Overview

I. My background
II. Process for PDL Review
III. Management Strategies
IV. Medical Cost Offsets
V. Outcomes Based Contracts
VI. My Wish List
My Background

- PharmD, MS in Pharmaceutical Economics and Policy
- Started with UHG in the (then) Ingenix organization
- Accountable for the UHC E&I PDL process
- Accountable for the UHC E&I relationships with pharmaceutical manufacturers
- Self-proclaimed data geek
We take a comprehensive approach to determine a drug’s value, including impact to overall healthcare costs and outcomes, to determine its tier placement and management requirements.
Advantage PDL

The Advantage PDL is an actively managed drug list that is designed to respond to and take advantage of market changes, while providing affordable access to medications.

Industry Dynamics

- Market changes occur throughout the year.
- New molecules and reformulations of existing products launch everyday.
- New generics are approved everyday.
- Price increases happen throughout the year.

The importance of Flexibility

Flexibility allows UHCP to reduce cost and minimize member disruption, all in an effort to maintain an affordable pharmacy benefit.
PDL Programs

In addition to Tier placement, multiple tools are available to **maintain pharmacy affordability**

<table>
<thead>
<tr>
<th>PA</th>
<th>Prior Authorization</th>
<th>EAL</th>
<th>Exclude at Launch</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Member’s physician must provide additional information in order to determine benefit coverage.</td>
<td></td>
<td>New prescription products are not covered at the time of launch, allowing for formal evaluation of products prior to coverage.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ST</th>
<th>Step Therapy</th>
<th>E</th>
<th>Strategic Exclusions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Members must try a lower-cost medication before a higher-cost medication will be covered.</td>
<td></td>
<td>Drugs may be excluded from coverage.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SL</th>
<th>Supply Limits</th>
<th>DSP</th>
<th>Designated Specialty Program</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Largest quantity of medication covered per copayment or in a defined period of time.</td>
<td></td>
<td>Specialty medications need to be filled at a designated specialty pharmacy for network coverage.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>RFS</th>
<th>Refill and Save</th>
<th>SDP</th>
<th>Select Designated Pharmacy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Members who refill their prescription on time receive a point of sale discount on their copayment for select medications.</td>
<td></td>
<td>Select Tier 3 medications must be obtained through the mail order pharmacy, whereas lower tier alternative are available at retail and mail.</td>
</tr>
</tbody>
</table>
PDL Programs – Exclusions

Prescription and/or OTC alternatives are available for every excluded drug.

<table>
<thead>
<tr>
<th>EXCLUSION CATEGORIES</th>
<th>EXAMPLES</th>
</tr>
</thead>
<tbody>
<tr>
<td>OTC Equivalent</td>
<td>Therapeutically Equivalent products can be purchased without a prescription.</td>
</tr>
<tr>
<td>OTC Therapeutic Equivalent</td>
<td>Other prescription products in this category, that contain the same active ingredient are covered (i.e. Testim, Androderm)</td>
</tr>
<tr>
<td>Rx Therapeutic Equivalent</td>
<td></td>
</tr>
</tbody>
</table>

*Therapeutic Equivalence is determined by the Pharmacy and Therapeutics Committee.*
PDL Programs – Exclusions

Spectrum of Excluded Products

- Most payers only focus here
- UHC evaluates the full spectrum of low value products

Example:

- Nasonex®
- Duexis®
- Sel-Rx™
- Brand Lipitor®

Products where an A-Rated equivalent (i.e., no new Rx required) is covered on the PDL
Hepatitis C virus infection is the most common chronic blood-borne infection in the United States, with approximately **3.2 million people infected**.

For every **100** people infected with the Hepatitis C virus:

- **75-85** will develop **chronic infection**
- **60-70** will develop **chronic liver disease**
- **5-20** will develop **cirrhosis**
- **1-5** will **die** of cirrhosis or liver cancer

**Need to treat 100 patients here**

**To save on medical costs here**
Medical Cost Offsets

Entresto

- Indication: To reduce the risk of cardiovascular death and hospitalization for heart failure (HF) in patients with chronic HF (NYHA Class II-IV) and reduced ejection fraction
- Claim: Decreases the cost of hospitalizations as compared to lisinopril
- Published Data:
  - Paradigm HF trial, 27 month follow-up
  - Entresto rate of hospitalization – 12.8%
  - Lisinopril rate of hospitalization – 15.6%

What does this mean practically for a health plan?

Cost-Offset Analysis

- WAC cost of Entresto for 27 months – $10,395
- Baseline rate of hospitalization for HF patients treated with ACE-I – 8.8% per year
- Baseline cost of hospitalization – $13,000

- Assuming 18% decrease in hospitalizations for Entresto, for every 1000 members treated with Entresto we would expect:
  - Entresto cost of $10,395,000
  - Hospitalization savings of $364,000

3.5% of Drug Costs Offset by Medical Cost Savings
Value-Based Contracting

40% of spend covered by value-based contracts

14M members impacted by value-based programs

1%-6% lower medical cost across a range of Value-Based Care Programs

Total Value-Based Spend ($ Billions)

- 2011: $13
- 2015: $46+
- 2018P: $65+

All figures are reflective of all lines of business and programs in aggregate.
Wish List
Questions?