



The Future Policy Framework for Pharmacy

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October 16, 2018

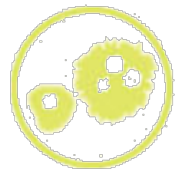
Cutting-Edge Research Drives Medicine Development

Biopharmaceutical researchers pursue novel scientific approaches that are driving therapeutic advances.



ALZHEIMER'S DISEASE

β -secretase inhibitors block the enzyme that causes plaque formation, which could halt progression of the disease.



ZIKA

DNA-based vaccines enter immune cells and train them to recognize and attack the virus.



CANCER

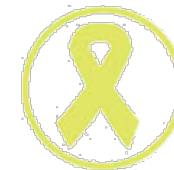
Chimeric antigen receptor (CAR) t-cell immunotherapy involves the personalized modification of immune-boosting T-cells to target and kill blood cancer cells.

CRISPR/Cas9 technology edits gene sequences in T-cells, reprogramming them to seek and destroy tumor cells.



MIGRAINE

CGRP inhibitors inhibit the signaling pathway that leads to migraine attacks.



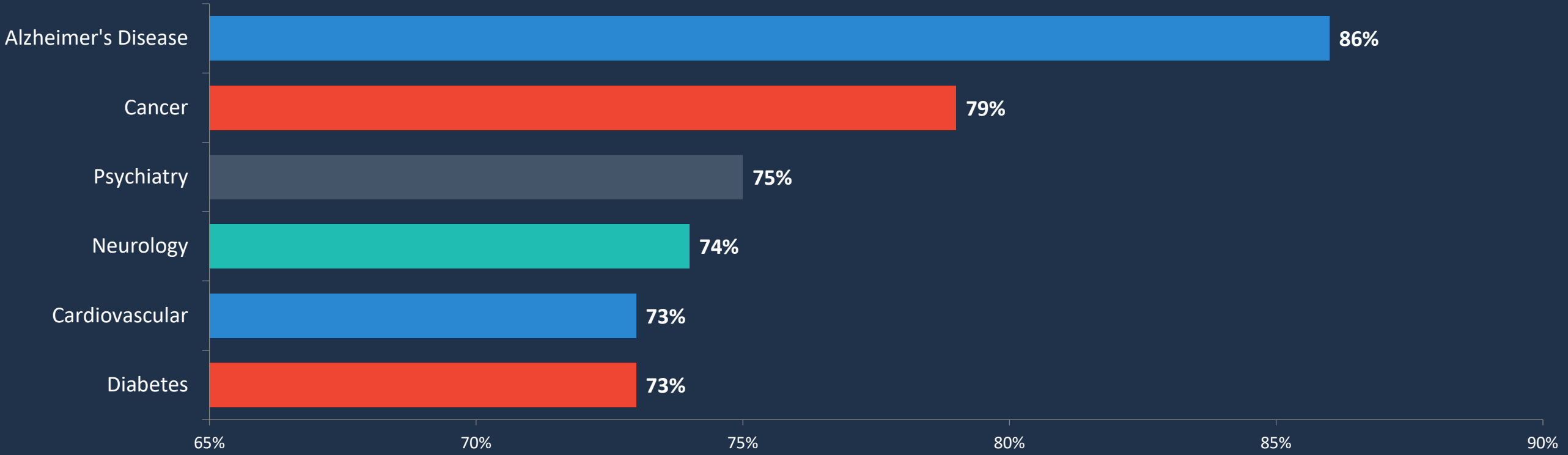
CROHN'S DISEASE

SMAD7 blockers stop the production of a protein that, in excess, inhibits normal immune cell activation.

New Approaches to Treating Disease Are Driving Innovation for Patients

An average of 74% of drugs across the pipeline are potential first-in-class medicines.

Percentage of Products in Development and Regulatory Review That Are Potentially First-In-Class, Selected Therapeutic Areas, 2016



Source: Long, G. *The Biopharmaceutical Pipeline: Innovative Therapies in Clinical Development*, Analysis Group. June 2017.

Even With Revolutionary New Treatments, Cost Growth Is Moderating

Multiple sources confirm low single digit drug spending growth for the second year in a row.



3.8%

2016



1.5%

2017

3.2%

2016



1.9%

2017

2.5%

2016



-0.2%

2017

3.9%

2016



0.6%

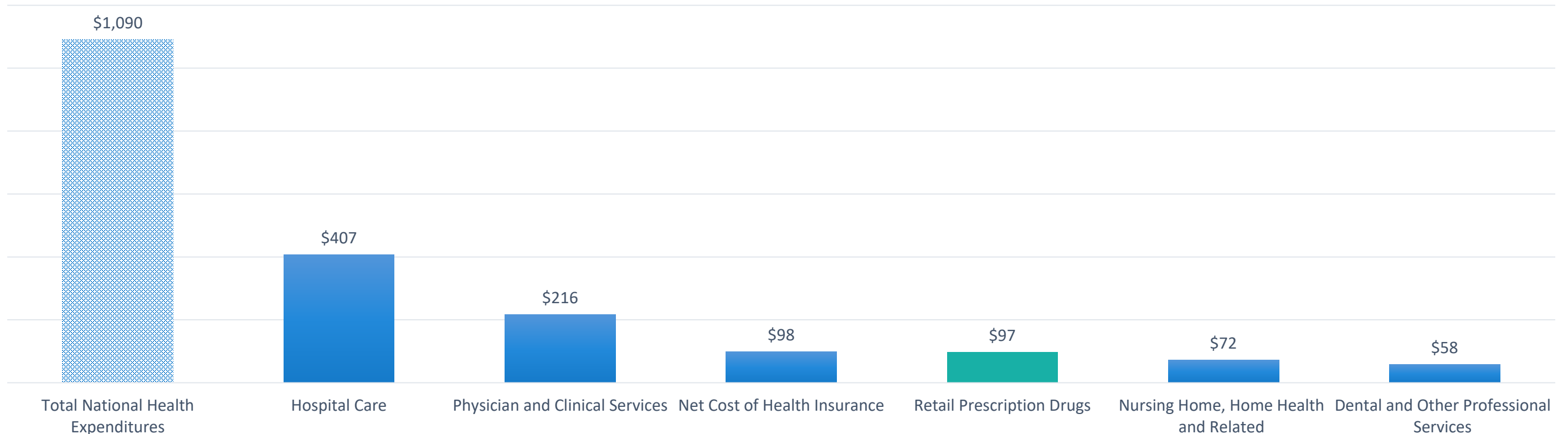
2017

Note: IQVIA data is reflective of retail and non-retail medicine spending.

Prescription Medicines Are Not the Largest Driver of Health Care Spending Growth

Prescription drug spending accounts for a small share of total health care spending growth.

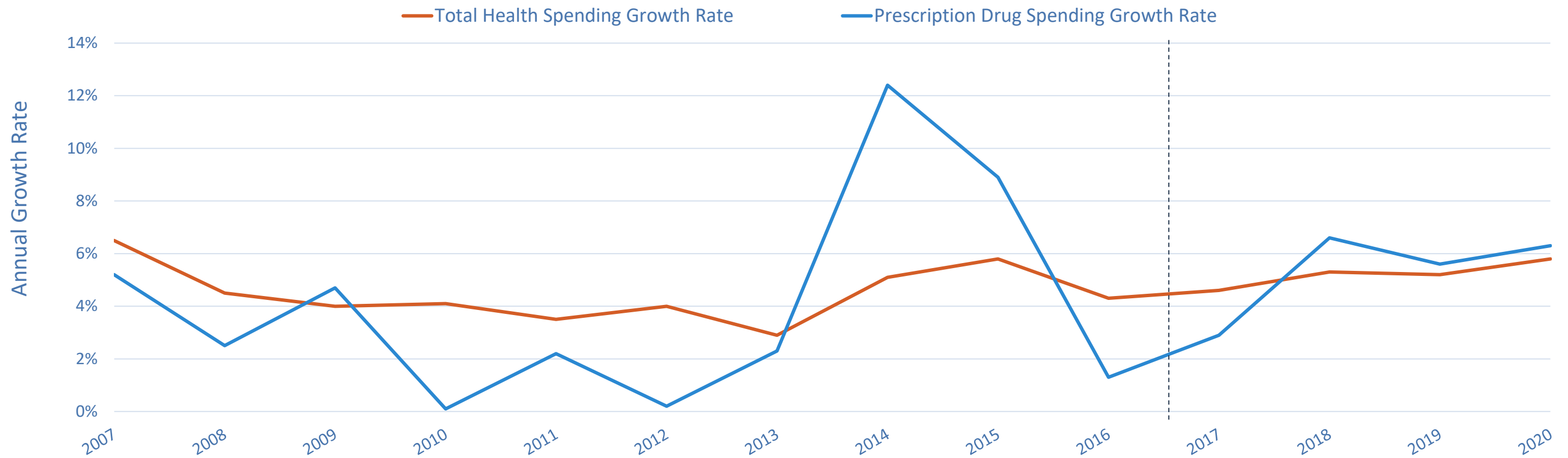
Cumulative Spending Growth Over 10 Years (\$Billions), 2008-2017



Source: Centers for Medicare and Medicaid (CMS)

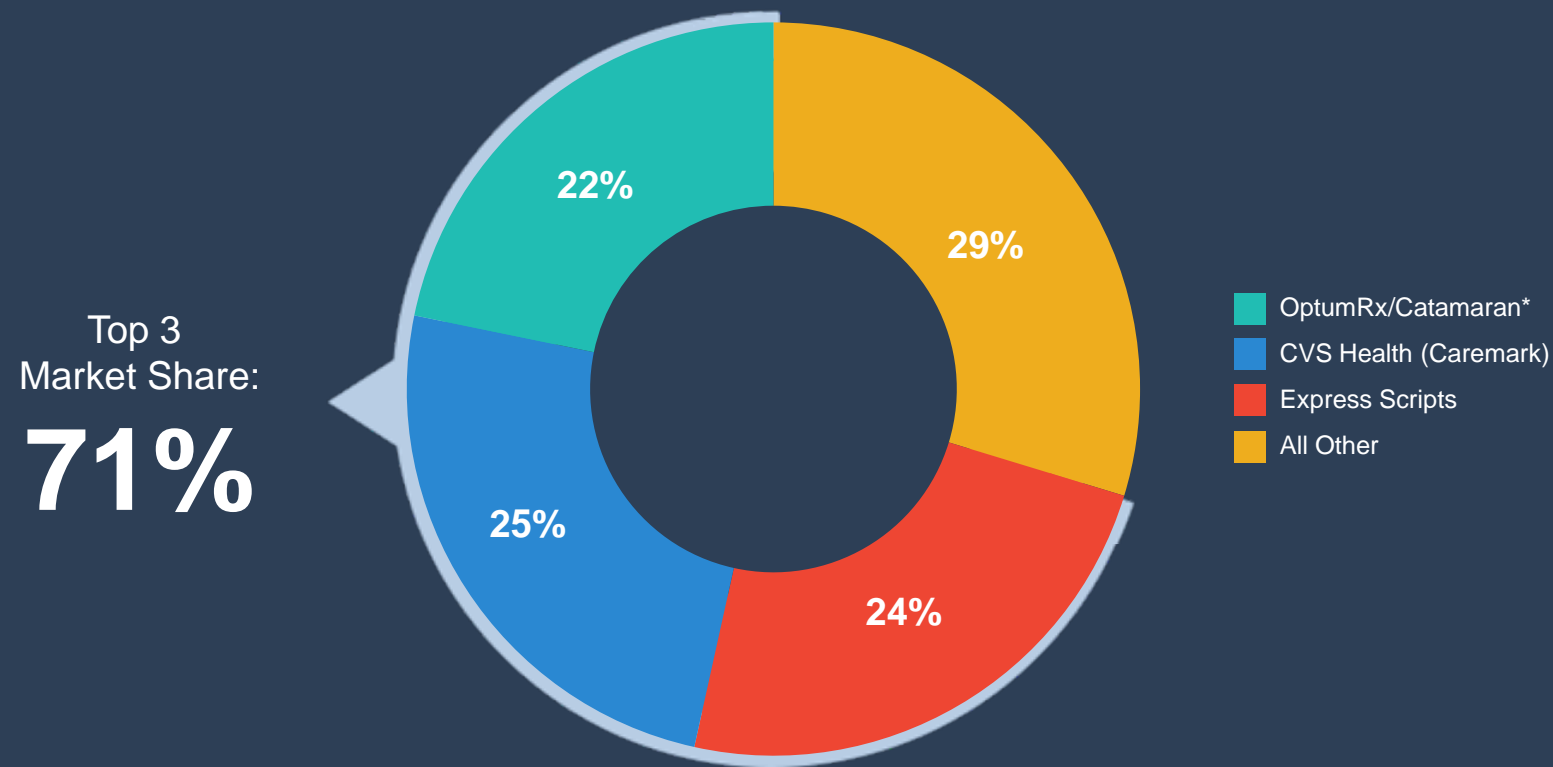
In 7 of the Last 10 Years, Retail Drug Spending Growth was Below Total Health Spending Growth

Projections show retail drug spending growth in line with overall health spending.



Payers Have Leverage to Hold Down Medicine Costs

Negotiating power is increasingly concentrated among fewer pharmacy benefit managers (PBMs).



Source: Drug Channels Institute, 2018.

Insurers determine:

FORMULARY

if a medicine is covered

TIER PLACEMENT

patient cost sharing

ACCESSIBILITY

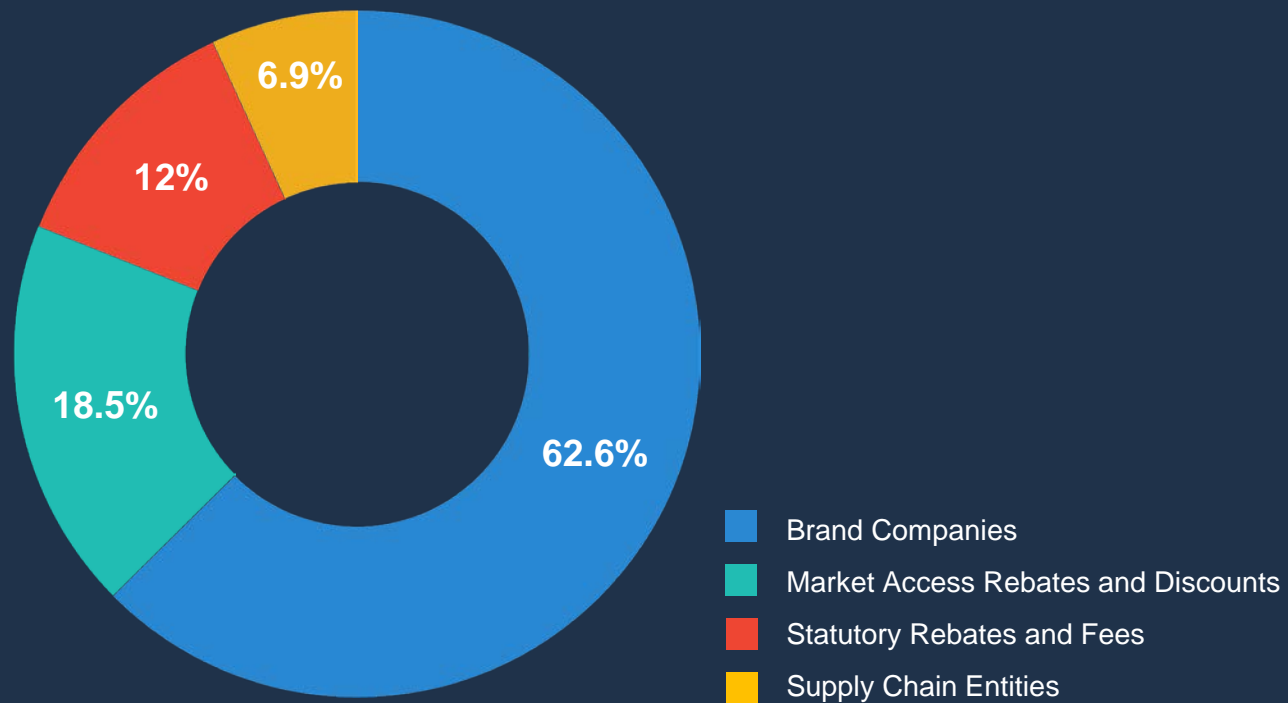
utilization management through prior authorization or fail first

PROVIDER INCENTIVES

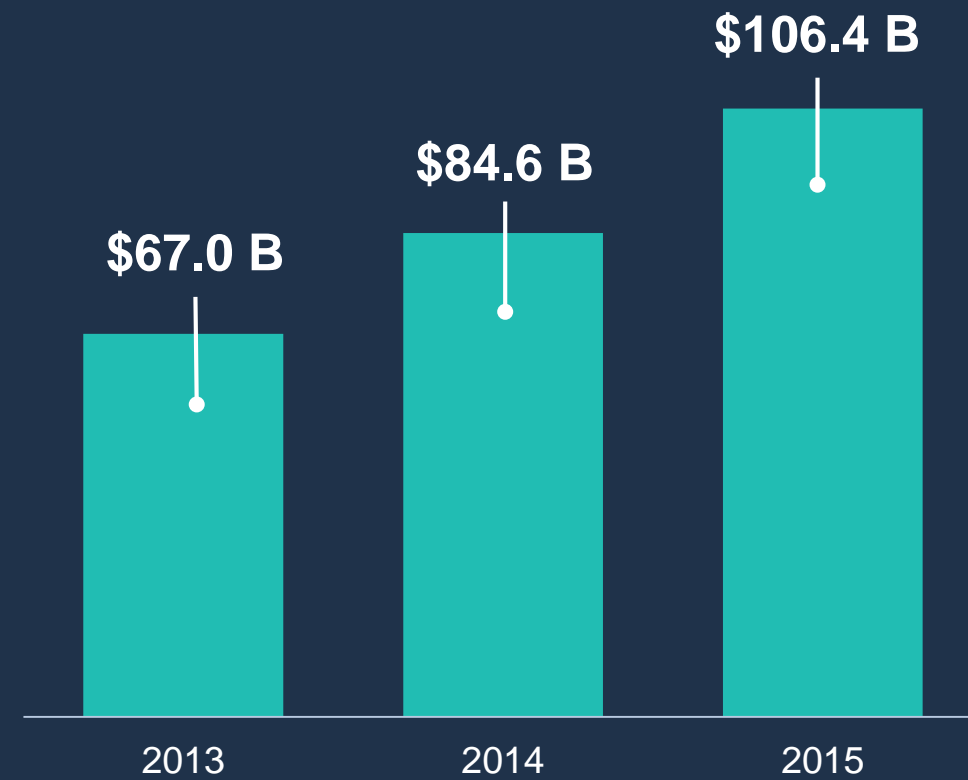
preferred treatment guidelines and pathways

More Than 1/3 of List Price for Medicines Gets Rebated Back to Others

Brand companies retain just 63% of list price spending on medicines



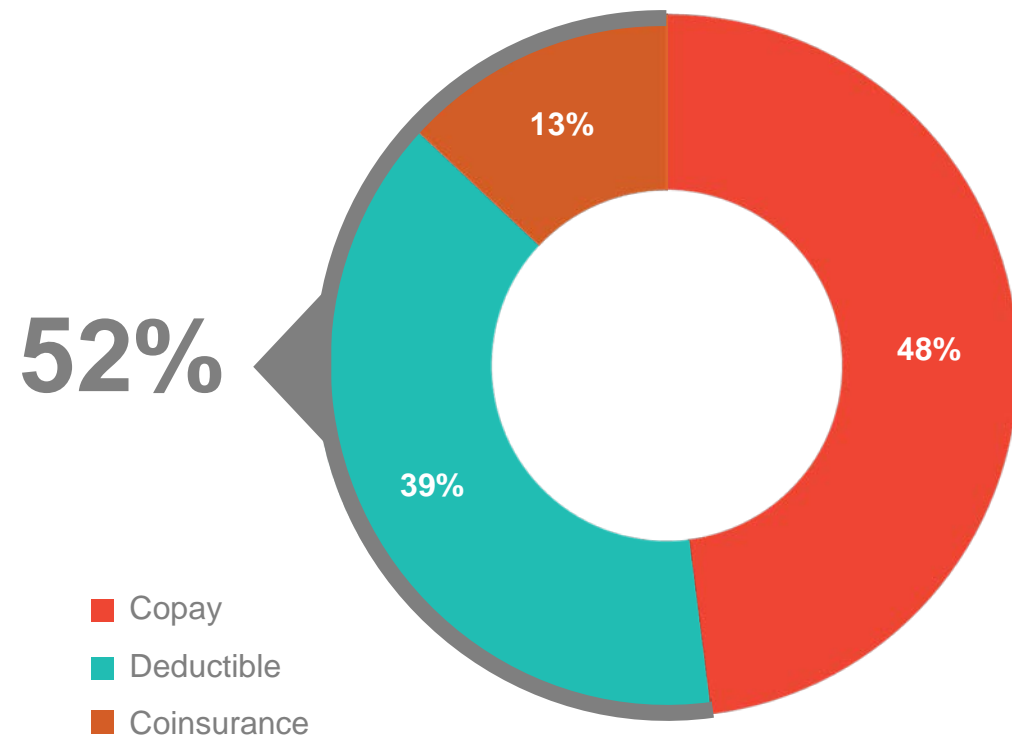
Rebates, discounts and fees keep increasing



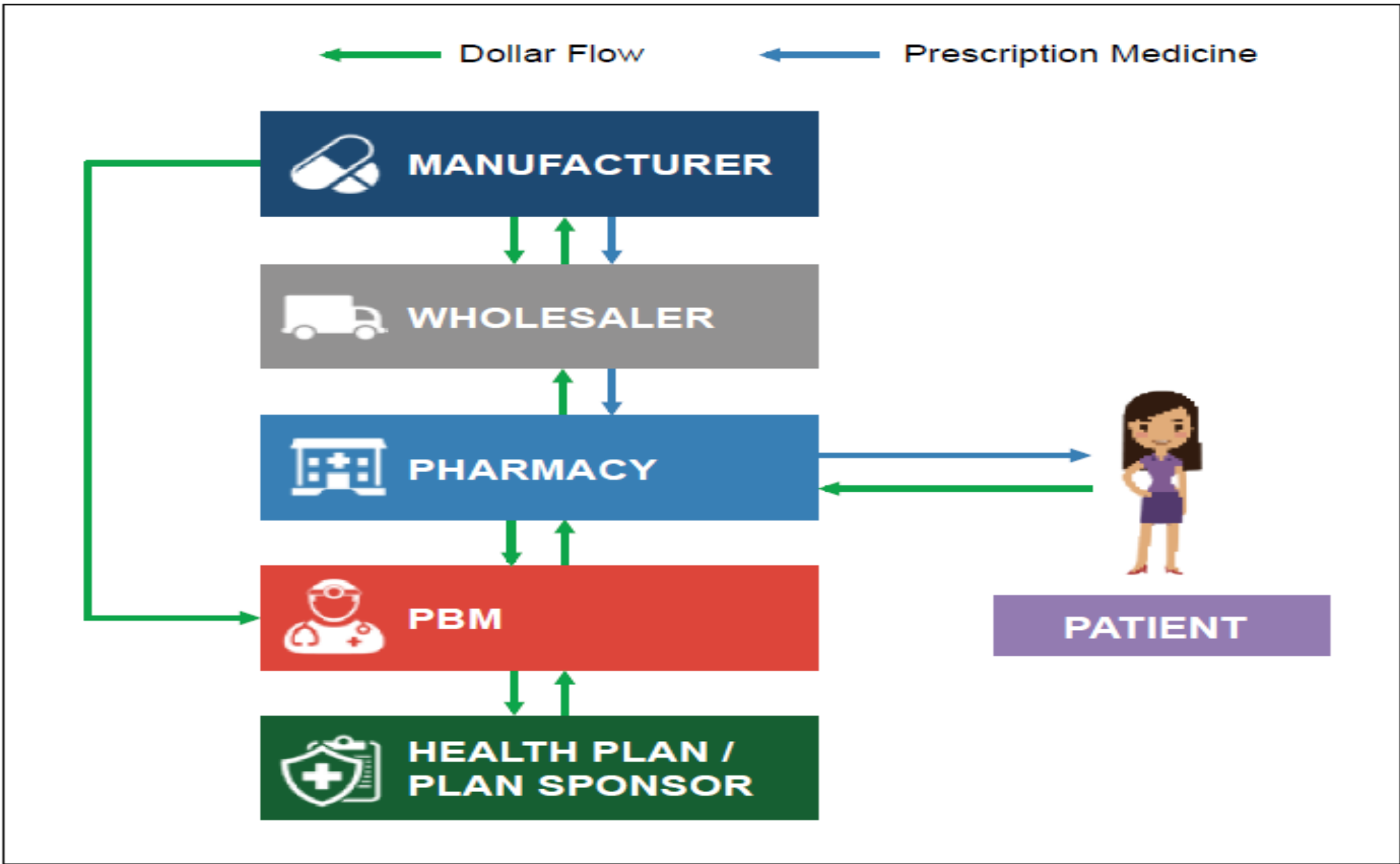
Too often negotiated savings do not make their way to patients

Over half of commercially insured patients' out-of-pocket spending for brands is tied to list price

Cost sharing for nearly 1 in 5 brand prescriptions is based on list price



A Typical “Supply Chain” Scenario



Looking ahead: Exploring Solutions



Share prescription drug savings with patients & provide meaningful transparency from all stakeholders



Improve access and affordability to increase patient adherence



Further value-based contracting for medicines in Medicaid and elsewhere