

2018

Trend Report

Learn how we reduce
our clients' trend over
122% compared to
the national average.



Pharmacy Benefits. *Managed.*





Pharmacy Benefits. *Managed.*

A L E T T E R

From The CEO

I am thrilled to share our latest Trend Report, which represents a summary of our clients' pharmacy trend for 2017, totaling to an overall pharmacy trend that was 122% lower than the industry average.

At EHIM, we do things differently in order to deliver the best savings and care for our clients. We have an expert clinical staff that keeps us ahead of practices and trends that affect pharmacy costs, while also working with clients to address the needs of their specific population, day after day. The result is a lifetime of trends that are significantly lower than the national average and formularies that meet today's needs while anticipating the most impactful industry changes.

We're proud to have delivered pharmacy solutions in 2017 that kept our members healthy and their plans high performing; we will continue to work to make pharmacy benefits that truly *benefit* our clients.

Sincerely,
Mindi Fynke
CEO, EHIM, Inc.

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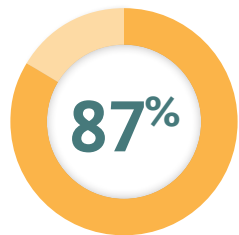
The EHIM Experience

EHIM is dedicated to being more than a Pharmacy Benefits Manager—we are a partner that our clients trust and rely on to improve pharmacy outcomes. We stay true to our promise to deliver innovative concepts and exceptional service to our clients through something we like to call *The EHIM Experience*. Through a unique set of approaches and designs, our clients can realize significantly lower pharmacy costs and more engaged employees.

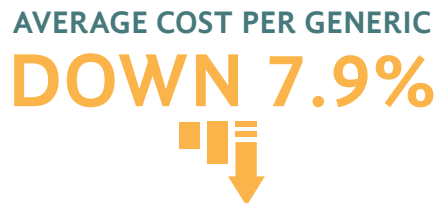
Our “No Rebates” Philosophy in Action

At EHIM, we believe there's a better way to save clients money while still providing the highest quality medications. Rather than accepting rebates, we are constantly evaluating medications that provide generic options and best outcomes in order to lower costs and ensure necessary medications are always affordable and available to members.

By administering pharmacy benefits without rebates, we have become leaders in generic utilization and the proof is in the trend:



Generic utilization
rate in 2017

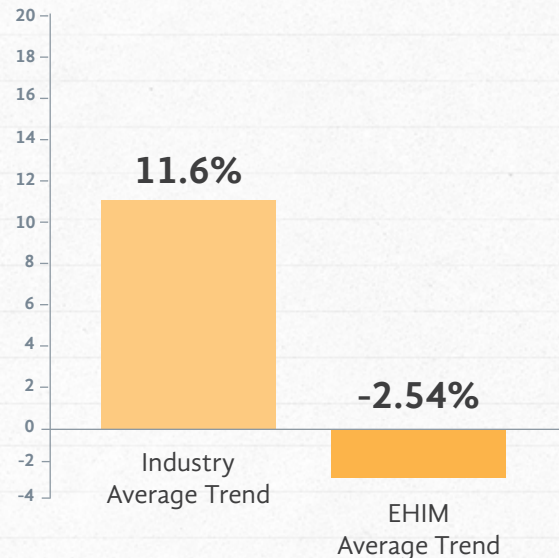


Overall Pharmacy Cost Trend

According to a recent industry pharmacy trend report, employers should prioritize working with Pharmacy Benefit Managers (PBMs) who utilize custom formularies and generic alternatives, to combat high-cost specialty drugs.¹

The EHIM Trend Report represents a summary of our clients' pharmacy trend for 2017 and utilizes the findings of the report to highlight the drastically lower pharmacy trends that EHIM clients continue to experience—numbers achieved through our hands-on cost containment, custom formularies and generic alternative practices.

Despite the continually rising costs of pharmacy within healthcare, during 2017, EHIM's clients realized a total cost trend of -2.54% – that's 122% lower.¹



The Result: EHIM is **122% Lower** vs. the national average of 11.6%

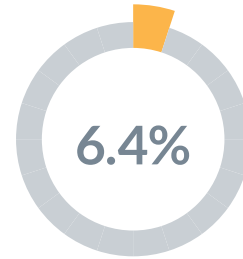
EHIM Cares

According to industry reports, specialty pharmacy drugs accounted for over a third of all drug sales in 2016 and are expected to represent over 50 percent of all drug sales by 2020.²

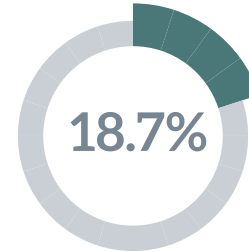
EHIM Cares was established to combat the continually rising costs and utilization of specialty drugs. It is a proprietary management program with a focus on specialty that is unlike any other in the industry.

Specialty Pharmacy Cost Trend

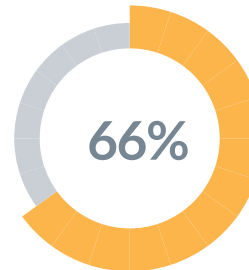
EHIM's unique approach to managing specialty drugs allowed our clients average only **6.4% in 2017**, while others have published their specialty trend of **18% or greater**.



EHIM Average 6.4%



Industry Average 18.7%



EHIM is 66% lower



EHIM Essentials List

The EHIM Essentials List was developed to assist with the ACA maximum out-of-pocket guidelines, which came into play in 2015. This proprietary list, customized to each state, provides yet another cost management tool for our clients.



Custom Formulary Design

Most PBMs offer one or two formularies to clients with minimal options to customize. At EHIM, we collaborate with our clients to personalize their formulary and plan design to align with their objectives. This allows our clients to have access to the most affordable and effective drugs based on their organization's unique needs.



Cost Containment: Our Clinical Approach

We've spent the past 30 years using innovative, creative solutions so our clients can reap the benefits and experience highly customized formularies and plan designs that allow them to achieve significantly lower costs, year after year.

Most PBMs limit their savings by offering only predetermined formularies or limited customization. At EHIM, we believe in collaborating with our clients to personalize their formulary and plan design to achieve the best results.

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Rare Diseases: Balancing Access and Science

There are approximately 7,000 rare diseases affecting 25 to 30 million people in the United States. Treatments are available for just **5% of the estimated 7,000 diseases**. In an effort to address this discrepancy, Congress passed the Orphan Drug Act in 1983, which provided incentives for drug manufacturers to develop therapies for rare diseases.

The number of recognized rare diseases in the United States has risen in recent years and will continue to do so.



This is a result of a combination of scientific advances in genetics and molecular biology, the use of biomarkers to identify diseases, as well as a growing commitment of policy makers to adopt precision medicine.

Drug spending in the United States is continuously evolving from an emphasis on high-volume, low-cost drugs for common, chronic diseases toward drugs with lower volumes and more selective patients [i.e. rare diseases]. The median annual cost for an orphan drug in 2016 was over \$32,000. By comparison, the top ten therapies used by the greatest number of patients averaged less than half at \$14,909.³

EHIM has incorporated orphan drugs into the specialty pharmacy benefit design. Some of the many strategies EHIM uses to manage orphan drugs may include:

- Requiring a prior authorization and adopting the criteria used for the FDA approved indication
- Assigning these products to specialty formulary tiers
- Steering usage through a specialty pharmacy with the knowledge and skills needed to safely provide the medication

The Looming Opioid Crisis

The opioid epidemic impacts our country in far-reaching ways. Overdose deaths from prescription opioid pain relievers nearly quadrupled between 1999 and 2010, making this the worst drug overdose epidemic in U.S. history.⁴

As part of EHIM's continuous clinical monitoring, we assist our clients in many ways to help ensure the treatment plans are in accordance with clinical guidelines and national standards. Our continued monitoring approach includes the following tools and protocols:

- Physician outreach
- Ongoing formulary assessment development and management
- Suggested therapeutic interchange when appropriate
- Step therapy
- Prior authorization
- Quantity limits
- Member outreach
- Daily review of dosing / quantity limits
- High-touch service focused on patient safety

While numerous interventions have aimed to limit access to opioids, oftentimes these interventions have the unintended consequence of increasing the use of substitute drugs, including heroin. **EHIM recognizes that the immediate and long-term effects of opioids can be managed with responsible prescribing practices and patient education.**





July of 2017

- The Centers for Disease Control and Prevention (CDC) awarded **more than \$12 million to 23 States and the District of Columbia to support their responses to the opioid overdose epidemic.** The funds are being used to strengthen prevention efforts and better track opioid-related overdoses.

September of 2017

- The CDC awarded **more than \$28.6 million in additional funding to 44 States and the District of Columbia to support their responses to the opioid overdose epidemic,** including increasing the use of prescription drug monitoring programs and better tracking and prevention of opioid-involved overdoses.

April of 2017

- The Department of Health and Human Services (HHS) laid out a comprehensive **five-point strategy** to combat the opioid abuse crisis:

- 1:** Improving access to prevention, treatment, and recovery support services, including the full range of medication-assisted treatments
- 2:** Targeting availability and distribution of overdose-reversing drugs
- 3:** Strengthening our understanding of the crisis through better public health data and reporting
- 4:** Supporting cutting-edge research on pain and addiction
- 5:** Advancing better practices for pain management



Biosimilars

Biosimilar products are defined as a biological product that is approved based on proof that it is highly similar to an FDA-approved biological product, known as a reference product, **and has no clinically meaningful differences in terms of safety and effectiveness from the reference product.** While the core ingredients of biosimilars are the same as the brand name equivalents, minor differences exist for clinically inactive components.

Biological products have been the fastest-growing type of medications launched in the United States. When patients are prescribed a biological

product, biosimilar products can offer additional treatment options, potentially lowering healthcare costs.

Biosimilars have the potential to save the U.S. healthcare system billions of dollars over the next few decades. Within the next year, biosimilars of several blockbuster medications around Rheumatoid Arthritis, Crohn's Disease and Psoriasis will be launched, which have the largest potential to save money for the healthcare system.

However, there are some barriers to adoption of biosimilars in the market, most notably, manufacturer rebates from the brand drugs and prescriber

knowledge and education. **EHIM does not support or accept manufacturer rebates**, which actually discourages the use of more cost effective biosimilars.

In order to provide the best options for our clients, EHIM supports the adoption of biosimilars to the formulary as the preferred option versus their brand alternative, which drives the more cost effective option. We also require a prior authorization on all biologics, thus ensuring appropriate use and product selection.

Upcoming Biosimilar Release Dates

Biosimilar (Brand Name - Manufacturer)	Reference Biologic (Manufacturer)	Approval Date	Anticipated Launch Date
filgrastim-sndz (Zarxio™ - Sandoz)	Neupogen® (Amgen)	Mar. 6, 2015	Sept. 3, 2015
infliximab-dyyab (Inflectra™ - Celltrion/Pfizer)	Remicade® (Janssen)	Apr. 5, 2016	Nov. 28, 2016
etanercept-szzs (Erelzi™ - Sandoz)	Enbrel® (Amgen)	Aug. 30, 2016	2019 - 2029
adalimumab-atto (Amjevita™ - Amgen)	Humira® (AbbVie)	Sept. 23, 2016	Jan. 31, 2023
infliximad-abda (Renflexis™ - Merck/Samsung Bioepis)	Remicade® (Janssen)	Apr. 21, 2017	July 24, 2017
adalimumab-adbm (Cyltezo™ - Boehringer Ingelheim)	Humira® (AbbVie)	Aug. 25, 2017	2023
bevacizumab-awwb (Mvasi™ - Allergan/Amgen)	Avastin® (Genentech)	Sept. 14, 2017	July 2018
trastuzumab-dkst (Ogivri™ - Mylan/Biocon)	Herceptin® (Genentech)	Dec. 1, 2017	June 2019
infliximab-qbtx (Ixifi™ - Pfizer)	Remicade® (Janssen)	Dec. 13, 2017	No U.S. Launch



Vaccination Update

One of the most significant updates to the 2018 Adult Immunization Schedule, endorsed by the Centers for Disease Control (CDC) was the addition of Shingrix® (zoster vaccine, recombinant)⁵.

EHIM will be including Shingrix® as the preferred zoster vaccine with the following criteria:

- Recommended for adults age 50 years or older
- Recommended for adults who previously received Zostavax (zoster vaccine, live)
- Requires 2 doses, given 8 weeks apart

New Releases in the Pipeline

The EHIM Clinical Pharmacy team analyzes, identifies, monitors and reviews all new pharmaceutical specific products entering the U.S. market. Through this process, all products are vetted by the EHIM Pharmacy and Therapeutics Committee to determine formulary status and place in therapy. Our market review begins in advance of FDA review. The EHIM Clinical Pharmacy team continually analyzes and monitors ongoing clinical trials for new molecular entities as well as existing products for new indications.

Notable agents EHIM is closely monitoring in the coming year are for treatment of:

- Autoimmune diseases (rheumatoid arthritis, lupus and multiple sclerosis)
- Cancer (pharmacogenomic and gene-directed therapies)
- Migraines
- Alzheimer's disease
- Parkinson's disease
- Chronic pain

New Pipeline Drugs

Inflammatory Conditions:

Baricitinib – Rheumatoid arthritis; oral therapy

Cladribine – Multiple sclerosis; oral therapy

Monomethyl fumarate – Multiple sclerosis; oral therapy

Ozanimod – Multiple sclerosis; oral therapy

Risankizumab – Plaque psoriasis; subcutaneous therapy

Siponimod – Multiple sclerosis; oral therapy

Upadacitinib – Rheumatoid arthritis; oral therapy

Alzheimer's Disease:

Elenbecestat – Oral therapy

Gantenerumab – Subcutaneous therapy

Lanabecestat – Oral therapy

Migraine:

Atogepant – Oral therapy

Eptinezumab – Subcutaneous therapy

Erenumab – Subcutaneous therapy

Fremanezumab – Subcutaneous therapy

Galcanzumab – Subcutaneous therapy

Rimegepant – Oral therapy

Ubrogepant – Oral therapy

Oncology:

Binimetinib/Encorafenib – Melanoma; oral therapy

Dacomitinib – Lung cancer; oral therapy

Ivosidenib – Leukemia; oral therapy

Lorlatinib – Lung cancer; oral therapy

A Note from the Clinical Team:

Managing the pharmacy benefit in this ever-changing landscape is much more than a cursory effort. EHIM's clinical team is hyper-focused on benefit trends, industry changes, formulary management and development, and most importantly, our members.

Every clinical decision that is made within our team is one that centers around our members' care. We are enthusiastic about the progress we make each day and are pleased to work in an environment that practices in the best interest of our members and plan sponsors.

Our strategy is highly dependent on collaborating with various disciplines to evaluate all these metrics and determine how these can be put into everyday practice. It's including that human touch, common sense, and application of Pharmacy & Therapeutics (P&T) Committee guidelines to what makes sense for our members and our plan sponsors.

EHIM's P&T Committee is committed to developing formulary recommendations that optimize channel utilization, therapy compliance, and to achieve the overall lowest net plan cost. Our clinical philosophy focuses on providing consistent access to optimal, evidence-based medicine with the highest efficacy and safety.

As healthcare continues to change, we believe it is essential to be prepared for market changes. We will continue to focus on maintaining our flexibility to meet the needs of our members and plan sponsors.

— The EHIM Clinical Team

References

¹The Segal Group (2017). "Managing the High and Rising Cost of Prescription Drug Coverage". Data, Fall 2017.

²The Segal Group (2017). "High Rx Cost Trends Projected to Be Lower for 2018". Data, Fall 2017.

³QuintilesIMS Institute. Orphan Drugs in the United States. October 2017.

⁴<http://www.cdc.gov/mmwr/volumes/65/rr/rr6501e1.htm>

⁵www.cdc.gov/vaccines/hcp/acip-recs/vacc-specific/shingles.html



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The EHIM Trend Report is an industry resource meant to support our clients and partners by providing insights into some of the pharmaceutical industry's most pressing topics.

Contact us today to learn how EHIM's cost management approach can improve your bottom line.

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