Kaiser Permanente Pharmacy Program
October 16, 2018

Presented by:

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PEBB Board Attachment #6
Agenda

Cost Overview
Pharmacy Program Highlights
Rebates
Targeted Therapy Classes
Site of Service
Infused Medications
Cost Containment
Pharmacy Program – Overview of PEBB’s PMPM Performance

[Graph showing trends in paid claims per member per month (PMPM) for OR PEBB Pharmacy from 2015 to YTD 2018.]
Pharmacy Program – Overview of PEBB’s PMPM Performance

OR PEBB Pharmacy & Infused Meds Overview

Paid Claims PMPM

- Generic
- Brand
- Specialty
- Total Pharmacy
- Infused Medications

- $6.57 2015
- $11.62 2016
- $11.79 2017
- $11.69 YTD 2018

- $18.15 2015
- $20.96 (Generic) 2018

- $18.15 2015
- $24.15 2016
- $21.70 2017
- $21.51 (Specialty) 2018

- $27.50 2015
- $20.83 2016
- $18.13 2017
- $20.47 (Infused Medications) 2018
Question: Describe your Medical Pharmacy program and capabilities.

Pharmacy Program

- Evidence-based and guideline-supported medicine
- Tight collaboration
- Information sharing from KP pharmacy vs. drug manufacturer representatives
- Competitive pricing
- Integrated System
- Standardized formulary
- Contracting strategy
- Industry-leading concessions
- Physician participation in development

71% more outpatient prescriptions per store daily than Walgreens

more oncology treatments for patients every day than Memorial Sloan Kettering Cancer Center.

4th largest non-profit acute care pharmacy health system in the country
KP Pharmacy – How do we do it?

In Collaboration with the Medical Group:

• Our KP Pharmacy program is mutually exclusive with our medical group and operates as our own internal PBM and not a disjointed third party
• Clinic Pharmacists partner directly with our Physicians in disease management, medication adherence, and minimizing waste
• Our Physicians work in clinic and attend KP-sponsored educational events without the presence of pharmaceutical representatives
• Disease management protocols are built into our EMR
• High-priced specialty drugs are managed by a handful of subspecialists who are best able to care for these complex conditions and fully understand our protocols
Kaiser Permanente’s Specialty Rx Strategy

Approach to Managing High Cost (Specialty) Drug Costs

Our primary goal is to provide members with affordable, safe, and effective care. Our integrated design offers unique advantages to ensure members are diagnosed early, treated appropriately, and have access to the medications they need.

- Leverage KP’s Comprehensive Drug Utilization Management Programs
- Introduce New Benefit Design Options in Market
- Support More Rational Pharmaceutical Pricing
Strategy Reviews in Progress and Planned

Vision loss
due to confirmed biallelic $RPE65$ mutation-associated retinal dystrophy

Phenylketonuria

Hemophilia type A

Sickle cell

Migraine prophylaxis
Managing Specialty Drug Costs – Key points

• Specialty Pharmaceuticals present a challenge to the entire U.S. Health Care system

• Drug Cost Management tools have been utilized and fine tuned in our system for decades

• We are expanding existing tools and implementing new tools as we address Specialty Pharmaceuticals
  • Physician expert review
  • Clinical pharmacists working with physician and patient
  • Appropriate use of non-drug therapy
  • Stopping ineffective treatments

• Our integrated culture is our differentiator
**Biosimilars**

**Question:** What medical benefit therapy classes/drugs are targeted in your medical pharmacy program?

- **Neupogen biosimilar (Zarxio)**
  - Approved March 2015
  - Litigation
  - Launched Sept. 2015

- **Remicade biosimilar**
  - Approved April 2016
  - Litigation
  - Launched Nov. 2016

- **Enbrel biosimilar**
  - Approved August 2016
  - Litigation

- **Humira biosimilar**
  - Approval September 2016
  - Litigation
Biosimilars: Neupogen to Zarxio

Kaiser Permanente Market Share 98% / National Market Share 30%

![Graph showing the comparison between Neupogen and Zarxio in terms of market share over time. The graph displays a significant decline in Neupogen's market share and an increase in Zarxio's market share.]
Pharmacy Program and Capabilities – Pharmacy vs Clinic-Based Injections

### Multiple Sclerosis Medications

<table>
<thead>
<tr>
<th>Date</th>
<th>Total Paid Claims Pharmacy PMPM</th>
<th>Total Paid Claims PMPM Rutixan</th>
<th>Total Paid PMPM</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$3.19</td>
<td>$0.11</td>
<td>$3.30</td>
</tr>
<tr>
<td>2016</td>
<td>$2.65</td>
<td>$0.25</td>
<td>$2.90</td>
</tr>
<tr>
<td>2017</td>
<td>$1.77</td>
<td>$0.90</td>
<td>$2.66</td>
</tr>
<tr>
<td>YTD 2018</td>
<td>$1.25</td>
<td>$1.06</td>
<td>$2.31</td>
</tr>
</tbody>
</table>

Cost/Prescription/Year (Pharmacy): $64,000  
Cost/Prescription/Year (Injection): $11,000
Question: How are rebates recognized under the current program and to what extent are they shared with PEBB?

Rebates

- Minimal, applied to the gross cost of the drug
- Evidence-based formulary with a primary focus on safety, efficacy, and value
- Strategic purchasing
  - Leverages our purchasing power
  - Uses an annual bid cycle to secure favorable pricing
  - Maximizes economies of scale by volume and adherence and prescription patterns
  - Negotiates contracts ensure product consistency, maintain supply, and control certain price increases
  - Strategically purchases and warehouses products at risk of price increases
**Rebates**

- Not broken out separately
- Factored in our pricing

**Question:** What reporting regarding Specialty rebates under medical do you provide and at what frequency?
Site of Service

- Managed through our care model – examples:
  - Home Infusion
  - Outpatient Clinic
  - Nurse Treatment Room
- Mandatory with special circumstance exceptions
- Protocols are built into our system

**Question:** Do you offer any Reimbursement Management programs to shift site of service to the most cost effective setting? If yes, does a drug have to be managed through your Prior Authorization to be included in the Site of Service program?

**Question:** Is your site of care program mandatory or voluntary? Do you charge for this program? If so, is there an ROI guarantee for savings?
Site of Service

- Fortunately, we are the hospital/health system tied to our physician group
- For contracted hospitals, we have physicians/specialists/care managers monitoring utilization

**Question:** Please describe how you manage site of care redirection with specialist physicians whose practices are owned by a hospital/health system.
**Question:** Will you agree to a maximum of ASP+170% for all infused medications with no balance billing to the member?

## Infused Medications

- Our current pricing for infused medications averages between 150% - 200% of Medicare

<table>
<thead>
<tr>
<th>Medication</th>
<th>KP 2018 Price</th>
<th>Oregon Average 2017 (w/standard 3% increase)</th>
<th>US Average 2017 (w/standard 3% increase)</th>
</tr>
</thead>
<tbody>
<tr>
<td>J1745 - Injection, infliximab, excludes biosimilar, 10 mg</td>
<td>$171.00</td>
<td>$216.00</td>
<td>$380.00</td>
</tr>
<tr>
<td>J0178 - Injection, aflibercept, 1 mg</td>
<td>$1,960.00</td>
<td>$2,297.00</td>
<td>$2,801.00</td>
</tr>
<tr>
<td>J9310 - Injection, rituximab, 100 mg</td>
<td>$1,637.00</td>
<td>$2,775.00</td>
<td>$2,918.00</td>
</tr>
<tr>
<td>J9228 - Injection, ipilimumab, 1 mg</td>
<td>$289.00</td>
<td>$321.00</td>
<td>No US Average</td>
</tr>
<tr>
<td>J0585 - Injection, onabotulinumtoxina, 1 unit</td>
<td>$12.00</td>
<td>$20.00</td>
<td>$25.00</td>
</tr>
<tr>
<td>J9171 - Injection, docetaxel, 1 mg</td>
<td>$4.00</td>
<td>$9.00</td>
<td>$40.00</td>
</tr>
<tr>
<td>J2357 - Injection, omalizumab, 5 mg</td>
<td>$67.00</td>
<td>$77.00</td>
<td>$113.00</td>
</tr>
</tbody>
</table>
Managing Pharmacy Costs through Collaborative Drug Utilization Action Team

2018 Initiatives

- Prescribe formulary medications 97% of the time
- Deprescribe medications when risks may outweigh benefits of continued use
- Encourage minimum dose and frequency needed to achieve clinical effectiveness
- Avoid using brand name products when a generic equivalent is available (99.5% generic)

Question: Understanding PEBB’s annual cost-containment objectives, what additional Rx programs do you have, or are you developing, that would support said objectives?
Pharmacy Support for Medication Adherence Saves Dollars and Improves Quality

Medication adherence

Increasing medication adherence is a cost-effective way to improve patient outcomes and reduce hospital utilization.

Good adherence comparison

Proportion of days covered is greater than or equal to 80%*

<table>
<thead>
<tr>
<th>Medication prescribed for</th>
<th>Your group's average adherence</th>
<th>Kaiser Permanente regional average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diabetes</td>
<td>75.9%</td>
<td>73.7%</td>
</tr>
<tr>
<td>High blood pressure</td>
<td>82.3%</td>
<td>80.3%</td>
</tr>
<tr>
<td>High cholesterol</td>
<td>79.0%</td>
<td>76.9%</td>
</tr>
</tbody>
</table>

* Proportion of days covered is the adherence metric used by Centers for Medicare and Medicaid Services. It is more conservative than and not comparable to the medication possession ratio measure used by many pharmacy benefit managers.

Estimated dollars saved

$749,046

Calculation: Estimate is based on the number of people achieving >80% PDC multiplied by the average cost savings for good adherence. Results by individual condition are aggregated for your group.
Saving with Increasing Mail Order Utilization

![Chart showing increasing mail order utilization from January to August with actual YTD MO% and target MO% levels.

- January: 42.4%
- February: 42.4%
- March: 42.6%
- April: 43.0%
- May: 43.3%
- June: 43.4%
- July: 43.8%
- August: 44.1%

These percentages indicate an upward trend in mail order utilization, with the target MO% level shown by the dashed line, suggesting a successful strategy to increase utilization over time.](chart_image)
Saving through Strategic Purchasing

• As one of the nation’s largest health care organizations, we can impact the market share of pharmaceuticals. As a result, Kaiser Permanente wins significant pricing concessions from major pharmaceutical vendors. We also:
  ▪ Use an annual bid cycle to secure favorable pricing
  ▪ Leverage economies of scale by volume and adherence and prescription patterns
  ▪ Negotiate contracts that help ensure product consistency, maintain supply and control certain price increases
  ▪ Strategically purchase and warehouse products that are at risk of price increases
Saving through Effective Specialty Drug Management

The Kaiser Permanente National Specialty Pharmacy:

• **Provides access to limited- or exclusive-distribution products** — This helps avoid upcharges and results in savings for our members and commercial customers.

• **Conducts clinical reviews and case management** — Active pharmacist involvement helps ensure appropriate drug use and follow-up.

• **Is accredited by the Utilization Review Accreditation Commission (URAC)** — URAC independently validates our clinical care and service quality in the specialty pharmacy industry.

• **Achieved a patient satisfaction rating of 99.78% in 2017** — The Kaiser Permanente National Specialty Pharmacy earned near-perfect approval from our members in the Quality of Service Survey.

In 2017, the Kaiser Permanente National Specialty Pharmacy achieved significant cost savings:

| $8.3M | $28.8M |
| Costs avoided by clinical case management services | Cost savings realized from quality assurance and maintaining compliance with contractual, quality, and safety regulations |
Thank You!
Appendix
Pharmacy Program – Overview of PEBB’s Injectables

<table>
<thead>
<tr>
<th>Date Paid</th>
<th>Infliximab &amp; Biosimilar</th>
<th>Spinraza</th>
<th>All Other Injections</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$1.56</td>
<td>$0.00</td>
<td>$5.01</td>
<td>$6.57</td>
</tr>
<tr>
<td>2016</td>
<td>$1.95</td>
<td>$0.00</td>
<td>$9.67</td>
<td>$11.62</td>
</tr>
<tr>
<td>2017</td>
<td>$2.06</td>
<td>$0.00</td>
<td>$12.82</td>
<td>$14.88</td>
</tr>
<tr>
<td>YTD 2018</td>
<td>$0.99</td>
<td>$2.51</td>
<td>$16.97</td>
<td>$20.47</td>
</tr>
</tbody>
</table>