

T R U V E R I S

2017 Specialty Pharmacy Update

June 8th, 2017

Presentation Arc

- Introduction to Specialty
- Key Disease Classes Driving Spend
- New Drugs in the Pipeline
- Rebates: How they drive the economics
- Hard Choices to Control Costs

Introduction to Specialty

What is a specialty drug?¹

- Specialty pharmaceuticals are generally defined as products used to treat chronic, high-cost, or rare diseases and can be injectable, infusible, oral, or inhaled medications. Specialty pharmaceuticals tend to be more complex to maintain, administer, and monitor than traditional drugs; therefore they require closer supervision and monitoring of a patient's overall therapy.
- No third party definition
- Varies by PBM

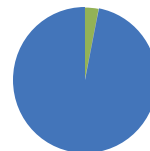
¹NACDS White Paper November 2006

http://www.nacds.org/pdfs/membership/white_paper_speciality_pharmacy.pdf

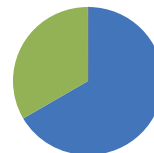
Why Is Specialty Rx So Special?²

Specialty drug spending reached 105.5 billion in 2016.

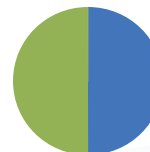
Typically **~1%** of all prescriptions are specialty drug medications



Accounted for 66% of drug growth during 2010-2015



By 2018, specialty drug cost is expected to go up to as high as **50%** of drug spend



²QuintilesIMS Report May 2017

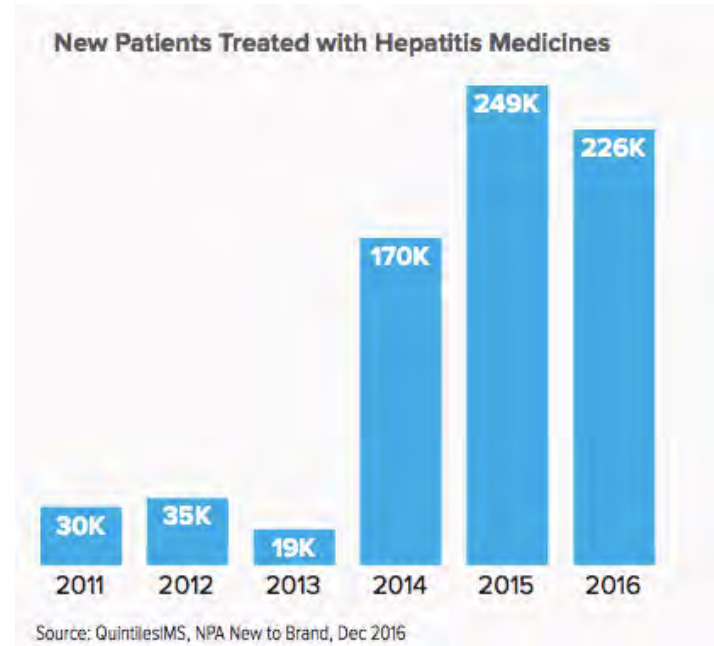
Top Specialty Pharmacies

Pharmacy Name	2016 Revenue	Market Share by Revenue
CVS Health	\$32 Billion	28%
Accredo	\$22.5	19%
Walgreens	\$11.2	10%
BriovaRx	\$7.8	7%
Diplomat Pharmacy	\$4.6	4%
Prime Therapeutics	\$3.0	3%
Humana Specialty	\$2.6	2%
Kroger Specialty	\$1.8	1%
Cigna	\$1.5	1%

Key Disease Classes Driving Spend

It isn't Hep C³

- 23,000 fewer new patients received treatment for Hepatitis C in 2016
 - 645,000 treated in the last three years
- \$1.9 Billion decrease in spend
- Still far higher than 2014 but headed down



³2016 Express Scripts Drug Trend Report <http://lab.express-scripts.com/lab/drug-trend-report>

Inflammatory Conditions³

Drug Name	PMPY Cost ¹
Humira Pen	\$45.11
Enbrel	\$26.82
Humira	\$8.15
Stelara	\$8.13

³2016 Express Scripts Drug Trend Report <http://lab.express-scripts.com/lab/drug-trend-report>

Multiple Sclerosis³

Drug Name	PMPY Cost ¹
Tecfidera	\$13.49
Copaxone	\$12.42
Gilenya	\$8.48

³2016 Express Scripts Drug Trend Report <http://lab.express-scripts.com/lab/drug-trend-report>

Oncology⁴

Drug Name	Global Sales
Avastin	\$6.7 Billion
Rituxan	\$7.5 Billion
Herceptin	\$6.5 Billion
Imbruvica	\$5.3 Billion
Gleevec	\$4.7 Billion



⁴<https://www.thebalance.com/top-cancer-drugs-2663234>

Specialty Driven Trend in Key Therapy Classes³

Therapy Class	2017	2018	2019
Inflammatory Conditions	29.7%	32.1%	31.7%
Oncology	22.1%	22.0%	20.5%
Multiple Sclerosis	10.3%	10.0%	10.0%
HIV	19.4%	19.4%	20.7%
Hepatitis C	-21.8%	-30.0%	-34.7%

³2016 Express Scripts Drug Trend Report <http://lab.express-scripts.com/lab/drug-trend-report>

New Drugs in the Pipeline

2017 Key Approvals Expected⁵

Drug	Target Indication	Population
Brodalumab	Psoriasis	7.5 million
Dupalumap	Atopic Dermatitis	17.8 million
Abaloparatide	Osteoporosis	10 million
Neratinib	Breast Cancer	2.8 million
SB-2 (infliximab) biosimilar	Multiple Indications (Remicade biosimilar)	Several million
Ibalizumab	HIV	1.1 million
CHS-1420 (adalimumab biosimilar)	Multiple Indications (Humira biosimilar)	Several million

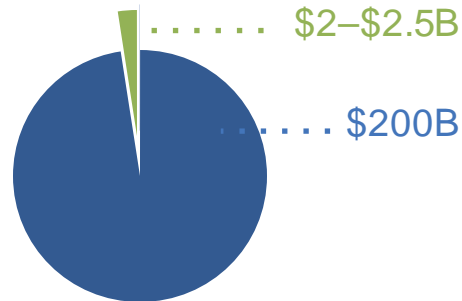
⁵Diplomat Pharmacy Pipeline Projections

Biosimilars – Will Help A Little

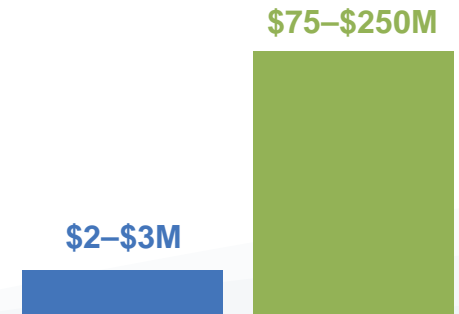
The molecular makeup of each biosimilar treatment looks unique, **like individual snowflakes**, even though they all have similar outcomes



The biologic medicines market is expected to **grow to approximately 200 billion by 2015**, with biosimilars a small but growing proportion at \$2–\$2.5 billion



The cost of developing a generic small molecule is around \$2–3 million; **biosimilars are estimated to cost around \$75–\$250 million to reach approval**



Amgen. "What Are Biosimilars." <http://www.amgenbiosimilars.com/the-basics/what-are-biosimilars/>

Fortune. "Biosimilars may one day save your life. But what are they?" <http://fortune.com/2015/02/06/biosimilars-what-are-they/>

Envision.

Biosimilars are coming...slowly⁶

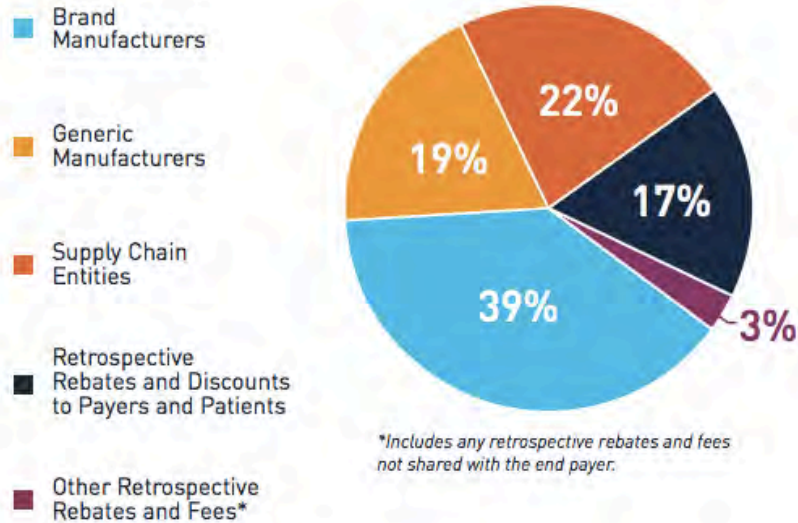
- 2010 Congress passes Biosimilars Price Competition and Innovation Act (BPCIA)
 - Enables pathway for biologic competition
 - 12 year sales window for original molecule
- Five approved so far
 - Only two on the market
- European Costs for Biosimilars are 15-30% lower than innovator molecule

⁶<https://morningconsult.com/opinions/biosimilars-can-bend-drug-cost-curve-patients-access/>

Specialty Rebates

Running to stand still

FIGURE 2: SHARE OF 2015 INITIAL GROSS DRUG EXPENDITURES REALIZED BY MANUFACTURER AND NON-MANUFACTURER STAKEHOLDERS



**Includes any retrospective rebates and fees not shared with the end payer.*

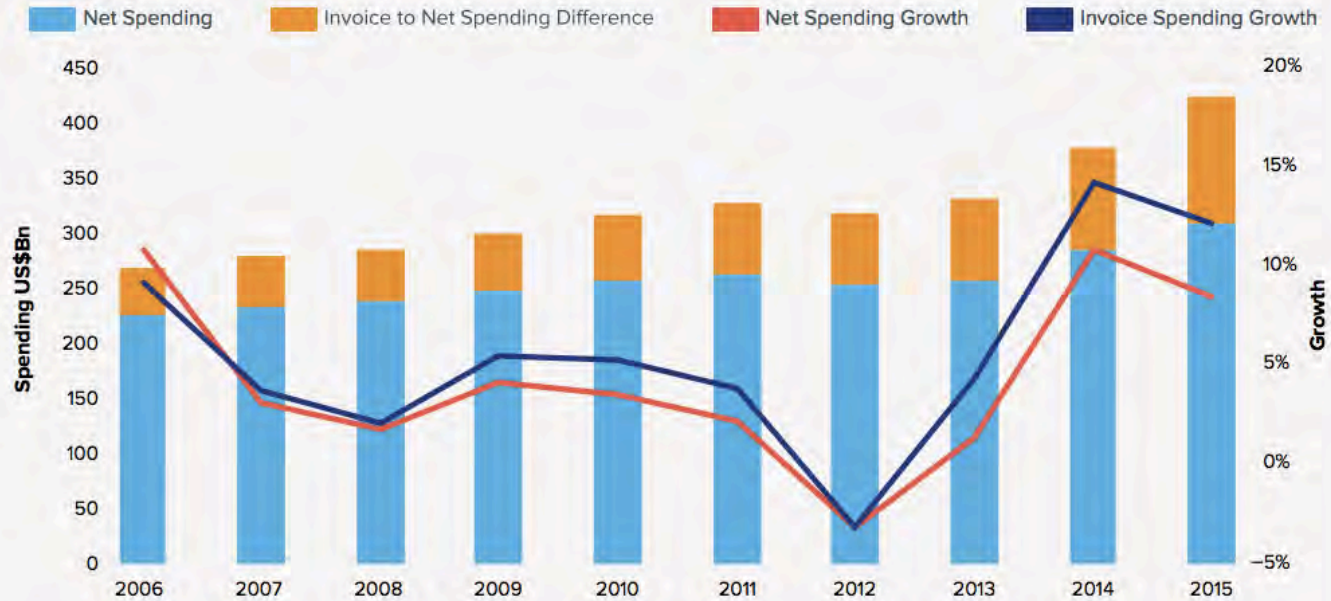
http://www.thinkbrg.com/media/publication/86_3_Vandervelde_PhRMA-January-2017_WEB-FINAL.pdf

One Result

Market Access Rebates and Discounts	Negotiated Health Plan and PBM Rebates and Fees ⁴	\$33.2	\$43.5	\$57.7
	Patient Cost Sharing Assistance	\$4.2	\$5.4	\$6.9

Stephen Ubl, president and CEO of PhRMA, highlighted a key implication of the study in [the press release](#): *"The study begs an important question: Are we doing enough to ensure the growing amount of rebates and discounts flow to the patient?" said Ubl, noting that unlike care received at an in-network hospital or physician's office, a patient's cost-sharing for medicines, including payments for care received prior to meeting a deductible or from a co-insurance, is typically based on the list price of a medicine, not the net prices after rebates and discounts are factored in.*

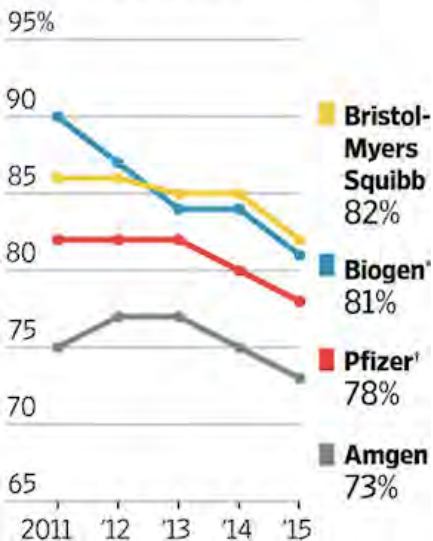
http://www.thinkbrg.com/media/publication/863_Vandervelde_PhRMA-January-2017_WEB-FINAL.pdf



Source: IMS Health, National Sales Perspectives, Jan 2016; U.S. Census Bureau; U.S. Bureau of Economic Analysis

Keeping Less

Drug companies' share of gross product sales after paying rebates and other discounts.



*Excludes returns †Excludes returns and cash discounts Source: the companies

THE WALL STREET JOURNAL.

Hard Choices to Control Costs

Take your pick

FIGURE 24. Formulary Exclusion Classes

Base: Respondents who cover specialty medications under the pharmacy benefit and have exclusions in place. Multiple responses allowed.
 ▲ = Significantly higher than comparison year. NA = not asked

