

January 11, 2021

- 3 Third-Quarter DHP Update Puts COVID's Impact Into Focus
- 5 Infographic: Current Market Access to Epilepsy Medications
- 6 MMIT Payer Portrait: Centene Corp.

With Rare Exceptions, Plans Stick With Generic Drugs for Epilepsy Treatment

Pharmaceutical treatment for different types of epilepsy generally still relies on tried-and-true generics, despite recent efforts by drug manufacturers to introduce new branded medications into the mix, PBM insiders say.

Xcopri (cenobamate tablets) launched in May for the treatment of partial-onset seizures in adults. According to manufacturer SK Life Science, Inc., a subsidiary of SK Biopharmaceuticals Co., Ltd., clinical trials have shown “significant reductions in seizure frequency compared to placebo at all doses studied, and as many as one in five patients achieved zero seizures during the maintenance phase.”

However, multiple plans haven't jumped to add Xcopri — which carries an average price of around \$1,200 for a 30-day supply — to their formularies, says Mesfin Tegenu, R.Ph., president of PerformRx.

“Some plans have opted to take a cautious approach and leave the medication as non-formulary to start,” Tegenu says. “It is difficult to tell the impact of this new drug launch on the treatment of epilepsy. However, Xcopri trials demonstrated high efficacy in partial onset seizures and refractory epilepsy, lending it a strong clinical profile. One could reasonably suspect a high impact on the epilepsy treatment paradigm.”

continued on p. 4

2020 in Review: PBMs Continue Integration, Face More Regulatory Challenges

In 2020, the PBM industry continued to deepen its integration with other industry players, a trend that experts say is likely to continue in coming years. The PBM space has consolidated to the point that five firms — UnitedHealth Group's OptumRx, CVS Health Corp.'s Caremark, Cigna Corp.'s Express Scripts, Anthem Inc.'s IngenioRx, Humana Inc.'s Humana Pharmacy Solutions, and the Blue Cross and Blue Shield affiliate-owned Prime Therapeutics LLC — manage the lion's share of the pharmacy benefits offered to U.S. health plan members.

Beyond their deepening integration with the payers that own them, these firms are working to expand their data and direct-to-consumer operations.

While acknowledging the value of that trend, one expert says that PBMs still need to emphasize their primary lines of business.



Ashraf Shehata, national sector leader for health care and life sciences at KPMG, says that a “back to basics” approach for 2021 will be essential for PBMs, especially as their health plan owners navigate the uncertainty generated by the COVID-19 pandemic. However, he notes that the space is still managing the aftereffects of transactions and is looking for more deal-making opportunities.

In that realm, the long-term integration of Express Scripts into Cigna has generated the most noise. Under Cigna, Express Scripts has deepened a horizontal relationship with Prime Therapeutics. In October, the smaller PBM entered an agreement to offer Blues plans a choice between Prime’s specialty and mail order pharmacy offerings and Express Scripts’ specialty branch, Accredo. The move builds upon an existing relationship between the two PBMs: In late 2019, Prime and Express Scripts unveiled a three-year agreement that allows the larger PBM to negotiate rebates on behalf of Prime’s members and help with its retail network contracting.

You’ll start to see a whole generation of organizations also bring in EHR data, because it’s much more accessible now.

Meanwhile, in November, Amazon.com Inc. made a big splash by unveiling new pharmacy services, including a prescription-discount service for uninsured individuals that taps into Express Scripts’ price-negotiation powers with manufacturers. The new offerings build on Amazon’s acquisition of mail-order pharmacy startup PillPack. Jefferies analyst David Windley observed in an investor note that the Amazon deal was an “encouraging sign” for Cigna, “as it extends its reach into other relationships that bring perceived enemies closer, including Prime Therapeutics.”

Amazon was not the only retailer to make a play in the PBM space. Midwestern supermarket chain Hy-Vee, Inc. launched a PBM in December, while in March, Costco Wholesale Corp. purchased a minority stake in Navitus Health Solutions, a subsidiary of integrated health system SSM Health.

Shehata says that PBMs’ data expertise will be a key line of business going forward, especially as regulators

and the new Democratic administration increase scrutiny on the industry.

He suggests that PBMs could expand beyond the traditional role into something more like a data and analytics clearinghouse for the entire health care industry and PBMs need to be aggressive in delivering value directly to consumers as regulatory scrutiny on the industry increases.

“Big data and [artificial intelligence is] going to sit in kind of the combination of the traditional PBM, ... the more traditional health claim, and... detailed EHR data,” Shehata explains. “You’ll start to see a whole generation of organizations also bring in EHR data, because it’s much more accessible now.”

Trump Admin Tried to Lower Costs

Also in 2020, the Trump administration introduced several new rules and executive orders intended to reduce the cost of prescription drugs. Perhaps the most important for PBMs was the Medicare Part D rebate rule. The goal, HHS Secretary Alex Azar said at the time, was to prevent situations in which patients “pay more than they need to for their prescription drugs because of a hidden system of kickbacks to middlemen.” The original rebate rule was pulled in July 2019 amid concerns that it would increase federal spending and Medicare beneficiary premiums, but President Donald Trump this summer ordered HHS to revive it. HHS complied by issuing a final rebate rule November 2020 — this time sparing Medicaid MCOs and coming with assurances from Azar that it wouldn’t raise costs.

Shehata says PBMs need to be aggressive in delivering value directly to consumers as regulatory scrutiny on the industry increases.

“I think we have to start to rationalize how these consumer desires are going to be part of the PBM [consumer] benefit in the future,” Shehata explains. “For example, as my retail pharmacy becomes integrated with my PBM, what’s to say that it has to just be mail order? Maybe it’s going to be other forms of delivery with the consumer that drives value.”

PBMs have long offered direct-to-consumer drug delivery from their mail-order pharmacy operations. Those divisions temporarily ramped up in the second

quarter, as PBMs encouraged members to order their medicines online without a pharmacy trip in order to help members shelter in place during the COVID-19 pandemic. Shehata suggests that more PBMs could benefit by offering consumers same-day home delivery — CVS, for example, has partnered with longtime retail partner Target Corp.'s Shipt subsidiary to offer free home delivery within 24 to 48 hours of ordering since the start of the pandemic. Shehata suggests that same-day, on-demand delivery along the lines of Instacart Inc.'s grocery delivery business could be a PBM line of business going forward.

"It's just interesting to see that, because we've talked about other parts of the economy expanding post-COVID. This is probably one area where the genie is out of the bottle," Shehata says. "Home delivery services, home transportation [and] home services are going to be a big part of the future." ♦

by Peter Johnson

Third-Quarter DHP Update Puts COVID's Impact Into Focus

AIS Health's data team on Dec. 15 updated the Directory of Health Plans subscriber dashboard and in-app spreadsheets with new enrollment data. This data primarily reflects third-quarter 2020 status but includes fourth-quarter 2020 data for Medicare Advantage products and some Medicaid data, based on availability at the state level.

The update provides a clearer picture of the impact of the COVID-19 pandemic on the U.S. health insurance markets, particularly shifts from the commercial sector to Medicaid. Medicaid membership continued to climb in the early part of the quarter, though growth leveled off somewhat in November and December. Notable shifts in the Medicaid space include:

- ♦ **Michigan, which saw the largest portion of its nearly 11% increase to 2.6 million lives in September**, when it jumped 8% from the previous month.
- ♦ **Puerto Rico, where Molina Healthcare's November exit dispersed its 93,000 members to the U.S. territory's remaining**

MCOs. Plan de Salud Menonita was the Commonwealth's bigger winner, scooping up 55,000 new members since our last update.

- ♦ **Hawaii's managed Medicaid program also posted increases**, due to both COVID-19 and to enhanced reporting from the state Medicaid division. UnitedHealthcare and Kaiser Foundation Health Plan of Hawaii both saw significant jumps in membership, to 56,000 and 38,000 lives, respectively.
- ♦ **Texas saw its fee-for-service membership continue to decrease as its managed Medicaid plans increased**; the State of Texas lost 67,000 members as it continues to transition beneficiaries into managed care. California, Illinois, Minnesota, Virginia and Georgia are seeing similar shifts.

Group commercial risk enrollment is still on the decline, but not to the degree that was expected, dropping from 70.5 million to 69.7 million since the second quarter of 2020. Some insurers did take hits, including First-Care Health Plans, which lost almost 22,000 members, and UnitedHealthcare, which saw significant decreases in its California, Nevada and Washington markets.

Other notable enrollment shifts since last quarter centered around losses in the self-funded, non-risk category, which can likely be attributed to the pandemic's impact as these are largely employer-based contracting arrangements. Aetna lost 508,000 ASO members, followed by UnitedHealthcare, which lost 385,000, while Cigna Corp. and Anthem, Inc. lost 237,000 and 190,000 members, respectively. ♦

AIS's Directory of Health Plans, a unit of MMIT, maintains payer data and tracks enrollment of health insurers each quarter, as well as their PBM and specialty pharmacy contracts. Contact sales@AISHealth.com to have this access added to your account. Subscribers can contact support@aishealth.com with questions about how to use or interpret the information provided to you in AIS's Directory of Health Plans. A member of AIS Health's support staff would be happy to provide a free demonstration of the website for clients needing more guidance on how to best use this tool.

Payers Favor Epilepsy Generics

continued from p. 1

In most cases, though, generics are the first-line treatments for many forms of the disorder, according to Tegen. Many of the drugs used to treat epilepsy are covered without restriction by plans, Tegen says, adding, “there are also a handful of newer branded agents which may be formulary-restricted.”

Utilization management is uncommon on the generic products used to treat epilepsy, he says, while “on some of the newer, more expensive brand products, prior authorization can be used.”

April Kunze, senior director of clinical formulary development and trend management strategy for Prime Therapeutics LLC, tells AIS Health that she sees a rationale for using newer branded products in some circumstances: “Newer products may offer additional treatment options, as it often takes more than one therapy to effectively treat patients with seizures. In general, Prime management strategies aim to focus on appropriate use of products.” Generics are widely used in epilepsy treatment “as they have the long-term safety and efficacy data,” she adds.

Some PBMs Apply Quantity Limits

Prime Therapeutics treats Xcopri as a non-preferred brand, Kunze says. Premiera Blue Cross’ Medicare Advantage (MA) formularies, Cigna’s national preferred formulary and HealthPartners’ commercial formularies impose quantity limits on Xcopri, according to their plan documents. Xcopri is covered on tiers 4 and 5 on Florida Blue’s two MA formularies.

Epilepsy treatment relies on a wide variety of drugs; the Epilepsy Foundation lists more than three dozen different medications used to treat various forms of the disorder, which can manifest in seizures that begin in childhood or adulthood.

Common anti-epileptic drugs include valproic acid, carbamazepine, lamotrigine, levetiracetam and topiramate. Most of these medications also have other indications — valproic acid, carbamazepine and lamotrigine can be used to treat bipolar disorder, for example, while topiramate is indicated for migraine treatment.

Still, some cases of epilepsy are resistant to treatment with common medications. “There are still various areas of unmet need in the epilepsy market, particularly in refractory cases and the rare epilepsies,” Tegen says.

In November 2018, GW Pharmaceuticals launched its product Epidiolex (cannabidiol), a much-anticipated new drug for two rare forms of childhood epilepsy, Lennox-Gastaut syndrome and Dravet syndrome. It’s the first and only cannabidiol-derived medication to be approved by the FDA.

In August, the FDA expanded indications for Epidiolex to include seizures associated with tuberous sclerosis complex (TSC) in patients age 1 or older, and it also expanded the age range for eligible patients with Lennox-Gastaut syndrome and Dravet syndrome. Both are severe forms of childhood-onset epilepsy that are difficult to treat.

Is Epidiolex Worth the Price?

“Based on previous positive trial results in TSC patients, Epidiolex may become an important treatment option for patients,” Elizabeth Thiele, M.D., Ph.D., director of the Herscot Center for Tuberous Sclerosis Complex at Massachusetts General Hospital, said in a statement when the FDA widened Epidiolex indications. “Nearly two-thirds of individuals with TSC develop treatment-resistant epilepsy and there is a need for new options that may benefit these patients who often try and fail existing treatments.”

Epidiolex’s list price is \$32,500, a price tag that raised some eyebrows in the wider medical cannabis community at the time of the drug’s launch.

GW Pharmaceuticals said in August that it expected “most payers will quickly update their Epidiolex coverage policies to include TSC at access levels similar to that of LGS [Lennox-Gastaut syndrome] and Dravet syndrome.” Epidiolex is a preferred brand for Prime Therapeutics, Kunze says. Other plans, including Rocky Mountain Health Plans, require prior authorization for Epidiolex, according to plan documents.

For his part, Tegen expresses some skepticism about the drug. “Epidiolex represents another option for treatment of Lennox-Gastaut and Dravet syndrome,”

Tegenu says. “However, its efficacy hasn’t shown significant improvement relative to existing treatments.”

Meanwhile, Zogenix, Inc.’s Fintepla (fenfluramine), a Schedule IV controlled substance, also was approved recently for Dravet syndrome after it demonstrated “significantly improved efficacy,” but its impact “remains to be seen as the drug was only recently launched in July 2020,” Tegenu said.

Fintepla is a lower dose of the appetite suppressant fenfluramine, half of the infamous Fen-Phen weight loss product that was discontinued after having been linked to heart valve damage in the 1990s. Although

clinical trials of Fintepla didn’t show similar damage, a small minority of patients had abnormal echocardiograms, and the FDA therefore requires patients to receive an echocardiogram prior to treatment.

Although multiple pharmaceutical manufacturers are researching new medications for various forms of epilepsy, there’s not much on the horizon for the immediate future, Tegenu says. “In the near-term pipeline — one year outlook — there are a handful of drugs pursuing indications for epilepsy, but they are all reformulations of older molecules.” ♦

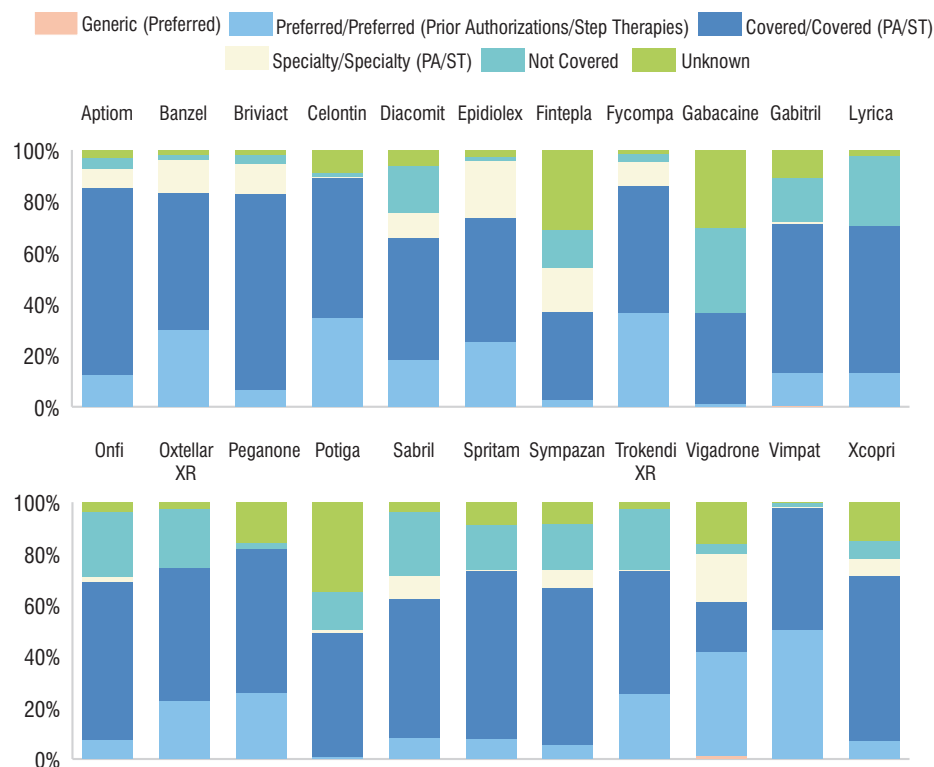
by Jane Anderson

Current Market Access to Epilepsy Medications

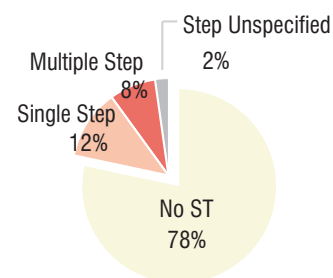
by Jinghong Chen

The FDA in 2018 approved Epidiolex (cannabidiol) oral solution — the first FDA-approved drug that contains a purified drug substance derived from marijuana — for the treatment of seizures associated with two rare and severe forms of epilepsy in patients 2 years or older. Over the past two years, more treatments for epilepsy entered the market. Most recently, the FDA in August 2020 gave another indication to Epidiolex to treat seizures associated with tuberous sclerosis complex in people at least 1 year old. For most epilepsy medications on the market, the majority of insured people have plans that put them under the preferred/preferred (prior authorization and/or step therapy) tiers and covered/covered (PA/ST) tiers, as of December 2020.

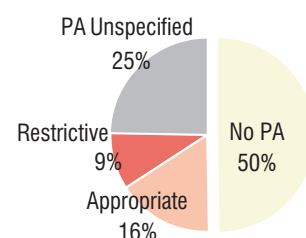
Market Access Among Commercial, Health Exchange, Medicare and Medicaid Formularies



Step Therapy (ST)



Prior Authorization (PA)



NOTE: The numbers of total covered lives under commercial, health exchange, Medicare and Medicaid formularies are 171.3 million, 10.5 million, 47.0 million and 64.8 million, respectively.
SOURCE: Managed Markets Insight & Technology, LLC database as of December 2020.

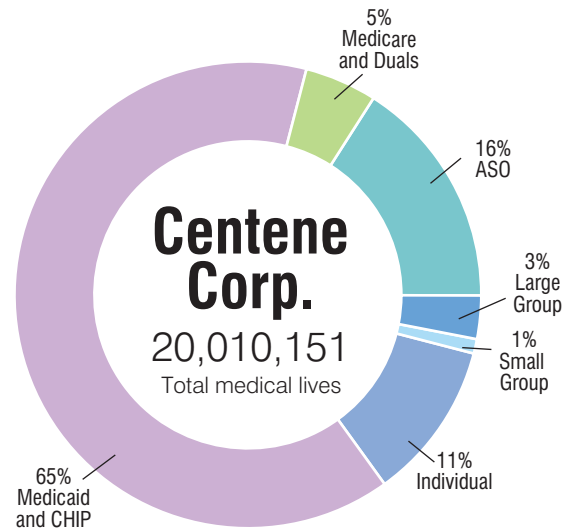
MMIT Payer Portrait: Centene Corp.

by Carina Belles

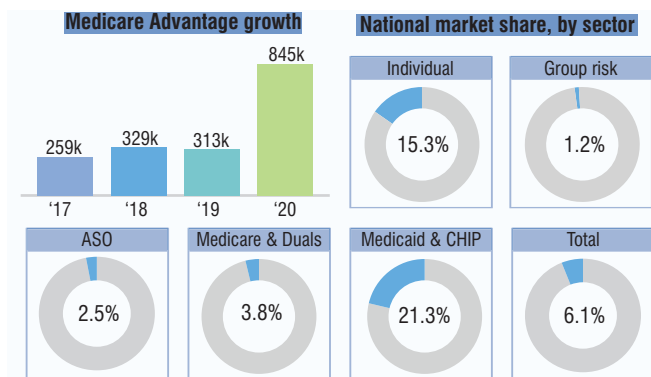
Centene Corp. is the fourth-largest health insurer in the U.S., serving **more than 20 million lives** nationwide. About **70%** of Centene's members are enrolled in public-sector health insurance products. Nationally, the company is No. 1 in managed Medicaid, holding contracts with **26 states** (see map below). The insurer also dominates the Affordable Care Act exchanges, leading the national market with 2.2 million members in **20 states**. In Sept. 2020, Centene unveiled plans to expand its exchange products to two new states, **Michigan and New Mexico**, plus **400 new counties** in its existing markets for the 2021 plan year.

Centene made headlines in recent weeks, revealing two deals that would boost its solutions business. In Dec. 2020, Centene entered an agreement to acquire **PANTHERx**, a specialty pharmacy that focuses on rare-disease and orphan drugs. The deal was completed Dec. 30, making PANTHERx an independent unit of **Envolve Pharmacy Solutions**, Centene's in-house PBM. The company made an even bigger splash Jan. 4, when it unveiled a **\$2.2 billion deal** to acquire **Magellan Health**. The transaction, which is expected to close in the second half of 2021, would be a boon to Centene's behavioral health unit, **Cenpatico**.

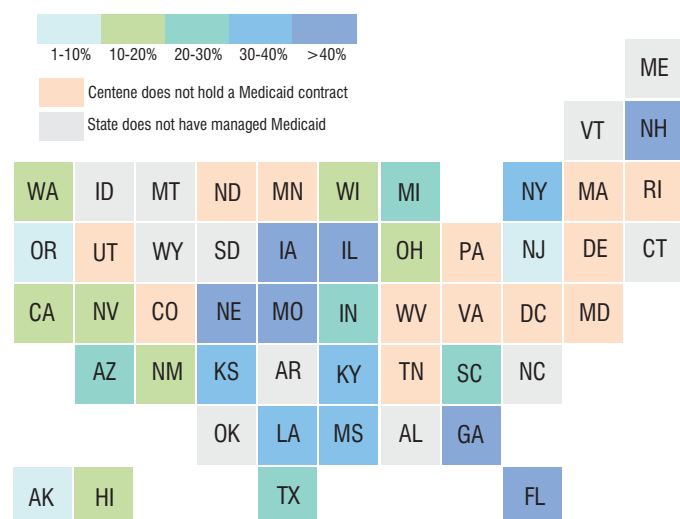
The Magellan deal continues a pattern for Centene, which has completed several major acquisitions in recent years: **Health Net** in 2016, **Fidelis Care** in 2018 and **WellCare Health Plans, Inc.** in 2020. The WellCare deal offered a significant boost to Centene's Medicare Advantage (MA) presence, a recent area of focus for the company. In 2021, Centene expanded its MA geographic footprint by **30%**, offering products in **1,249 counties across 33 states**. ♦



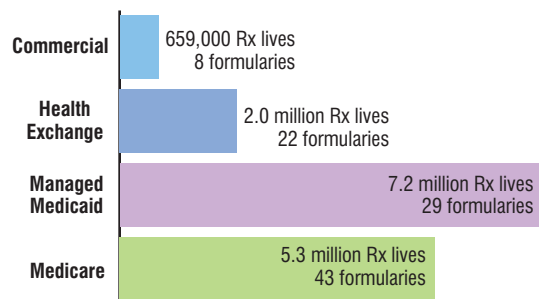
Snapshot of Centene's National Market Share



Centene's Managed Medicaid Market Share, by State



Rx Lives and Formularies by Channel



NOTE: Centene and WellCare are represented as separate entities in DHP.
SOURCE: DHP, AIS's Directory of Health Plans; MMIT Analytics.

About AIS Health

The mission of AIS Health — a publishing and information company that has served the health care industry for more than 30 years — is to provide readers with an actionable understanding of the business of health care and pharmaceuticals. AIS Health's in-depth writing covers the companies, people, catalysts and trends that create the richly textured contours of the health care and drug industry.

AIS Health, which maintains journalistic independence from its parent company, MMIT, is committed to integrity in reporting and bringing transparency to health industry data.

Learn more at <https://AISHealth.com> and <https://AISHealthData.com>.

About MMIT

MMIT is a product, solutions and advisory company that brings transparency to pharmacy and medical benefit information. MMIT partners with PBMs, payers and pharmaceutical manufacturers from P&T to point of care. We analyze market access trends and market readiness issues, while providing brand and market access solutions to navigate today's rapidly changing healthcare market.

Our team of experts focuses on pharmaceuticals, business drivers, market intelligence and promotional behavior. Our products and services support brands approaching launch, commercialization efforts, pre-P&T market planning, launch strategy and readiness. We partner with hundreds of payers and manufacturers ensuring that our products continually capture and analyze formulary coverage and restriction criteria for more than 98% of all covered lives.

Learn more at <https://www.mmitnetwork.com>.