

Insightsfeature

June 7, 2017

Consumer Transparency

Helping Members with
High-Cost Drugs at
the Point of Sale

 **CVSHealth**

Keeping Prescriptions Affordable

Prescription drug affordability continues to be a serious concern and drug pricing a highly contentious issue. Drug costs for some consumers have risen significantly due to a number of factors, including ongoing double-digit gross price hikes by brand manufacturers.

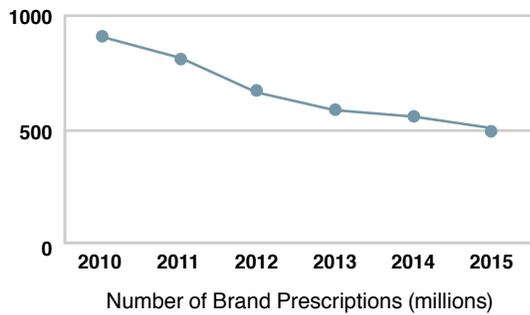
Proactive pharmacy benefit management (PBM) strategies have been able to keep net price growth relatively low despite these price increases. However, as the number of consumers covered by high deductible health plans

(HDHPs) grows, many are being exposed to gross drug prices during the deductible phase, often for the first time.

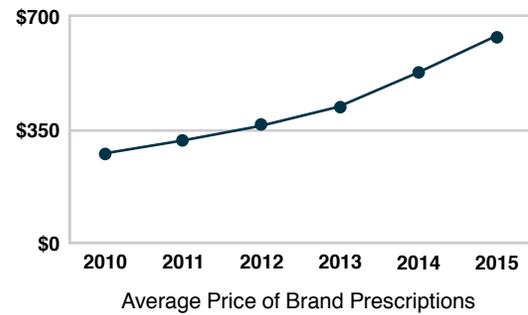
Nearly nine out of 10 prescriptions dispensed today are generics, which means that the volume of brand drugs dispensed has shrunk significantly over the last several years. One way that brand manufacturers have worked to maintain profits is to raise gross prices year after year. These increases have been a major factor contributing to prescription drug trend for many years.

Brand Manufacturers Increase Prices as Brand Market Share Shrinks

Brand RX Volume Drops



Brand Prices Skyrocket



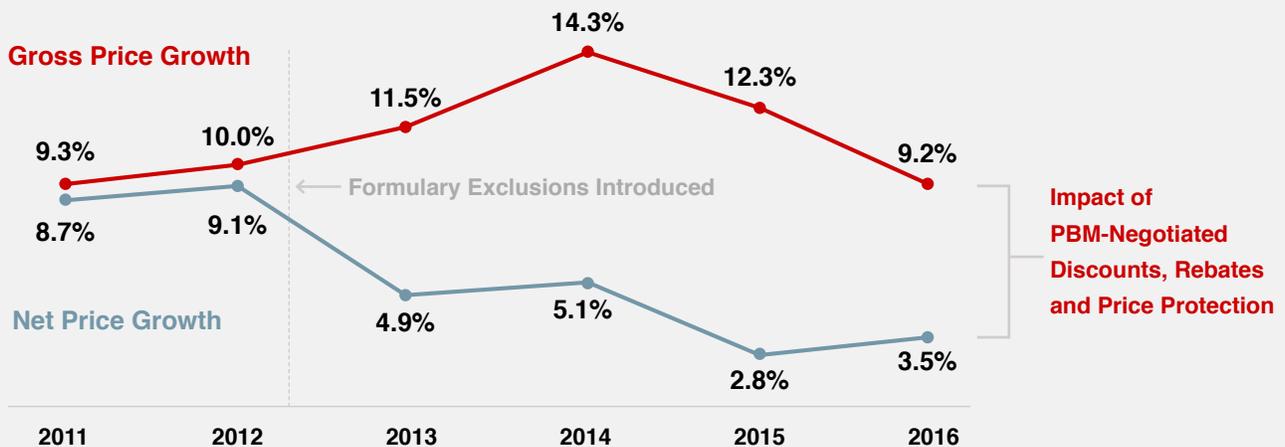
Source: Visante analysis of published Quintiles IMS data. Study used Wholesale Acquisition Cost (WAC) to evaluate price.

Blunting the Impact of Price Increases

PBMs utilize market competition and industry expertise to negotiate discounts and rebates from brand manufacturers to reduce the net cost of prescriptions for their clients. CVS Health passes these discounts and rebates directly to clients and offers a range of solutions that help further lower prescription costs for clients and plan members.

Formulary is foundational to cost control. Removing drugs from the formulary and promoting the appropriate use of lower-cost alternatives such as generics has proven very effective in helping keep net costs low. Carefully managing the use of high-cost branded drugs, including specialty pharmaceuticals, has also helped keep drug trend — a measure of spending growth — in the single digits for payors.

Market Overview



Source: IMS Health, National Sales Perspectives, IMS Institute for Healthcare Informatics, March 2016. Values are estimated.

The Role of Benefit Design

A majority of insured plan members have relatively low out-of-pocket (OOP) costs. Nearly 60 percent of those covered by CVS Health-administered plans spent less than \$100 in OOP costs in 2016. However, 4 percent of members spent more than \$1,000 — averaging more than \$1,800 annually.

Many members with high OOP costs are in HDHPs. **Twenty-nine percent of workers in employer-sponsored plans were covered by a HDHP in 2016** — five times more than 10 years before. These consumers are increasingly exposed to higher gross prices for prescriptions during the deductible phase, when they are responsible for the pre-rebated gross cost of the drug.

An Ongoing Conversation

Exposure to, and the need to pay, high gross prescription costs have driven protests and social media campaigns, which have attracted the attention of lawmakers and media. Pharmaceutical manufacturers have responded to this scrutiny in various ways. A few have **pledged to keep price increases below 10 percent**. In an effort to divert the focus from manufacturers, the **Pharmaceutical Research and Manufacturers of America**, an industry group, recently released a consumer-targeted advertising campaign urging that payors “share the savings”

with members. **The campaign attempts to shift the conversation from drug pricing and manufacturer-driven gross price increases** to the rebates negotiated by PBMs to help control costs for payors.

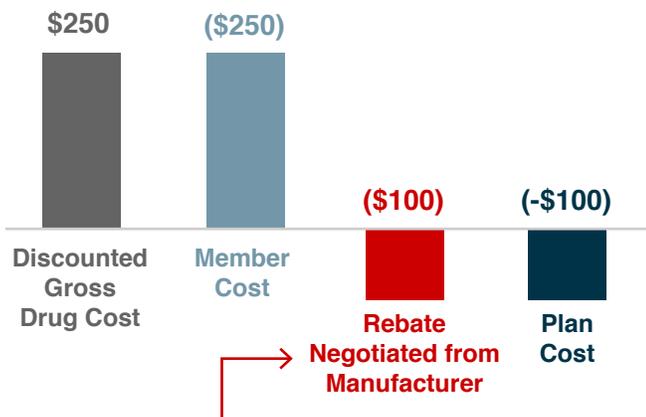
Amidst the charged atmosphere and controversy, our commitment and focus remain on helping clients provide an affordable, accessible benefit that delivers effective care to their members.

Introducing Consumer Transparency in HDHPs

Consider a common high deductible plan in which a \$100 rebate has been negotiated on the initial discounted drug cost of \$250. Members who have not met their deductible would typically be responsible for the full \$250. The manufacturer would provide the rebate within a specified

period of time, and the payor would receive the full rebate amount according to contracted terms. If the payor implemented point-of-sale (POS) rebates, member cost in this example would be \$150, a decrease of \$100.

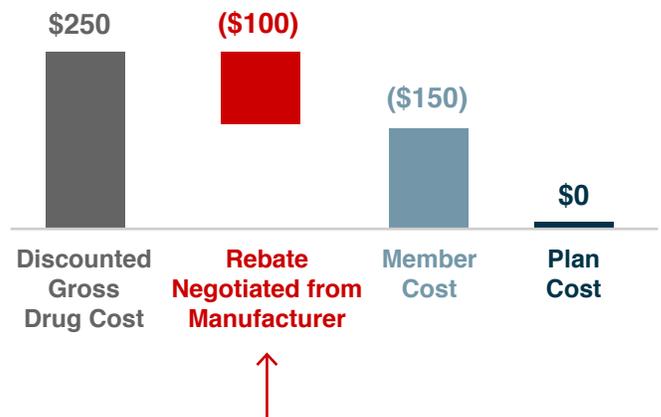
During Deductible, Member May Pay Full Discounted Gross Drug Cost



Rebate Remitted to Plan

- PBM-negotiated rebate from manufacturer; paid to plan
- May be used to lower overall member benefit cost – deductibles, premiums, copays

Applying Rebate at Point of Sale (POS) Reduces Member Cost at POS



Rebate Applied at POS

- Reduces member's out-of-pocket cost at POS
- Plan assumes greater cost share and may adjust other costs to compensate – deductibles, premiums, copays

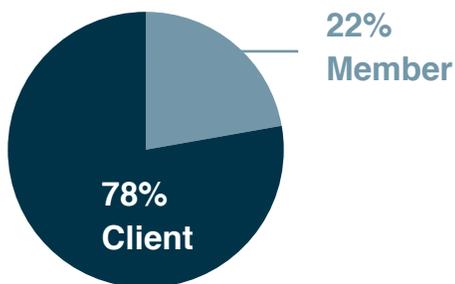
Maintaining Plan Cost Share Structure

Applying rebates at POS shifts the cost share structure of a plan, increasing overall payor cost share. In the illustrative example we are using, the member's cost share would decrease by 8 percent, while payor cost share would go up by the same amount. For the

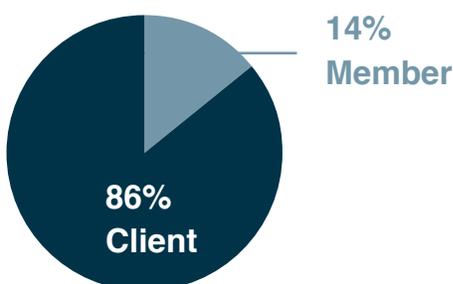
180,000-member plan that this example is based on, rebates to the payor would decline by approximately \$7.5 million. A 3 percent increase in the employee premium would help to offset the rebate reduction. Plan-specific modeling is available for CVS Caremark PBM clients.

Plan May Adjust Premium to Help Maintain Plan/Member Cost Share

Original Plan Design Cost Share



Cost Share with POS Rebates



Sample Plan

- 180K lives
- Custom formulary
- POS rebates

As a PBM, we promote competition and utilize our scale and clinical experience to deliver savings and efficiencies to help our clients while helping keep prescription drugs affordable and accessible for members. Through the insights provided by our integrated model, we understand the challenges that some consumers face with rising drug costs, which is one reason we developed the capability

to reduce members' OOP spending by applying rebates at point of sale. Our consumer research shows that OOP costs may be a barrier to accessing needed medical care. A solution like POS rebates that reduces how much a member has to pay out of pocket can help improve adherence. Several clients have implemented this solution, and we are using it for our own employee benefit as well.

Unless otherwise noted, data source is CVS Health Enterprise Analytics.

This contains trademarks or registered trademarks of CVS Pharmacy, Inc. and/or one of its affiliates.

©2017 CVS Health. All rights reserved. 106-42134A 060717