


Current State and Future of Managed Care

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Chief Executive Officer, AMCP

SEPTEMBER 20-21
CALIFORNIA AFFILIATE DAY OF EDUCATION

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Today's Discussion

- AMCP Mission, Members
- Strategic Priorities
- Trends in Managed Care Pharmacy
- Key Events & Initiatives

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AMCP
Optimizing medicine.
Improving lives.

Mission

To improve patient health by ensuring access to high-quality, cost-effective medications and other therapies.

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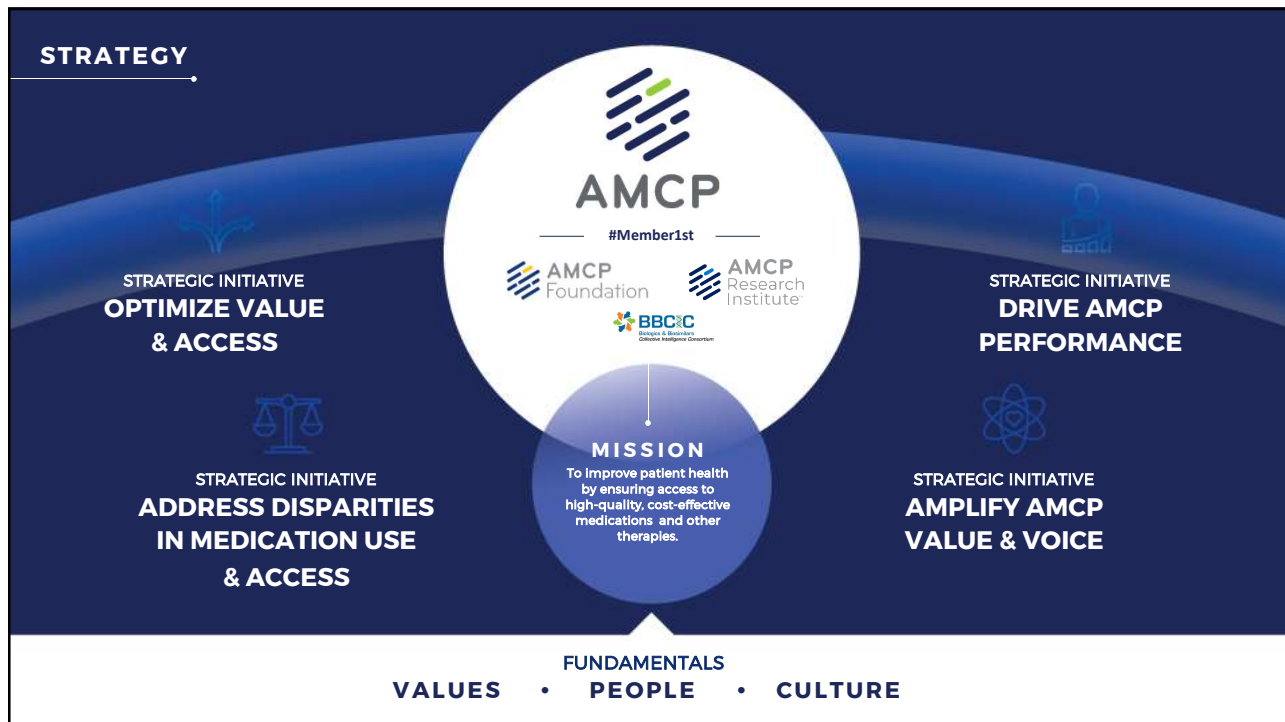
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Strategic Initiative Optimize Value & Access	Strategic Initiative Address Disparities In Medication Use & Access	Strategic Initiative Amplify AMCP Value & Voice	Strategic Initiative Drive AMCP Performance
Overarching Goal Help members and stakeholders improve healthcare access, affordability, and outcomes	Overarching Goal Address barriers to access and the effective use of medications and other therapies	Overarching Goal Grow our membership and make AMCP essential to those involved in managed care pharmacy	Overarching Goal Maximize effectiveness to achieve optimal results
Areas of Focus <ul style="list-style-type: none"> • Provide resources to help payers evaluate digital therapeutics • Promote the adoption of biosimilars • Provide tools to incorporate the patient perspective into formulary decision making • Evaluate the implications of measures to reduce drug costs, including the Inflation Reduction Act. 	Areas of Focus <ul style="list-style-type: none"> • Create awareness and identify opportunities to mitigate disparities in medication use from a managed care perspective • Provide tools to incorporate the patient perspective into healthcare decision-making • Encourage research into disparities in medication use 	Areas of Focus <ul style="list-style-type: none"> • Engage and retain members and elevate their voice and impact • Build awareness of AMCP and managed care pharmacy and grow membership • Build an organization that is #AMCPmember1st 	Areas of Focus <ul style="list-style-type: none"> • Financial Performance • Membership Performance • Operational Excellence • Thought Leadership • Exceptional Governance

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What's happening in the world of managed care pharmacy?



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A LOT.



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U.S. health care spending

\$4.5
trillion



\$13,493
per person



17.3%
of GDP

Retail prescription drug spending increased 8.4% to \$406 billion



92%

Americans covered by health insurance



Source: <https://www.cms.gov/data-research/statistics-trends-and-reports/national-health-expenditure-data/historical>

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Rising pharmaceutical expenditures

The median annual price for new drugs approved by FDA increased from \$180K in 2021 to \$300K in 2023

6.7 Billion

Prescriptions dispensed in 2022



Innovation

50-55 new products per year projected

Will contribute \$133 billion in spending growth by 2025



\$103 Billion

Increase in total drug spending over past five years



\$82 Billion

Patient out-of-pocket costs



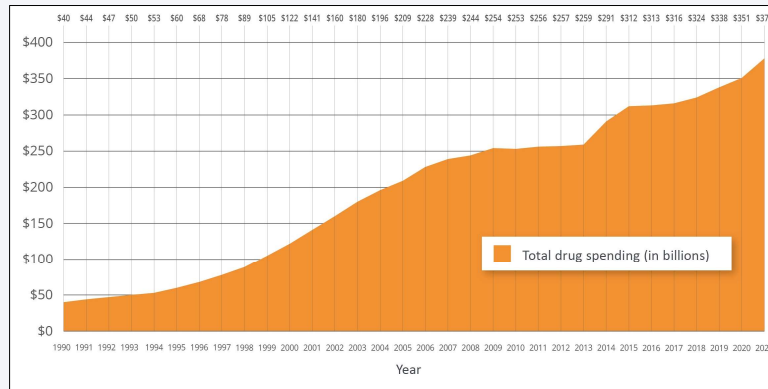
Source: IQVIA, The use of medicines in the U.S., 2023 PWC, Medical cost trend: Behind the numbers 2024, Reuters, Prices for New Drugs Rose 35% in 2023.

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Rx drug spending in the United States has risen drastically over the past few decades

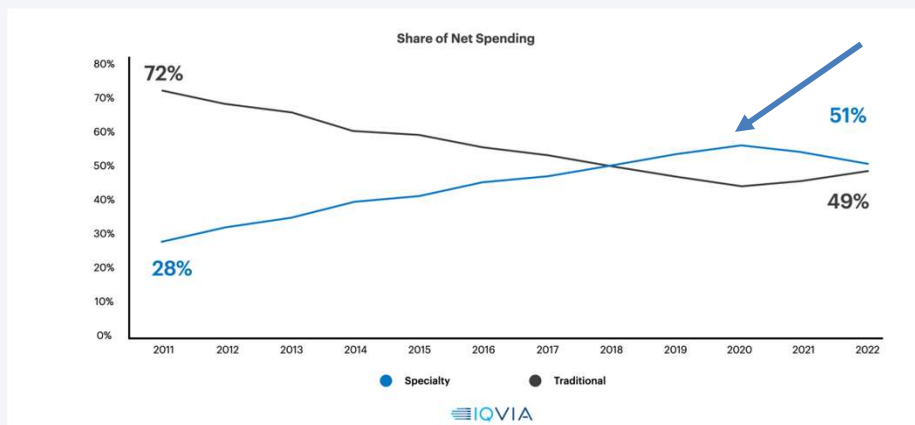


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Specialty medicines have been growing steadily over the past 10 years

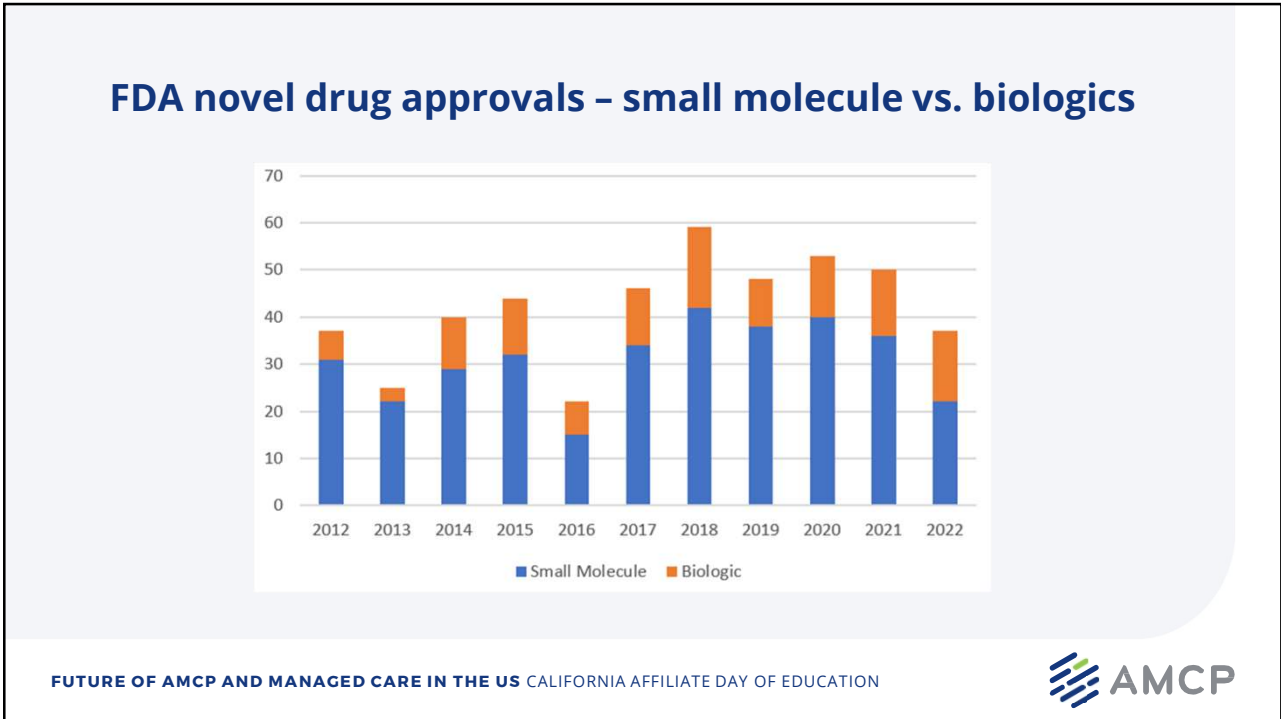


Source: IQVIA data, Harry Travis presentation "An Overview of the U.S. Rx Market, September 2024"

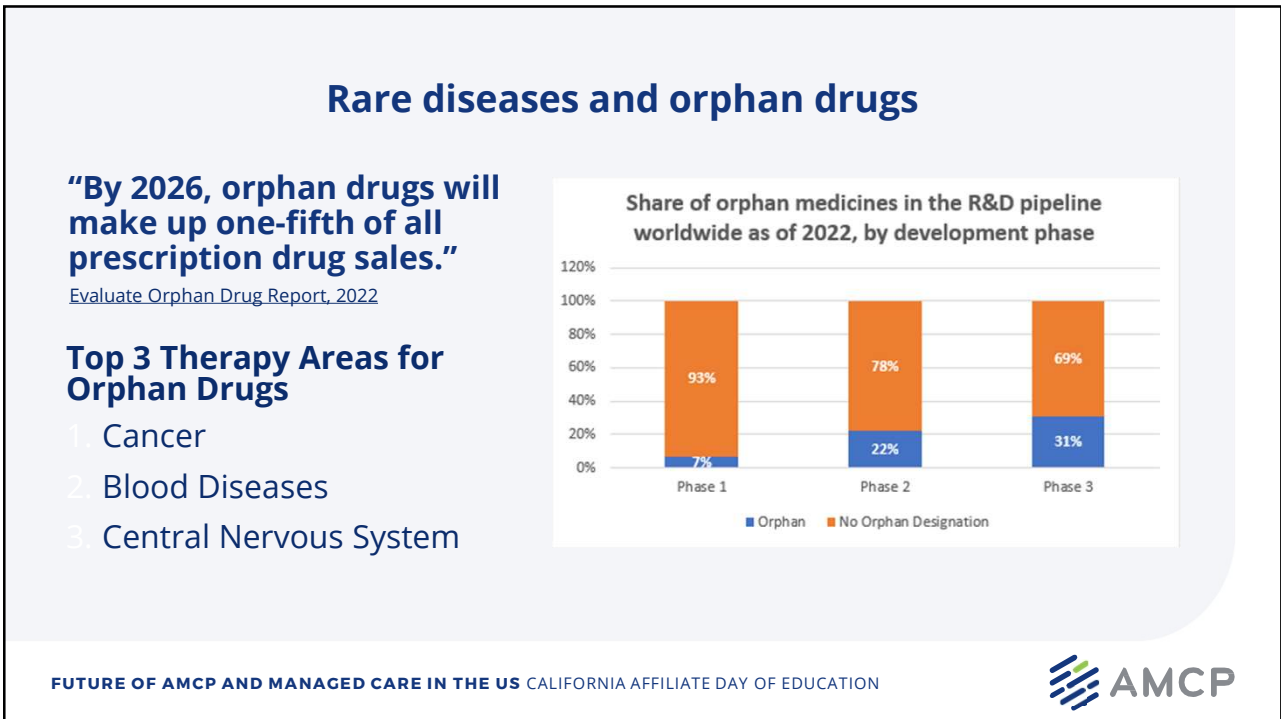
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Rare diseases & orphan drugs

Affects **<200,000** people in the U.S. annually

25-30 million Americans are living with rare disease


>7,000 rare diseases have been identified, including 500 rare cancers

Source: <https://www.fda.gov/patients/rare-diseases-fda>



AMCPeLearn.org

- Specialty Pharmaceutical Pipeline 2024
- 2024 eLearning Day: Focus on Rare Diseases

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Cancer in 2023

>18 million Americans with a history of invasive cancer

>1.9 million new cases diagnosed

609,000 est. deaths

Source: American Cancer Society,



JMCP.org

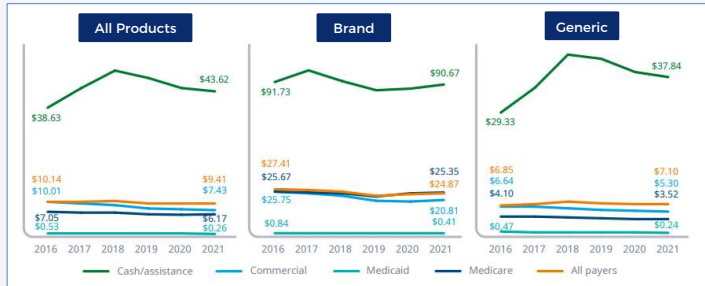
Up-to-date peer-reviewed articles with in-depth expertise and research in managed care pharmacy, real-world evidence, and economic modeling.

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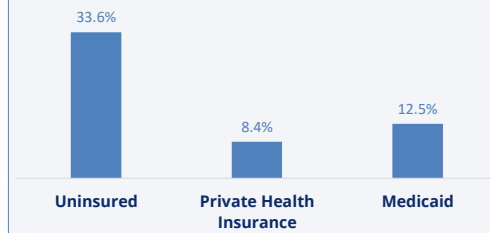
Health insurance coverage is an important factor in managing prescription drug affordability and patient access

Avg. out-of-pocket cost per retail prescription by method of payment



Source: IQVIA, "The Use of Medicines in the U.S. 2022"

Percent of patients who did not take their medication as prescribed to reduce prescription drug costs



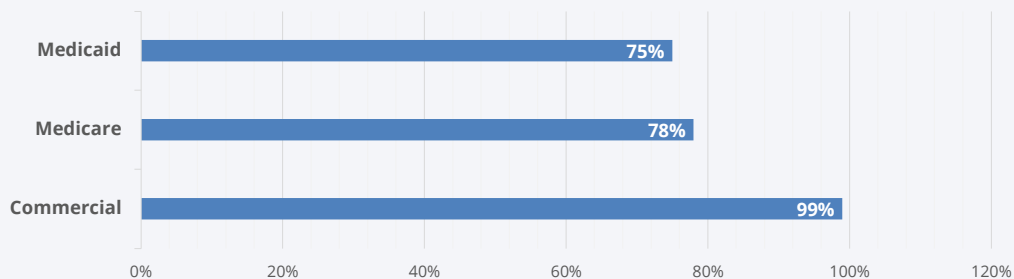
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The majority of individuals with prescription drug coverage are in managed care plans.

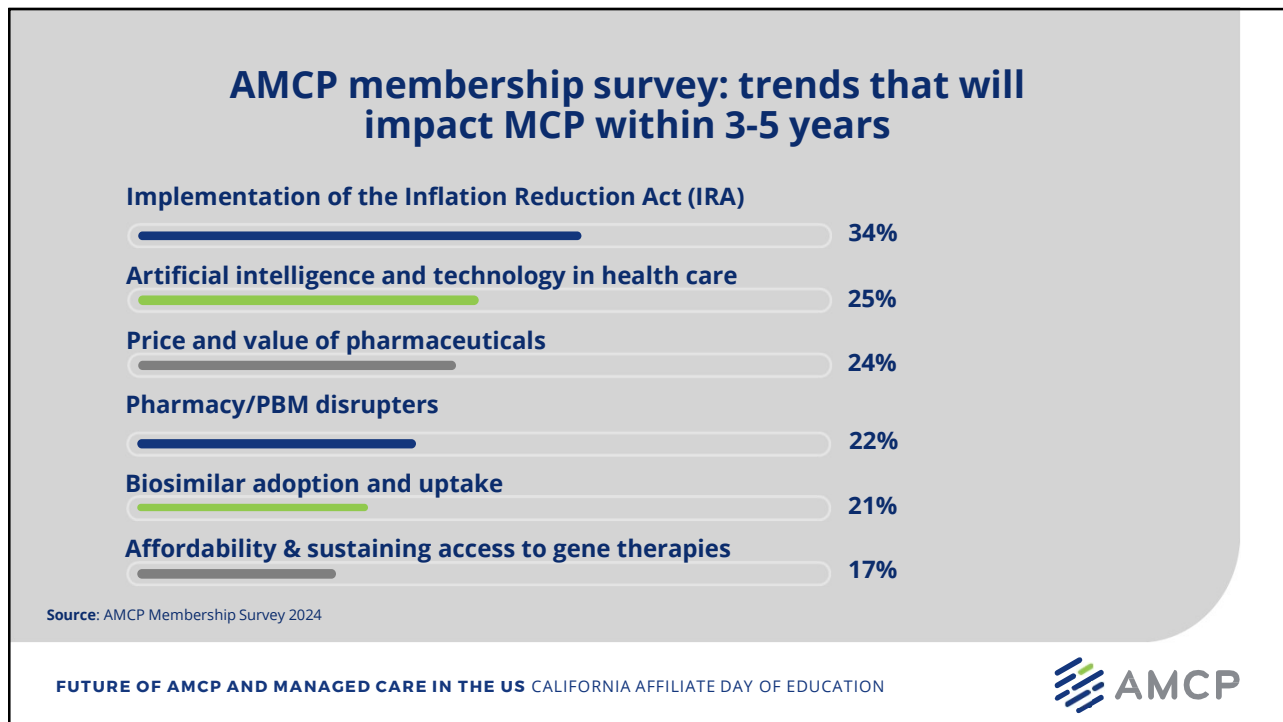
Percent of Beneficiaries with Prescription Drug Coverage Through Managed Care Plans by Payer Type



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IRA Key Drug Pricing Provisions

Medicare Drug Price Negotiation Program

Part D Benefit Redesign

Inflationary Rebates

OOP Cap, Vaccines without Cost-Sharing

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Impact of IRA outside of Medicare

Government price negotiations for Medicare are likely to have an impact on commercial and Medicaid markets.

1. **Discounts:** Payers may use the MFP as a benchmark for pricing negotiations with manufacturers, exerting downward pressure on prices.
2. **Rebates:** Manufacturers may offer larger rebates to commercial payers to avoid significant shifts in the Medicaid Best Price.
3. **Maximum Fair Price (MFP) and the Medicaid Best Price:** The MFP will not directly alter the Medicaid Best Price but may drive other price reductions that cause a lower Medicaid Best Price.
4. **Increased Launch Prices:** Manufacturers may use higher launch prices on new drugs to counteract potential future losses from MFP negotiations.

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RSO

AI & cybersecurity

Key Points:

- **Improving Patient Outcomes:** AI-driven insights for personalized medication management.
- **Operational Efficiency:** Automating routine tasks like prior authorizations.
- **Key Challenges:** Addressing data privacy, cybersecurity risks, and bias in AI algorithms.



#AMCPNexus

- **Session:** The Artificial Intelligence Frontier: Navigating Data-Driven Formulary Decisions

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RSO [@Erica Klinger] - we have done some education on AI at the last few meetings, and we will have a session at Nexus titled, "The Artificial Intelligence Frontier: Navigating Data-Driven Formulary Decisions". I am not sure if we need to discuss policies we've implemented or the Board discussion. We are planning more in 2025, but not sure we are ready to announce. I also think MCP is looking at ways to leverage AI like in prior authorizations, etc - things we can showcase in the future.

Ruby Singh, 2024-09-17T12:48:17.055



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PBM legislation: common proposals

- **Reporting** – Increasing PBM reporting to health plan sponsors and the Federal Government
- **Anti-Spread Pricing** – Prohibits PBMs from charging an amount for a drug's ingredient cost or dispensing fee that is different from the amount reimbursed to a pharmacy
- **Rebate Pass-Through** – PBMs would pass on 100% of rebates, fees, alternative discounts, and other remuneration to plan sponsors
- **Limiting Administrative Fees** – Limits PBMs to charging administrative fees that are flat, fee-based, "reasonable," and/or delinked from the cost of a drug
- **Anti-Steering** – Prohibits PBMs from compensating a network pharmacy less than affiliated pharmacies

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PBM legislation in the 118th Congress

- Attempts to include healthcare package in March's government funding/appropriations bills failed
- S. 2973 – Modernizing and Ensuring PBM Accountability Act
- S. 3430 – Better Mental Health Care, Lower-Cost Drugs, and Extenders Act
- H.R. 5378 – Lower Costs, More Transparency Act
- Lame-duck/Year-end: Health extenders expire 12/31/24, PBM reform package is possible

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PBM transparency reporting bills

- **S. 127** – Pharmacy Benefit Manager Transparency Act
- **S. 2973** – Modernizing PBMs and Ensuring Accountability Act
- **S. 1339** – Pharmacy Benefit Manager Reform Act
- **H.R. 3561** – PATIENT Act
- **H.R. 4507** – Transparency in Coverage Act (TICA)
- **H.R. 4822** – Health Care Price Transparency Act

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PBM legislation in the 118th Congress

How likely is any PBM package to pass?

- Difficult to say. Disagreement between Ds and Rs on scope, which could be a poison pill.
- Ds interested in regulating private/commercial plans. Rs inclined to limit to government programs only.

Election outcome may change Members' positions on reform packages.

- All common proposals probably still on the table for lame-duck package.

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State perspective: PBM reform



On August 29, the California legislature approved SB 966

SB 966 would expand the state's regulation of pharmacy benefits

Gov. Newsom has until September 30 to sign the bill

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State perspective: PBM reform

What's In?

Licensing and transparency

Duty of care for enrollees

Rebate pass-through mandate

Pharmacy network oversight
 - Unaffiliated pharmacies
 - 340B contract pharmacies

What's Out?

Ban on spread pricing

Carve-out for Taft-Hartley plans

Timely implementation

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AMCP Legislative & Regulatory Position: Pharmacy Benefit Managers

Legislative and Regulatory Position Statement:

In our efforts to foster greater access and affordability to health care across America, AMCP supports a wide range of measures that strike a balance between market-oriented principles and prudent regulations. Pharmacy benefit managers (PBMs) help facilitate patient access to medication at an affordable price. As of January 2023, approximately 275 million Americans received pharmacy benefits administered by PBMs.¹ PBMs contract with a variety of payers, including benefit plan sponsors, insurers, employers, labor unions, and government programs, to oversee the prescription drug portion of health care benefits. They may also engage in a variety of support functions, such as creating formularies, negotiating manufacturer rebates, processing prescription drug claims, managing pharmacy networks, and reviewing drug utilization.

<https://www.amcp.org/legislative-regulatory-position/pharmacy-benefit-managers>

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Chevron deference overturned: impact on regulatory law

The Supreme Court's Loper Bright decision (June 2024) ends 40 years of Chevron deference, limiting agencies' power to interpret ambiguous statutes.

- 1. Increased Litigation:** More industry challenges to new regulations, particularly in healthcare (CMS, FDA).
- 2. Regulatory Uncertainty:** Court decisions will now vary across jurisdictions, complicating industry compliance.
- 3. Cautious Rulemaking:** Agencies may slow policy development, impacting sectors like drug and device approvals.

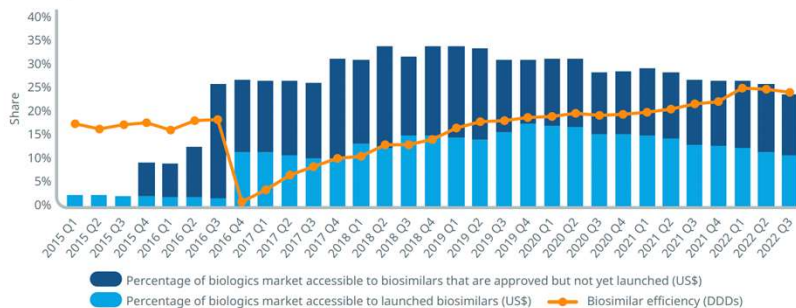
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Biosimilars launched through 2022 and account for 24% of competitive molecule volume

Exhibit 4: Percentage of biologics sales accessible to approved and launched biosimilars and biosimilar efficiency, Q1 2015-Q3 2022



Source: IQVIA MIDAS, Sep 2022; IQVIA Institute, Dec 2022.

As of September 1, 2024, there have been 59 biosimilar approvals and 41 launches.

Source: amerisourcebergen.com

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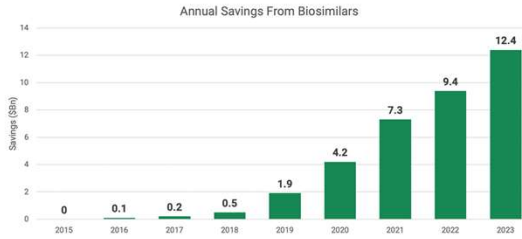


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Biosimilars Have Generated \$36 Billion in Savings Since 2015

Savings Reflect Provider Confidence and Robust Price Competition

Savings From Biosimilar Adoption Continue to Increase, but Are Less Than Expected



Sixty percent of total savings from biosimilar entrants has occurred in the past two years, with over \$12.4 billion in savings in 2023.

Source: AAM The U.S. Generic & Biosimilar Medicines Savings Report, September 2024

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Coming up

- 2024 AAO Report (Early October)
- New AMCP Champion of the Year (Oct 1 - Aug 30)
- Advanced Principles of Formulary Management Training Program
- RWE Initiative
- AMCP Foundation Research Symposium
- Nexus 2024: Sessions on MCP Trends

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