Hyperinflationary Drugs: The Avoidable Hazard

Most drugs with triple-digit inflation have lower-cost alternatives available.
More Volatile Than The Most Volatile Commodity


Compare that with the fact that several prescription drugs have seen price inflation of more than 200 percent in just a single year – from the first quarter of 2015 to the first quarter of this year. In fact, prices for more than 25 of the most hyperinflationary drugs rose more than 200 percent. A total of 85 drugs, including the 25, saw hyperinflationary price increases of more than 100 percent. Another 78 drugs saw prices rise between 50–100 percent.

To be clear, the impact of hyperinflationary drugs on cost and trend has been minimal so far. But left unchecked, they could have significant cost impact for payors in the years to come.

It isn’t just about cost for payors either. The high cost of prescription drugs hurts everyone. Every day, millions of people depend on them to stay healthy, and drug price increases affect them deeply. Our research has shown that one in three people already don’t fill a prescription due to price and higher costs may exacerbate the situation.

A Need for Real Change

Data Source: CVS Health Enterprise Analytics, 2016. Multiple strengths and formulations of the same drug were grouped together in this analysis.

In the 12 months ending March 2016, a majority of drugs had inflation of 10% or less

A very few were hyperinflationary (inflation over 100%)
Taking Action on Behalf of Clients

Last year, we took action against some of the most egregious cases of hyperinflationary drugs. When Turing increased the price for Daraprim, we secured access to a much lower-cost alternative (~$1 per pill). We recognized the potential trend impact from brand inflation for Glumetza and proactively removed it from our Standard Formulary in favor of clinically equivalent, lower-cost alternatives, as early as 2012 – long before Valeant Pharmaceuticals acquired it.

PMPM costs for Glumetza were nearly $0.60 less for clients aligned with our Standard Formulary and increased its price by 800 percent. Per-member-per-month (PMPM) costs for Glumetza were nearly $0.60 less for clients aligned with our Standard Formulary.

Our “foundational approaches” offer clients a broad range of protection against rising drug prices. For instance, 90 percent of Valeant’s drugs are either not covered or are non-preferred under several CVS Caremark® formularies including Standard Formulary, Advanced Control Formulary™ and Value Formulary™. We recently added the toenail fungus treatment, Jublia, to the excluded products formularies for clients adopting either Advanced Control Formulary or Value Formulary.

The impact from hyperinflationary drugs can be easily avoided with formulary strategies

Many payors may wonder if choosing a narrow formulary, or limiting or removing coverage for the small number of hyperinflationary drugs, is worth the trouble and the member disruption. After all, as we discussed at the 2016 CVS Health Forum, the net impact of hyperinflation on drug prices was less than one percent across 87 unique drugs. That may seem small in comparison to brand inflation of 10.4 percent across other specialty and non-specialty drugs.

However, it is important to note that the impact from hyperinflationary drugs can be easily avoided with formulary strategies. Nearly every drug that falls into the hyperinflationary category has clinically equivalent, more cost-effective alternatives available, meaning that payors can usually mitigate the cost impact of these drugs with very little disruption.

In addition, many hyperinflationary drugs also have significant year-over-year trend and therefore represent risk for future trend contribution.

<table>
<thead>
<tr>
<th>Category</th>
<th>Inflation</th>
<th>Trend</th>
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</thead>
<tbody>
<tr>
<td>Hyperinflating Brand Drugs</td>
<td>191.47%</td>
<td>155.43%</td>
</tr>
<tr>
<td>All Other Drugs</td>
<td>7.20%</td>
<td>7.27%</td>
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</tbody>
</table>

Data Source: CVS Health Enterprise Analytics, 2016.
Dynamic Trend Manager: Hyperinflation Update

While hyperinflationary drugs haven’t been a key trend driver to date, CVS Health is taking a stand against substantial price increases that unnecessarily add costs to clients and their members. Hyperinflation Management is the latest offering of our Dynamic Trend Manager program.

Introduced in an earlier issue of Insights Executive Briefing, the Dynamic Trend Manager program uses real-time surveillance and monitoring tools to help identify potential trend drivers and offer opt-in solutions or enhancements to existing cost-management strategies.

The Hyperinflation Management program will target specific drugs that have egregious year-over-year price increases and have readily available, clinically appropriate, more cost-effective alternatives.

For clients aligned with our Value Formulary, Advanced Control Formulary or Standard Formulary with removals, the Hyperinflation Management program will be incorporated in their formularies as of January 1, 2017. For clients not aligned to one of our formularies with removals, Hyperinflation Management will be available as an opt-in program. Targeted drugs will be updated via quarterly updates.

Continuing To Evolve Formulary Management Strategies

Our template formularies offer payors a broad range of protection against inflationary drugs by either limiting coverage or removing such drugs altogether. However, we relentlessly seek out additional opportunities to help minimize costs for clients. The Hyperinflation Management program is designed to offer payors real-time cost management options to respond to the rapidly shifting landscape of prescription drug pricing and supplements our formulary management strategies. Pharmaceutical companies are constantly looking for new ways to increase profit and bypass PBM tools. That’s why ongoing, aggressive formulary management through innovative tools like the Hyperinflation Management program are important to help manage drug costs while helping ensure access and healthier outcomes for members.

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