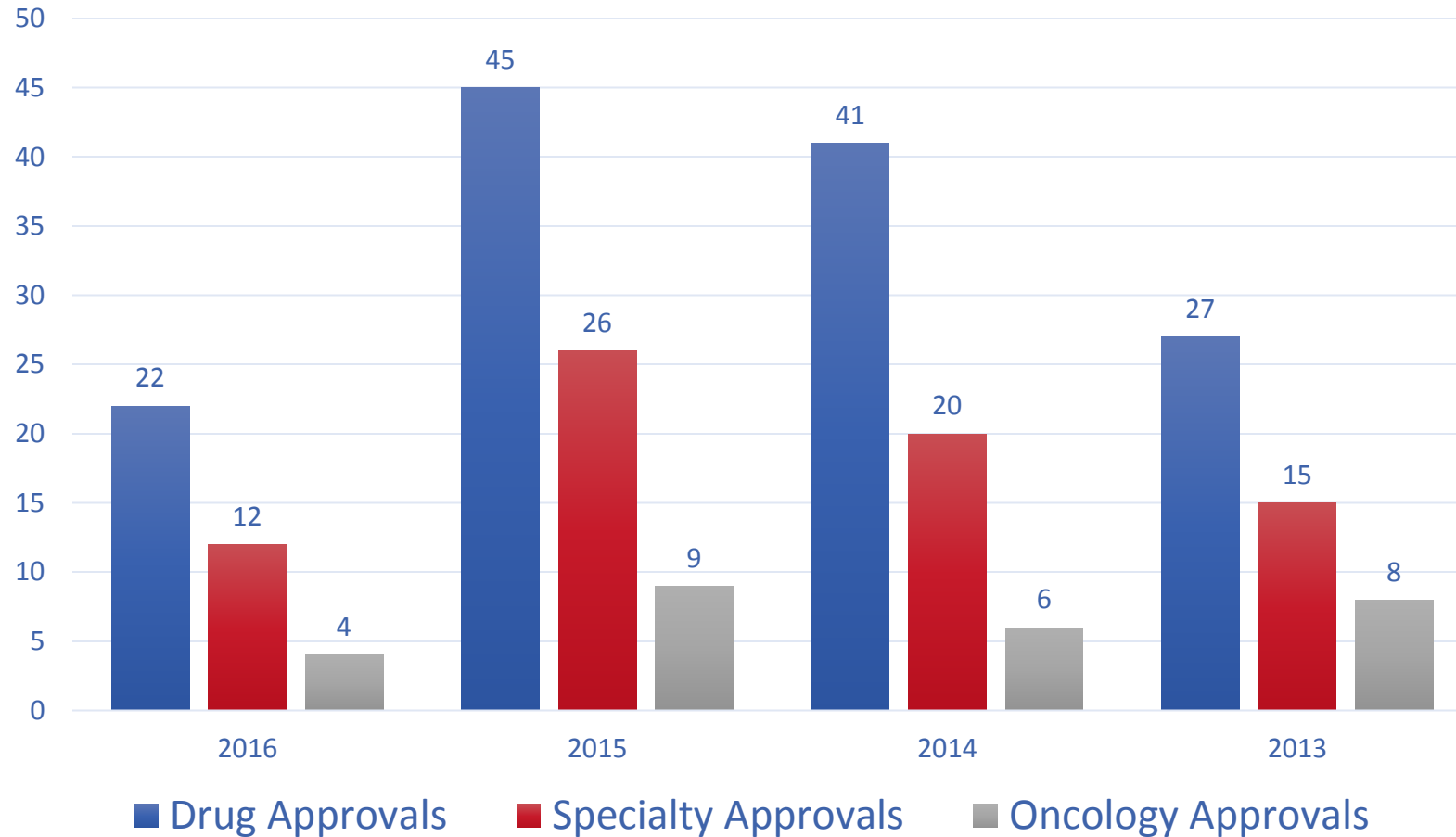
- ✓ Pipeline
- ✓ DTC ads
- ✓ Hospitals buying MD practices
- ✓ Drug Inflation
- ✓ Weak clinical policies



Source: Artemetrx Specialty Drug Trend Study, 2013

Specialty drug spend is approaching $\geq 50\%$ of total drug spend for most payers

FDA New Drug Approvals



73 Specialty Drug Approvals, 27 Oncology Drugs

Notable Approvals

- **Drugs to treat previously untreated diseases**
 - Esbriet, Ofev for Idiopathic Pulmonary Fibrosis
 - Exondys 51, for Duchenne Muscular Dystrophy
 - Spinraza for Spinal Muscular Atrophy
- **Advances in oncology**
 - 5 new drugs each for metastatic melanoma and multiple myeloma
 - 4 immunotherapies
 - 15 oral and 12 IV therapies
- **Potential cure for Hepatitis C**
 - 8 new drugs for treatment of Hep C
 - 1 pan-genotypic drug for Hep C
- **New drugs entering crowded markets**
 - Psoriasis, MS

SOUTHWEST PLAN OF ACTION

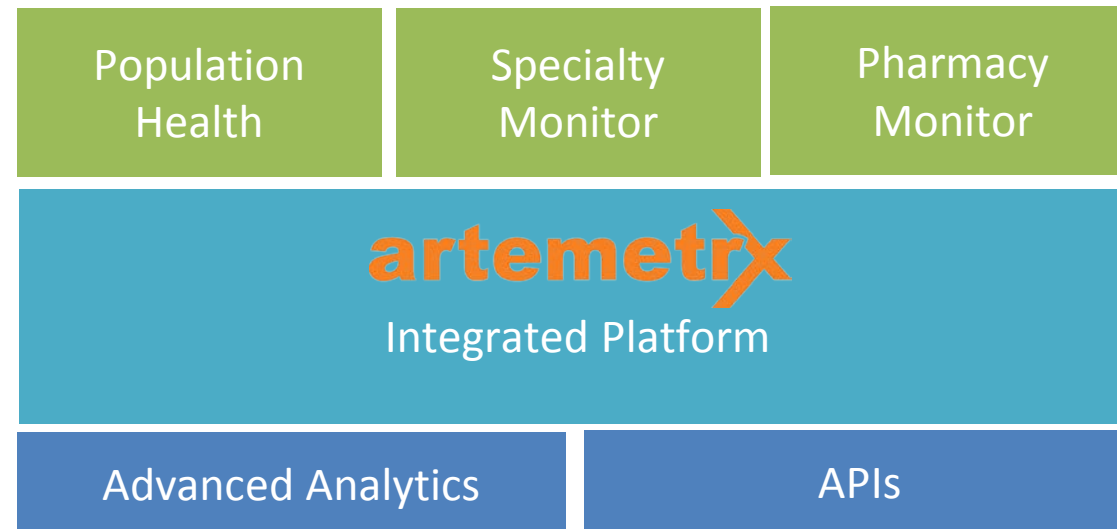
KEEPING PATIENT HEALTH, WELLBEING & EXPERIENCE NUMBER ONE

Artemetrx Drug Management Platform



Proprietary analytics platform powering specialty drug management intelligence

Integrated, transparent view of specialty spending across the pharmacy and medical benefits



Specialty Management – Artemetrx

DATA

- Artemetrx Specialty Diagnostic provides integrated, detailed view across pharmacy and medical claims
- Identification of trend drivers, outlier claims and savings opportunities

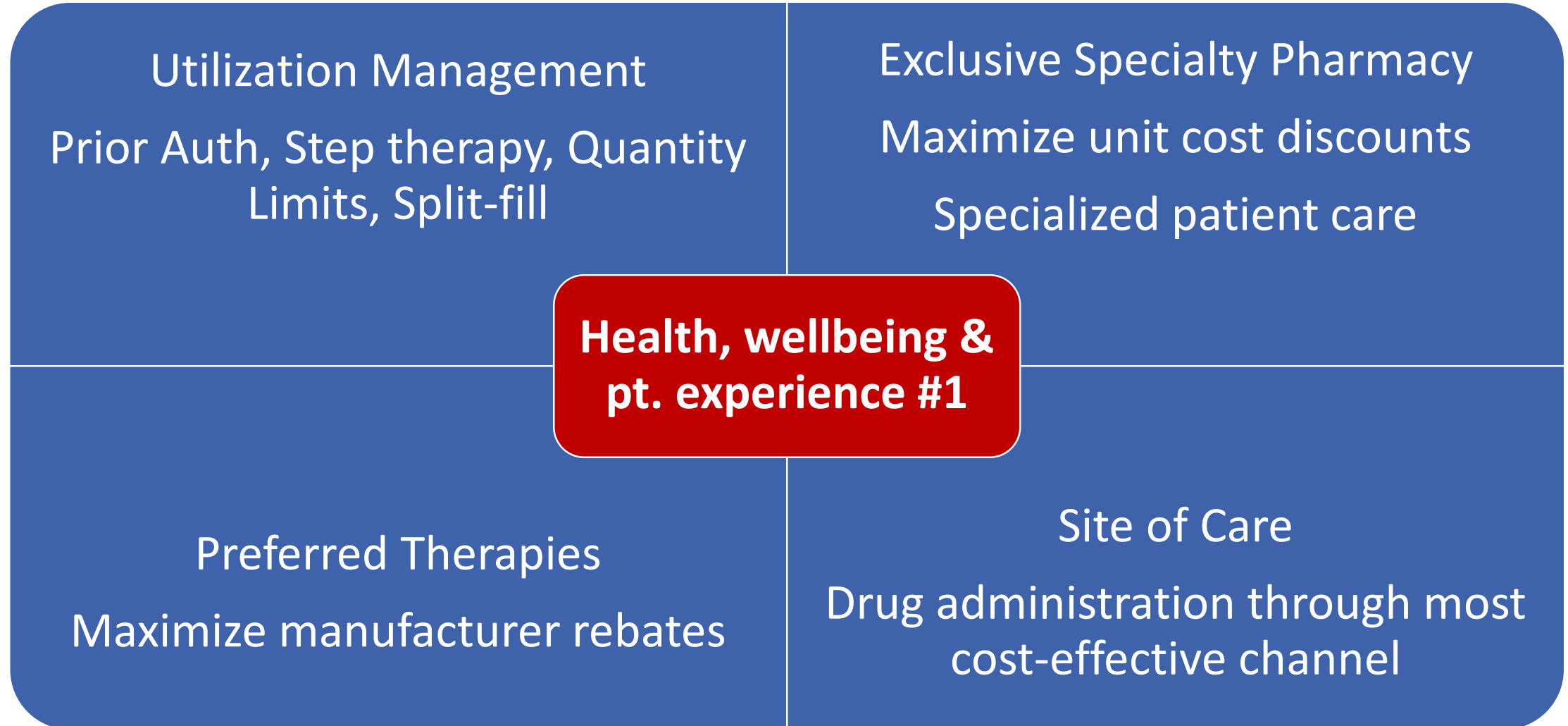
COLLABORATION

- Partner with vendors to explore available programs and implement strategies to achieve savings
- Share the same end goal, service client and achieve cost savings

EXECUTION

- Artemetrx Specialty Diagnostic used to identify savings opportunities
- Work together to support implementation of solutions

Specialty Drug Management Strategies



SOUTHWEST APPROACH

PBM Specialty Guideline Management (SGM) Program

Overview

- Evidence driven approach to appropriate, safe and cost-effective use of specialty drugs
- Clinical criteria, step therapy, quantity limits
- Preferred specialty pharmacy
- Implemented 11/2016

Advantages

- Ensures appropriate use of specialty drugs
 - Right patient, right drug for right diagnosis at right dose & frequency for right duration

H.P. Acthar

Overview

- Indicated for treatment of infantile spasms, MS & marketed for other inflammatory conditions
- AWP cost per vial \$43,658.40
- Evidence to support use in MS & other conditions is weak
- Clinically effective more cost-effective therapeutic alternatives available
- PA allowed coverage for other conditions & longer duration than needed
- SWA spent \$611,637 for 3 patients, getting multiple fills & more than 1 vial/rx
- PBM revised PA, Implementing 6/2016

Advantages

- Ensures appropriate use of H.P. Acthar
 - Right patient, right drug for right diagnosis at right dose & frequency for right duration

Oncology Split-Fill Program

Overview

- Includes 19 oral oncology drugs
- First fill limited to 2-week supply
- Patient charged 50% copay
- Care team pharmacist or nurse contacts patient assesses side effects & tolerance

Advantages

- Offers additional patient contact, care management
 - Assesses patients for side effects/adverse events
 - Assists patients with difficult to tolerate drugs
- Minimizes financial risk to patient (50% copay) and SWA (50% plan paid) as a result of early discontinuation for difficult to tolerate drugs

Injectable Outpatient Chemotherapy Prior Authorization Program

Overview

- PA using eviCORE Healthcare, online authorization tool
- Offers all available cancer treatment regimens
- Uses NCCN (National Comprehensive Cancer Network) guidelines
 - Assesses treatment regimen including combination of chemotherapy drugs & sequencing appropriate for diagnosis

Advantages

- Ensures patients receive most appropriate treatment regimen upfront
- Requests which meet NCCN guidelines granted immediate approval
 - All other requests completed within 3 business days
- All requests reviewed by medical oncologists
- Timely peer to peer reviews with medical oncologists for exceptions
- Immediate coverage answers
- Evidence-based alternative treatments recommended immediately

Site of Care (SOC) Redirection

Overview

- Specialty drugs administered in outpatient hospital incur costs 3-4 times higher than when administered in physician office or through home infusion
- Adult patient getting Remicade at a children's hospital paying 559% ASP
- Claims paying at \$28,000 vs. \$5,500, total plan paid \$266,960
- Medical Vendor has programs in place to redirect patients on Remicade & similar drugs to more cost-effective sites
- Implemented 1/2017

Advantages

- Ensures specialty drugs billed through medical benefit are administered at most cost-effective, clinically appropriate sites
 - Criteria applied through PA process for select specialty drugs
 - Patient care is first & foremost, not just a cost-saving exercise

Is the standard approach working?

- **Are existing UM strategies ensuring appropriate use?**
 - Are they being executed properly?
 - Are approval durations indefinite or are patients being assessed for benefit of their specialty drug therapy?
- **Are existing channel management strategies exclusive to preferred specialty pharmacies optimizing patient care?**
 - Is specialized patient care coordination being leveraged?
 - Is support for oral oncology drugs being provided?
 - Are services and/or savings from community oncology practices being missed?

Right patient



Right product



Right process?

- Specialty drug management is key to achieving optimal drug therapy benefit while containing costs.
- Use of evidence-based protocols is needed to ensure member access to the most appropriate treatments
 - Use criteria to identify the appropriate patients for drug therapies not create barriers to care
- Use processes to direct physician-administered drugs to the most cost-effective site of care
- SWA has engaged the right partners to
 - Ensure appropriate use of specialty drugs
 - Preserve the member experience
 - Minimize financial risk to members & SWA