

January 27, 2020

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2020 Is Expected to Be a 'Wild Year' for Large, Consolidated PBMs

Though the two major transactions that upended the PBM landscape — Cigna Corp. buying Express Scripts Holding Co. and CVS Health Corp. acquiring Aetna Inc. — have already taken place, that doesn't mean the sector won't see more changes this year, industry experts tell AIS Health. Not only will those companies be tasked with proving that their vertical combinations can deliver significant value, but they will have to feed the market's appetite for innovation while differentiating their unique business models from competitors.

"The market is evolving," says Brian Anderson, a principal with Milliman, Inc. The year 2020 will be marked by a presidential election and significant price pressure on manufacturers, along with pharmacies trying to retain their margin, he adds, "so it's going to be a really wild year."

Indeed, 2019 ended with Prime Therapeutics LLC and Express Scripts unveiling a three-year collaboration in which the latter PBM will negotiate with pharmaceutical manufacturers, on behalf of Prime's members, for drugs covered on the pharmacy benefit, as well as provide services related to retail network contracting.

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Spotlight on MMIT Team: Mike Maggs

Mike Maggs is an account executive at MMIT, and joined the company in 2017 just a few months after graduating with a Bachelor of Science in accounting from Penn State University. He worked in business development for a little over a year before transitioning to the inside sales team, where he works to align potential clients' needs with solutions from AIS's Directory of Health Plans (DHP), MMIT Reach and Payer Landscape. In 2020, Maggs is taking on a new role as a strategic account executive.

Q: What's your day-to-day like?

A: From the moment a potential client indicates interest in our products to the close of the sale, I'm responsible for the management of the account and any of their future renewals. My day is mainly focused on client calls. Whether it's a discovery call, a capability demonstration, delivering proposals or managing renewals, it all falls under my day-to-day. I'm always working with the marketing team as well, to hone in on any specific accounts or further develop some of our strategies in connecting with potential clients.



Q: What kind of clients do you work with?

A: Mostly, I work with health care technology organizations, so companies that are targeting health plans and health systems that can really benefit from DHP and MMIT Reach for sales and marketing purposes. I also work a lot with some smaller pharmaceutical manufacturers who utilize our products, as well as medical device and genetic testing companies.

A lot of my calls are unique depending on the type of company, whether they're a small or large organization, a lot of different factors. It all has an impact on what they care about, the level of detail that's needed and the type of work that they want to accomplish. It keeps things interesting.

Q: What's a common issue you help clients with?

A: Our clients are interested in using our data and software as a sales and marketing tool, to develop contracting strategies or to monitor the health plan and health system landscape for market research purposes. When our clients strike up conversations with health plans they are more well-equipped and better prepared for those discussions using our data and our software.

Q: How is MMIT poised to help with the current trends we're seeing in the industry?

A: With our products, you have that transparency into health plan consolidation and movement within the industry. Plans are always entering or exiting into different geographies and there's a lot of movement going on specifically within Medicare and Medicaid. We've also seen a transition of the management of drugs from plans to health systems and integrated delivery networks. DHP and some of our other solutions can help identify those organizations and the decision-makers that our clients might need to get face-to-face with to drive their business forward.

Q: What's your favorite part of your job?

A: I really like the people that I work with. I think we have a really great group of people on the sales team who are very focused and dedicated to what they do. The team has grown quite a bit since I joined MMIT. There were originally probably around 20-25 people and today it's well over 50. The inside sales team has grown from one single person to 4-5 people

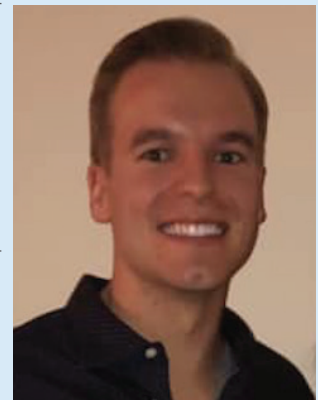
now, so there's been a considerable amount of growth in the short time I've been here.

Q: What do you like to do outside of work?

A: I like to play golf and surf. Recently I was in Costa Rica on vacation with my family and was able to enjoy both of those out there, so that was a lot of fun. I live down in Asbury Park, New Jersey, so I'm always down by the beach. It's a lot of fun in the summer. ✦

by Carina Belles

“When our clients strike up conversations with health plans they are more well-equipped and better prepared for those discussions.”



Mike Maggs

Mass. Blues/PillPack Deal Shows Need for Convenience

Blue Cross Blue Shield of Massachusetts' partnership with PillPack by Amazon Pharmacy may seem like just another way to offer home delivery of medications to members. But one industry analyst points to PillPack's potential in improving adherence as the real differentiator, potentially leading to higher retention and acquisition of members.

The Massachusetts Blues plan on Dec. 10 said it will be the nation's first health plan to provide its members with access to online ordering and delivery of prescriptions by Manchester, N.H.-based PillPack.

PillPack makes it easy for patients to take the right dosage of the right medications at the right time, Ashraf Shehata, KPMG national sector leader for health care and life sciences, tells AIS Health. Due to the difficulty of taking multiple medications, patients may stop taking them or take them in the wrong combinations. This behavior can lead to poor health

outcomes, increased hospitalizations and readmissions, he adds.

The Massachusetts Blues plan said eligible members in commercial fully insured plans will be able to manage and fill prescriptions through an integration with PillPack on the insurer's MyBlue Member app.

"We know many of our members are managing multiple daily medications, which can cause confusion and stress," said Massachusetts Blues CEO Andrew Dreyfus in the announcement. "Members will receive automatic, reliable, clearly labeled prescriptions at their homes when they need them."

For example, a patient with prescriptions for 30 quantities each of 88mcg of levothyroxine tablets, 40mg tablets of atorvastatin, 40mg capsules for omeprazole and 50mg tablets of losartan receives the medications in pre-packaged personalized envelopes explaining the day and time the medications should be taken, per the PillPack website.

PillPack Could Improve Retention

Offerings such as PillPack can help with member retention and acquisition, says Shehata. He adds that there are various incentives and disincentives payers can use to encourage members to use these services.

Sonal Kathuria, a managing director at consulting firm Accenture where she leads payer strategy, says that creating the right customer experience, in particular with digital health, is vital. For example, millennials and baby boomers are looking for a different experience. "If you get the experience right, that translates into retention," she tells AIS Health.

To measure their success with PillPack or another platform for getting medications to members, Kathuria says payers must focus on reducing the total cost of care, rather than simply reducing the cost of delivering medications to members. That's the case, even if the investment in a program like PillPack to increase medication adherence increases costs, she adds.

The fundamental question payers need to ask is, "Am I getting a healthier member?" says Shehata. Thus, investing in drug delivery programs must help keep members out of the hospital and prevent readmissions.

In addition, Shehata challenges payers to brainstorm about ways to deliver items such as medical devices and nutraceuticals to members. The key is to think about the delivery of products that are part of the whole continuum of care, he adds.

"Look at it as a consumer capability, not just as an expansion of the PBM delivery methodology....If you enter with that kind of mindset, then the relationship, the level of innovation, the idea [is] to partner around other delivery capabilities. To me, that becomes a much more interesting part of it, rather than just an extension of the PBM." ✦

by Aine Cryts

PBMs Could See 'Wild' 2020

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"I think it's going to be good for both parties; it increases Express Scripts' footprint and purchasing power, but it also helps drive the Prime business," which is focused on Blue Cross and Blue Shield plans, Anderson says. Prime is collectively owned by 18 Blues plans.

That said, "long term, it does narrow the market that much more," Anderson points out.

In fact, by teaming up with Prime, "Express Scripts will be leading rebate negotiations and pharmacy network development for 103 million people," Adam Fein, Ph.D., CEO of Pembroke Consulting, Inc.'s Drug Channels Institute, wrote in a blog post about the deal. "This combined volume of Express Scripts and Prime will have enormous leverage with manufacturers and pharmacies."

That's good news for plan sponsors and payers, he wrote, but not so much for drugmakers and pharmacies, which will be "on the receiving end of Express Scripts' new scale."

While the deal may have gotten less attention because of when it was announced, "come selling season and come the time when people are going to expect financial performance through rebates and pricing guarantees, it's going to be a big item," Anderson predicts.

When asked by AIS Health how much the new collaboration might save clients, Jarrod Henshaw, Prime's

senior vice president, chief supply chain and industry relations officer, says he “can’t share specifics on value.”

“However, we are confident the collaboration will provide even greater drug pricing from manufacturers and more competitive pharmacy network contract rates to the plans and the patients we serve,” he says via email. “Importantly, given Prime’s fully transparent business model, any savings we generate will be passed along to health plan clients and their patients.”

To Ashraf Shehata, KPMG national sector leader for health care and life sciences, the Prime/Express Scripts partnership is yet another example of “pure play” PBMs’ move toward consolidation. Given that trend, the opportunity to scale up both organizations’ purchasing power, and “the ability to kind of lock in Blue clients,” Shehata says, “I think it makes a lot of sense” for the two PBMs to team up.

Will Cigna End Up Acquiring Prime?

In his post, Fein suggested that while Prime’s deal with Express Scripts “preserves the company’s options and flexibility,” it also “creates a logical pathway for being acquired or absorbed into Cigna.”

Asked about the possibility of such a transaction transpiring, Shehata says it’s too early to tell. “I think the reality of it is, you’ve got to give kind of a soft landing spot to the Blues that are part of Prime,” he says. “If that part settles down, and they feel like they’re getting good service and it’s become a good, supportive model, then I think it will [be a path to further consolidation].”

While many in the industry may be wondering what Prime and Express Scripts’ next move will be, “the more interesting question is who is going to make the retail model work,” Shehata continues. He suggests that if a “retail front door” to health care — like what CVS/Aetna is promoting — offers a competitive advantage for managing chronic disease, it could be “formidable.”

Shehata also wonders whether health plans are going to change their benefit designs to favor retail, “because right now the benefit design is clearly favoring mail order,” he says.

Anderson says that on the one hand, mail order can be a differentiator among PBMs. “But with [Amazon] Prime, people are expecting two-day delivery on every-

thing, and they expect that with their medications now, too.” Thus, clients will be looking for strong clinical management, drug pricing and claims processing, plus “just in time delivery” from PBMs, he says.

Anderson also believes that “people still like retail; they still like going to pick up their medication. There’s definitely a need in metropolitan areas; people don’t want their medications sitting on the front doorstep.”

The key for a firm like CVS, he adds, is to integrate some medical management into the pharmacy transaction. In other words, “how do they capture that member just for a few minutes to sit down and talk with them?”

“This year, I’m expecting the health plans to get a little bit more involved in the PBM business from the perspective of Aetna, Cigna, and to some extent, United[Health Group],” Anderson tells AIS Health. “We haven’t really seen a PBM step out as a huge differentiator, but [UnitedHealth-owned] Optum seems to be still winning a significant amount of employer business.”

To that end, Cigna on Jan. 6 released a “Value of Integration” study that makes the case for what it can offer employer clients. The study found that companies offering so-called “triple-integrated benefits” — medical, pharmacy and comprehensive behavioral — save more in medical costs than firms with medical and basic behavioral coverage. On average, employers with fully integrated benefits in Cigna’s 2019 study saved \$207 annually per customer, \$867 per individual with an identified health improvement opportunity, and \$7,372 for individuals with conditions requiring a specialty medication.

Some Are Skeptical About Real Value

But Anderson says he isn’t necessarily impressed by those results. “On the surface, it sounds great, but we don’t really see, behind the scenes, a lot of coordination,” he says. One of the simplest ways that payer/PBMs can do that is to validate electronically that a person has a diagnosis supporting a drug being prescribed, he argues.

Payers’ ability to provide greater medical management may also conflict with PBMs’ goal of reducing costs, Anderson points out.

The more patients’ medical care is managed, “the more medications people are typically going to take, because you’re closely managing their conditions [and] you’re probably trying to improve their adherence — but maybe the solutions are they don’t need that medication anymore, or they need a different dosing,” he says.

Shehata, though, argues that a combined payer and PBM is better equipped to respond to the push for price transparency coming from states, the Trump administration and Congress.

“If we had to kind of pick a model, the payer model is one that can have these discussions in a much more open, honest manner,” he says. “When you look at the

total cost of care, PBM and health care outlays are all part of the discussion.”

From employers’ point of view, firms are likely to press PBMs for innovative solutions — not just deep drug-pricing discounts — during the selling season for 2021 contracts, Anderson says.

Therefore, “there’ll probably be a lot of new innovators in the market — people coming up with new products that maybe look and sound different,” he says. “But the question people are going to have to ask is, how different really is it? And is it really a differentiator in the marketplace?” ⇄

by Leslie Small

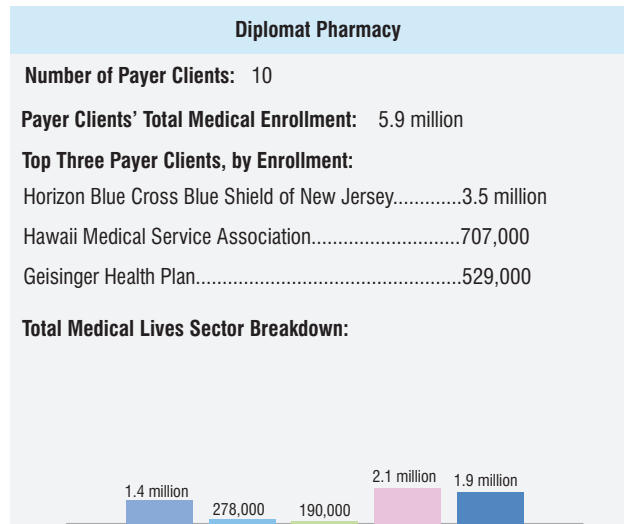
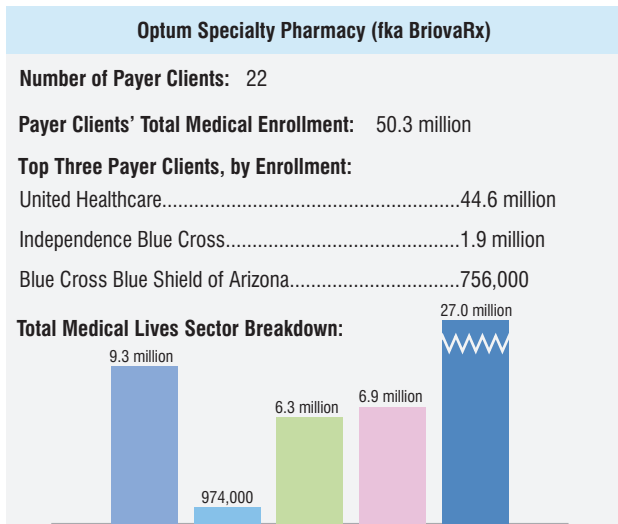
UnitedHealth Intends to Grow Optum’s Specialty Pharmacy Business with Diplomat Buy

by Carina Belles

UnitedHealth Group last month unveiled plans to acquire Diplomat Pharmacy, Inc., a veteran specialty pharmacy provider (SPP) that has faced financial difficulties in recent years, most recently a \$177 million net loss as of the third quarter of 2019. Because of Diplomat’s financial woes, United was able to purchase Diplomat at \$4 per share — well under the \$5.81 its stock was trading at the Friday before the deal’s Dec. 9 announcement. “Our Board of Directors carefully considered a variety of strategic options and concluded that joining OptumRx is in the best interests of our shareholders, employees and the clients and patients we serve,” Diplomat Chairman and CEO Brian Griffin said of the acquisition in a press release. Once the deal closes, United says it will integrate Diplomat into its Optum family of brands, a clear sign that the company is working to boost its specialty pharmacy business in an age of increasing consolidation among large insurers and pharmacy benefit managers. United is also in the process of re-branding its existing SPP, BriovaRx, as Optum Specialty Pharmacy. See an overview of Optum and Diplomat’s specialty pharmacy business, including their largest payer clients, in the graphic below.

Market Sector Breakdown Key

Group Risk Individual Medicare and Duals Medicaid and CHIP ASO/Self-funded



NOTE: As SPP contracts may only apply to specific lines of business, medical lives cited above do not necessarily represent total lives managed by the SPPs in this graphic. Because many SPPs specialize in only a handful of therapies (infusion, injectibles, transplants, etc.), payers typically hold contracts with multiple SPPs at a time.
SOURCE: DHP, AIS’s Directory of Health Plans

Many Payers Will Parity Prefer Xtandi With Chemo in mHSPC

by Angela Maas

Last month the FDA gave another indication to Pfizer Inc. and Astellas Pharma Inc.'s Xtandi (enzalutamide) for the treatment of men with metastatic castration-sensitive prostate cancer. Many commercial payers have indicated that they may parity prefer Xtandi with chemotherapy for this indication, which is also known as metastatic hormone-sensitive prostate cancer (mHSPC), according to Zitter Insights research.

The Dec. 16 approval, which had priority review, is Xtandi's third in prostate cancer. The FDA initially approved the drug in August 2012 for metastatic castration-resistant prostate cancer; approval for use in nonmetastatic castration-resistant prostate cancer came in July 2018.

For the *Managed Care Oncology Index: Q3 2019*, Zitter surveyed pharmacy and therapeutics (P&T) committee members who work for 51 commercial payers with 158.4 million covered lives. When asked about their potential management strategies for Xtandi based on the clinical trial results Astellas and Pfizer

submitted to the FDA in their supplemental New Drug Application, respondents representing 65% of covered lives said they were significantly likely or more likely than unlikely to parity prefer the treatment with chemotherapy for the treatment of mHSPC (see chart below). Payers with 78% of covered lives said it was more unlikely than likely or not at all likely that they would not cover Xtandi for the new indication.

AIS Health and Zitter are both owned by MMIT.

Among the respondents with 22% of covered lives that are likely to change nothing in their current management of the drug, many said this is because they follow National Comprehensive Cancer Network guidelines, which already include Xtandi for this indication.

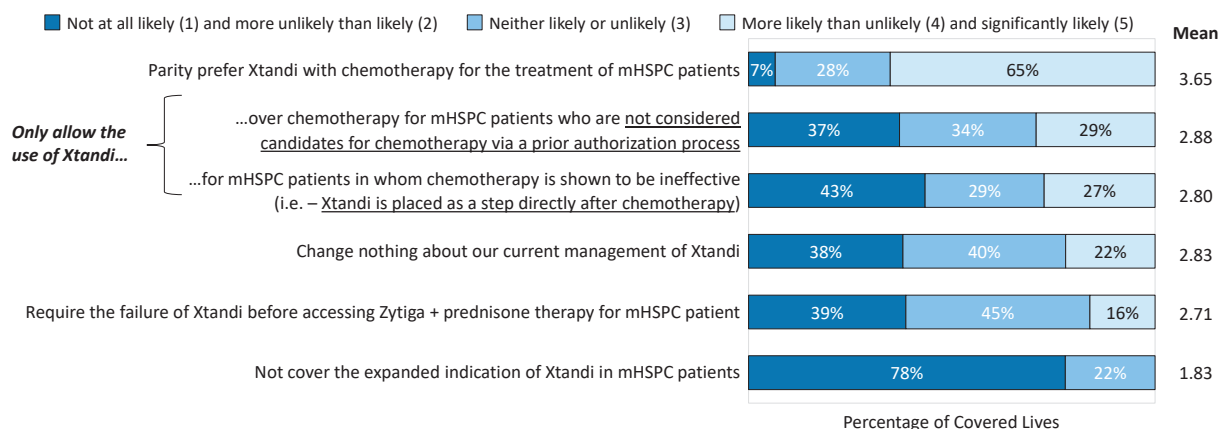
Among 107 oncologists asked about their anticipated prescribing behavior, 63% were significantly likely or more likely than unlikely to prescribe Xtandi for men with mHSPC for whom chemotherapy is ineffective. Of those respondents, 59% said it was more unlikely than likely or not at all likely that they would not prescribe Xtandi for this new indication.

For more information on the Zitter data, contact Jill Brown at jbrown@aishealth.com. ✦

Payers covering 65% of lives are likely to parity prefer Xtandi with chemotherapy for the treatment of mHSPC patients



PAYERS' ANTICIPATED MANAGEMENT FOR XTANDI GIVEN ARCHES TRIAL RESULTS



mHSPC = metastatic hormone-sensitive prostate cancer
Payers (Commercial) N = 51; Covered Lives N = 158.4 million

Q: "Given the results of the ARCHES trial, please rate (on a scale of 1 to 5) the likelihood of your organization taking the following actions to manage prostate cancer."

Similar data for Medicare book of business
Values less than 3% are not displayed
Xtandi = Xtandi + ADT; Chemotherapy = ADT + docetaxel
No respondents are likely to take any other action
Surveys collected 09/03/2019 – 10/07/2019

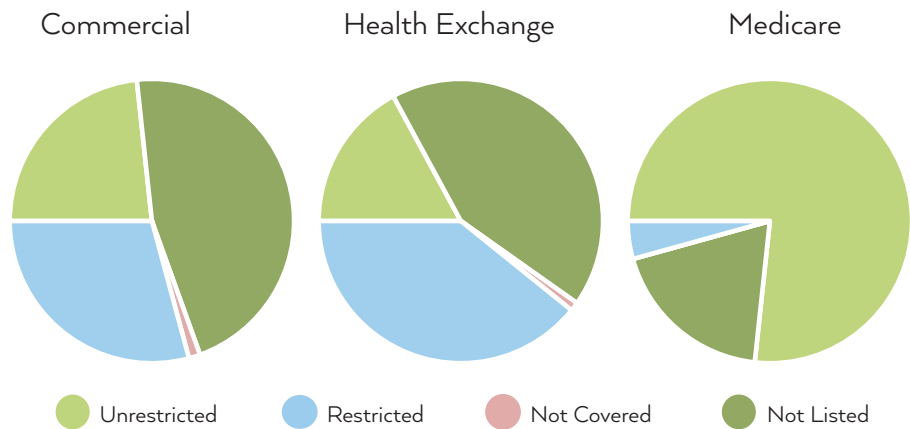
SOURCE: Zitter Insights, *Managed Care Oncology Index: Q3 2019*.



Coverage

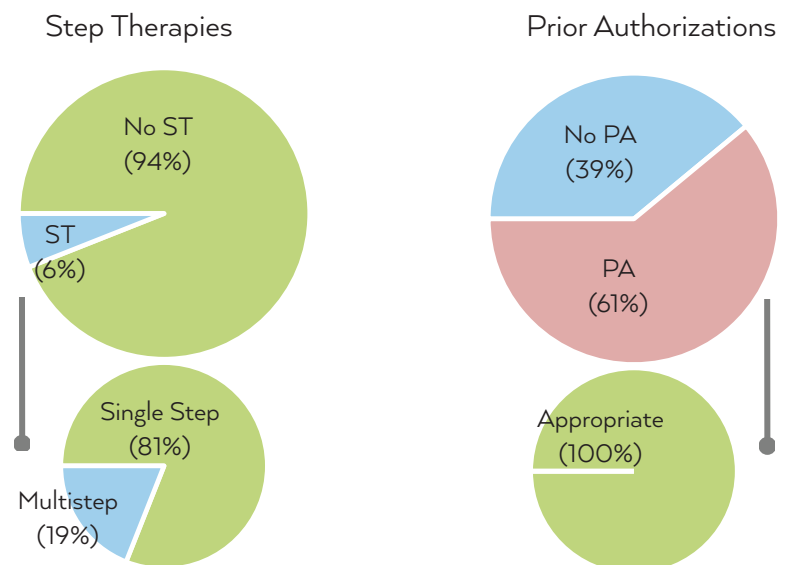
Medical Benefit

Under the medical benefit, almost 46% of the lives under commercial policies are covered with utilization management restrictions. Around 77% of the lives under Medicare Part B policies are covered without restrictions in place.

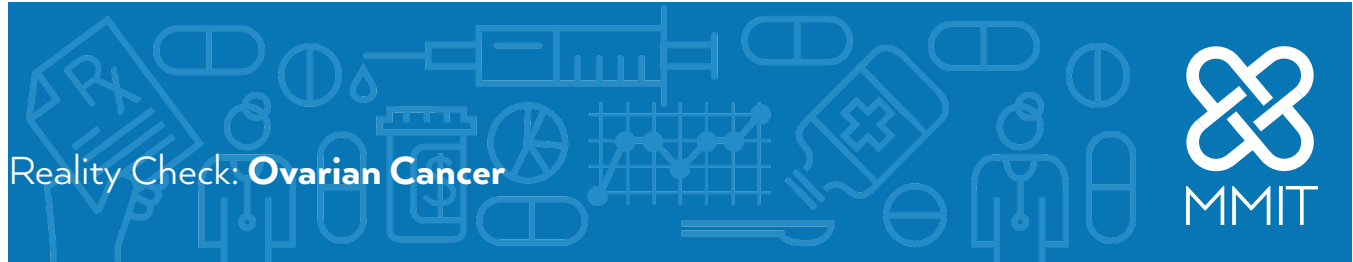


Payers

For about 94% of the covered lives, payer pharmacy benefit formularies do not require step therapy (ST). Of the lives that require ST, 19% require multiple steps. Around 61% of payer-controlled pharmacy benefit covered lives require prior authorization.



DATA CURRENT AS OF Q4 2019

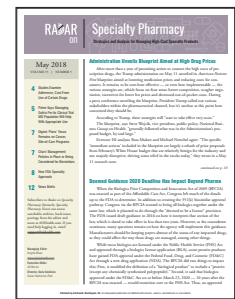


Trends From AIS Health

FDA Expands Zejula's Label

In October 2019, the FDA expanded the label for Zejula (niraparib) to include the treatment of women with advanced ovarian, fallopian tube or primary peritoneal cancer who have been treated with at least three chemotherapy regimens and whose cancer is associated with homologous recombination deficiency-positive status. The agency also approved Myriad Genetics, Inc.'s myChoice CDx as a companion diagnostic to identify women with advanced ovarian cancer who are candidates for Zejula in the late-line treatment setting.

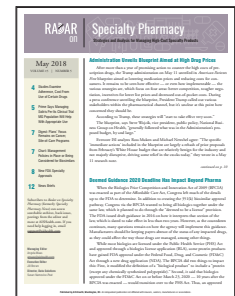
[Subscribers to AIS's RADAR on Specialty Pharmacy may read the in-depth article online](#)



Medications Span Medical, Pharmacy Benefits

Ovarian cancer continues to be one of the top cancers affecting women. But physicians have a good array of therapies — including three oral poly (ADP-ribose) polymerase (PARP) inhibitors that have come onto the U.S. market fairly recently — at their disposal to treat this condition.

[Subscribers to AIS's RADAR on Specialty Pharmacy may read the in-depth article online](#)



Market Access for Avastin

The FDA in June 2019 approved Pfizer's Zirabev, a biosimilar to Roche's blockbuster cancer treatment Avastin. For the treatment of ovarian, colorectal and kidney cancer, Avastin holds preferred status for 13% of covered lives, growing to 19% with prior authorization and/or step therapy, as of July 2019. Overall, the drug is covered under the pharmacy benefit only for 38% of covered lives.

[Via AIS Health](#)

Datapoint: FDA Approves Pfizer's Avastin Biosimilar

April 2019
The FDA on June 28 approved Pfizer's Zirabev, a biosimilar to Roche's blockbuster cancer treatment Avastin. For the treatment of ovarian, colorectal and kidney cancer, Avastin currently holds preferred status for 13% of covered lives, growing to 19% with prior authorization and/or step therapy. Overall, the drug is covered under the pharmacy benefit only for 38% of covered lives.
SOURCE: MMIT Analytics, as of 7/19/19

Datapoint
Drug Insights



Reality Check: Ovarian Cancer



Key Findings

Market Events Drive Changes

In October 2019, the FDA expanded the label for Tesaro, Inc.'s Zejula (niraparib) to include the treatment of women with advanced ovarian, fallopian tube or primary peritoneal cancer who have been treated with at least three chemotherapy regimens and whose cancer is associated with homologous recombination deficiency-positive status.

Competitive Market Landscape

There are five branded products currently FDA approved to treat varying stages of ovarian cancer and another five that are used off label. Ovarian cancer is and will continue to be a crowded market as, according to the American Cancer Society, it is responsible for more deaths than any other cancer of the female reproductive system.

Medical and Pharmacy Benefit Implications

Coverage of ovarian cancer medications falls under both the pharmacy and medical benefits and remains very strong for all of the products in this class. Most products are limited by their policies for treatment at specific stages of ovarian cancer. This may not remain true as we see clinical trials proving that targeted therapies can provide improvement earlier in the disease cycle and during the maintenance phase.

Characteristics

Indications

Ovarian
Cancer

Step-Therapy (ST) Policies

Payer pharmacy benefit formularies require ST for roughly 6% of covered lives. Of those, 19% require multiple steps.

Prior-Authorization (PA) Policies

Roughly 61% of payer-controlled pharmacy benefit covered lives require PA.

DATA CURRENT AS OF Q4 2019

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>.