

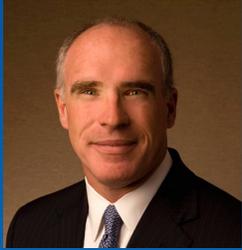


ingenio^{Rx}[™]

DRUG TREND REPORT

2020

Taking a Total View:
Linking Pharmacy and Medical Drug Trends



Jeff Alter
Executive Vice
President, IngenioRx

A year of evolution

Over the past year, IngenioRx, as the rest of the world, has been operating in an environment that at best can be described as unpredictable. It changed the way we go about our daily lives. It also challenged us as a business to maintain focus on our members — keeping their

needs first and doing everything in our power to deliver effective pharmacy care to them where they are.

Our 2020 trend reflects that commitment. Our ability to respond quickly and effectively to the unpredictable circumstances caused by COVID-19 was impressive. To be hyperresponsive while keeping trend low and delivering promised value is a true demonstration of the power of our unique value proposition and commitment to personalized pharmacy care.

As a leader new to IngenioRx, I am honored to be part of this inspirational organization.

I am proud to share this report. It provides a glimpse of our operational and analytical excellence and clinical expertise. More importantly, it showcases our vision of what's possible in healthcare. We believe that when innovation, technology, and clinical and operational expertise all work together, we create meaningful change.



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Executive summary

Our 2020 trend

In 2020, as the pandemic rapidly evolved, so did we. We kept the needs of our plan sponsors and members at the center of everything we did. Adapting quickly and early, across pharmacy and medical benefits, we adjusted operations and minimized disruption, supported continued access to care, and delivered promised value.

We are pleased to share that in a difficult year, we were able to demonstrate our unique integrated value and lower trend.

2020 OVERALL TREND



-2.6%
Rx + medical

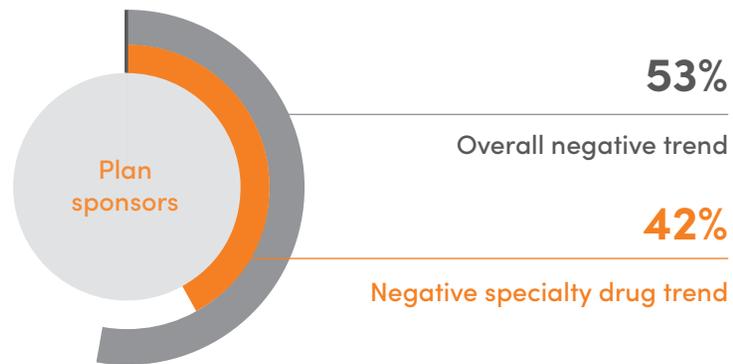


-3.7%
Rx only

Pharmacy and medical figures take into account total drug spend and include not only pharmacy claims but also claims for specialty drugs dispensed under the medical benefit.

This report provides a glimpse of not only our operational excellence but our clinical expertise and vision of what's possible in healthcare. For us, savings and improved health outcomes go hand in hand. When innovation, technology, and clinical and operational expertise all work together, we can create meaningful change.

Percentage of plan sponsors who saw a decrease in trend*



* Plan sponsors with 100 members or more.



2020 trend driver: drug utilization

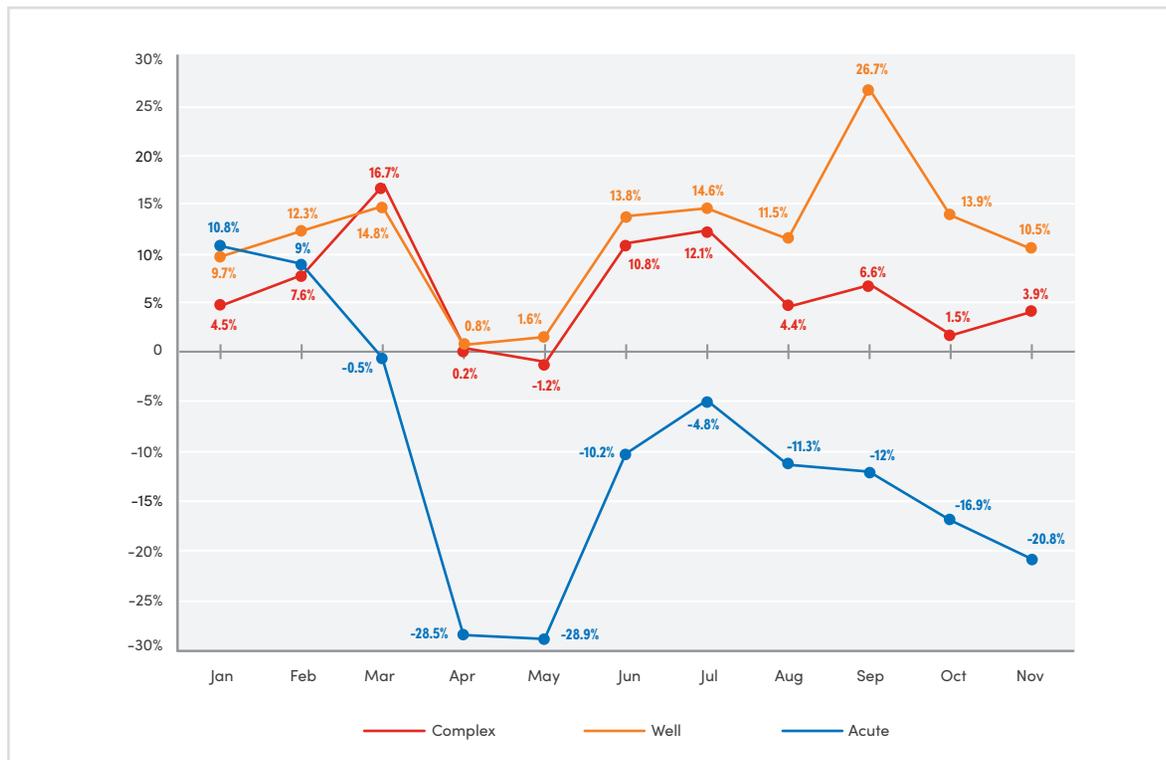
The pandemic changed our healthcare landscape in many ways. Mandatory stay-at-home orders implemented in March caused those with chronic conditions, such as hypertension and depression, to seek access to medications. We observed increases in utilization, with the greatest peaks corresponding with stay-at-home orders. Of note, a particular increase in asthma drug utilization – climbing a steep 63%, before trending rapidly downward and eventually into the negative by October. This could account for the early preparation of potential need, due to the pandemic.

The pandemic also caused utilization decreases for acute medications, such as cough or cold treatments and antibiotics, most likely due to lessened exposure.

Additionally, medications used for wellness increased – flu vaccinations increased by 84% in September, and 44% overall in 2020.



Pharmacy utilization month-to-month trend
% change (2020 vs. 2019)



TREND



Drug utilization
6.4%

In taking a deeper look, current utilizers were a greater factor in these utilization increases. New utilizer rates remained steady. Upticks in drug utilization for chronic conditions were facilitated by increased filling of medications and improved adherence.

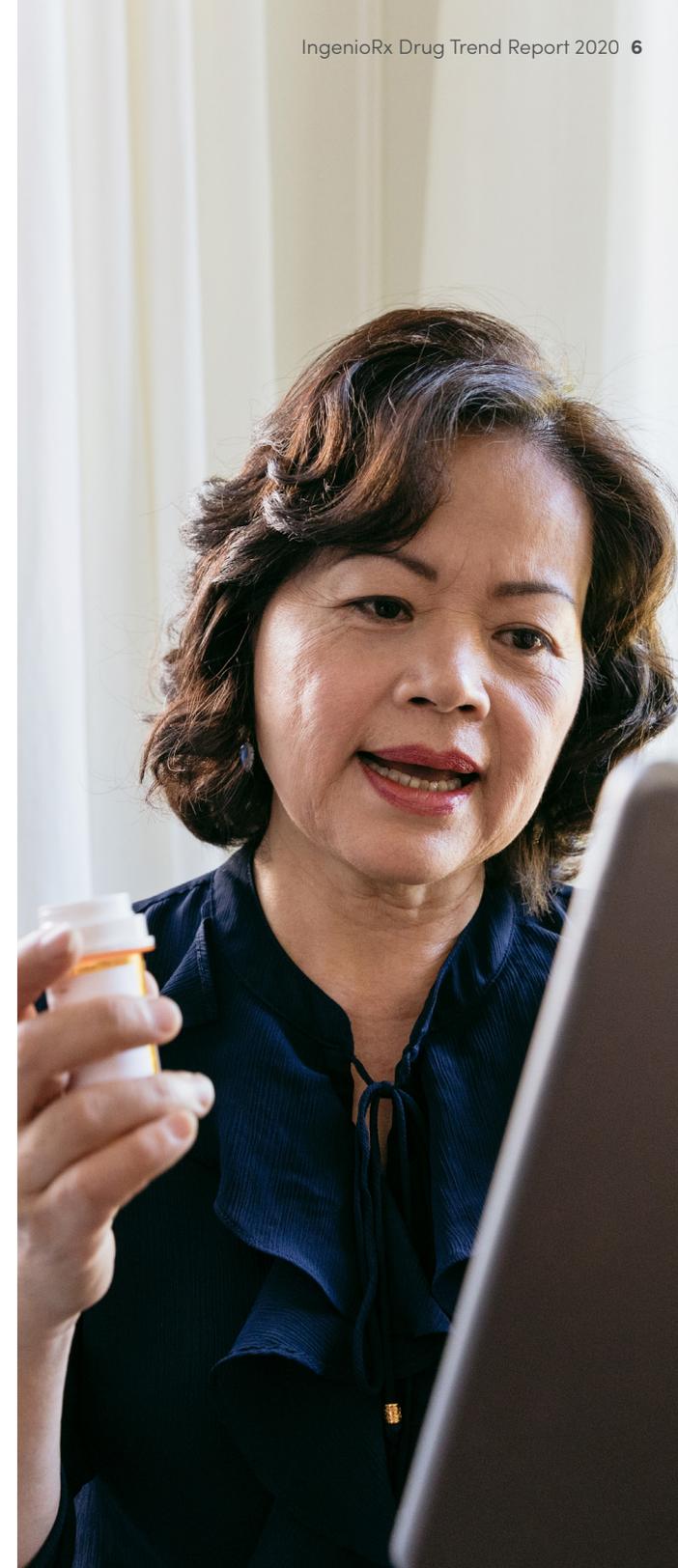
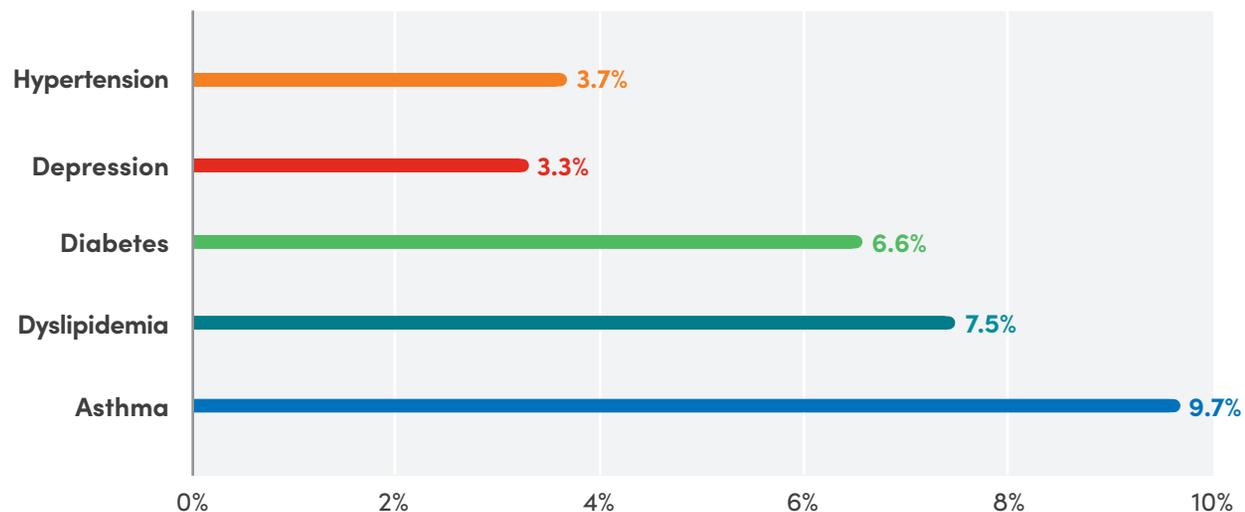
By innovating our operations, our pandemic response helped members quickly gain access to their critical medications. Leveraging our pharmacy expertise and insights, we provided people with access to the care they needed quickly and efficiently, to help keep them safe at home.

Our efforts included:

- Promoting 90-day supplies with no-cost delivery via home delivery or select retail pharmacies. More 90-day-supply prescriptions were filled for members with common chronic conditions, such as hypertension, depression, diabetes, high cholesterol, and asthma.
- Relaxing our “refill-too-soon” policy.
- Extending expiring prior authorizations for appropriate drugs to ensure continuity of care.
- Continuing our gaps-in-care clinical programs focused on adherence.

Increased adherence is one sustaining legacy of 2020. Increased number of adherent members among current users, as well as the average proportion of days covered (PDC) for many common chronic conditions, continued to drive utilization.

Improvement in number of adherent members
 % change in adherent members (2020 vs. 2019)





2020 trend driver: drug mix

Clinical expertise is the bedrock of IngenioRx that guides all decisions about drug and therapy use. In 2020, putting the needs of our plan sponsors and members first, we strategically staggered our formulary and clinical edit changes to assure drug access, while also considering when the reaction to the pandemic stabilized globally, development of vaccines was near completion, and vaccine distribution was imminent.

During this time, we continually analyzed and refined our strategies to prefer the highest-quality drugs with the lowest-net costs.

Once drug list changes were implemented, they quickly showed significant impact – increasing access and promoting preferred products to deliver significant savings to our plan sponsors.

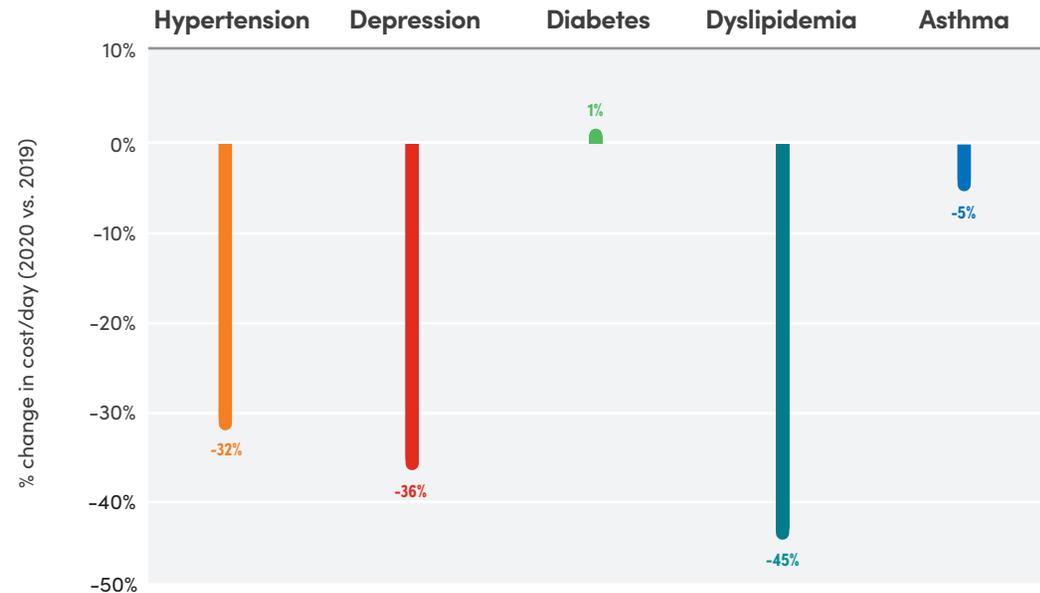
As a result of our evidence-based management strategies, we successfully reduced the total cost trend and the cost per day for chronic conditions, such as hypertension, depression, high cholesterol, and asthma, even as utilization increased for these conditions. While utilization also increased for diabetes, the cost per day increased by only 1%.

TREND



Drug mix
-2.9%

Top chronic conditions (in descending order of utilization)



Examples of our trend management efforts

- As part of our ongoing cost and clinical value assessments, which drive savings for plan sponsors, we identified an antihistamine that sells for \$3,800 (based on average plan-paid amount). However, this drug doesn't offer a significant clinical improvement over lower-cost alternatives in the same therapeutic class. We removed this high-priced option from the drug list and educated providers about more-affordable and clinically appropriate antihistamine alternatives.
- When we noticed an increase in members who had a paid pharmacy claim for an antiretroviral but did not have an appropriate medical diagnosis on file, we connected with providers to ensure that our members took these medications for a medically accepted indication.
- In 2020, we preferred two drugs for members who had diabetes with heart failure. As with all conditions, we use an evidence-based approach to help determine the drugs with the best clinical outcomes to prefer on our drug list. According to clinical trial data, both drugs reduced cardiovascular hospitalization and death significantly. We also opened the pharmacy benefit to continuous glucose monitoring systems to improve access for our members.^{1,2}



\$415M

estimated incremental
cost-of-care savings

Led by our team of clinical pharmacists,
we launched new clinical programs in
2020 that resulted in an estimated
\$415 million in savings.



1. McMurray JJV, Solomon SD, Inzucchi SE, Kober L, Kosiborod MN, Martinez FA et al.: DAPA-HF Trial Committees and Investigators. *Dapagliflozin in Patients with Heart Failure and Reduced Ejection Fraction*. *New England Journal of Medicine* (November 2019): [nejm.org/doi/full/10.1056/NEJMoa1911303](https://doi.org/10.1056/NEJMoa1911303).

2. Packer M, Anker SD, Butler J, Filippatos G, Pocock SJ, Carson P et al.: EMPEROR-Reduced Trial Investigators. *Cardiovascular and Renal Outcomes with Empagliflozin in Heart Failure*. *New England Journal of Medicine* (October 2020): [nejm.org/doi/full/10.1056/NEJMoa2022190](https://doi.org/10.1056/NEJMoa2022190).

Excluding relabeled drugs to eliminate waste

Similar to the high cost of repackaged drugs, relabeled drugs are also associated with a high price point. However, relabeled drugs are more challenging to identify. Relabeler companies take drugs in original containers and apply their own, new company labels and national drug codes (NDCs). Usually, an identical product that has not been relabeled is available at a lower price.

Using Food and Drug Administration (FDA) indicators to identify companies that are licensed as labelers or relabelers, our pharmacy cost of care team evaluates every new NDC weekly to identify relabeled NDC. Finding and excluding these drugs from coverage has resulted in significant savings with low member impact. Anticipated savings: more than \$4.5M paid to plans in the first year.

Relabeler NDC pharmacy benefit exclusion

Generic
prednisone 5 mg



\$12.90
Original package

Watson, a generic drug manufacturer with their own NDC and Food and Drug Administration application (ANDA),
100-count bottle, average wholesale price (AWP) \$0.86 per unit; 15 tablets, \$12.90.

Generic
prednisone 5 mg



\$45
Relabeled package

Keep in the original packaging but place new labeling on the package with new relabeler company NDC. **100-count bottle, AWP \$3 per unit; 15 tablets, \$45.**

Protecting pharmacy dollars

In 2020, we created a new program targeting high-cost, FDA-classified medical devices, like scar gels and wound creams. We noticed that these products were often the focus of telemarketers who targeted members and submitted claims paid under the pharmacy benefit for reimbursement.

We updated our pharmacy coverage to ensure that these products were only covered under the medical benefit, as supported by our member's benefit booklets. This had a sentinel effect, in that very few claims were resubmitted on the medical benefit. This program is estimated to save **\$8.5M in its first year.**

2020 trend driver: network performance

Our pharmacy networks were major drivers of our -2.6% overall trend. Our multiple network strategy offers a range of broad and managed network options. Our expertise in balancing cost with access drives higher value.

In 2020, we introduced the Advantage Network for commercial plans and expanded our relationship with Pharmacy Quality Solutions (PQS), a healthcare quality improvement company that enables short-term and long-term monitoring for us across pharmacy adherence scores by line of business.

IngenioRx's pharmacy network providers are now empowered to improve members' adherence to critical medications by using actionable data.

Building upon the pharmacy adherence scores, IngenioRx examines multiple metrics to evaluate pharmacy quality to guide network strategy over the longer term. The evaluation metrics used to measure quality include:

- Controlled substance dispensing.
- Vaccination rates.
- Dispensing patterns.
- Audit results.
- Support of plan benefit design.
- Member satisfaction.

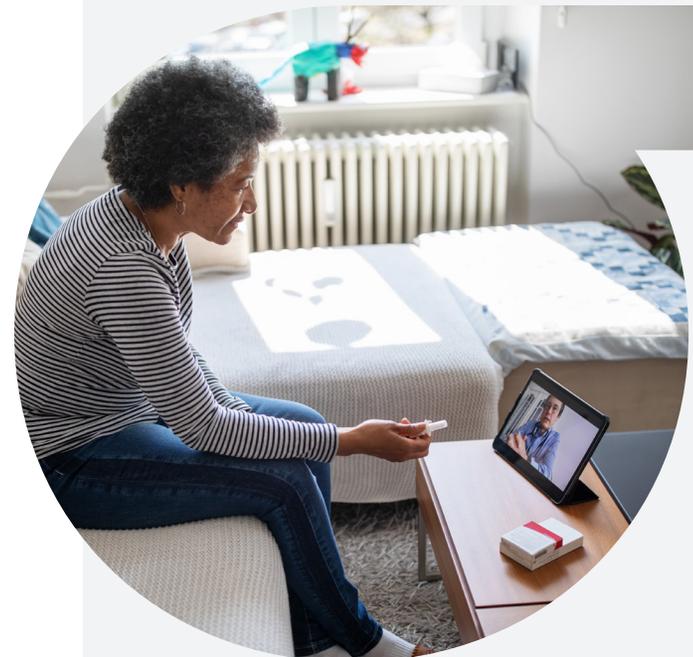
We collaborate with pharmacies, and coordinate and discuss action plans to help ensure that our members are given the best possible care.

Understanding healthcare cost is more complex than simply looking at transactions. Viewing quality more holistically, not just from a unit cost perspective, is how we determine the overall value of our networks. Balancing cost and utilizing standardized quality measures, shared with pharmacy providers, we are committed to cost management and positive member experiences.



Approximately 50% of the IngenioRx book of business was in a managed network.

Our plan sponsors that enrolled in our more-managed networks drove more savings than our plan sponsors that did not.



TREND



Network performance

-7.3%

Methodology

Pharmacy and medical de-identified drug utilization data was analyzed for the Commercial group population, representing approximately 6 million members, with pharmacy and medical coverage carved in. Pharmacy-dispensed specialty and nonspecialty drugs, and medically covered specialty and nonspecialty drugs administered under the medical benefit (excluding inpatient site of service), were included. Clients contractually prohibited from inclusion were excluded. Integrated trend statistics assessed the change in gross spend (net of rebates), which included drug ingredient costs (under medical and pharmacy), as well as pharmacy-specific taxes and dispensing fees. Medical administration costs were not included.

Total trend comprises utilization trend and unit cost trend. Utilization trend is defined as the rate of change in total days' supply per member per month. Unit cost trend is defined as the rate of change in treatment costs due to inflation, prescribing practices, and IngenioRx trend — management strategies that drive decreases in the unit cost of drugs, thus decreasing drug trends.

There is no universally accepted definition of a specialty drug, and there are differences in payer specialty drug lists, client spend, and trends. The attributes that IngenioRx uses to drive this definition include drugs that:

- Are used to treat complicated disease states that are chronic and low incidence. Typically, 2% to 4% of a group's population will utilize specialty drugs, with spend being reimbursed under pharmacy and medical benefits.
- Are usually biologic in origin and derived from a cell culture versus being chemically manufactured. This increases their cost and can cause immunogenicity issues for members. It also limits the number of manufacturers, leading to less competition and fewer choices for treatment.
- Are typically injected or infused and may require administration by a clinician. Some may be orally administered or inhaled.
- Require frequent dosing adjustments and clinical monitoring, which is why they are typically dispensed through specialty pharmacies. Dosage adjustments also present challenges with delivery needs and possible treatment disruptions if the drug is not readily available.
- Are usually high in cost.



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