



Pharmacy: Partnerships, Innovations and Hot Topics

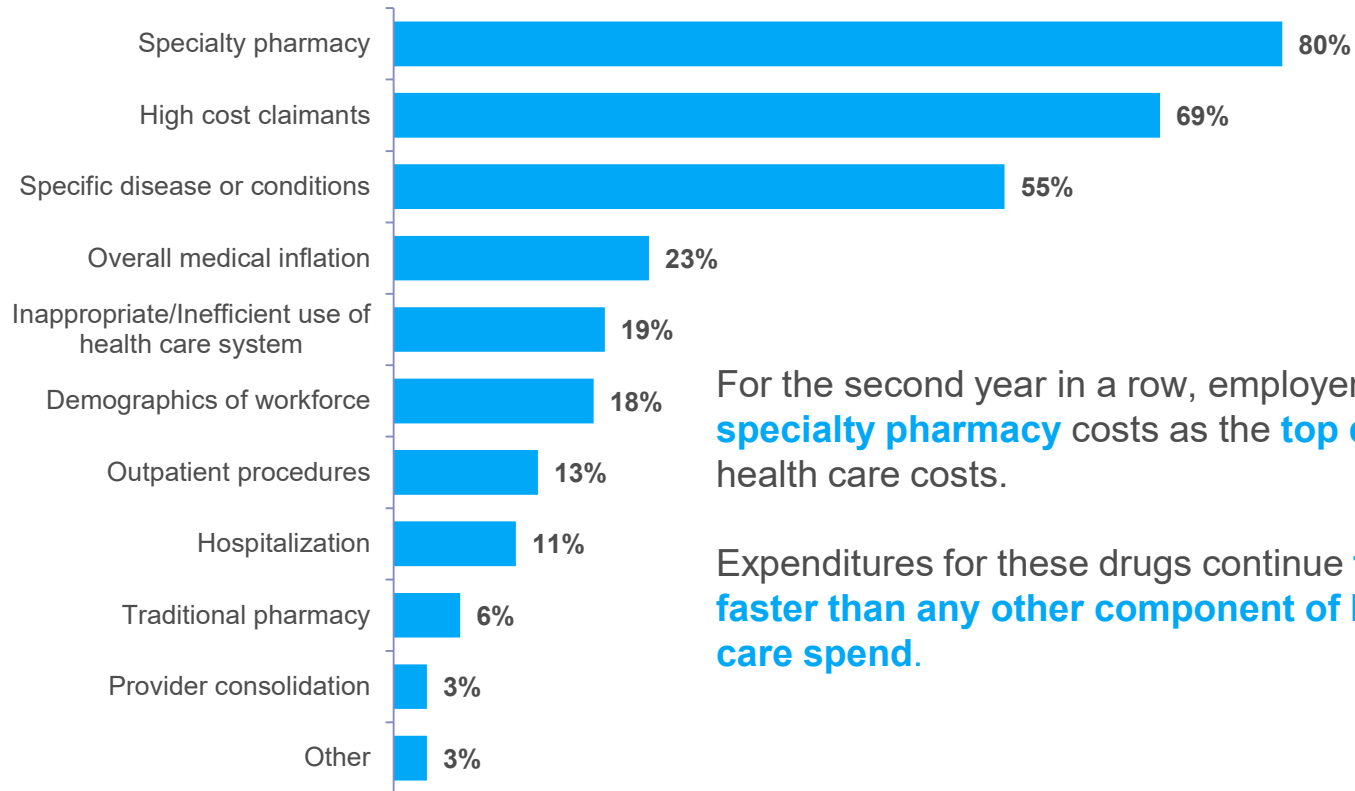
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Rising health care costs

Employers' Top Drivers of Rising Health Care Costs¹

% indicating driver as one of their top three



For the second year in a row, employers ranked **specialty pharmacy** costs as the **top driver** of health care costs.

Expenditures for these drugs continue **to grow faster than any other component of health care spend.**

Source: 1. Large Employers' 2018 Health Plan Survey, NBGH, Aug 2017.

Dynamics of trend

Price Inflation

National drug spending to reach \$500B by 2022¹

- price inflation is top contributor, outpacing utilization growth 4:1²
- 82% of drug spend has price inflation rates between 7-10% annually

Pipeline and Technology

40% of drugs in the development pipeline are specialty³

- 46 new drug approvals in 2017 including initial gene and cellular therapies
- 14 drugs approved for new uses; first new treatment for liver cancer 10 years

Biosimilars and Generics

Competition drives down costs but biosimilars face unique challenges

- Slow progress for biosimilars due to litigation
- Generics for traditional drugs continuing to mitigate trend, but reaching saturation

Drug Promotion

Pharma advertising to consumers reached new high in 2016 at \$6.4B⁴

- ~80 drug commercials every hour, focusing more on specialty conditions
- Top 10 drugs by DTC spend in 2016 were >\$100M each; Humira DTC = \$439M

Sources: 1. U.S. Centers for Medicare & Medicaid Services, "National Health Expenditures Data". 2. Segal Consulting, "Segal Group Projects Lower Rx Cost Trend Increases in 2018", Sept 22, 2017. 3. US Food and Drug Administration, "2017 New Drug Therapy Approvals", January 2018. 4. Kantar.com, "Drug Advertising Booms to \$6.4 Billion", May 8, 2017.

Dynamics impacting specialty trends

Specialty drug costs are predicted to exceed 60% of overall drug costs by 2020.¹



Biotech Innovations

- Individualized treatments: 7,000 rare/orphan diseases, most of genetic origin, affecting 25-30 million Americans²
- Initial cellular and gene therapies were approved in 2017; more than 1,000 gene therapies are currently in clinical trials³



Drug Pipeline

- 46 novel drugs were approved by the FDA in 2017; more than half were specialty
- Specialty pipeline classes to watch in 2018 include:
 - Alzheimer's
 - Multiple Sclerosis
 - Oncology (CAR-T)
 - Migraine

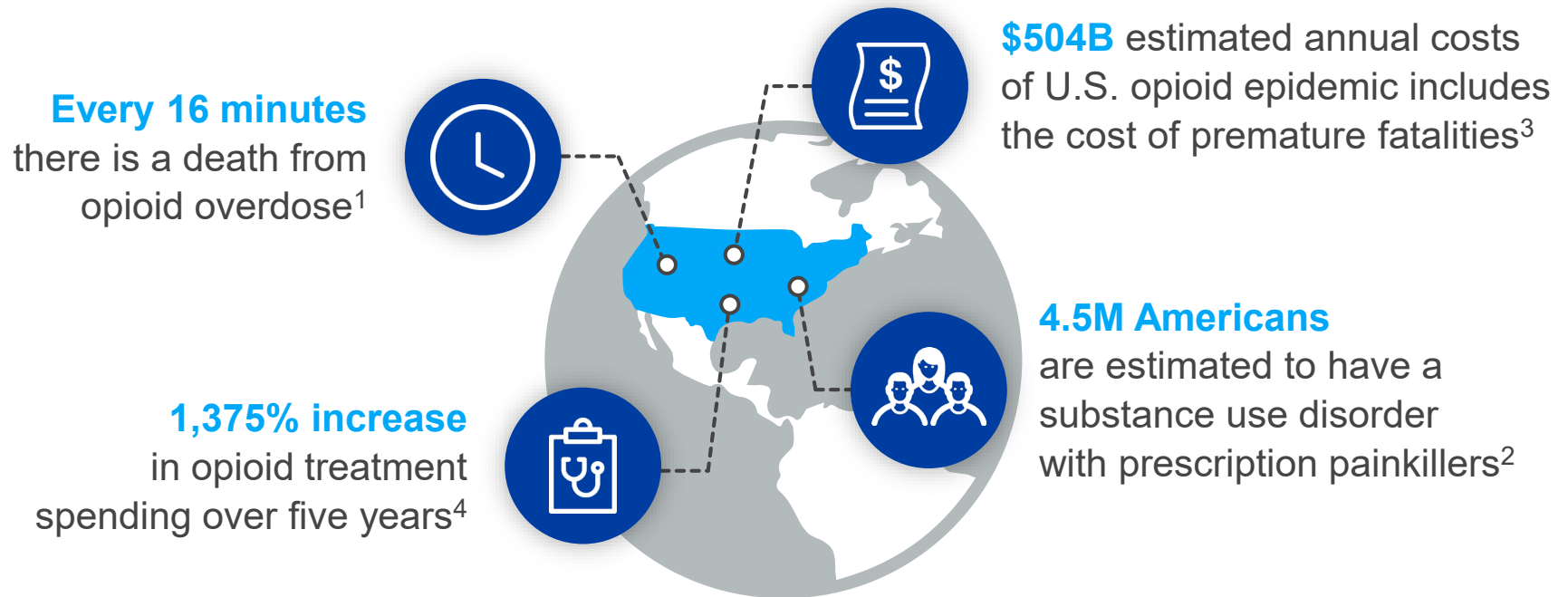


Cost Implications

- 18 of the 46 novel drugs approved in 2017 for rare diseases. Annual cost for an orphan drug ranges from \$140k to >\$1M
- Price inflation is 10%/year
- Relief from biosimilars continues to be a slow process, with most approvals delayed due to legal obstacles

Sources: 1. BrivoRx pharmacy book of business data 2. U.S. Department of Health & Human Services, "FAQs About Rare Diseases", updated Nov 30, 2017. 3. American Society of Gene and Cell Therapy, "Gene and Cell Therapy FAQ's". Thomson Reuters Cortellis database <https://cortellis.thomsonreuterslifesciences.com/>

Opioid Abuse: A National Health Care Crisis



1. Understanding the Epidemic: Drug Overdose Deaths in the United States Continue to Increase in 2015. Centers for Disease Control and Prevention. Accessed Aug. 25, 2107; 2. Kolodny A, Courtwright DT, Hwang CS, Kreiner P, Eadie JL, Clark TW, Alexander GC. The prescription opioid and heroin crisis: A public health approach to an epidemic of addiction. Annual Review of Public Health, 2015; 36:559-574; 3. The Underestimated Cost of the Opioid Crisis. The Council of Economic Advisors. November 2017; 4. FAIR Health Study: The Impact of the Opioid Crisis on the Healthcare System: A Study of Privately Billed Services, September 2016.

Opioid Management

UHG Enterprise Opioid Task Force: Leveraging multidimensional assets to curb trend and improve outcomes

