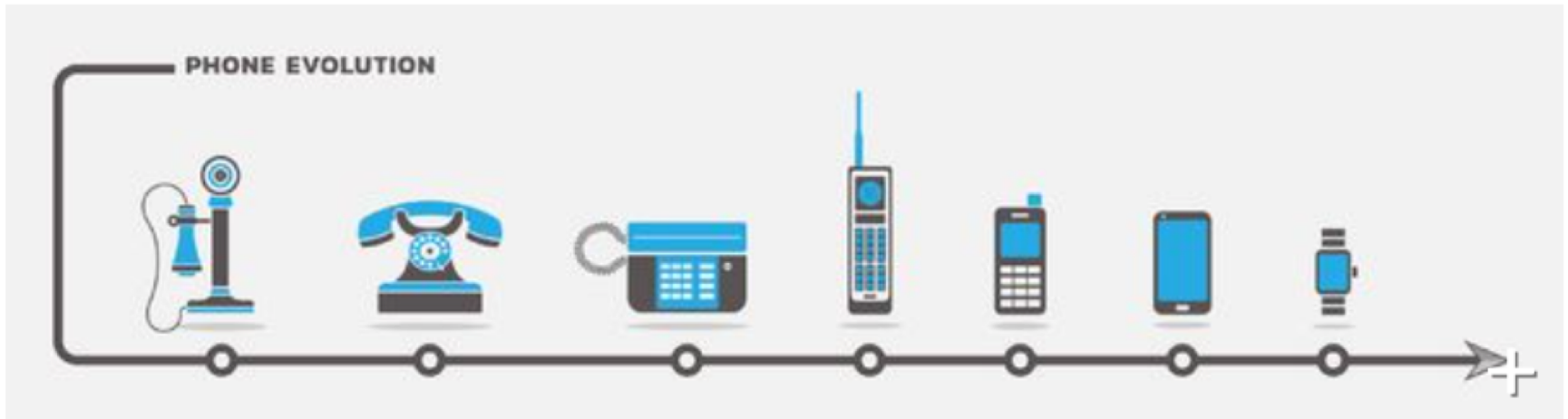


Living in a World of Specialization

#specialtypharmacy

David A Galardi, Pharm.D.

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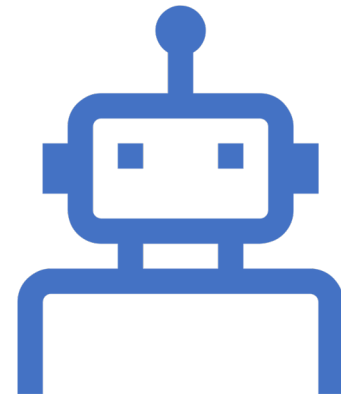



We are living in a different era

Like a phone, medicine has evolved

Personalized and Specialized Medicines are Here

- Pharma no longer develops drugs for all of us
- Most of us are treated with generics
- But for some, specialty medication is all that will work
- For those, treatment costs are rising at an alarming rate
- Rebates don't work by design





In the last 30 years,
One Specialty Drug to Four-Hundred

#highcostmedication

But Cost Containment Has Not Evolved It doesn't "Work like the Old Days"

Cost Sharing

- Tier Structure
- Copayments / Coinsurance
- Deductible

Drug Specific Criteria

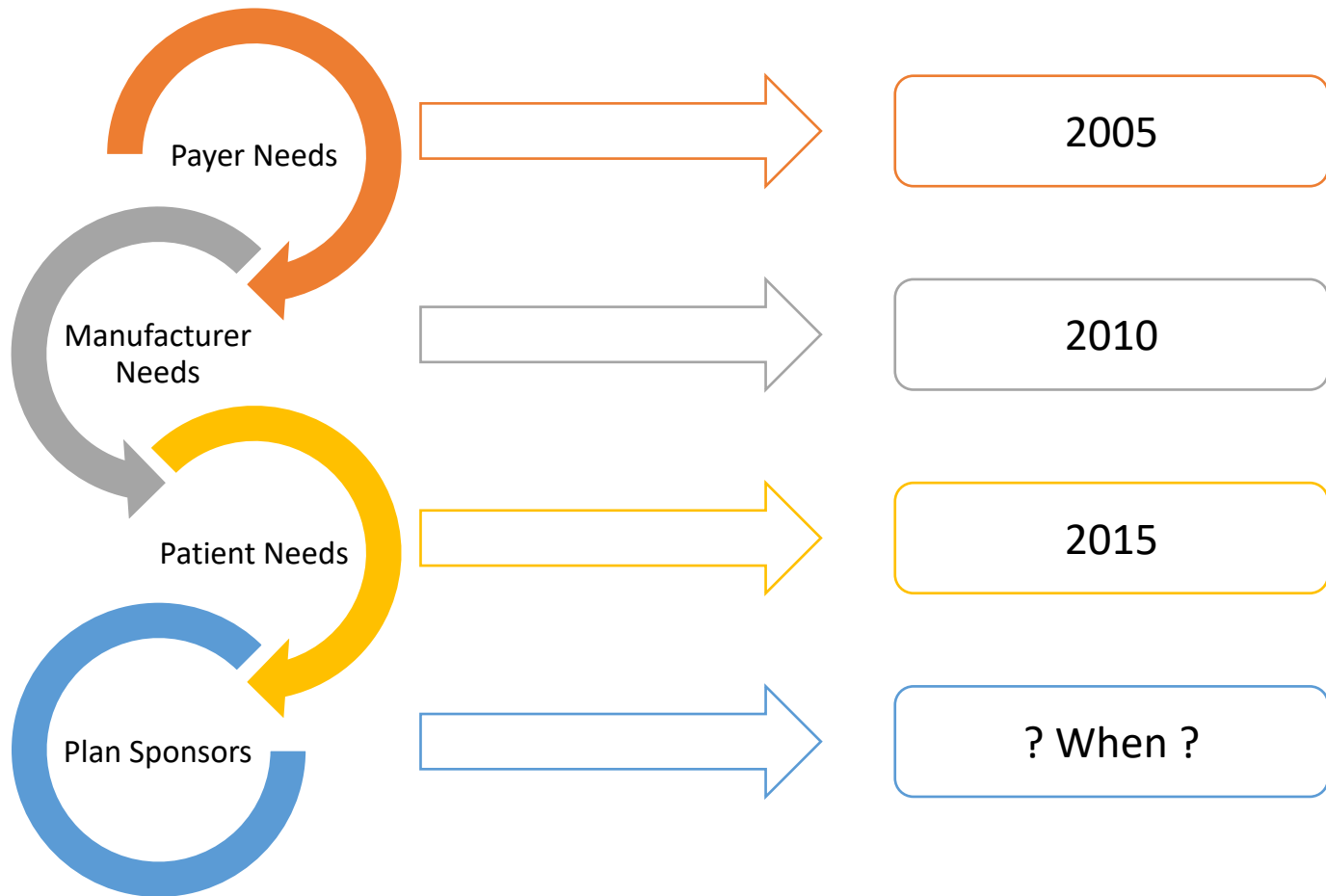
- Formulary Placement
- Step Therapy
- Prior Authorization

Provider Network

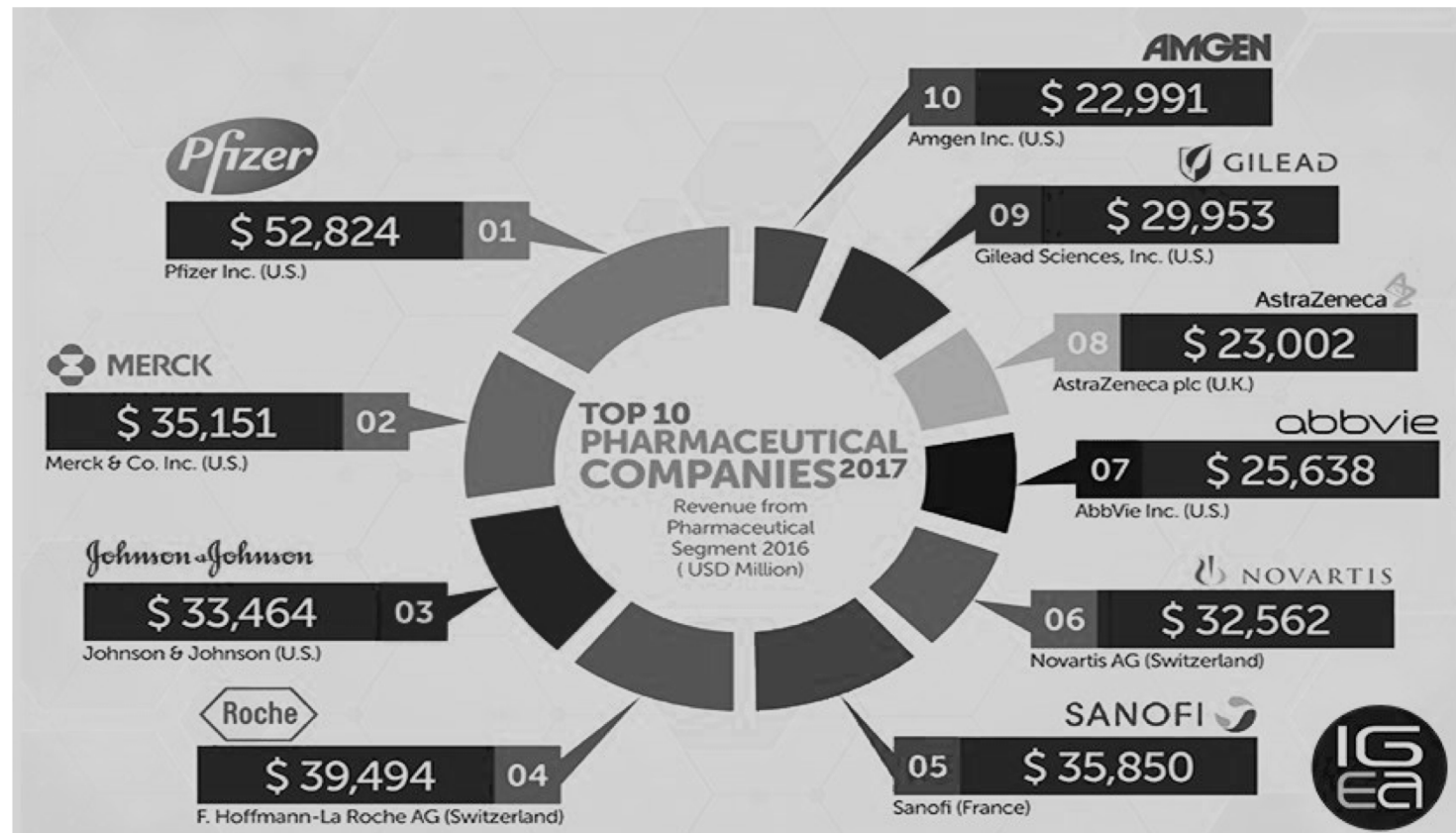
- Mandatory mail/specialty
- 90-days at Retail
- Preferred Network

Cost Control Strategies Over the last 38 years

The Plan Sponsor's Needs have Not Been Heard



Yet Billions are Moving in One Direction

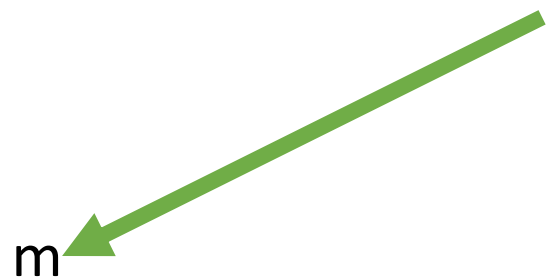


Oncology Continues to Drive Specialty Costs



So where is the “M”?

For the last 30 years the management of prescription benefits has not changed



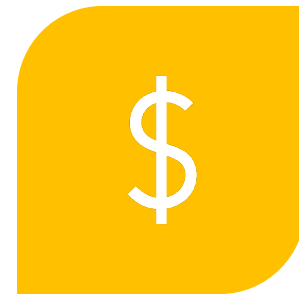
Common Threads



PHARMA
IS
COMING FOR YOUR MONEY



NO ONE
IS
WATCHING



YOU PAY MORE
FOR
LESS MEMBERS

Any Idea what you are Paying?



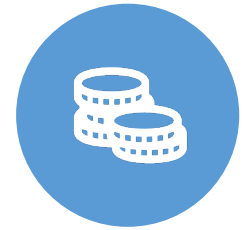
LIST PRICE
(WAC)



AVERAGE WHOLESAL
PRICE
(AWP)



MEDICAID BEST PRICE

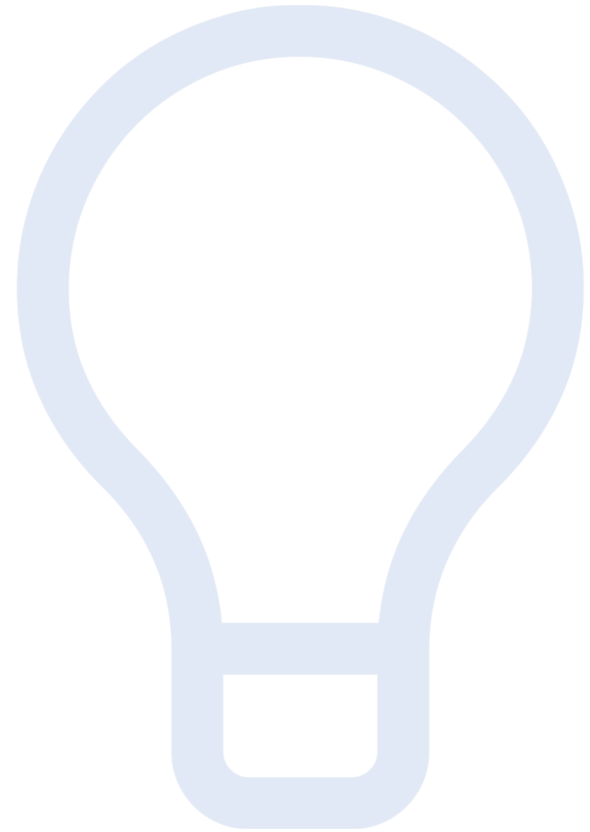


NET PRICE



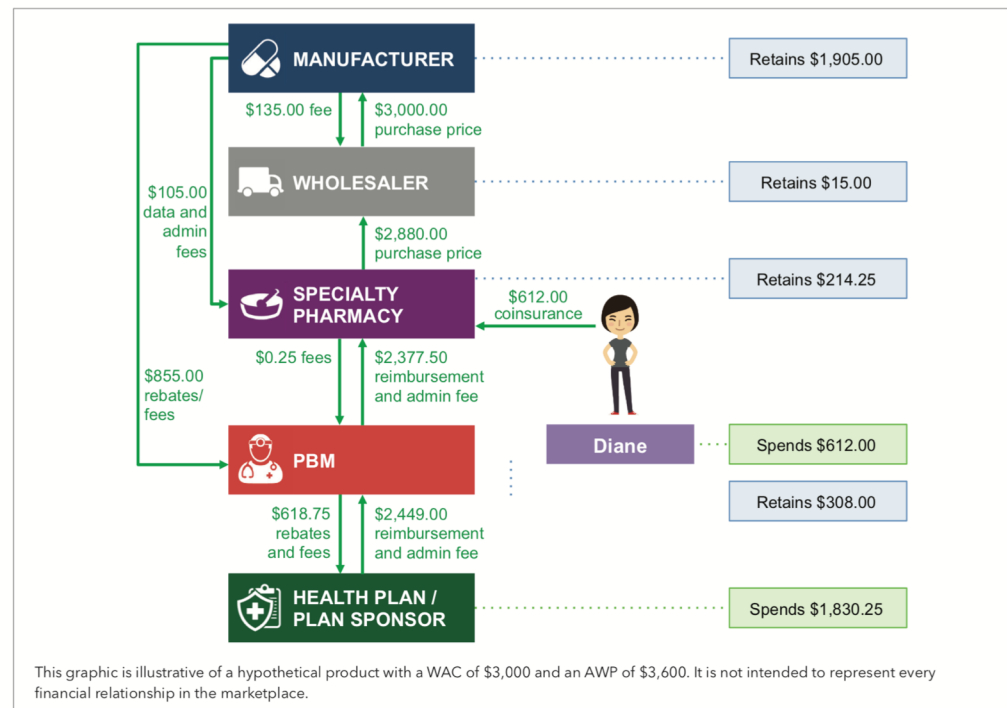
Don't Lie

You have no idea



Affordability and Access

Flow of Payment for a \$3,000 HIV Medicine
(Patient Pays Coinsurance)





Co-insurance Trap

Chase Rebates



Who Pays Whom?

Flow of Payment for a \$3,000 HIV Medicine (Coinsurance Example): Diane

Number	Item	Amount	Computation
[WAC]	Wholesale Acquisition Cost	\$3,000.00	WAC (set by manufacturer)
[AWP]	Average Wholesale Price	\$3,600.00	[WAC] * 1.2 (determined by pricing publications)
Wholesaler:	[1] Buys product from manufacturer	\$3,000.00	[WAC]
	[2] Collects distribution fee from manufacturer	\$135.00	[1] * 4.5%
	[3] Sells product to pharmacy	\$2,880.00	[1] - 4.0%
	Wholesaler Retains	\$15.00	[2] - [1] + [3]
Specialty Pharmacy:	[4] Collects cost-sharing from patient	\$612.00	Determined by plan (20% coinsurance) ((([AWP] - 15%) * 20%))
	[5] Collects dispensing fee from PBM	\$1.50	Estimate
	[6] Collects administrative and data fees from manufacturer	\$105.00	[WAC] * 3.5%
	[7] Ingredient cost reimbursement from PBM	\$2,376.00	([AWP] - 17%) - [4]
	Specialty Pharmacy Retains	\$214.25	[4] + [5] + [6] + [7] - [3] - [12]
PBM:	[8] Collects base rebate from manufacturer	\$600.00	[WAC] * 20%
	[9] Collects administrative service fee from manufacturer	\$135.00	[WAC] * 4.5%
	[10] Collects price protection rebate from manufacturer	\$120.00	[WAC] * 4.0%
	[11] Collects and retains administrative fee from health plan/plan sponsor	\$1.00	Negotiated with plan sponsor/per claim fee
	[12] Collects and retains transaction and E-prescribing fees from pharmacy	\$0.25	Transaction (\$0.10) + E-prescribing (\$0.15) fees
	[13] Retains share of base rebate and price protection rebate	\$135.00	([8] * 12.5%) + ([10] * 0.5)
	[14] Retains share of manufacturer administrative fee	\$101.25	[9] * 75%
	[15] Reimbursed for ingredient cost by health plan/plan sponsor	\$2,448.00	([AWP] - 15%) - [4]
	PBM Retains	\$308.00	[11] + [12] + [13] + [14] + [15] - [7] - [5]
Health Plan/ Plan Sponsor:	[16] Payment to PBM	\$2,449.00	[11] + [15]
	[17] Receives share of rebates and fees	\$618.75	([8] + [10] - [13]) + ([9] - [14])
	Final Health Plan/Plan Sponsor Cost	\$1,830.25	[16] - [17]
Patient Payment Amount		\$612.00	[4]
Manufacturer-retained Payment		\$1,905.00	[WAC] - [2] - [6] - [8] - [9] - [10]

Follow the Dollar, PhRMA, Nov 2017

Summing this all Up

Benefits for Prescription Drugs Need a Complete Overhaul

Pharma is winning and everyone else is losing the economic battle

The current PBM model is not designed for a “special” world

Specialty Drugs are killing budgets, but extending lives

Co-insurance should be based on net price, but it is not

Rebates incentivize irrational behavior in buyers

Specialty Pharma and Pharmacy is an economic engine supporting a broken model