



RX UTILIZATION MANAGEMENT STRATEGIES

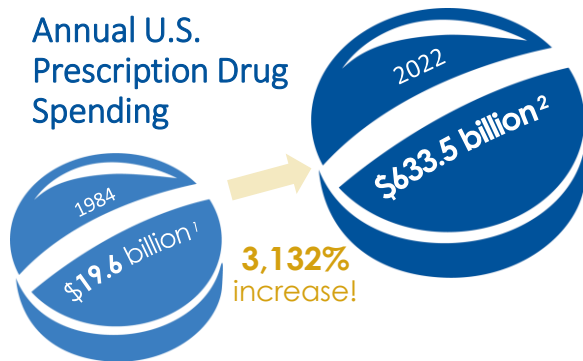
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Skyrocketing Pharmacy Costs Due To Excessive/Inappropriate Drug Utilization

As PBM industry revenue is driven by the approval and utilization of prescription drugs, PBMs lack motivation to design and implement strategies to effectively control utilization.

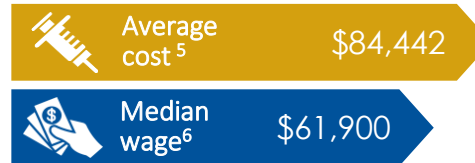
Annual U.S.
Prescription Drug
Spending



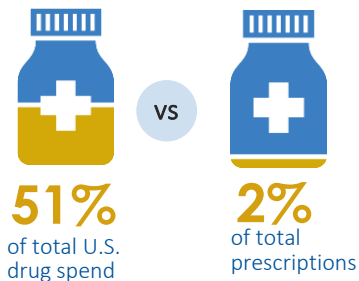
2021 Specialty Spending⁴:

\$301 BILLION

Specialty Rx Treatment:



Specialty Prescriptions³



GLP-1 Drugs⁷

Drug	Annual Cost	Condition
Wegovy	\$17,537	Weight Loss
Saxenda	\$16,413	Weight Loss
Ozempic	\$12,165	Diabetes
Rybelsus	\$11,385	Diabetes
Mounjaro	\$13,300	Diabetes

- Pharmacy costs are increasing at a rate of 10%+ per year, and now constitute up to 30% of total medical plan cost.
- 5 – 10% of this expense is associated with excessive or inappropriate drug utilization.
- Physicians are heavily influenced in their prescribing patterns by pharmaceutical advertising without knowledge of cost-effective alternatives.
- Formulary design and clinical approval is influenced by high rebates and other compensation to PBMs.
- Appropriate management of drug utilization patterns can reduce pharmacy expense by 10 – 15%.

Rx Utilization Management Strategies

USI focuses on four strategies to effectively manage pharmaceutical expense to maximize clinical and financial efficacy.

	Solution	Area of Focus	Financial Impact	Disruption
1	Strategic Drug Exclusions	Limiting weight loss (GLP1s), and other lifestyle drugs, and OTC drugs.	3 – 5% of pharmacy expense or 1% of total plan cost.	New weight loss drugs are in high demand by members and are extremely expensive.
2	Independent Prior Authorization	Clinical Efficacy/ Necessity of Specialty Drugs	Depending on utilization, savings could be 25% of Rx cost or 5% of total plan cost.	Less than 2% of members are on specialty drugs, yet these account for as much as 50% of total drug spend.
3	Formulary Management Regarding Wasteful Drugs	Eliminating specific high-cost drugs and replacing with clinical equivalents.	3 – 5% of pharmacy expense or 1% of total plan cost.	All medical conditions continue to be covered; some brand name drugs are eliminated.
4	Establishing Appropriate Quantity Limits	Reducing number of pills per script to avoid waste and abuse. <i>If covering GLP-1s for weight loss, consider limiting the number of cycles covered by the plan.</i>	2 – 4% of pharmacy cost or less than 1% of total plan spend.	Significantly reduce exposure to overdose and distribution.

USI Implements One or More Solutions Based Upon Plan Utilization

Strategic Drug Exclusions

Drug exclusions limit expense for some or all lifestyle and OTC drugs. New weight loss drugs are expensive, in high demand, and should be reviewed for exclusion.

Prescription Drugs VS. Over-the-Counter Equivalents¹

Prescription – Brand	Average Retail Price	Over-the-Counter (OTC) – Brand	Average Retail Price	Average Savings
Nexium	\$283	Nexium24Hr	\$24.14	\$258.86
Pepcid	\$453.59	Pepcid AC	\$11.18	\$442.41
Prevacid	\$533.57	Prevacid 24HR	\$27.56	\$506.01
Prilosec	\$325.09	Prilosec OTC	\$22.2	
Clarinetx				

GLP-1 Drugs²

Drug Name	WAC Annual Cost	Condition
Wegovy	\$17,537	Weight Loss
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Ozempic	\$12,165	Diabetes
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1. Average Retail Price based on GoodRx, <https://www.goodrx.com/>, retrieved 12/02/2020.

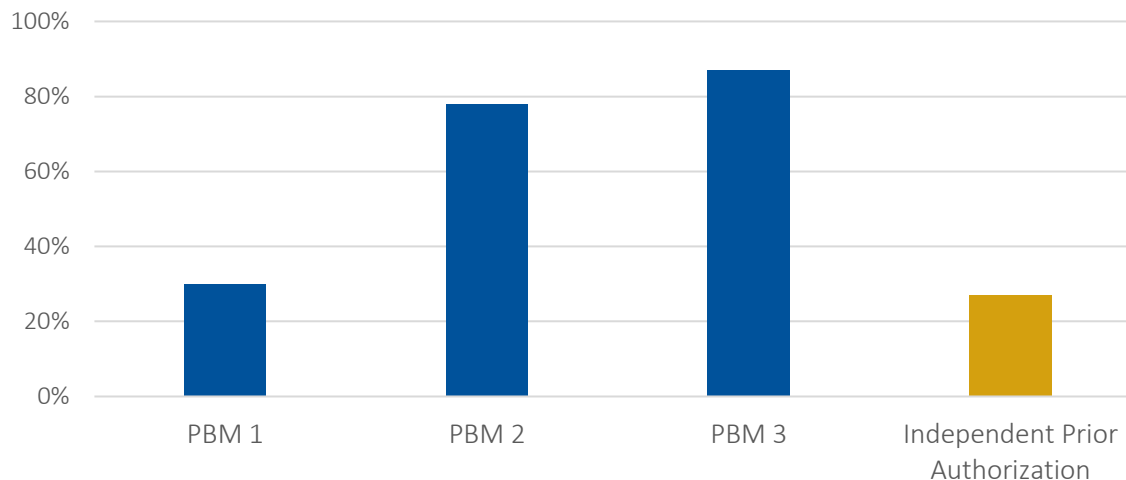
2. Average Retail Price based on GoodRx, <https://www.goodrx.com/>, retrieved 05/22/2023.

- Many drugs covered by PBMs are not required under the ACA. Many of these drugs are high rebate drugs and inappropriately included in formularies.
- Lifestyle drugs, loosely defined as improving life, function or appearance versus drugs needed to cure or manage illness:
 - Weight loss
 - Erectile dysfunction
 - Acne, skin aging, and hair loss
- 108 million, or ~1 in 3, U.S. adults meet the definition for having obesity, and could qualify for treatment with GLP-1s.
- Over-the counter drugs such as:
 - Allergy drugs (Claritin, Flonase, Allegra, etc.)
 - GI drugs (Nexium, Prilosec, Prevacid, etc.)
- Excluding lifestyle and OTC drugs, with the exception of preventive care, can reduce pharmacy costs by 10-15%.

Independent Prior Authorization

Specialty Drug Prior Authorization performed by an independent third party ensures medical necessity and utilization are appropriately evaluated.

Independent Prior Authorization Eliminates Inappropriate Approval of High-cost Drugs



Harvoni treats chronic hepatitis c (Hep C) an eight-week treatment course costs ~\$65,000, a 12-week course is \$98,500 and a 24-week course is ~\$197,000.

- Specialty drug rebates account for up to 30% of total pharmacy expense.
- PBMs that earn rebate revenue from the approval of specialty drugs, typically have 90%+ prior authorization approval rates.
- An **independent third-party** prior authorization process for specialty drugs removes this inherent conflict of interest and ensures that members meet all clinical guidelines.
- Savings are highly variable based on utilization; avoidance of one specialty drug could save \$100,000+.
- Depending on utilization, savings could be 25% of Rx cost or 5% of total plan cost.

Source: Fookes, C., BPharm (Ed.). (2020, October 29). How much does Harvoni cost and does health insurance cover it? Retrieved December 01, 2020, from <https://www.drugs.com/medical-answers/harvoni-cost-health-insurance-cover-3538260/>.

Formulary Management of Wasteful Drugs

USI identifies spending on wasteful drugs, evaluates carrier formularies, and quantifies the impact of eliminating specific drugs.

Examples of Industry's Development of Wasteful Drugs

Combo Drug ⁴	Price	Alternative	Price	Savings
Duexis®	\$2,611	Ibuprofen (generic Advil) & famotidine (generic Pepcid)	\$12	\$2,599
Vimovo®	\$2,952	Naproxen (generic Aleve) & esomeprazole (generic Nexium)	\$54	\$2,898

Wasteful Drug Utilization Report

Top 10 Wasteful Drugs	Available Substitution	Therapeutic Use	Members Using	Actual Spend	Target Spend	Opportunity
1. Gleevec	Generic Imatib	Cancer Drug	1	\$110,740	\$4,430	\$106,310
2. Dexilant	Generic Lansoprazole	Upset Stomach Medication	15	\$29,293	\$879	\$28,414
3. Cambia	Generic Diclofenac	Migraine Therapy	4	\$11,321	\$113	\$11,208
4. Lumigan	Latanoprost	Glaucoma Eyedrop Medication	2	\$5,562	\$350	\$5,211

- Wasteful drugs are those identified as high-cost/low efficacy medications that can be replaced with a lower-cost alternative.
 - Utilization of wasteful drugs vary by employer, typically ranging from 5 – 10% of pharmacy spend.
- USI utilizes the Johns Hopkins study and proprietary 3D data analysis tool to identify potential improvements to PBM formularies.
 - Compare value of open vs closed formularies by carrier.
 - Consider specific drugs to be removed from coverage.
- Elimination of certain drugs or change of formulary may result in ~1% reduction of total plan costs.

Establishing Appropriate Quantity Limits

Implementing quantity limits for specific prescriptions reduces potential for fraud, waste and abuse.



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People die **EVERY DAY** from overdoses involving prescription opioids.¹

263,000⁺

Americans have lost their lives to overdoses involving prescription opioids from 1999 – 2020.²



PBM auto refill programs dispense more prescription drugs than are needed, which can lead to waste and an excess supply up to

35%

- In 2021, 77% of the 106,699 drug overdose deaths were attributed to opioids.³
- John Hopkins reviewed multiple studies on self-reported usage of opioids and found that 67-92% of patients didn't use their entire prescription opioid increasing the risk of misuse.
- On average, opioid abusers incur nearly twice as much in healthcare expenses as non-abusers.
- Split filling for 15-day supply designed for high-cost drugs limits exposure to waste due to clinical ineffectiveness
- Reduce waste by filling specialty prescriptions for 30 days, not 90 days.
- Quantity limits support medication adherence protocols.
- Estimates savings of 2 – 4% of pharmacy costs.

Sources:

1. CDC. *Prescription Opioid Overdose Death Maps*. Retrieved August 9, 2023, from <https://rb.gv/72dra>.
2. CDC. *Prescription Opioids Overview*. Retrieved August 9, 2023, from <https://rb.gv/ntd6c>.
3. NSC Injury Facts. *Safety Topics, Drug Overdoses*. Retrieved August 15, 2023, from <https://rb.gv/yacve>



Specific information needed to assess pharmacy plan's existing prescription utilization management strategies:

- Detailed pharmacy plan design
- Utilization report of pharmacy claims
- Recent pharmacy audit (if it exists)



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Sources for Skyrocketing Pharmacy Costs Due To Excessive/Inappropriate Drug Utilization

1. Kaiser Family Health Spending Explorer, U.S. Health Expenditures from 1984-2014;
2. Eric M Tichy (2023, July 7). *National Trends in Prescription Drug Expenditures and Projections for 2023*. Retrieved Aug 8, 2023, from <https://pubmed.ncbi.nlm.nih.gov/37094296/>
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4. ASPE, *Trends in Prescription Drug Spending, 2016-2021*. Retrieved Aug 8, 2023, from <https://aspe.hhs.gov/sites/default/files/documents/88c547c976e915fc31fe2c6903ac0bc9/sdp-trends-prescription-drug-spending.pdf>.
5. AARP report: *Average Specialty Drug Price reached \$84,442 in 2020, rising more than three times faster than the prices of other goods and services*. MediaRoom. (n.d.). Retrieved May 23, 2022, from <https://press.aarp.org/2021-9-28-Average-Specialty-Drug-Price-Reached-84,442-2020-Rising-Three-Times-Faster-Prices-Other-Goods-Services#:~:text=Had%20they%20been%20included%2C%20the,U.S.%20household%20income%20of%20%2465%2C712>.
6. Fiorillo, Steve, *The Average Income in the U.S.* Retrieved Aug 8, 2023, from <https://www.thestreet.com/personal-finance/average-income-in-us-14852178#:~:text=Labor%20Department%20statistics%20have%20the%20answers.&text=The%20Takeaway%3A%20The%20average%20income,highest%20paid%20workers%20in%20America>
7. Average Retail Price based on GoodRx, retrieved 05/22/2023, from <https://www.goodrx.com/>.