

Insightsbriefing




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Blunting the Impact of Hyperinflated Drugs

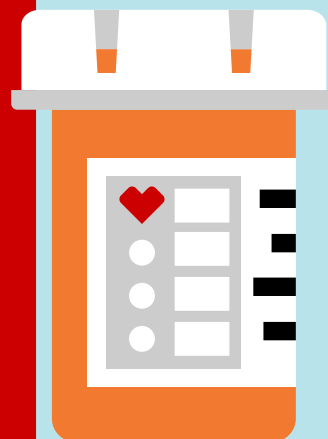
Strategic Formulary Removals Help Contain Costs

The pharmaceutical market is evolving at a rapid rate and new trends continue to emerge — from drugs that see double-digit year-over-year inflation, to new therapies that come to market at astronomical prices.

Also emerging are some hyperinflated “me-too” therapies — medications that are exponentially more expensive than readily available lower-cost alternatives, and whose price is not supported by evidence of greater clinical efficacy. Sometimes these are different strengths of the same drug or the same drug at the same strength by a different manufacturer. In other instances, they are new to the market. The cost of these drugs is borne by payors and their plan members. And drug price inflation continues to happen throughout the year, not just at a specific point.



**>3,400 drugs
boosted their
prices in the first
6 months of 2019**



**10.5%
average
price hike**

**5x
rate of
inflation¹**

Hyperinflation Strategy Lowers Costs for Clients

Our focus continues to be on developing — and evolving — strategies that help CVS Caremark pharmacy benefit management clients stay ahead of market changes. In 2018, we were able to keep the impact of price growth to 3.1 percent despite drug price inflation of more than 25 percent. Such strategies include hyperinflation drug removals — drugs that see very high price inflation or those with big price tags compared to clinically equivalent alternatives — as well as ongoing monitoring of data for suspected fraud, waste and abuse, and utilization and specialty guideline management. Introduced in 2017, this strategy was designed to help blunt the impact of drugs with significant inflation from one year to the next.

We continually review and identify drugs that are seeing high price increases and those that are outliers based on price including new market entrants. This flexible approach of ongoing reviews and removals — rather than annual — helps ensure that clients can stay ahead of rapidly changing market trends, rather than simply reacting to market changes.

As part of our hyperinflation strategy, we removed five drugs from our template formularies in April. Utilization of the removed drugs dropped by 99 percent in the months following the move. These removals are projected to save clients \$0.38 per member per month or \$4.60 per member per year.²

99% drop in utilization of drugs removed from template formularies in April

Projected Client Savings from Hyperinflation Strategy



\$0.38
per member
per month



\$4.60
per member
per year

Helping Clients Stay Ahead of the Market

The five drugs removed from our formulary in April were priced significantly higher than other clinically equivalent alternatives. For instance, the muscle relaxant Chlorzoxazone, one of the removed drugs, costs an average of \$2,903 for a 30-day prescription compared to an average cost of \$1.76 for the alternative, cyclobenzaprine.² We have since removed additional drugs that were significantly higher priced from our template formulary.

Recent Hyperinflation Drug Removals and Cost Savings²

Removed Drug	Avg. Cost 30-Day Supply	Preferred Alternative	Avg. Cost 30-Day Supply	Avg. Savings From Hyperinflation Strategy
Chlorzoxazone tab 250 mg	\$2,902.64	Cyclobenzaprine	\$1.76	\$2,901
Metformin ER tab 1000 mg	\$617.17	Metformin	\$3.80	\$613
Fenoprofen cap 200 mg	\$3,001.25	Diclofenac Sodium	\$6.62	\$2,995
Lidocaine tetracaine cream	\$731.88	Lidocaine-prilocaine	\$22.61	\$709
Ortho DF cap 1-3775IU	\$2,858.44	Folic acid	\$1.50	\$2,857



Continued Focus on Cost Containment

Helping clients contain costs, ensuring appropriate utilization, and rooting out wasteful and inefficient spend, while also keeping medications affordable for members, remains a focus for us. Through our ongoing monitoring and market surveillance, identifying drugs that are outliers based on price and removing them from our formulary, and other formulary and utilization management tools, we help our clients meet their goal of providing an affordable pharmacy benefit to their members. In 2018, clients aligned with our template formularies with drug removals spent \$88.30 on average per 30-day supply compared to \$102.58 for those on formularies without drug removals. In fact, 44 percent of clients saw their net prescription drug prices decline. Two out of three members spent less than \$100 out of pocket on prescriptions while adherence in key categories such as cholesterol, depression and diabetes increased.

Our ongoing market surveillance helps identify emerging trends and ensures we proactively develop strategies that help keep costs in check. As always, we do this while minimizing member impact and ensuring that any of those affected have a smooth transition so that they can stay on their path to better health.

Derica Rice

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1. <https://www.cbsnews.com/news/drug-prices-in-2019-are-surgin-with-hikes-at-5-times-inflation/>.

2. CVS Health Internal Analysis, 2019. P1002480819. Data based on commercial clients aligned to standard template formularies. Savings will vary based upon a variety of factors including things such as plan design, demographics and programs implemented by the plan.

The source for data in this document is CVS Health Enterprise Analytics, unless otherwise noted.

Adherence results may vary based upon a variety of factors such as plan design, demographics and programs adopted by the plan. Client-specific modeling available upon request.

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