

9:10 AM – 10:00 AM

General Session 2 - *Take my Breath Away*: Innovative Benefits Strategies Built on Quality, Access and Affordability

Speakers:



Rochelle Henderson, PhD
National Pharmaceutical Council



Jim Curotto
Merck



Renzo Luzzatti
US-RX Care

Rochelle Henderson, PhD, National Pharmaceutical Council

Rochelle Henderson is Vice President, Research, **National Pharmaceutical Council**. Her work includes peer reviewed journal articles, conference presentations, supervision of PhD health services researchers, and schools of pharmacy and medicine in the greater St. Louis area. Her specialties are pharmacoepidemiology, pharmaco-economics, quantitative methods, program evaluation, public policy/public management, health care administration, policy analysis, secondary database analysis, and consumer health research.

Jim Curotto, Merck

Jim Curotto is Vice President, Integrated Account Management at **Merck**. In this role, Jim oversees all of Merck's relationships and contracting activities with national & regional payers, specialty and retail pharmacies, integrated health systems, and large hospital networks. Jim also is responsible for all customer order management and distribution contracting for Merck's entire US portfolio. Jim has a diverse background across 29 years at Merck, first in laboratory research, then transitioning to the business side at Merck, with increasing responsibility within Merck's Human Health organization and leadership roles in both US and Global Marketing and Government Relations.

Renzo Luzzatti, US-RX Care

Renzo Luzatti is President of **US-RX Care aka Right Rx, LLC**. Renzo has 25+ years experience in the healthcare industry with a primary focus in managed care, pharmacy, and pharmacy benefits. He has held management roles in almost every facet of the pharmacy world from drug development, manufacturing, and marketing to dispensing, care delivery, and pharmacy benefit risk management. Renzo co-founded Right Rx, LLC in 2007 to address service and efficiency gaps in the pharmacy benefit marketplace. Right Rx has since become a valued, reliable business partner to benefits management firms, health plans, and self-funded employers.

Rethinking How We Mitigate **HIGH-COST CLAIMS**

The Problem: Few (if any) employers have the size, resources or focus to address rapidly escalating high-cost claims. *Since 2016, the number of health plan members with claims \$3M+ has doubled*, heightening sustainability concerns. Elimination of annual and lifetime maximums through the Affordable Care Act and the dysfunction of the reinsurance market has made this a top priority for every employer, purchaser and market.

High-Cost Claims Defined:

- Unpredictable/infrequent for individual employers
- Claims costing \$50,000 or more per year
- Cost outliers that are frequently lasered (i.e., stop-loss insurance covers only the first year of claims, then will cover everything except that claim)
- Often for severe, debilitating disease conditions

Facts about high-cost claimants

JUST **1.2%**

OF ALL HEALTH PLAN MEMBERS
ARE HIGH-COST CLAIMANTS

...but they make up 1/3 of total
health care spending



29x

Average member cost

53% CHRONIC
CONDITIONS



\$122,382

Average annual cost

47% ACUTE
CONDITIONS

Wellmark Blue@Work

"High-cost claims are the biggest threat to employer-sponsored healthcare coverage today. Only through collective employer action can these risks be mitigated."

Michael Thompson
National Alliance President & CEO

Strategies will vary based on duration of expenditures and quality or quantity of options

Long-duration Treatment

Multiple Effective Options

Hemophilia
Multiple sclerosis
Multiple myeloma
Autoimmune
Cystic fibrosis
End-stage renal disease (ESRD)
Hereditary angioedema

Limited Options

Spinal muscular atrophy
Metastatic cancers
Duchenne muscular dystrophy
Immune globulin (palliative)
Congenital anomalies (lifelong)

Short-duration Treatment

Lymphoma
Premature birth
Spine surgeries
Immune globulin (therapeutic)
Inherited retinal dystrophy (RPE65)

Spinal muscular atrophy
Neutrotrophic keratitis
Transplant
Congenital anomalies
Idiopathic pulmonary fibrosis
Sepsis
Trauma and burns



National Alliance Offers Tools to Build the Bridge to Sustainability

- [Mitigating High-cost Claims: A Closer Look at Hemophilia](#)
- [Employer Rx Value Report](#) and [Value Framework Infographic](#)
- [Hospital Payment Strategies: Setting Price & Quality Expectations](#)



Be Proactive, not Reactive

Specific Saving Strategies for High-Cost Medical Drugs

Learn more: [Achieving Accountability & Predictability on the Medical Side of Drug Benefits](#)

CLINICAL RIGOR

- Separation of dispensing/rebates from clinical functions
- Independent, expert clinical management
- Cost-effective step therapy, when appropriate
- Elimination of waste
- Same level of clinical rigor applied to to specialty drugs on medical side
- Longer term – increased specialization

COST-EFFECTIVE SOURCING

- Better align co-pay and patient assistance programs
- Unrestricted, competitive dispensing options and sources
- Site-of-care optimization for provider-administered drugs
- Longer term – collective management & stewardship

Contracting Strategies

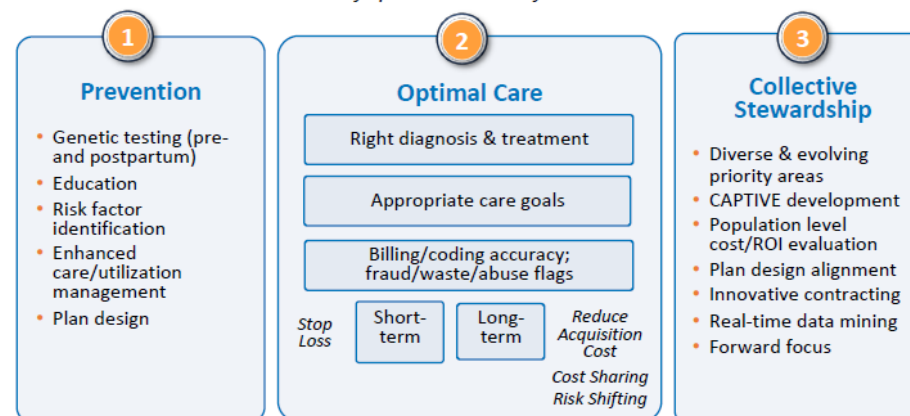
- Deconflict PBM and medical carrier relationships (fiduciary compliant)
- Reduced/fixed markups for provider buy/bill drugs
- Outcomes-based drug pricing
 - Specialty generics filled in retail, not at specialty pharmacy
 - Payment amortization (pay-over-time)
 - Hospital at home/telehealth
 - Narrow networks
 - More timely and transparent reporting
 - Bill review/negotiation
- Longer term – population-based hybrid contracts

Plan Design Strategies

- All drug management under the pharmacy benefit
- Dose rounding protocols (for injectables)
- More rigorous utilization management for high-cost drugs
 - PA/pre-certification functions
 - Preferred drug lists/formularies
 - Quantity limits
 - Step therapy
 - Specialty carve out
 - Exclusions/coverage limitations
- Aligned financial incentives with plan participants
- Leverage secondary coverage when available (e.g., spouse employer, Medicaid or Medicare)
- Longer term - Steerage to improve quality, appropriateness and reduce impact of middlemen

Integrate Core Pillars of Overall Risk and Cost Reduction

There is **no one-size-fits-all approach** to tackle the **broad spectrum of high-cost claims**; a combination of options is needed for each case

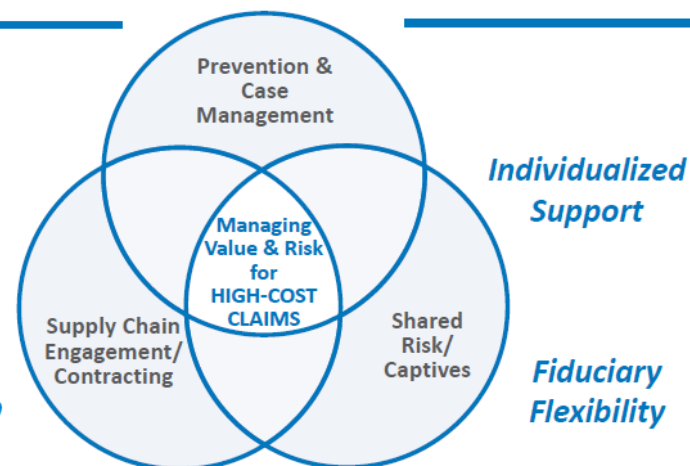


CONTINUOUSLY REEXAMINE PATIENT EDUCATION, INVOLVEMENT AND ACCOUNTABILITY TO ENSURE SUSTAINABLE PATIENT ENGAGEMENT

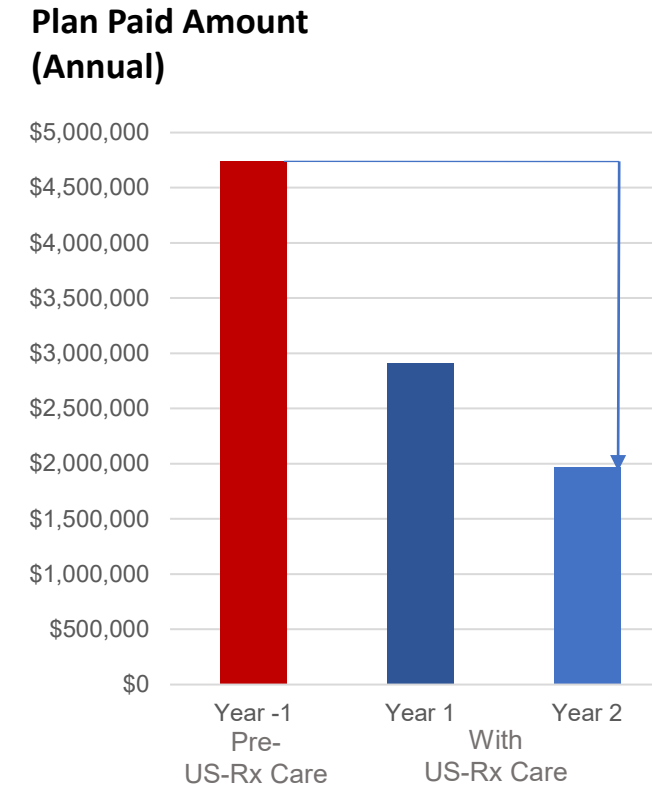
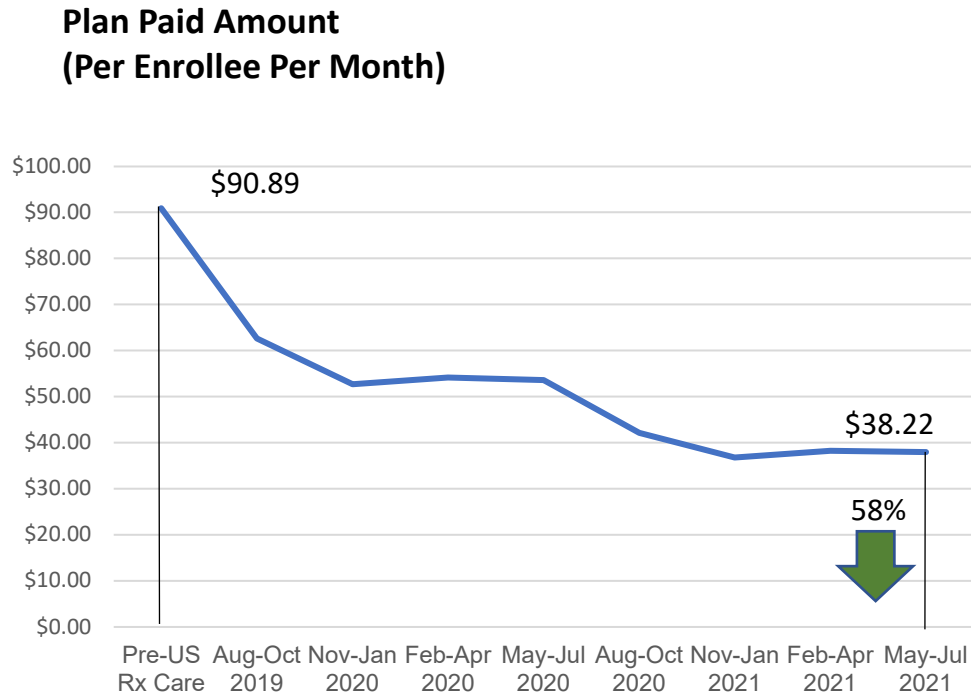
Longer-term Approach

Population Focus

Collective Stewardship

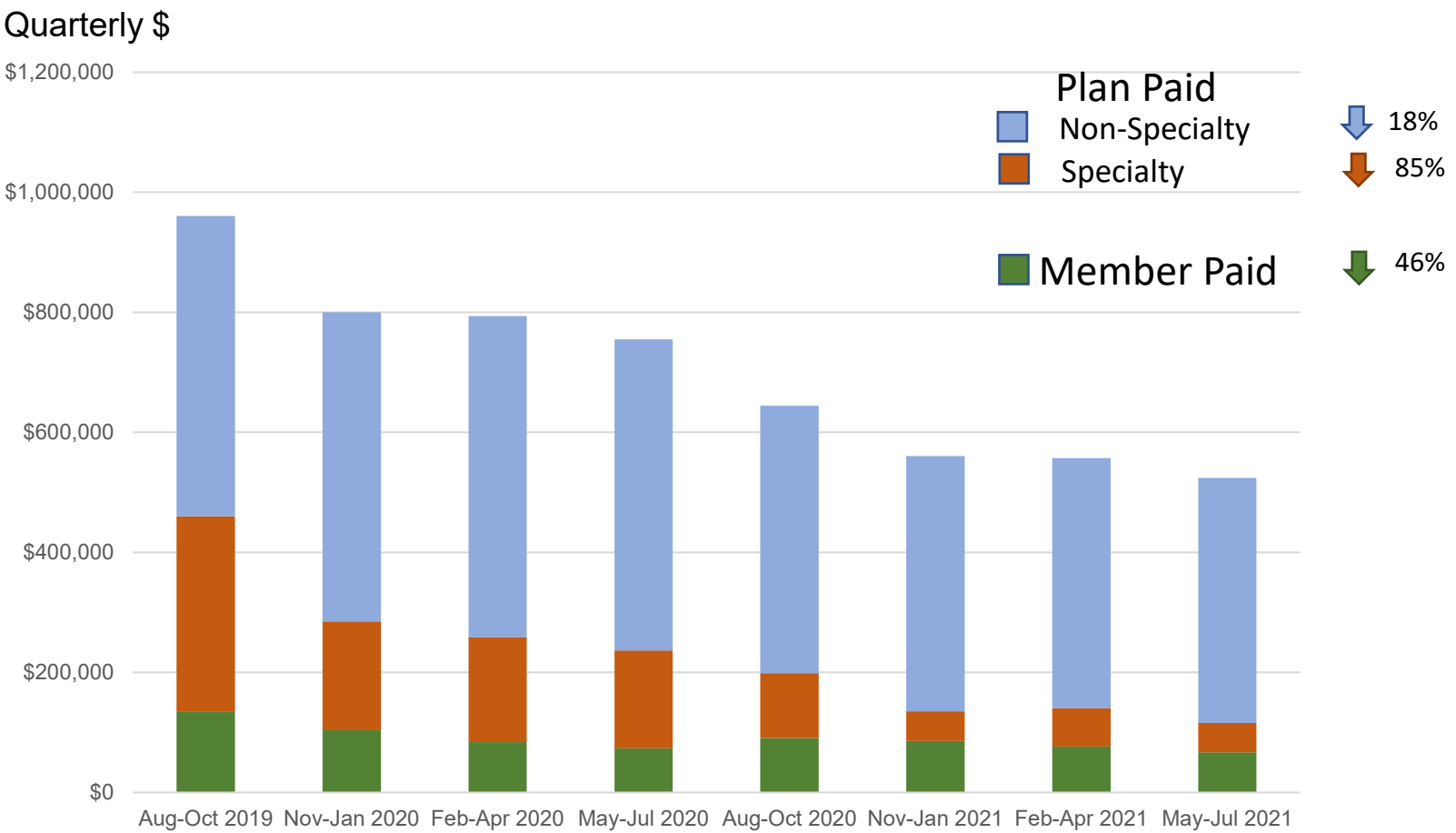


4,300 Life Employer Pharmacy Benefit Spend Three Year Trend



- \$2.8 MM Annual Cost Reduction
- \$4.6 MM Two-Year Cumulative Savings

4,300 Life Employer Pharmacy Benefit Spend Plan and Member Contribution Trend



Key Questions to Ask / Think About Your Health Benefit Administrators / Suppliers

Are You Optimally Aligned?

At The Highest Level

Are you trusting that your vendors are always looking out for the best interest of your organization and plan participants?
Are there misaligned incentives with your vendors that can drive up costs?

At A More Granular Level

You may not be optimally aligned with your vendors if the answer is “Yes” to any of the following.

Are conflicts of interest negatively impacting clinical decisions and utilization management?

Are benefit design & formulary structure influenced by rebates or vendor credits?

Are exclusive vendor contracts restricting access to lowest net cost options for care?

Are you not allowed to carve out clinical review, rebate, dispensing functions from your vendors?

Are prohibitions against making changes to formulary, guidelines, covered/not-covered status driving your up cost?

Are your vendors given unlimited discretion to authorize any drug or service no matter the cost?

Are your vendors given unlimited discretion to authorize any drug or service no matter the cost?

Are you being penalized for not carving in services?

Strategies For Superior Pharmacy Benefit Cost Management

CONTRACTING STRATEGIES

- Deconflict PBM and Medical carrier relationships (fiduciary compliant)
- Reduced / fixed markups for provider buy/bill drugs
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CLINICAL RIGOR

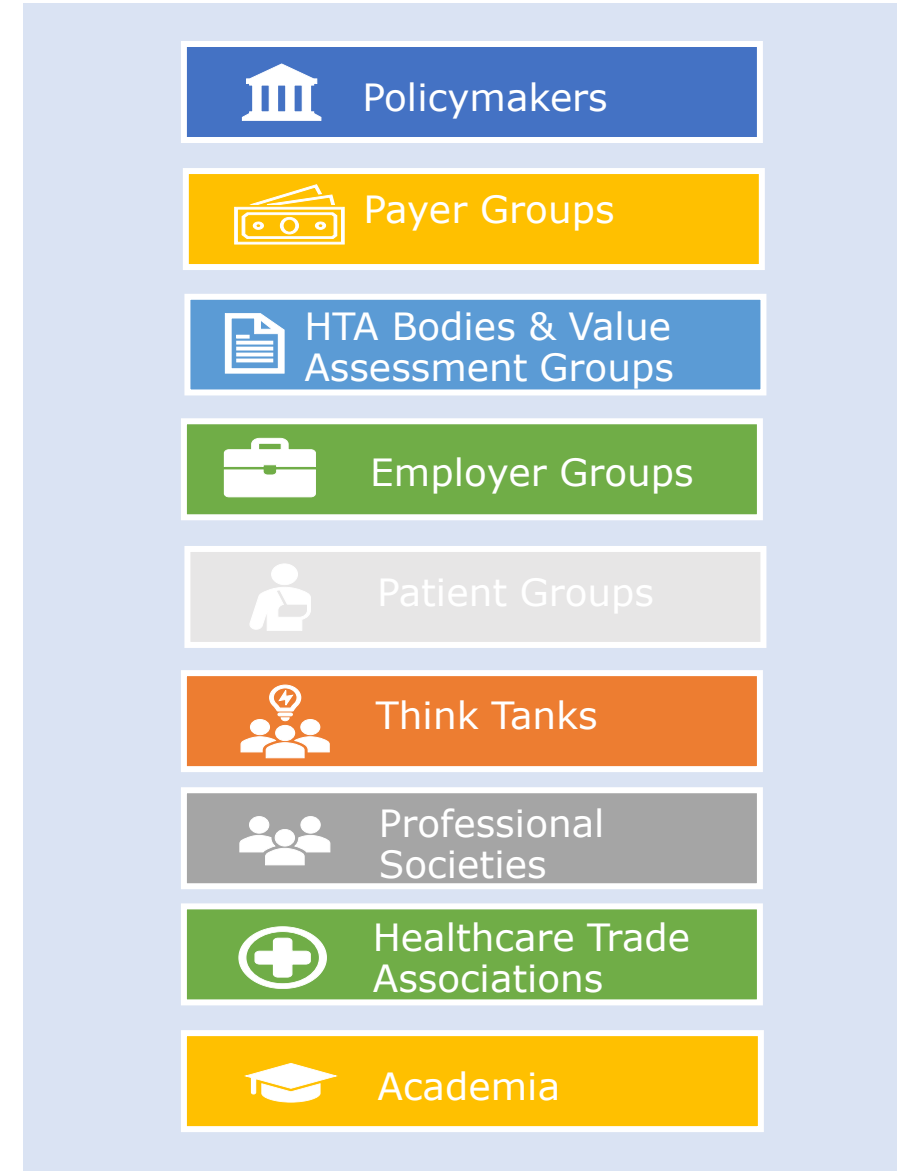
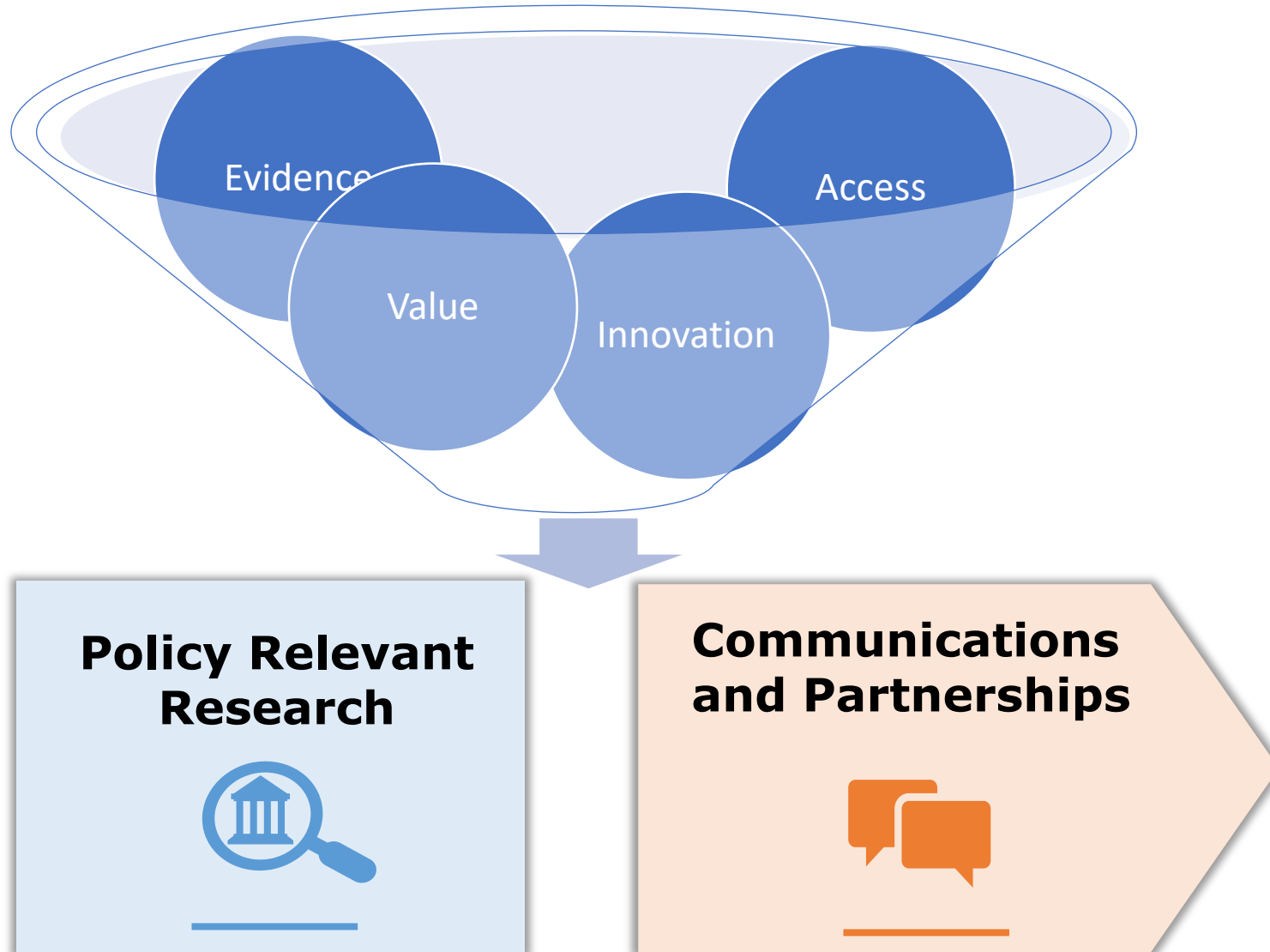
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- Same level of clinical rigor applied to specialty drugs on medical side

COST-EFFECTIVE SOURCING

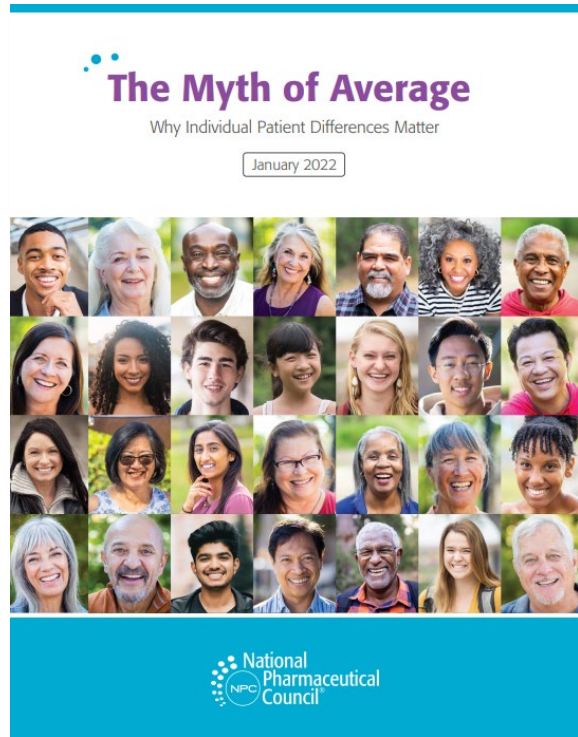
- Manufacturer co-pay and zero-cost patient assistance programs
- Unrestricted, competitive dispensing options and sources
- Site-of-care optimization for provider-administered drugs

Take My Breath Away:
Innovative Benefits
Strategies Built on Quality,
Access, and Affordability

What NPC Does



Three key takeaways from the report



#1

Patients differ.

#2

Decisions are often made at the population level, not the individual level

#3

Health insurance coverage needs to be more patient-centered and fair.

Ongoing NPC research with employer focus

The Impact of Wage Status and Copay Accumulator Adjustment Programs (CAAPs) on Specialty Drug Utilization and Health Care Costs

This project will examine:

- 1) the **relationship** between **wage status and the use of specialty pharmaceuticals** and other health care services;
- 2) the extent to which a **CAAP impacts these relationships**



Facilitating Employer Efforts to Address Low-Value Care

- Using the GBTS Roadmap for Addressing Low-Value Care as a guide, the HealthCare 21 Business Coalition **conducted a claims-based analysis to estimate the prevalence of three types of low-value care** among a group of TN employers. Phase IV is ongoing.
- This project will create a **toolkit** and proof-of-concept to help other groups **address low-value care in a holistic (rather than drug-centric) approach**.

Project Overview: The Impact on Premiums of Expanding Pre-Deductible Coverage in HSA-HDHPs

- This research will encourage **further adoption and expansion of pre-deductible coverage**.
- It will provide **quantitative evidence of the minimal premium impact** associated with uptake of pre-deductible coverage for the medications and services in IRS Notice 2019-45.
- This research builds upon prior NPC research



Merck

Jim Curotto, MBA
VP, Integrated Account Management



Topics

 — Growing Health Care Expenditure in the U.S. — Pricing Transparency — Value-Based & Innovative Contracting — Waste in the System

ANTITRUST GUIDELINES

TBGH & DFWBGH

INNOVATIVE BENEFITS STRATEGIES BUILT ON QUALITY, ACCESS, AND AFFORDABILITY

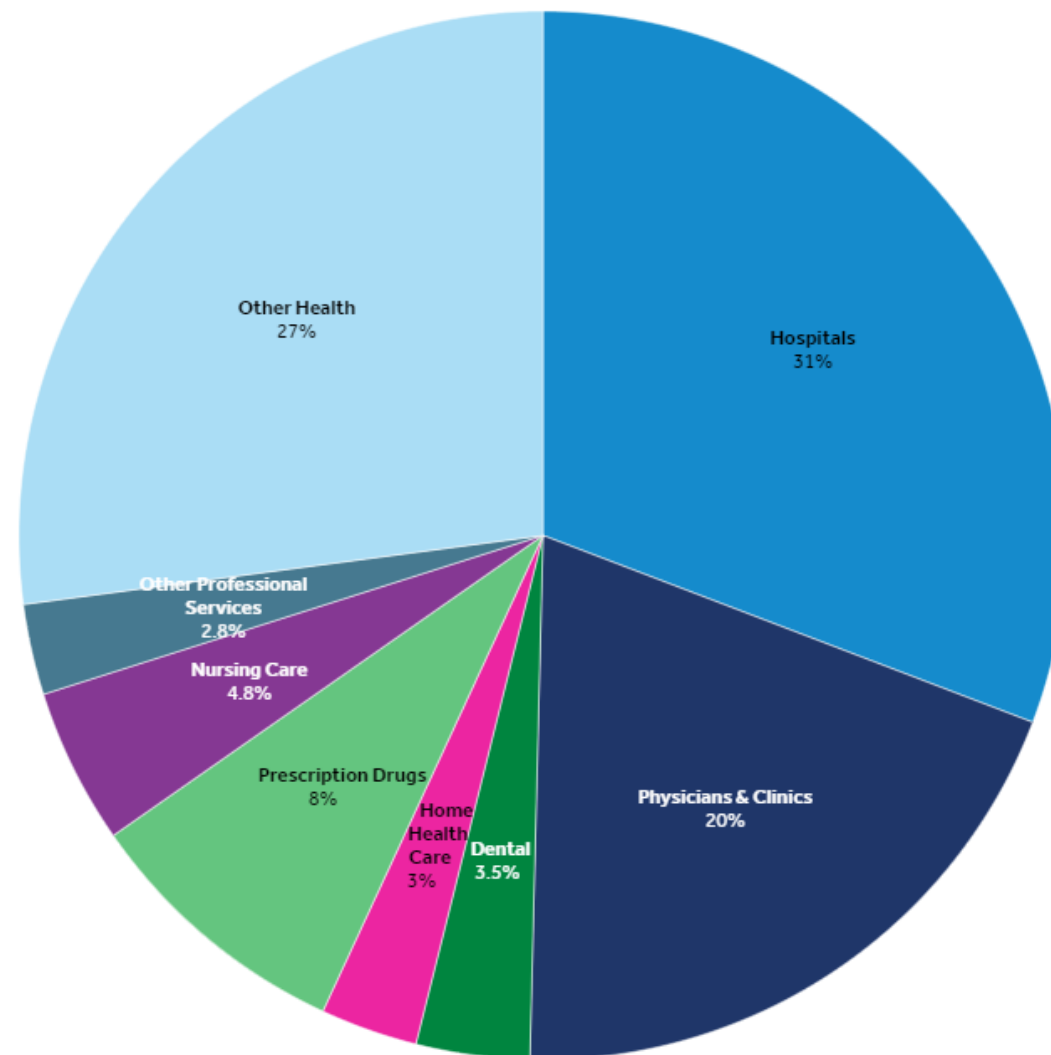
1. As you all know, the purpose of this meeting is to discuss various topics relevant to employers and employer coalitions on today's agenda. Our discussions today must therefore be limited to those legitimate topics and no other.
2. The fact that we are here today to discuss these various topics does not change the fact that some of us may be competitors, governed in all respects by applicable federal and state antitrust and unfair competition laws.
3. Accordingly, there should be no discussion today of any non-public, competitively sensitive information, including, but not limited to: non-public pricing information (i.e., pricing, discounts, rebates, policies, or proposed or planned pricing changes), margins, cost information, production plans, R&D plans, strategic or marketing plans, and/or any other confidential information or trade secrets of any sort.
4. In addition, there should be no discussion of plans with respect to specific customers or suppliers, including the allocation of particular customers, groups of customers, bids, territories or products, as well as joint negotiations with customers or suppliers, ways to get "leverage" against any customer or supplier, or refusals to do business with any third parties.
4. This scope of this prohibition includes both our formal discussions during this meeting as well as any informal discussions you may have during this event.

Relative contributions to total national health expenditures, 2020

\$4.1
Trillion

> \$12,000 per
Capita

Hospitals Physicians & Clinics Dental Home Health Care Prescription Drugs Nursing Care Other Professional Services Other Health



Note: 'Other Health' includes spending on durable and non-durable products; residential and personal care; administration; health insurance; and other state, private, and federal expenditures. 'Other professional services' includes spending for services provided by chiropractors, optometrists, physical, occupational, and speech therapists, podiatrists, private-duty nurses, and others. Nursing care represents expenditures for nursing care facilities and continuing care retirement communities.

Source: [KFF analysis of National Health Expenditure \(NHE\) data](#) • [Get the data](#) • [PNG](#)



Merck's Pricing Action Transparency



2021 Report Highlights

Initiated in 2017 –
back to 2010

Avg. annual list
price across our
portfolio increased
by 4.4%

Avg. annual net
price increase
across portfolio of
1.7%

Gross U.S. sales
were reduced by
43.5% as a result of
rebates, discounts
and returns

Five years straight
of < 3% net price
change to U.S.
Market

Please see Merck's 2021 Pricing Action Transparency Report on Merck.com at
<https://www.merck.com/wp-content/uploads/sites/5/2022/02/2021-US-PRICING-TRANSPARENCY-REPORT.pdf>
for additional context.

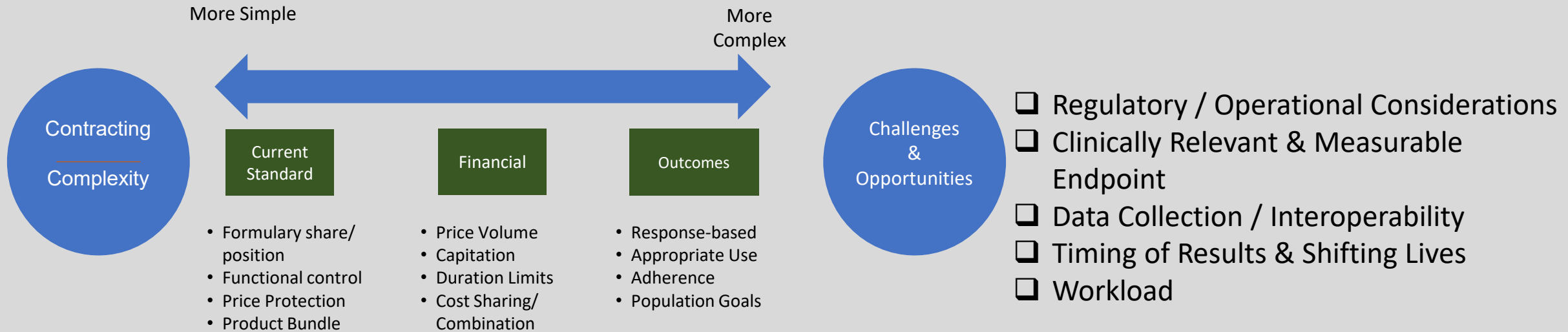
Value-Based & Innovative Contracting

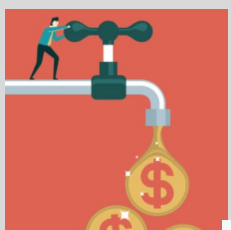


Manufacturers should be rewarded based on the value that our therapies deliver

"We believe prices can better align to a drug's value when manufacturers and payers are able to negotiate innovative arrangements that base payment on a drug's benefits"

Kenneth C. Frazier
Former CEO, Merck & Co., Inc.





Waste in the System



54 Unique Studies

Preventative Care/ Standard Processes

Low-Value Care – Over Testing

Administrative Burden & Fraud

Ineffective use of generics/ biosimilars

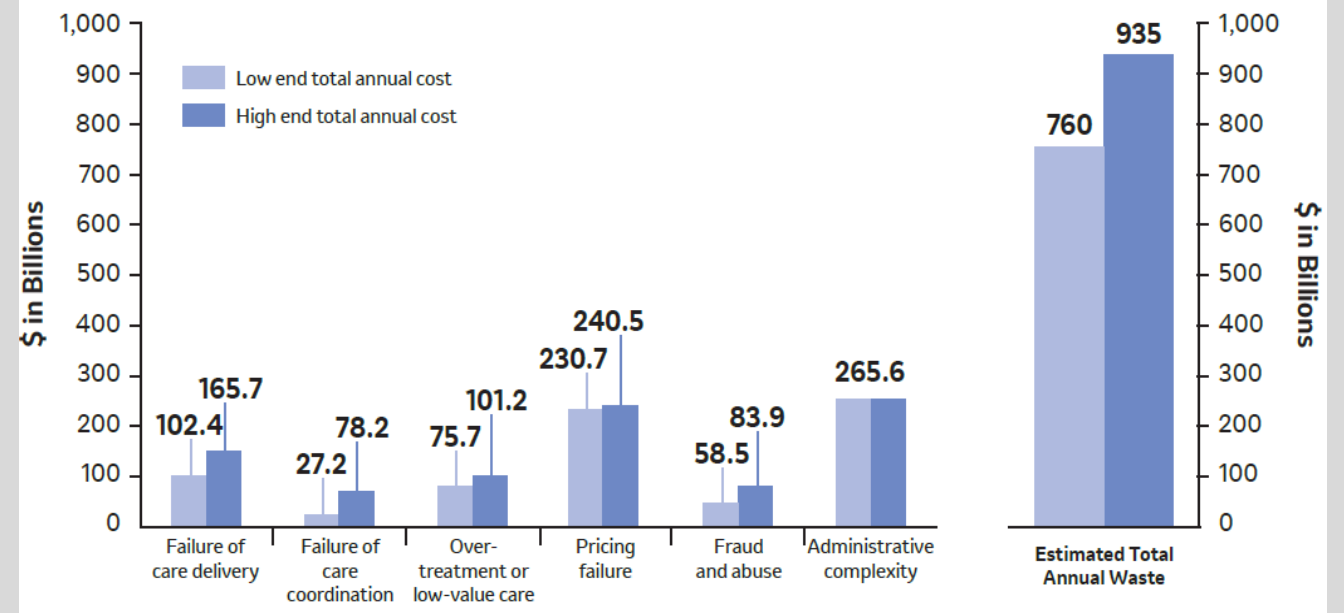


Prior studies estimated that approximately **30%** of health care spending may be considered waste.



Stakeholders must **evaluate waste and inefficiency across the health care system** and identify and modify those areas that provide the least value to patient care and outcomes.

The estimated ranges of total annual cost and waste were **\$760 billion to \$935 billion**



Thank you!

