

MAGELLAN RX MANAGEMENT
MEDICAID PHARMACY
TREND REPORT™

2019 FOURTH EDITION



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Introduction and Key Insights

Magellan Rx Management is pleased to present the fourth edition of the Magellan Rx Management Medicaid Pharmacy Trend Report™, the industry's leading report exclusively detailing trends in the Medicaid pharmacy fee-for-service (FFS) space.

A Look Back Puts the Current Trends into Perspective

Due to careful Medicaid FFS pharmacy benefit management, we have seen an overall decline in net cost per claim trend (net of federal and supplemental rebates), which is reflected in the past three editions of this report. The underlying story is the high specialty trend balanced by the low traditional trend.

Specialty net trend has always contributed positively to the overall net trend, trending at 20.5% in 2016 down to 6.1% in 2018. Specialty trend rebounded slightly in 2018, still outpacing inflation, and Medicaid programs struggled to pay for these high-cost drugs even after federal and supplemental rebates. Traditional net trend went from -5.1%

in 2016 to -2.6% in 2018. Although the negative trend continued, it is not declining at the same pace as the previous two years, illustrated by the trend lines between specialty and traditional drugs sitting closer together now than at any point in the recent past.

Recent Medicaid FFS pharmacy benefit management has been effective at managing these cost trends and helping create budget predictability for states. However, there are natural limitations within the Medicaid Drug Rebate Program (MDRP), such as higher launch prices on new drugs and manufacturer price increases rising faster than inflation. The federal rebate is capped at 100% of Average Manufacturer Price (AMP), but if the federal rebate cap were increased to 125%, the Medicaid and CHIP Payment and Access Commission (MACPAC) estimates federal savings of \$5 to \$10 billion over 10 years.¹ Beyond the MDRP, there are a host of specialty products in the pipeline (see page 33) that will continue to drive the specialty drug trend in future years.

These trends, particularly on the specialty side, are driving conversations in statehouses, and in Washington, D.C., as legislatures look for new and innovative approaches to pay for high-cost, specialty drugs. Several of these alternative

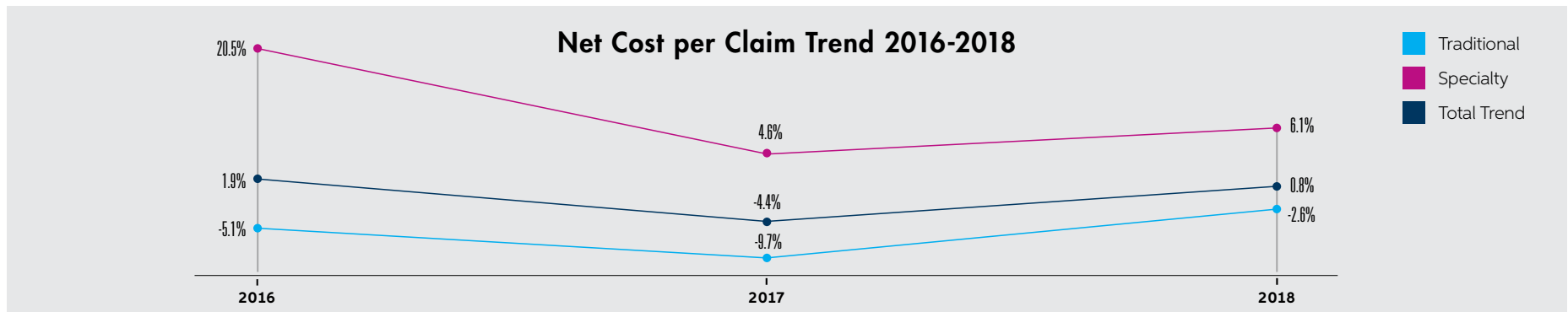
Medicaid pharmacy purchasing strategies are discussed in detail in the **Notable Developments in Medicaid** section of this report.

As the Medicaid prescription drug landscape continues to evolve, the Medicaid Pharmacy Trend Report™ captures those industry changes and recommends ideas through our now-standard in-depth analysis of the top 10 drug classes by net spend across both specialty and traditional drugs. This year, to stay ahead of trends, the report has been enhanced with a robust discussion of emerging and innovative state strategies for purchasing high-cost Medicaid prescription drugs as well as a forecast of key conditions and a pipeline of key drugs.

Thank you for your continued interest in the Medicaid Pharmacy Trend Report™. We are confident the information contained in this report will drive important conversations and strategic opportunities to assist in managing Medicaid pharmacy programs in the coming years.

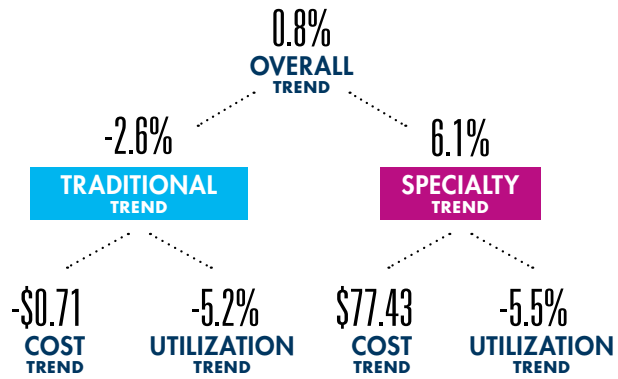
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1. <https://www.macpac.gov/wp-content/uploads/2019/04/Review-of-Draft-Chapter-for-June-Report-and-Recommendations-on-Prescription-Drug-Policy-Grace-Period-and-Cap-on-Rebates.pdf>

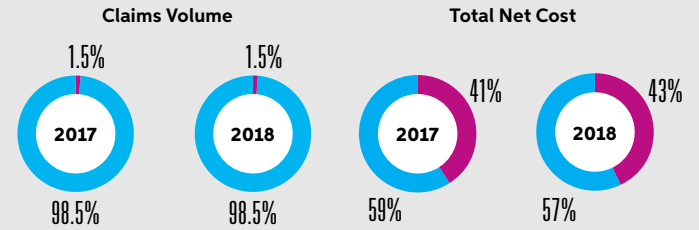
OVERALL NET TREND²



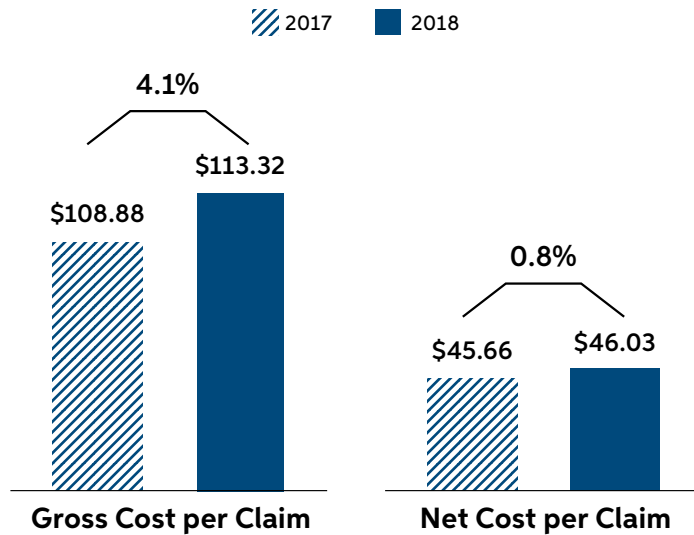
TRADITIONAL VS. SPECIALTY IMPACT

While the claims volume ratio remained virtually unchanged over the period, total net drug spend on specialty drugs increased by 2%. Specialty drugs, which account for 1.5% of all drug claims, will represent 50% of costs by 2020.

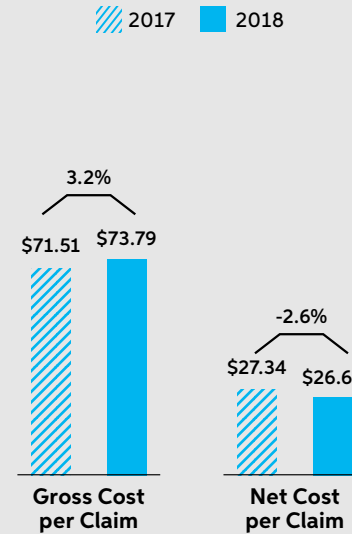
■ Traditional ■ Specialty



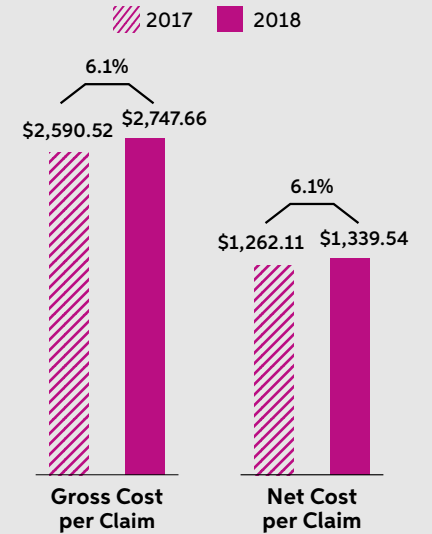
2018 OVERALL COST TREND



2018 TRADITIONAL COST TREND



2018 SPECIALTY COST TREND



2. Trends reflect previous year Medicaid fee-for-service only.



Medicaid Pharmacy Economics

Background

The pharmacy economics of Medicaid differ from the employer and Exchange (i.e., commercial) markets in terms of drug pricing, rebate management, and coverage strategies. All Medicaid drugs with a federal rebate are required to be covered if a state participates in the Medicaid Drug Rebate Program, but states have the ability to use clinical prior authorization to ensure appropriate use and Preferred Drug List (PDL) programs to steer prescribing toward the most clinically and cost effective products. As a state-run program with federal oversight, Medicaid demands full government transparency. All federal and supplemental rebates are paid directly to the state and then shared with the federal government according to the state's Federal Medicaid Assistance Percentage (FMAP). For Medicaid,

pharmaceutical-cost evaluation should focus on the net cost after all discounts (federal, supplemental, and ROA), not on the total supplemental rebates collected. In 2018, the average federal rebate (net of the ROA) was 55.3% of gross pharmacy reimbursement. New brands have a minimum rebate of 23.1% of average manufacturer price (AMP). Under the Affordable Care Act, the Medicaid base rebate was increased by 8% from 15.1% to 23.1% and capped at 100% of AMP to protect manufacturers from paying federal rebates in excess of the cost of their drugs sold to pharmacies and wholesalers. As a result, established brands can approach and exceed 90% of AMP after years of discounting and consumer price index (CPI) penalties. Still, there are a number of drugs where the Medicaid reimbursement is less than the AMP, resulting in manufacturer rebates that exceed pharmacy reimbursement.

Supplemental rebates are best-price-exempt and average 3% to 6% off a state's gross spend, depending on state utilization management, unit cost management, and drug mix. In 2018, the average supplemental discount was 4.1%, for an average total discount of 59.4%.

The Economics

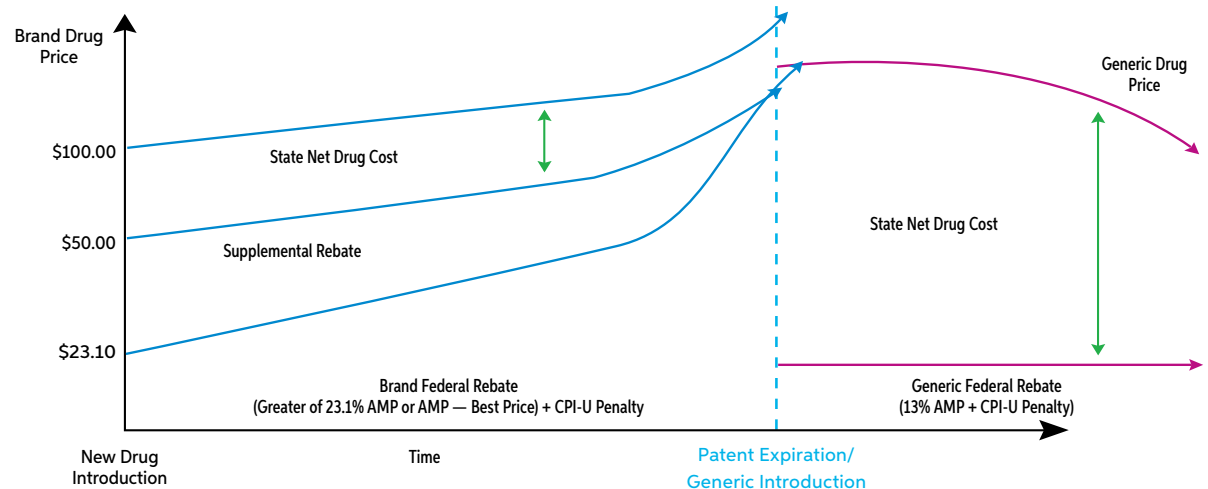
Figure 1 below is an illustrative model of Medicaid economics at the drug level. Assume pharmacy reimbursement, wholesale acquisition cost (WAC), and AMP are all the same. A new brand drug enters the market with a minimum mandatory rebate of 23.1% of AMP. This drug enters a competitive class with three clinically equivalent therapeutic alternatives, each with higher discounts and lower net costs than the new drug. With a pharmacy reimbursement cost of \$100, the net cost to the state is \$76.90 (\$100 minus 23.1%,

Key Points

- Lowest net cost is calculated net of federal, supplemental, and rebate offset amount (ROA).
- Brand drugs can be less expensive than their generic equivalents for a period of time and can save states millions of dollars.
- Supplemental rebates on their own are not the measure of program success.
- Federal and supplemental rebates are equally valuable to states, so the reciprocal relationship they have with regard to rebate calculations is inconsequential.

FIGURE 1

Medicaid Pharmacy Economics



or \$23.10). In order to be competitive, the manufacturer of the new brand will offer an additional discount, known in Medicaid as a supplemental rebate, to lower the net cost from \$76.90 to a competitive price of \$50. The value of the supplemental rebate at time zero is thus equal to \$26.90 and the total discount is 50%, or \$50. Moving through time, manufacturer pricing actions drive the total discounts up, but due to the inverse relationship between supplemental and federal rebates, supplemental discounts decline over time as the total discount increases.

As the patent expiration approaches, the manufacturer generally increases the cost of the drug and the CPI-U penalty accelerates the growth of the federal rebate in the quarters just prior to that event.

Generic Impact

At patent expiration, the launch of a generic is a welcomed event by Medicaid and commercial plans alike. In Medicaid, the launch of a generic requires financial evaluation and thoughtful strategy. When generics first enter the market,

they typically launch at a price point that is discounted to the brand's full price but have a federal rebate at 13% of AMP. The net cost of the brand drug can be markedly less than its generic at this time. Factors affecting the availability of this new generic can cause the net cost of the generic to remain relatively high for periods lasting from six months to multiple years. In 2018, brand-over-generic programs accounted for \$167 million in savings at an average cost of \$79 per claim.

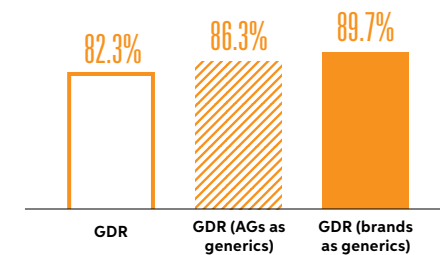
Generic Utilization Rate

Medicaid fee-for-service (FFS) programs are often reported to have lower generic utilization rates than Medicaid MCOs or other commercial programs. The CMS calculation of generic efficiency requires states to classify brand and generic drugs by their CMS drug-class indicator of single-source, innovator-multisource, or non-innovator multisource and not by their formal label name. The impact to FFS is significant because authorized generics (AGs) that have a non-innovator-multisource (generic) label name pay an innovator multisource (brand) federal

rebate and are thus counted as brand drugs by CMS. In 2018, the states in our evaluation had a generic dispensing rate of 82.3%, measured using the CMS definition outlined previously. When AGs are instead counted as the generics that they are, the generic effective rate increases by 4% to 86.3%. Furthermore, if states were to count brand drugs that are preferred over their generic equivalents as generic utilization, the effective generic dispensing rate would increase by an additional 3.4% to 89.7% (see Figure 2).

FIGURE 2

Effective Generic Dispensing Rates (GDR)



Medicaid Forecasting

MRx Predict is Magellan Rx's new, advanced analytic product that proactively identifies patients at risk of experiencing adverse events and forecasts future drug-cost drivers for customers. Two different models are available:

Drug Cost Forecasting provides macro-predictions on drug spend and trend and the factors driving those future trends.

At-Risk Patient Identification proactively identifies and stratifies individual patients based on the probability of



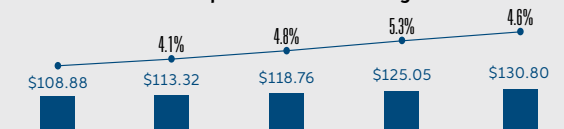
being nonadherent to chronic medications in order to improve patient outcomes. **Medicaid forecasting data can be found on page 33.**

MRx Predict shows the overall gross trend is expected to marginally rise from 2018 as new, groundbreaking therapies and specialty drugs continue to create upward pressure (see figure 3).

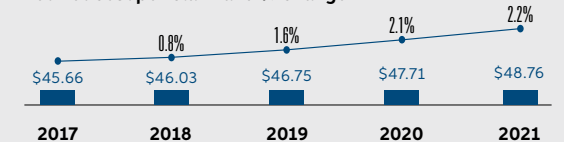
Rebates will continue to help offset increasing drug prices, but the high cost of new specialty drugs will continue to impact the net trend (see figure 3).

FIGURE 3

Total Reimbursement per Claim and % Change



Net Net Cost per Claim and % Change





Medicaid Fee-for-Service Trends

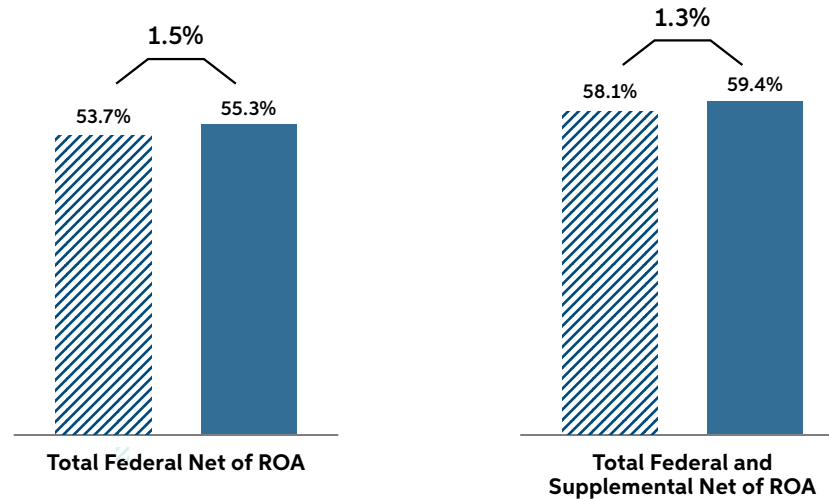
Changes to the Total Federal Rebate

In 2018, the total federal rebate increased 1.5%, tied to an increase of 5.6% gross cost per claim for brand drugs. Supplemental rebates as a percent of gross spend are down 0.2% year-over-year (from 4.3% to 4.1%) due to the inverse relationship to federal rebates. Overall, total discounts net of federal and supplemental net of ROA are up 1.3% year-over-year.

FIGURE 4

Medicaid Total Federal Rebate 2017–2018

2017 2018



Overall Drug Trend

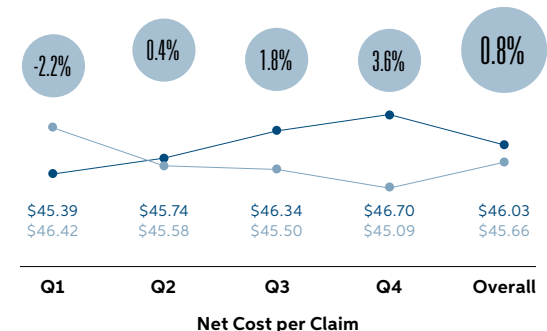
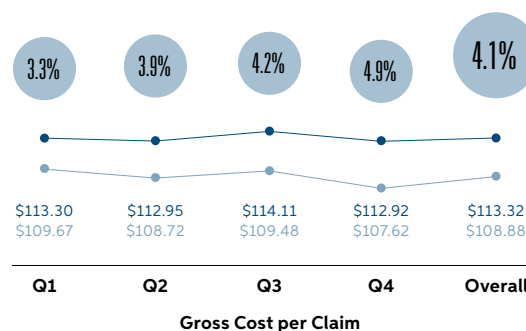
Year over year, there was a 4.1% increase in the gross cost per claim but just a 0.8% increase in net cost per claim. In real numbers, the gross cost increased by an average of \$4.44 per claim, from \$108.88 to \$113.32, and the net cost increased an average of \$0.37 per claim, from \$45.66 to \$46.03. While overall utilization of both specialty and traditional drugs declined compared to data from the third edition of this report, the net cost of specialty drugs increased \$27.02 per claim (from \$50.41 to \$77.43) and traditional drugs increased \$2.30 per claim (from -\$3.01 to -\$0.71)

FIGURE 5

Overall Gross and Net Cost per Medicaid Claim, 2017–2018

2017 2018 Trend

2017 2018 Trend

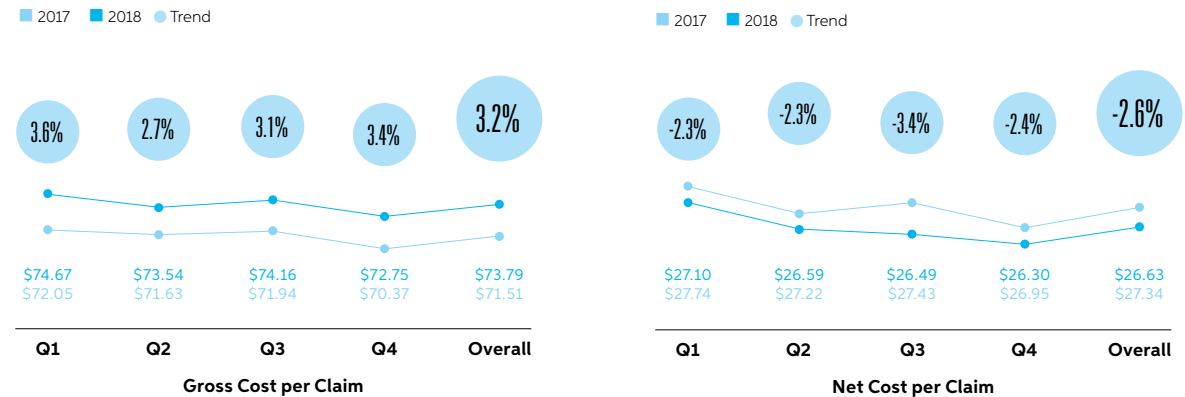


Traditional Drug Trend

Year over year, there was a 3.2% increase in the gross cost per claim but a decline of 2.6% in net cost per claim. In real numbers, the gross cost increased by an average of \$2.28 per claim, from \$71.51 to \$73.79, and the net cost declined an average of \$0.71 per claim, from \$27.34 to \$26.63. While the net trend of traditional drugs remained negative, when compared to last year's trend of -9.7%, it suggests an inflection point that needs more data to confirm. As the effective GDR and average rebate per prescription increased, it makes sense that the traditional trend continued to be negative.

FIGURE 6

Traditional Gross and Net Cost per Medicaid Claim, 2017–2018

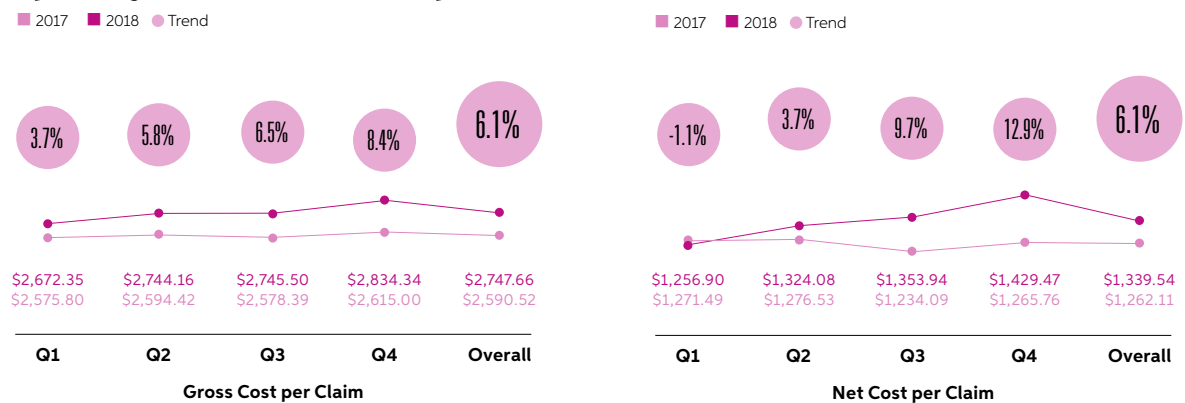


Specialty Drug Trend

Year over year, we saw a 6.1% increase in the gross cost per claim and a 6.1% increase in net cost per claim. In real numbers, the gross cost increased by an average of \$157.14 per claim, from \$2,590.52 to \$2,747.66, and the net cost increased an average of \$77.43 per claim, from \$1,262.11 to \$1,339.54. While the overall trend of specialty drugs increased by 6.1%, it was the lowest increase over the last three years of this report. While the downward trend is encouraging, the current increase still outpaces inflation, drives overall pharmacy cost, and is challenging for state Medicaid program budgets.

FIGURE 7

Specialty Gross and Net Cost per Medicaid Claim, 2017–2018



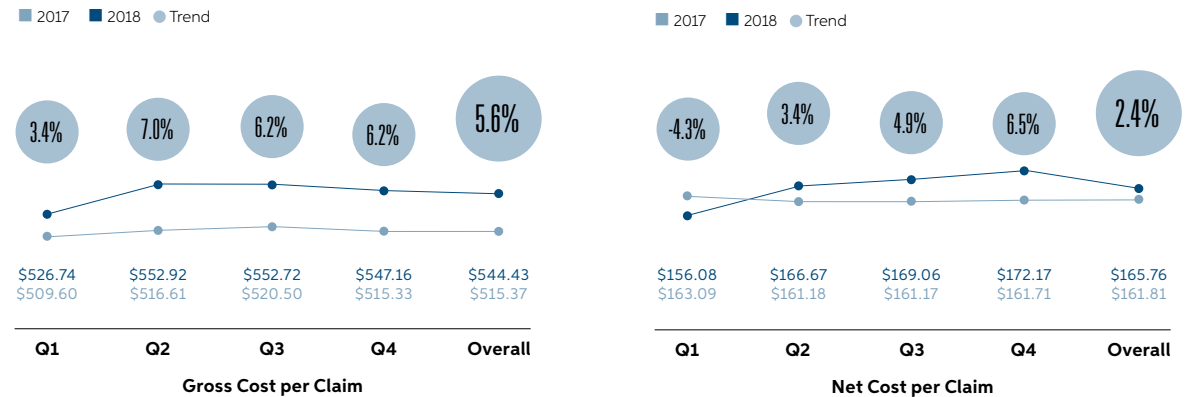


Brand Drug Trend

Year over year, there was a 5.6% increase in the gross cost per claim and a 2.4% increase in net cost per claim. In real numbers, the gross cost increased by an average of \$29.06 per claim, from \$515.37 to \$544.43, and the net cost increased an average of \$3.95 per claim, from \$161.81 to \$165.76. The federal rebate on brand drugs, as a percent of total drug spend (not as a percent of AMP), increased from 66% in 2017 to 67.4% in 2018, reflecting the increased average gross cost per claim. As brand gross cost per claim increased over CPI-U, the federal rebate increased, as a percent of gross spend leading to a 1.5% year-over-year increase in federal rebate over the period. A proposal to eliminate the federal rebate cap of 100% of AMP, would further reduce the rising net cost of brand drugs to the Medicaid program.

FIGURE 8

Branded Drug Gross and Net Cost per Medicaid Claim, 2017–2018

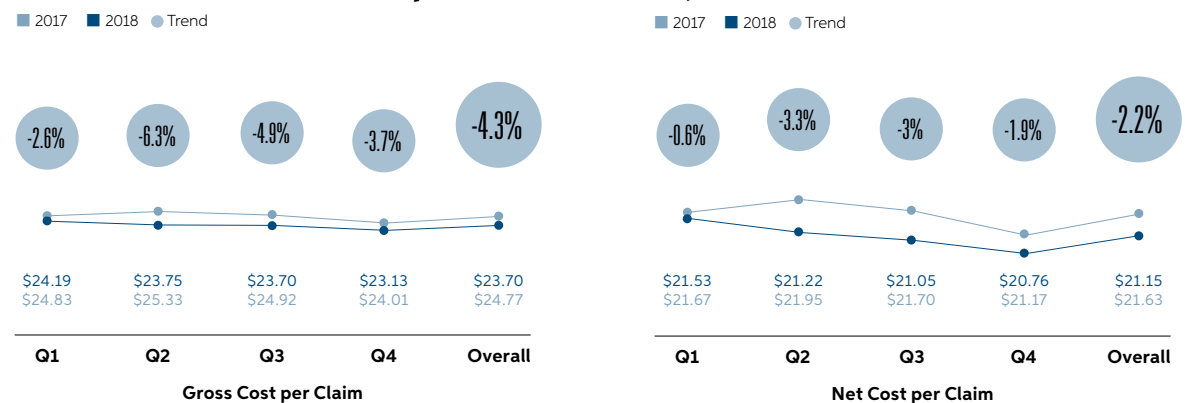


Generic Drug Trend

Generic drugs continued to decline in price year over year. There was a 4.3% decline in the gross cost per claim and a 2.2% decline in net cost per claim between 2017 and 2018. In real numbers, the gross cost decreased by an average of \$1.07 per claim, from \$24.77 to \$23.70, and the net cost decreased an average of \$0.48 per claim, from \$21.63 to \$21.15. The federal rebate on generic drugs, as a percent of total drug spend (not as a percent of AMP), decreased from 13.5% in 2017 to 11.4% in 2018.

FIGURE 9

Generic Gross and Net Cost per Medicaid Claim, 2017–2018





Class and Drug Trends

Therapeutic Class and Drug Profiles: Net Spend Impact

In 2018, 11 specialty classes and nine traditional classes had the largest net spend impact on the Medicaid FFS benefit (see figure 10). Many previously listed drug classes fell from the list of most impactful classes. In traditional classes that fell outside of the top 10 by net spend, many drugs have seen significant drops in net price or increased utilization of generics or lower-cost options. For example, in neuropathic pain, Lyrica experienced a net price drop, which was partially offset by higher gabapentin net pricing but not enough to keep this class in the top 10. In 2018, eight of the top 10 drugs by net spend came from specialty classes, compared to six last year (see figure 11). Five new drugs entered the top 10 this year: Elocate, Suboxone Film, Descovy, and Spinraza, all top 20 last year, and Mavyret — number three this year, up from 136 last year.

Therapeutic Class Profiles: Net Dollar Impact

Each year of the report, we feature the top 10 traditional and top 10 specialty classes making the greatest net dollar impact — highest positive or negative contribution to the net dollar change — on the Medicaid FFS benefit for the year. In 2018, 20 classes (nine traditional and 11 specialty) had the greatest net dollar impact on the overall 0.8% increase in net cost per claim (see pages 11–30).

FIGURE 10

2018 Top 20 Therapeutic Classes by Net Spend

■ Traditional ■ Specialty ■ % of Total Net Spend

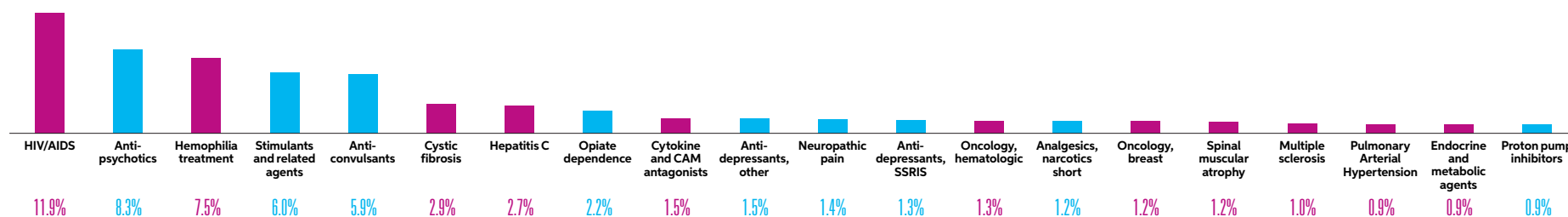
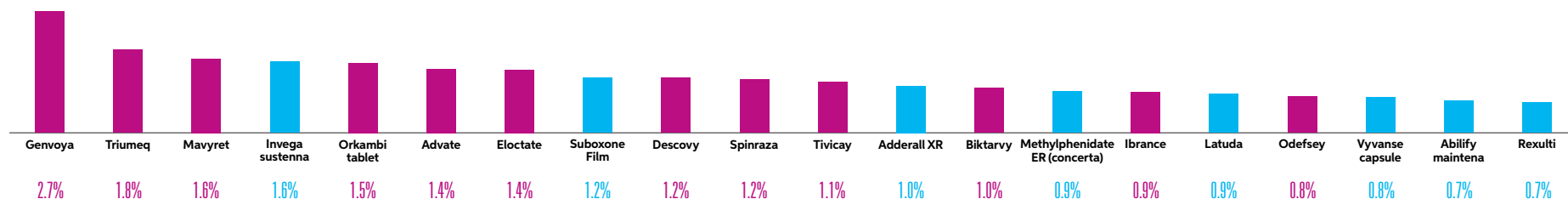


FIGURE 11

2018 Top 20 Drugs by Net Spend

■ Traditional ■ Specialty ■ % of Total Net Spend





Traditional Categories Driving Trend

Stimulants and Related Agents

Net Dollar Impact \$-0.31

CLASS TREND PROFILE

-\$54.3m
Net Spend Trend

-14.8%
Total Net Spend Trend

-4.2%
Claim Volume Trend

-11.1%
Net Cost Per Claim Trend

This remained the No. 4 net spend class in 2018. More than 60% of Concerta's authorized generic utilization moved, largely to Concerta, making it the No. 3 negative trend contributor. Its net spend fell from No. 8 to No. 29. Concerta's net price was so low that taking on this utilization didn't impact its trend contribution.

This was countered somewhat by a 10% increase in utilization on the nonauthorized Concerta generics, which was higher in net price throughout both 2017 and 2018. It will be surprising to some that this small shift was responsible for the No. 12 positive trend contributor. The net spend rank moved from No. 19 to No. 14.

- > The movement of brand to generic for Strattera occurred almost entirely in the 2017–2018 period. The net spend impact netted slightly in favor of the generic in terms of trend contribution. The brand was the No. 7 negative trend contributor and the generic was the No. 14 positive trend contributor.
- > Vyvanse, the No. 12 negative trend driver, saw virtually no change in utilization yet dropped from the No. 12 to the No. 18 net spend product due to market competition.



BRAND STRATEGY

An unexpected increase in Concerta net spend per prescription without a corresponding drop for its generic equivalents could put this class among the top 10 in trend contributors for next year's edition.

FIGURE 12

Spend and Utilization Trends

■ 2017 total net spend ■ 2018 total net spend

Adderall XR ▼-9.5%



CLAIM VOLUME ▼-6.8% NET COST PER CLAIM ▼-2.9%

Methylphenidate ER (Concerta) ▲30.1%



CLAIM VOLUME ▲10.5% NET COST PER CLAIM ▲17.7%

Vyvanse capsule ▼-24%



CLAIM VOLUME ▼-2.8% NET COST PER CLAIM ▼-21.7%

Methylphenidate ER (Concerta) (AG) ▼-56%



CLAIM VOLUME ▼-62.5% NET COST PER CLAIM ▲17.2%

Amphetamine salt combo ▼-9.4%



CLAIM VOLUME ▼-3.4% NET COST PER CLAIM ▼-6.2%

Atomoxetine ▲142.2%



CLAIM VOLUME ▲228.9% NET COST PER CLAIM ▼-26.4%

Focalin XR ▼-2.5%



CLAIM VOLUME ▲1.6% NET COST PER CLAIM ▼-4%

Guanfacine ER ▲0.6%



CLAIM VOLUME ▲3.7% NET COST PER CLAIM ▼-3%

Strattera ▼-67.9%



CLAIM VOLUME ▼-90.2% NET COST PER CLAIM ▲229.1%

Clonidine ER ▼-10.7%



CLAIM VOLUME ▲2.3% NET COST PER CLAIM ▼-12.7%



MARKET STRATEGY

More conversions of brand utilization to generic equivalents are expected.

Antipsychotics

Net Dollar Impact \$-0.24

CLASS TREND PROFILE

-\$51.4m
Net Spend Trend

-10.7%
Total Net Spend Trend

-1.7%
Claim Volume Trend

-9.1%
Net Cost Per Claim Trend

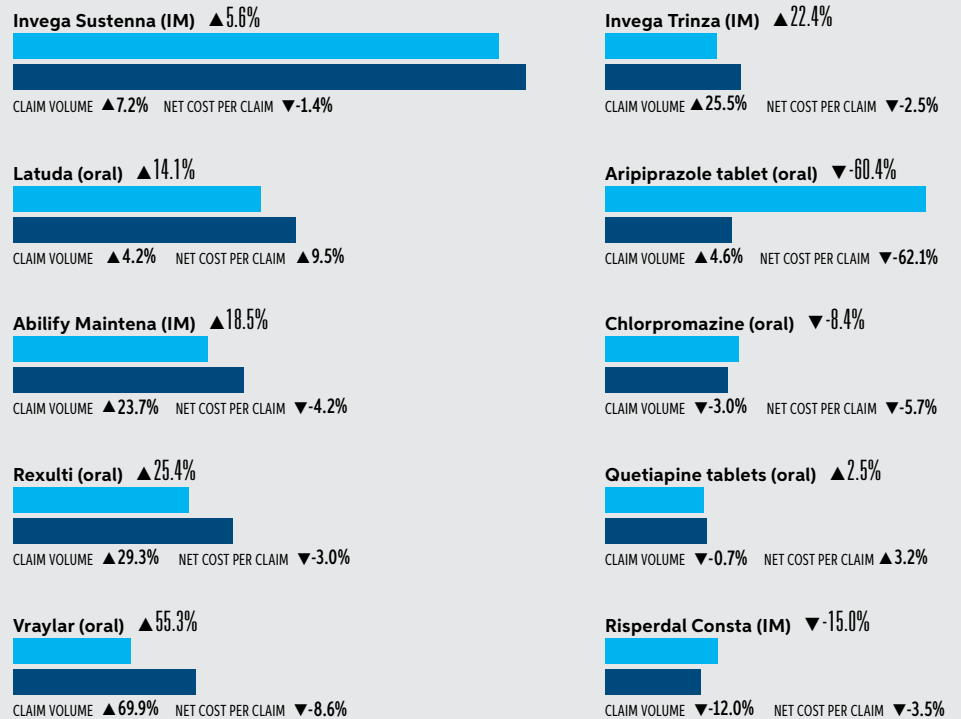
This remained the No. 2 net spend class in 2018. As generic prices continued to fall, small utilization gains by newer brands made more noticeable impacts on trend within the class. Vraylar, the No. 13 positive net spend contributor, rose from the No. 55 to the No. 26 net spend product. Rexulti, the No. 19 positive net spend contributor, jumped from the No. 33 to the No. 20 net spend product. Each of these products took up about 1% of market share in this class and were nonpreferred almost everywhere.

- Latuda was not a top trend contributor in 2018, but its high market share and rising net costs led to an increased percentage of net spend, rising from 6.4% to 8.5% and from the No. 17 to the No. 16 net spend product.
- On the other side of zero, aripiprazole, the generic for Abilify, checked in as the No. 4 negative net spend contributor. It continued its fall down the rankings, from the No. 14 to the No. 47 net spend product. Seroquel XR was the No. 5 negative net spend contributor as utilization moved to its generic.
- Invega Sustenna, the No. 20 positive net spend contributor, rose from the No. 7 to the No. 4 net spend product. Long-acting injectable overall utilization grew about 15% during this period.

FIGURE 13

Spend and Utilization Trends

■ 2017 total net spend ■ 2018 total net spend



MARKET STRATEGY

Net spend for long-acting injectable formulations was relatively high, but utilization was less than 4% of all prescriptions in the class. • With several years of experience monitoring utilization growth, it appears the injectables are being used in the appropriate patient population.



Analgesics, Narcotic Short

Net Dollar Impact \$-0.21

CLASS TREND PROFILE

-\$28.2m
Net Spend Trend

-31%
Total Net Spend Trend

-27.6%
Claim Volume Trend

-4.6%
Net Cost Per Claim Trend

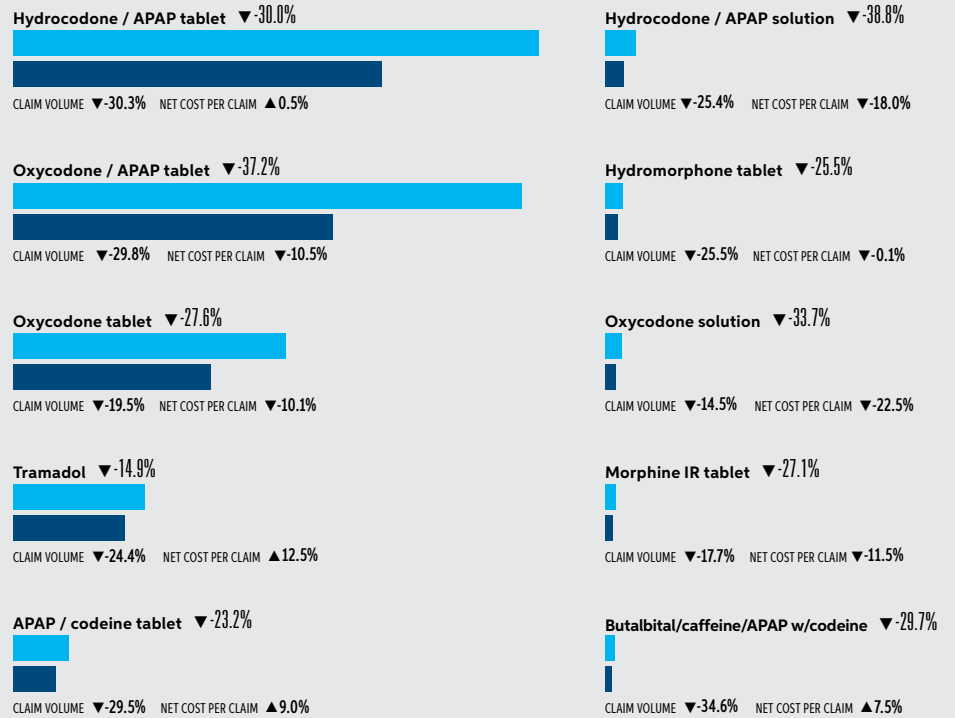
Considering the trend impact of the opioid-dependence treatments, it was no surprise that this class fell from the No. 9 to the No. 14 net spend class. This was driven primarily by a 28% reduction in overall class utilization.

Combination oxycodone-acetaminophen came in as the No. 15 negative trend contributor; most of the trend impact was a result of its 30% decrease in utilization. Other notable negative trend contributors included hydrocodone-acetaminophen and oxycodone.

FIGURE 14

Spend and Utilization Trends

2017 total net spend (light blue) 2018 total net spend (dark blue)



CLINICAL STRATEGY

States will continue to enact criteria in efforts to severely clamp down on opioid abuse. • Utilization drops will continue to be the primary trend contributors, as opposed to changes in net spend.

Glucocorticoids, Inhaled

Net Dollar Impact \$-0.10

CLASS TREND PROFILE

-\$12.4m
Net Spend Trend

-53.4%
Total Net Spend Trend

-6.1%
Claim Volume Trend

-50.5%
Net Cost Per Claim Trend

There were no clear trend drivers in this class. Its appearance in the bottom of the class trend contributors was largely due to low net costs on many legacy products that continued to reduce net spend substantially. By comparison, the gross spend rank for this class was No. 8.

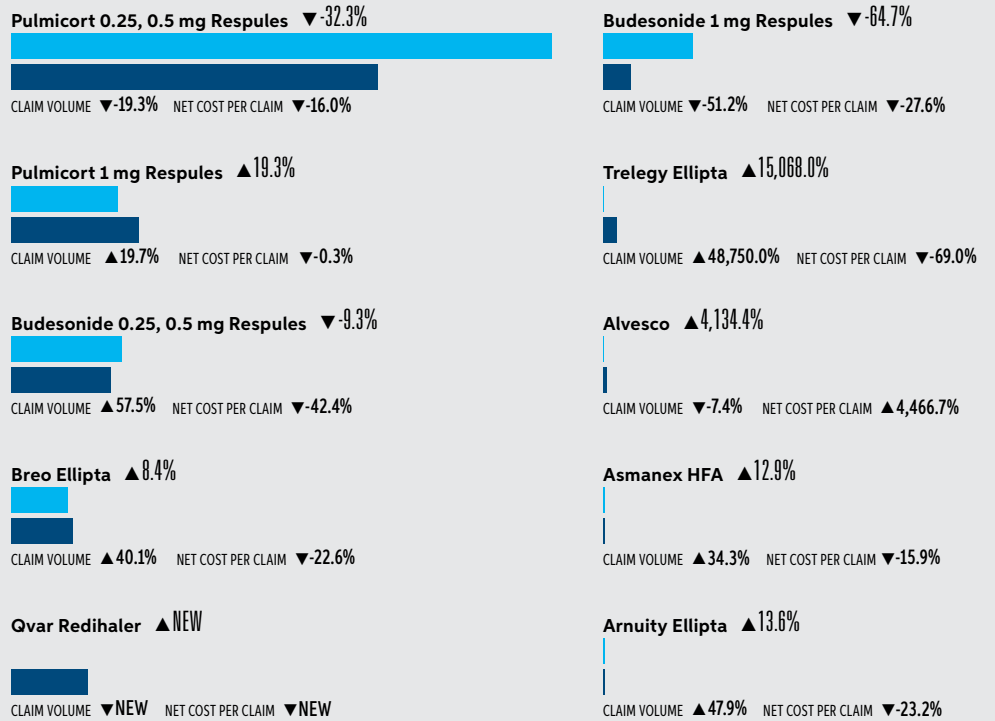
Products in this class were all nearing patent loss-of-exclusivity time frames, leading to low net spend in this class. This was good for state budgets in the short term, but many Medicaid pharmacy programs struggle with the drug class maturation process. From a net price perspective, longevity of drugs in this class have led to best-price discounts and high CPI penalties. Some of these discounts caused products to hit the maximum Medicaid discount of 100% of AMP. However, timing PDL decisions with pricing changes has proven difficult due to unknowns regarding pricing factors. Medicaid programs cannot tell when best-price discounts will expire or when generic labelers will take price decreases.

Federal rebates were expected to decline following the loss of patent exclusivity, but these changes are not reported in real time, as CMS's quarterly files can cause a six-week delay in reporting of federal rebate rates. Advair Diskus loss of exclusivity occurred in early 2019, kicking off what will be a tentative dance in maintaining the low net spend for this class.

FIGURE 15

Spend and Utilization Trends

■ 2017 total net spend ■ 2018 total net spend



BRAND STRATEGY

As authorized and other generics enter this class, states will need to closely monitor net spend per prescription to most-cost-effectively shift preferred status between brand and generics. • Brand utilization is expected to continue to dominate, with the possible exception of Pulmicort Respules, which may transition to generic equivalents.



Epinephrine, Self-Injected

Net Dollar Impact \$-0.10

CLASS TREND PROFILE

-\$10.1m
Net Spend Trend

-101.2%
Total Net Spend Trend

-18.1%
Claim Volume Trend

-101.5%
Net Cost Per Claim Trend

Utilization across this class was down 18%. This was likely due to shortages of various products, but the negative class trend contribution was almost entirely from changes in net costs. The presence of an authorized generic and its favorable rebate calculations relative to those for its brand lowered the net spend for the class and dropped its net spend class rank from No. 91 to No. 420. It was the No. 49 class for gross spend. Net spend for this class is expected to remain low for the foreseeable future.

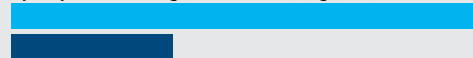
Issues with manufacturing delays throughout 2018 and into 2019 caused availability concerns with epinephrine auto-injectors, as well as limited negative financial impacts associated with direct drug expenses. Most states transitioned to the authorized generic for EpiPen and EpiPen Jr. on their PDLs, as it was the lowest net cost product. Later in 2018, intermittent supply constraints caused Mylan to be unable to produce sufficient volume of the authorized generics. Impax also experienced product shortages during this time. In an effort to relieve availability pressures caused by the shortage, the FDA announced extended expiration dates for certain product lots. Beyond these options, states were forced to authorize dispensing more expensive products. Overall, this practice did not significantly affect net spend in the class in 2018, but the shortages have continued into 2019 and could potentially have a trend impact, depending on severity.

FIGURE 16

Spend and Utilization Trends

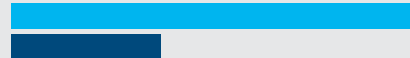
■ 2017 total net spend ■ 2018 total net spend

Epinephrine 0.3 mg (Adrenalick) (ag) (IM) ▼-66.1%



CLAIM VOLUME ▼-65.2% NET COST PER CLAIM ▼-2.4%

EpiPen (IM) ▼-63.9%



CLAIM VOLUME ▼-61.7% NET COST PER CLAIM ▼-5.8%

EpiPen JR (IM) ▼-65.1%



CLAIM VOLUME ▼-57.9% NET COST PER CLAIM ▼-17.2%

Epinephrine 0.15 mg (Adrenalick) (ag) (IM) ▼-75.0%



CLAIM VOLUME ▼-72.4% NET COST PER CLAIM ▼-9.3%

Epinephrine 0.3 mg auto-injector (IM) ▲NEW



CLAIM VOLUME ▼NEW NET COST PER CLAIM ▼NEW

Auvi-Q 0.3 mg (IM) ▲128.9%



CLAIM VOLUME ▼-50.0% NET COST PER CLAIM ▲357.7%

Auvi-Q 0.15 mg (IM) ▲1,583.5%



CLAIM VOLUME ▲100.0% NET COST PER CLAIM ▲741.8%

Adrenalick 0.3 mg (IM) ▲180.2%



CLAIM VOLUME ▲150.0% NET COST PER CLAIM ▲12.1%

Adrenalick 0.15 mg (IM) ▼-37.3%



CLAIM VOLUME ▼-50.0% NET COST PER CLAIM ▲25.4%



BRAND STRATEGY

Product shortages are the main challenge in this class. Shortages could increase net spend if products other than the EpiPen authorized generics get dispensed.

Anticoagulants

Net Dollar Impact \$-0.09

CLASS TREND PROFILE

-\$12m

Net Spend Trend

-43%

Total Net Spend Trend

-0.9%

Claim Volume Trend

-42.5%

Net Cost Per Claim Trend

As with Glucocorticoids, inhaled, there were no clear trend drivers in this class. Aggressive discounting on novel oral anticoagulants reduced the trend impact of the class, despite the increasing acceptance of these oral brands over warfarin.

FIGURE 17

Spend and Utilization Trends

■ 2017 total net spend ■ 2018 total net spend

Eliquis (oral) ▼-1.6%



CLAIM VOLUME ▲50.0% NET COST PER CLAIM ▼-34.4%

Enoxaparin syringe (AG) (SQ) ▼-50.5%



CLAIM VOLUME ▲5.1% NET COST PER CLAIM ▼-52.9%

Enoxaparin syringe (SQ) ▼-19.3%



CLAIM VOLUME ▲1.2% NET COST PER CLAIM ▼-20.2%

Enoxaparin sodium vial (AG) (SQ) ▼-13.0%



CLAIM VOLUME ▲7.2% NET COST PER CLAIM ▼-18.8%

Warfarin (oral) ▼-8.3%



CLAIM VOLUME ▼-16.9% NET COST PER CLAIM ▲10.3%

Lovenox vial (SQ) ▼-29.3%



CLAIM VOLUME ▼-2.2% NET COST PER CLAIM ▼-27.8%

Lovenox syringe (SQ) ▼-48.0%



CLAIM VOLUME ▼-67.1% NET COST PER CLAIM ▲58.2%

Fragmin syringe (SQ) ▲9.7%



CLAIM VOLUME ▲1.0% NET COST PER CLAIM ▲8.6%

Fondaparinux (SQ) ▼-26.0%



CLAIM VOLUME ▼-25.5% NET COST PER CLAIM ▼-0.7%

Savaysa (oral) ▲12.9%



CLAIM VOLUME ▲4.7% NET COST PER CLAIM ▲7.9%



MARKET STRATEGY

Despite the growing use of brand products in this class, net spend per prescription was extremely low and keeping trend impact negative. • With many years of patent life remaining, anticoagulants will continue to see no net spend-related increases.



Analgesics, Narcotic Long

Net Dollar Impact \$-0.08

CLASS TREND PROFILE

-\$10.3m
Net Spend Trend

-36%
Total Net Spend Trend

-27.1%
Claim Volume Trend

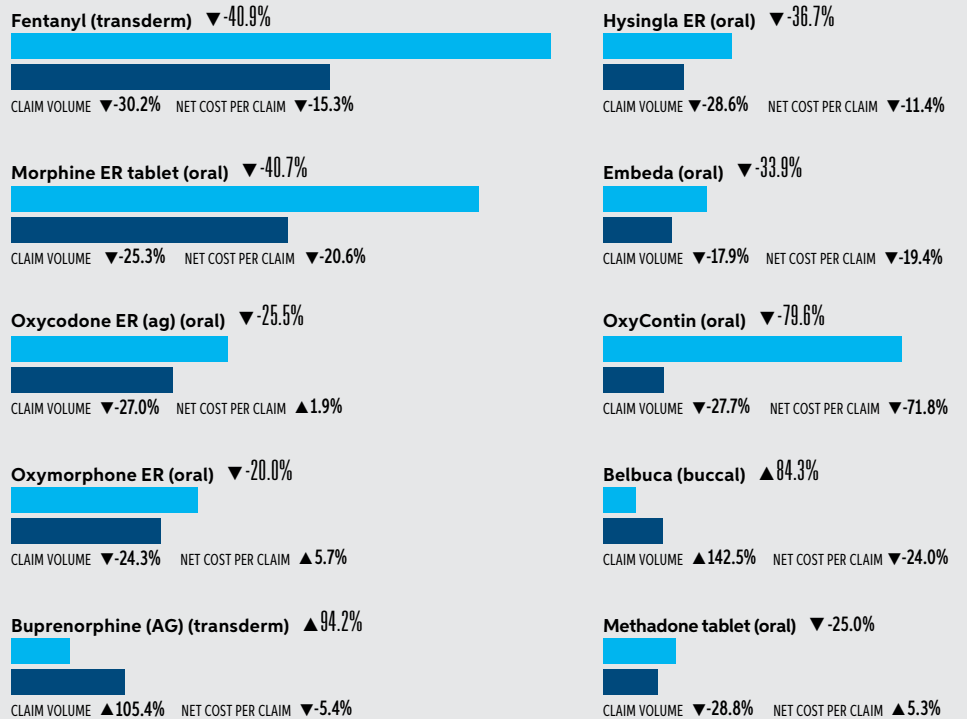
-12.3%
Net Cost Per Claim Trend

Long-acting narcotic analgesics saw a 27% decline in utilization, comparable to that of the short-acting formulations. Notably, utilization for methadone, another aid in combating addiction, decreased by the same percentage.

FIGURE 18

Spend and Utilization Trends

■ 2017 total net spend ■ 2018 total net spend



CLINICAL STRATEGY

States will continue to enact criteria in efforts to clamp down on opioid abuse. Resulting utilization drops, as opposed to changes in net spend, will continue to be the primary trend drivers. • Despite the presence of several products approved as abuse-deterrent formulations by the FDA, a lack of data demonstrating decisive outcomes in clinical practice that can be attributed to these features will minimize their impact in decreasing net spend.

Hypoglycemics, Insulin and Related Agents

Net Dollar Impact \$-0.08

CLASS TREND PROFILE

-\$8.3m

Net Spend Trend

-98.9%

Total Net Spend Trend

-2.3%

Claim Volume Trend

-103.5%

Net Cost Per Claim Trend

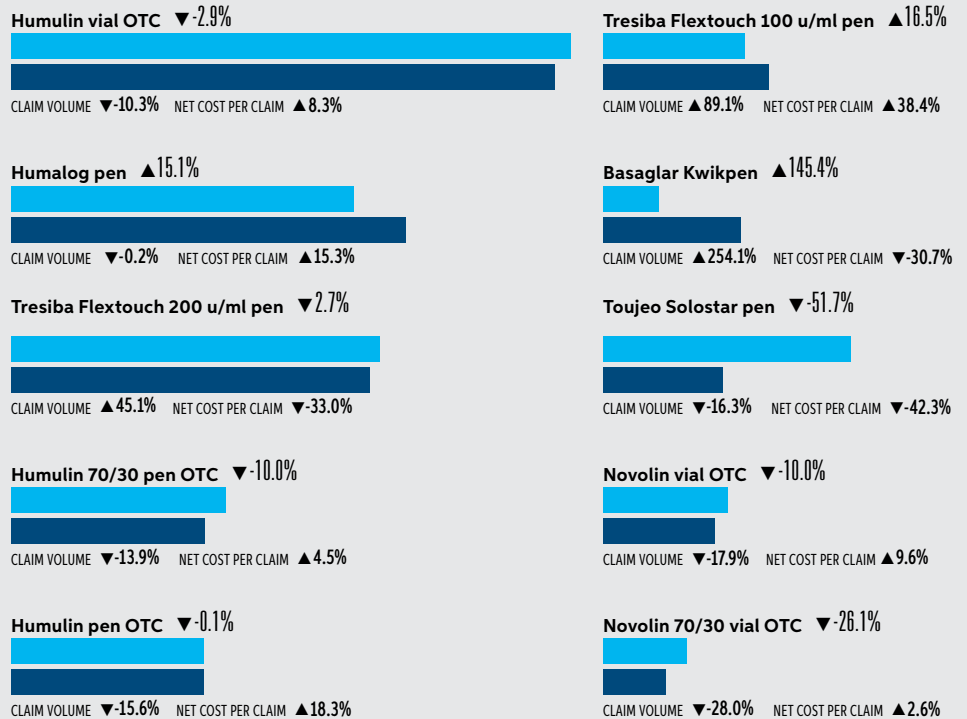
Once again, this class ranked last among all pharmaceuticals in net spend, a shocking discovery considering the net spend impact publicized in commercial coverage. The class qualified as the No. 5 gross spend class in Medicaid, as it did in 2017. An already low net spend became even lower, offset only by increased utilization of newer brands such as Basaglar and Tresiba.

Positive clinical trends revealed themselves as well, such as the decline of insulin R use in any formulation and decreased use of vials compared to pens.

FIGURE 19

Spend and Utilization Trends

■ 2017 total net spend ■ 2018 total net spend



BRAND STRATEGY

The introduction of Humalog's authorized generics, biologic equivalents, or any other derivatives are unlikely to be helpful toward Medicaid net spend. • High rebate amounts on reference brands will continue to contribute a low net spend for the class.



Opiate Dependence Treatments

Net Dollar Impact \$0.20



CLASS TREND PROFILE

\$17.9m

Net Spend Trend

18.5%

Total Net Spend Trend

24.6%

Claim Volume Trend

-4.9%

Net Cost Per Claim Trend

With the increasing attention to the treatment of opioids, this class experienced higher utilization and net spend in 2018. It remained the No. 8 net spend class; however, the average net cost per prescription decreased 4.9% due to competition among similar products.

- > Suboxone Film became the No. 8 net spend product, up from No. 13 in 2017
- > Injectable products in this class will be ones to watch. In 2018, Vivitrol net spend was up from No. 53 to No. 33 based largely on increased utilization. Newer injectables such as Sublocade will likely see more use as providers become more familiar with it. Other abuse deterrents are in the pipeline.



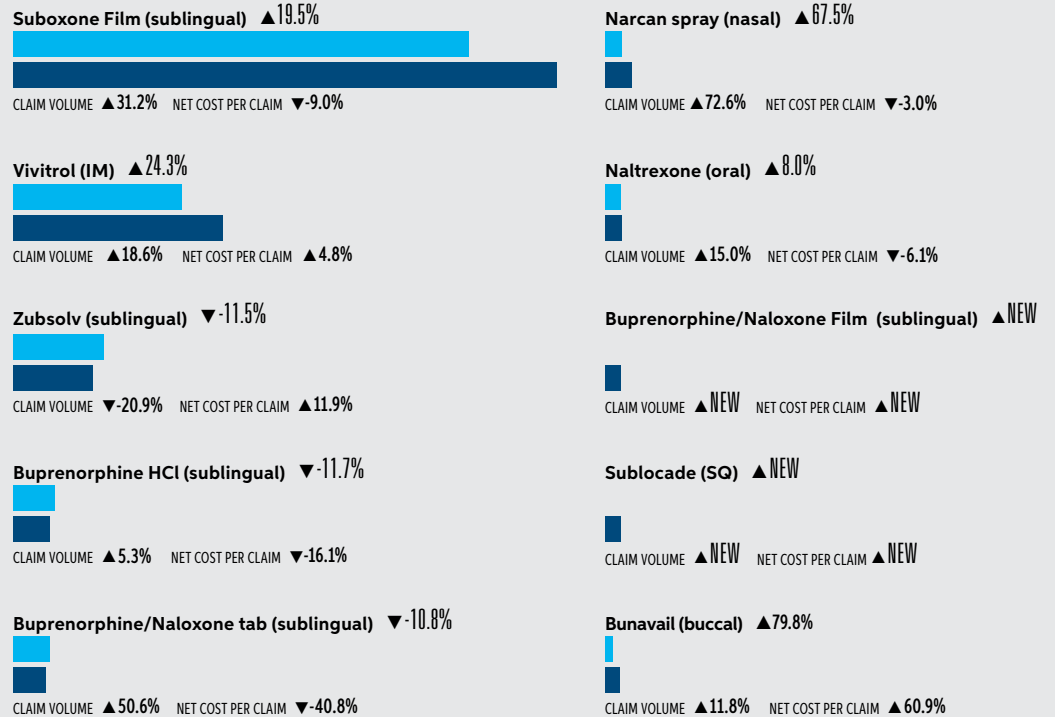
MARKET STRATEGY

As utilization increases, if proven cost-effective, states should continue to explore opportunities to expand preferred status to a variety of formulations in order to combat the opioid epidemic.

FIGURE 20

Spend and Utilization Trends

2017 total net spend 2018 total net spend



BRAND STRATEGY

Additional injectable options are not expected before 2020.



Specialty Categories Driving Trend

Hepatitis C Agents

Net Dollar Impact \$-0.70

CLASS TREND PROFILE

-\$85.5m
Net Spend Trend

-37.5%
Total Net Spend Trend

-17%
Claim Volume Trend

-24.7%
Net Cost Per Claim Trend

Utilization in the hepatitis C class has not necessarily peaked in Medicaid due to longtime criteria involving disease severity. However, net spend in hepatitis C decreased 37% in 2018; utilization fell 17%. The introduction of Mavyret resulted in high utilization of a product with a much lower wholesale acquisition cost (WAC) than the first oral products in this class.

- Mavyret utilization increased tenfold in 2018 to become the No. 1 positive trend contributor and No. 3 net spend product.
- The utilization of the Viekira product line and Zepatier dropped considerably, out of the top 300 net spend products. Zepatier was the No. 8 negative spend driver; Viekira XR was No. 16. However, this reduction was dwarfed by those for Harvoni and Epclusa net spend, the No. 1 and No. 2 negative net spend contributors, respectively. Their net spend ranks dropped from No. 5 and No. 6 to No. 38 and No. 36, respectively. Epclusa utilization held steady from 2017 to 2018, but net spend fell due to market competition.
- In 2018, more than 90% of utilization in this class was for Epclusa, Harvoni, and Mavyret, as their predecessors became functionally obsolete.

FIGURE 21

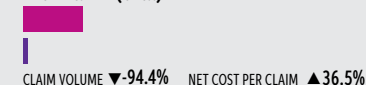
Spend and Utilization Trends

■ 2017 total net spend ■ 2018 total net spend

Mavyret (oral) ▲856.0%



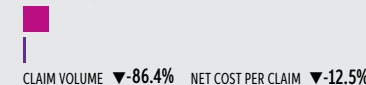
Viekira XR (oral) ▼-92.4%



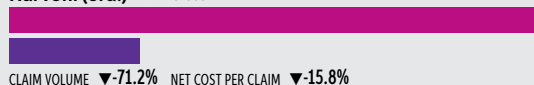
Epclusa (oral) ▼-71.9%



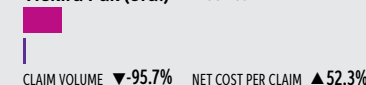
Sovaldi (oral) ▼-88.1%



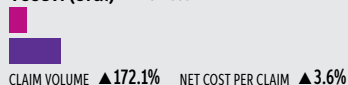
Harvoni (oral) ▼-75.8%



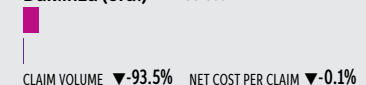
Viekira Pak (oral) ▼-93.4%



Vosevi (oral) ▲182.0%



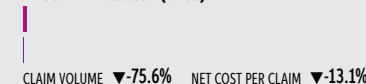
Daklinza (oral) ▼-93.5%



Zepatier (oral) ▼-85.3%



Ribavirin tablet (oral) ▼-78.8%



MARKET STRATEGY

States will continue to remove restrictions to treatment due to continued drops in net spend per prescription.



BRAND STRATEGY

Authorized generics for Epclusa and Harvoni will take over the market shares for their respective brands.



CLINICAL STRATEGY

Net spend per prescription will continue to fall, but class net spend may increase as states increase outreach efforts to identify undiagnosed or untreated patients.



HIV/AIDS

Net Dollar Impact \$0.46

CLASS TREND PROFILE

\$21.5m
Net Spend Trend

3.6%
Total Net Spend Trend

-9%
Claim Volume Trend

13.9%
Net Cost Per Claim Trend

HIV/AIDS had the greatest impact on overall specialty trend for the third straight year, representing six of the top 17 net spend products. The magnitude of this class' impact was more than 50% greater than that of the next highest class, cystic fibrosis, oral, despite a lower prescription volume in 2018 compared to 2017.

- > Genvoya had the greatest impact, with a 9% increase in net spend. New entrant Biktarvy, which entered the market in 2018 at No. 13, also impacted net spend.
- > Trend was driven by the transition from older products (Atripla, Stribild, Truvada) to newer products (Descovy, Genvoya, Odefsey), all of which were top 20 trend contributors. The older products were negative trend drivers and the newer products positive.



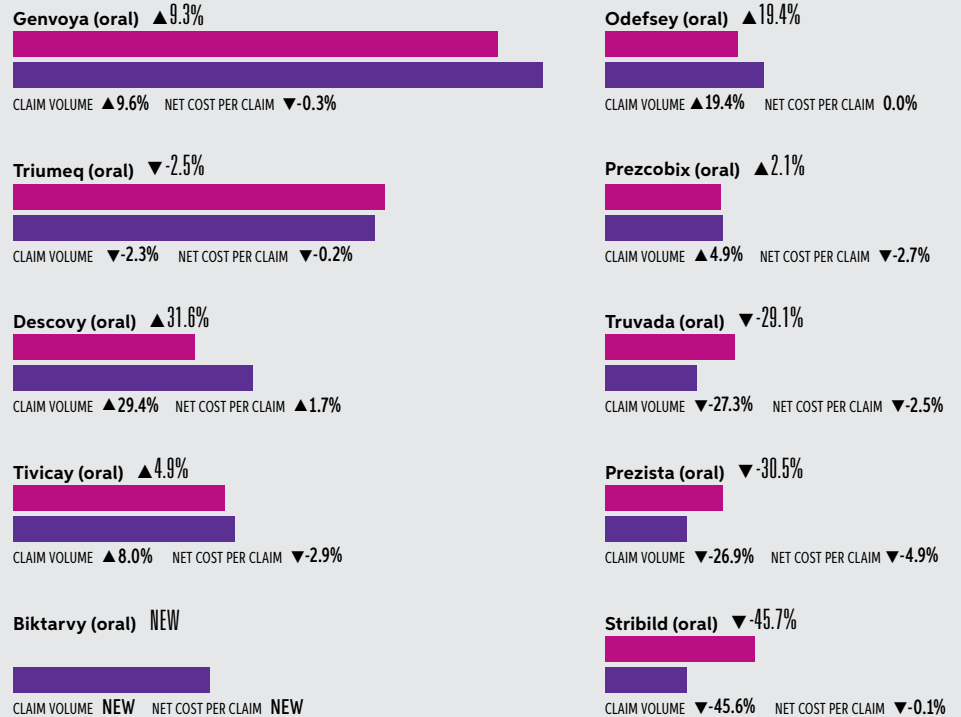
MARKET STRATEGY

States could experience additional net spend increases if any of these products join Truvada with an indication for pre-exposure prophylaxis (PrEP).

FIGURE 22

Spend and Utilization Trends

■ 2017 total net spend ■ 2018 total net spend



BRAND STRATEGY

Class net spend will continue to increase as existing drugs are launched and promoted in new combinations, drawing utilization away from lower net spend combinations with comparable clinical success rates.

Cystic Fibrosis, Oral

Net Dollar Impact \$0.29



CLASS TREND PROFILE

\$26.3m

Net Spend Trend

21.1%

Total Net Spend Trend

20.3%

Claim Volume Trend

0.8%

Net Cost Per Claim Trend

The cystic fibrosis class experienced higher utilization in 2018, partially due to growth in patient volume. It surpassed hepatitis C to become the No. 6 class by net spend, up from No. 7 in 2017.

- > Symdeko, the newest product to the market, made its debut at No. 23 and ranked as the third-highest positive net spend contributor.
- > Orkambi prescription volume decreased 15.6% in 2018, but its net spend rank fell only one spot from No. 4 to No. 5 and it was the 11th-highest negative contributor to trend.

FIGURE 23

Spend and Utilization Trends

■ 2017 total net spend ■ 2018 total net spend

Orkambi tablet (oral) ▼-15.9%



CLAIM VOLUME ▼-15.6% NET COST PER CLAIM ▼-0.3%

Kalydeco packet (oral) ▲47.9%



CLAIM VOLUME ▲46.1% NET COST PER CLAIM ▲1.4%

Symdeko (oral) NEW



CLAIM VOLUME NEW NET COST PER CLAIM NEW

Orkambi packet (oral) NEW



CLAIM VOLUME NEW NET COST PER CLAIM NEW

Kalydeco tablet (oral) ▲18.6%



CLAIM VOLUME ▲23.6% NET COST PER CLAIM ▼-4.1%



MARKET STRATEGY

States will continue to struggle with net spend and face difficult cases regarding appropriate use.



BRAND STRATEGY

Competitive products in this class are not expected on the market for multiple years. The next available product will likely also come from Vertex and introduce triple therapy.



Spinal Muscular Atrophy

Net Dollar Impact \$0.24



CLASS TREND PROFILE

\$25.3m

Net Spend Trend

71.3%

Total Net Spend Trend

87.9%

Claim Volume Trend

-8.9%

Net Cost Per Claim Trend

Spinal muscular atrophy claims rose in 2018 as provider experience with and exposure to Spinraza grew. This is a potential indication of what is to come in this class, as additional products with higher price tags are in the pipeline. These new treatment options are expected to drive net costs higher in this class.

In just more than a year on the market, Spinraza became the No. 10 net spend product and the No. 4 positive trend contributor. Even as a one-drug class, net spend went from ranking No. 26 in 2017 to No. 16 in 2018.

FIGURE 24

Spend and Utilization Trends

2017 total net spend 2018 total net spend

Spinraza (intrathecal) ▲71.3%



CLAIM VOLUME ▲87.9% NET COST PER CLAIM ▼-8.9%



CLINICAL STRATEGY

As new products enter this class, states will determine the cost-effectiveness of attacking treatment at different points in disease progression.

Progressive Neurodegenerative Diseases

Net Dollar Impact \$0.18

CLASS TREND PROFILE

\$19.9m
Net Spend Trend

344.3%
Total Net Spend Trend

37.7%
Claim Volume Trend

222.6%
Net Cost Per Claim Trend

In 2018, progressive neurodegenerative treatments saw an enormous increase in both net spend and cost-per-claim trend of 344.3% and 222.6%, respectively. Exondys 51 was the main driver of this trend, with growth in Medicaid utilization of more than 200%.

- Increased use of Exondys 51 boosted the class rank from No. 123 to No. 41.
- Golodirsen, a pipeline product from Sarepta, had a PDUFA date scheduled for August 2019. This drug targets exon 53 (as opposed to Exondys 51, which targets exon 51) in treating Duchenne’s muscular dystrophy.

FIGURE 25

Spend and Utilization Trends

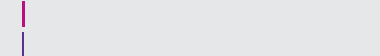
■ 2017 total net spend ■ 2018 total net spend

Exondys 51 ▲353.9%



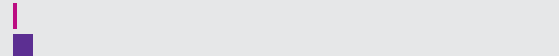
CLAIM VOLUME ▲228.7% NET COST PER CLAIM ▲38.1%

Riluzole ▼-24.2%



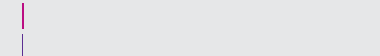
CLAIM VOLUME ▼-5.1% NET COST PER CLAIM ▼-20.0%

Radicava ▲443.8%



CLAIM VOLUME ▲464.7% NET COST PER CLAIM ▼-3.7%

Rilutek ▼-54.9%



CLAIM VOLUME ▼-65.7% NET COST PER CLAIM ▲31.5%



MARKET STRATEGY

States will continue to struggle with net spend and face difficult cases regarding appropriate use.



Movement Disorders

Net Dollar Impact \$0.15

CLASS TREND PROFILE

\$16.8m
Net Spend Trend

173%
Total Net Spend Trend

170.9%
Claim Volume Trend

0.8%
Net Cost Per Claim Trend

The movement disorder class, consisting primarily of Huntington's chorea and tardive dyskinesia, experienced an almost threefold increase in net spend due to a 170.9% increase in utilization of Austedo and Ingrezza.

Ingrezza had the greatest impact on trend, becoming the No. 9 positive trend contributor and the No. 54 net spend product (up from No. 340).

FIGURE 26

Spend and Utilization Trends

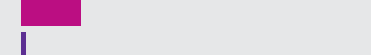
■ 2017 total net spend ■ 2018 total net spend

Ingrezza ▲443.0%



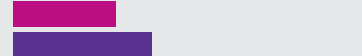
CLAIM VOLUME ▲658.3% NET COST PER CLAIM ▼-28.4%

Tetrabenazine ▼-26.4%



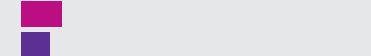
CLAIM VOLUME ▲11.8% NET COST PER CLAIM ▼-34.2%

Austedo ▲1,108.4%



CLAIM VOLUME ▲826.8% NET COST PER CLAIM ▲30.4%

Xenazine ▼-28.9%



CLAIM VOLUME ▼-43.1% NET COST PER CLAIM ▲24.8%



MARKET STRATEGY

More aggressive states may consider use of generics before progressing to branded products in this class. • Net costs per claim are expected to decrease somewhat in 2019, but utilization increases will continue to drive net spend higher.

Immunomodulators, Atopic Dermatitis

Net Dollar Impact \$0.10

CLASS TREND PROFILE

\$11.1m
Net Spend Trend

314.8%
Total Net Spend Trend

74.2%
Claim Volume Trend

138.1%
Net Cost Per Claim Trend

Increased utilization for immunomodulators for atopic dermatitis was driven by two products with rapidly growing utilization: Eucrisa and Dupixent, with 490.9% and 405.6% increases in claim volume, respectively. Separately, these two drugs were not top-20 positive trend drivers, but together they would be ranked No. 13.

Eucrisa's appeal was entirely within the atopic dermatitis disease state, but Dupixent utilization was more difficult to categorize due to its higher number of indications.

FIGURE 27

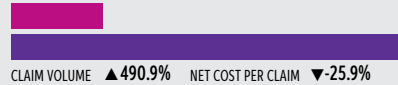
Spend and Utilization Trends

■ 2017 total net spend ■ 2018 total net spend

Dupixent (SQ) ▲399.4%



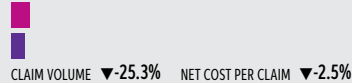
Eucrisa (topical) ▲337.4%



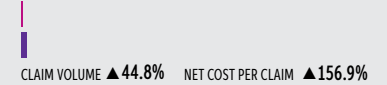
Tacrolimus (topical) ▼-31.3%



Tacrolimus (AG) (topical) ▼-27.2%



Protopic (topical) ▲272.2%



Pimecrolimus (AG) (topical) NEW



Elidel (topical) ▲19.5%



BRAND STRATEGY

Dupixent will be a product to continue to monitor as its indications expand. Another Prescription Drug User Fee Act (PDUFA) date for Dupixent occurred in June 2019.



Cytokine and Cell Adhesion Molecule (CAM) Antagonists

Net Dollar Impact \$0.09

CLASS TREND PROFILE

\$6.9m

Net Spend Trend

10%

Total Net Spend Trend

7.7%

Claim Volume Trend

2.2%

Net Cost Per Claim Trend

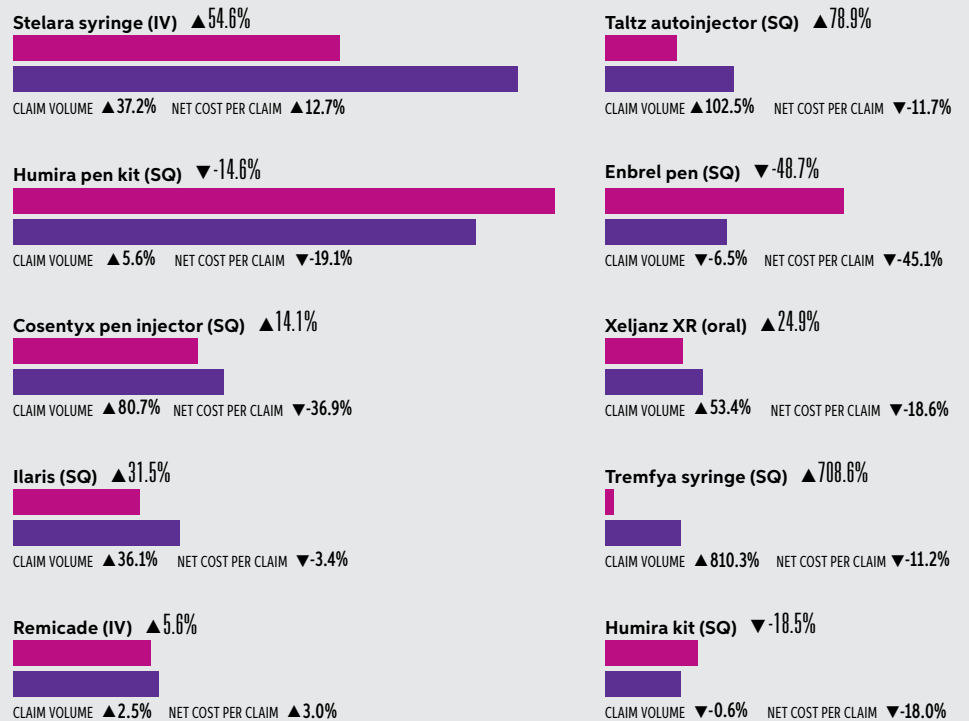
In 2018, cytokine and CAM antagonists increased in net spend ranking to No. 9, up from No. 12, on the strength of increased volume. This resulted in a 10% increase in net spend, but not on a per-prescription basis. In general, products launched in the last three years experienced modest increases in utilization, but none were top contributors to positive trend.

- Most notably, use of Stelara increased approximately 50%. This was not significant among all products but illustrates the sometimes challenging management of products that can be dispensed through medical pharmacy. Stelara is typically a nonpreferred product, but states must be diligent about controlling all utilization pathways.
- As a continued testimony to the power of supplemental rebate contracting, Enbrel and Humira utilization was flat in 2018, while the net spend per prescription declined.
- Due to the revised line-extension calculation implemented in 2018, Xeljanz XR net spend will increase dramatically in 2019.

FIGURE 28

Spend and Utilization Trends

■ 2017 total net spend ■ 2018 total net spend



CLINICAL STRATEGY

Despite aggressive net spend management via supplemental rebate discounting, clinical interest in products that affect inflammation pathways outside of the tumor necrosis factor (TNF) family will likely lead to expanded preferred status.

Pulmonary Arterial Hypertension (PAH) Agents, Oral/Inhaled

Net Dollar Impact \$0.09

CLASS TREND PROFILE

\$8.1m
Net Spend Trend

20.7%
Total Net Spend Trend

0.06%
Claim Volume Trend

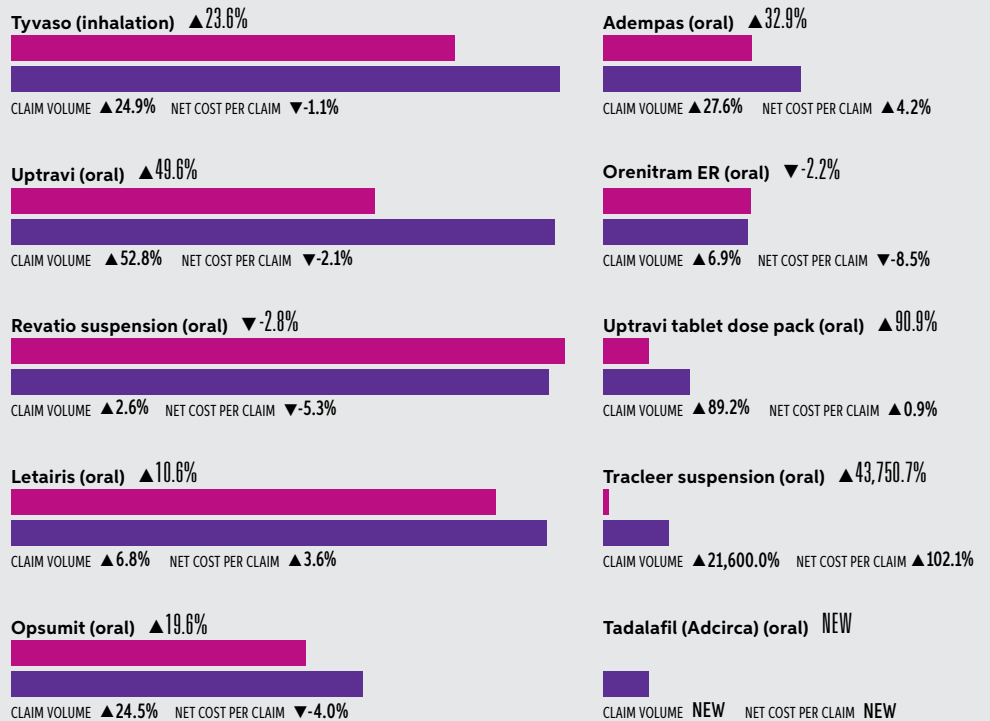
20.7%
Net Cost Per Claim Trend

Oral or inhaled PAH agents had no clear impact drivers, moreso a general increase in utilization in products with higher net costs than standards of care.

FIGURE 29

Spend and Utilization Trends

■ 2017 total net spend ■ 2018 total net spend



CLINICAL STRATEGY

Recent treatment guidelines continue to advise providers to use endothelin receptor antagonists as a first option in most cases. However, newer brands experienced modest increases in utilization that contributed to the class standing in trend impact.



Oncology, Oral — Breast

Net Dollar Impact \$0.07

CLASS TREND PROFILE

\$5.5m

Net Spend Trend

9.8%

Total Net Spend Trend

-12%

Claim Volume Trend

24.8%

Net Cost Per Claim Trend

HR-positive, HER2-negative treatment option Ibrance had the most significant impact on the trend for oral breast cancer treatments but did not register among other high impacts to trend. Utilization was flat, as was net spend, although the drug ranking moved from No. 16 to No. 15.

- > Competitors to Ibrance such as Kisqali and Verzenio all experienced modest increases in utilization and net spend.
- > Countering this effect was the decline in utilization of virtually all generics, illustrating a clear shift in prescribing patterns.



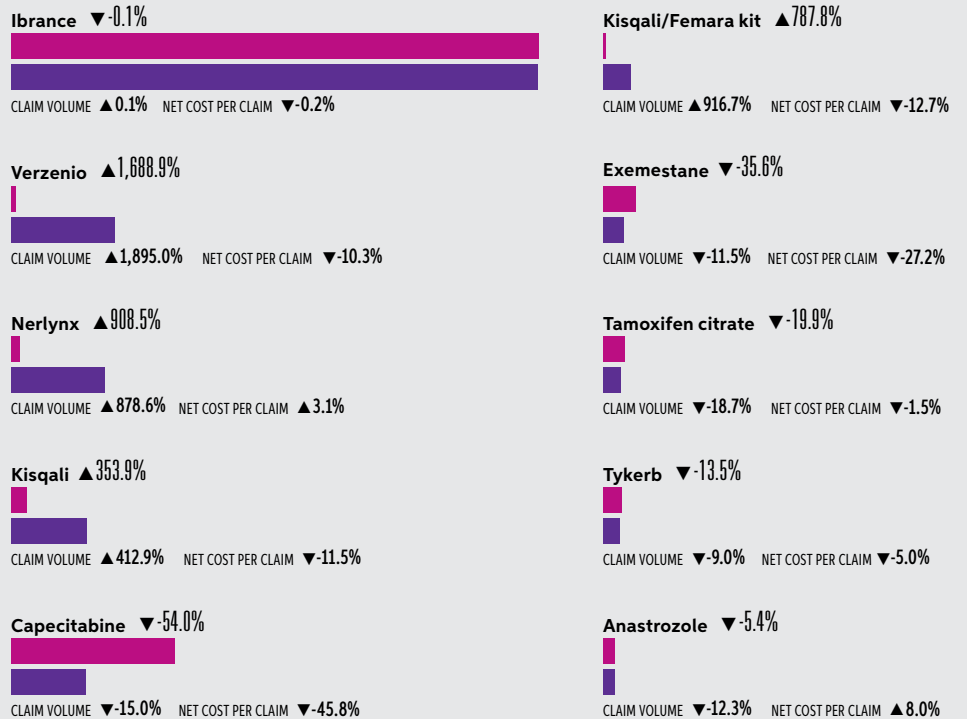
MARKET STRATEGY

Oncology exclusion from PDL management in many states does not stimulate net spend relief from the competitive products among these brands. States will want to revisit these policies.

FIGURE 30

Spend and Utilization Trends

2017 total net spend 2018 total net spend



BRAND STRATEGY

Utilization shifts will continue to trend toward newer brands in this class, which will continue to drive trend upward.

Hemophilia Treatment

Net Dollar Impact \$-0.07

CLASS TREND PROFILE

-\$29.7m
Net Spend Trend

-7.1%
Total Net Spend Trend

-5.1%
Claim Volume Trend

-2.2%
Net Cost Per Claim Trend

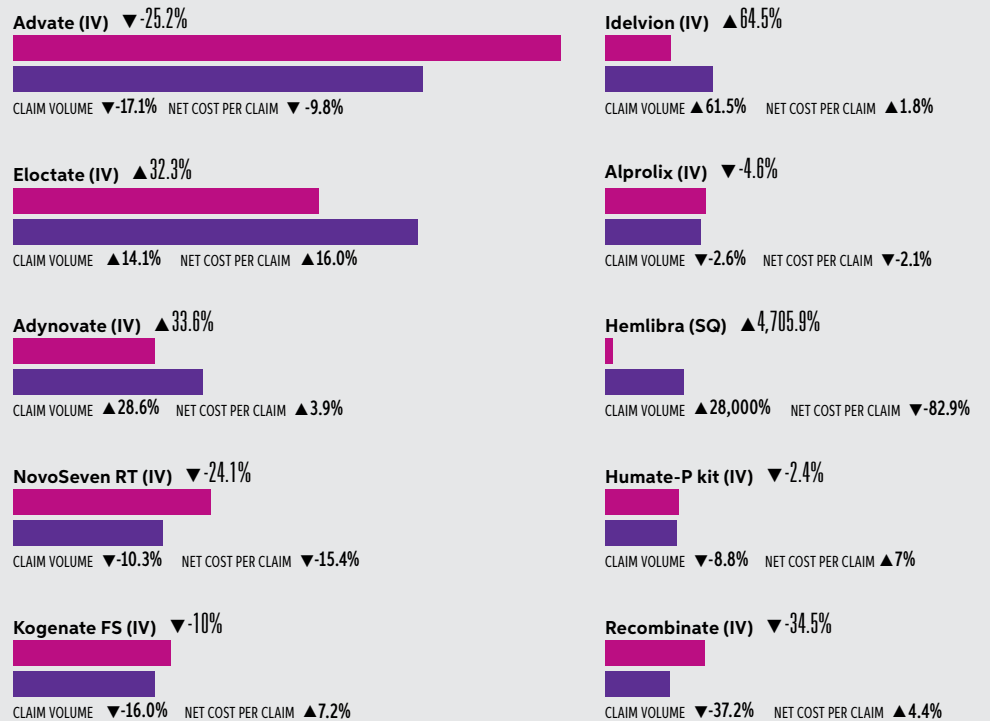
There were clear clinical drivers behind the major trend contributors in this No. 3 net spend class. The positive trend contributors were Eloctate (No. 5), Hemlibra (No. 10), and Adynovate (No. 15), which are products administered by a noninjectable route (Hemlibra) or with less frequency than legacy products (Eloctate, Adynovate). The negative trend contributors were Advate (No. 6), Alphanate (No. 10), and Helixate FS (No. 13), examples of the aforementioned legacy products with higher administration frequencies. This was not reflected in the overall prescription count for the class (a 5% reduction), but utilization of Factor VIII products with the highest market share did fall 27%.

Advate was the No. 6 net spend product, despite the decreased utilization, but was down from No. 2 in 2017.

FIGURE 31

Spend and Utilization Trends

■ 2017 total net spend ■ 2018 total net spend



CLINICAL STRATEGY

Patient variability makes this class particularly difficult to project. This applies to utilization patterns and net spend, which are dependent on treatment courses and the number of units dispensed. However, the trend outlined above regarding use of products with less frequent administration may continue as anecdotal experiences drive prescribing patterns.



Notable Developments in Medicaid

States Are Pursuing Innovative Approaches to Managing the Medicaid Prescription Drug Benefit

In the three decades since it was established, the Medicaid Drug Rebate Program (MDRP) has evolved to meet the emerging needs and innovative strategies of the states, taxpayers, and enrollees it serves. Since 2001, 46 states and the District of Columbia have received Centers for Medicare & Medicaid Services (CMS) approval for state plan amendments to enter into supplemental rebate agreements (SRAs) with manufacturers to generate additional cost savings for their programs. Even so, state policymakers remain concerned about Medicaid pharmacy spending and are advancing new, innovative approaches to ensure enrollee access to needed prescription drugs while improving the quality and value of pharmacy care.

Following are areas of emerging Medicaid pharmacy purchasing innovations. States may adopt any combination of these approaches to structure a comprehensive supplemental-rebate program suited to the evolving needs of policymakers, enrollees, and taxpayers.

Innovation 1: Outcomes-Based Contracting

A critique of the contemporary SRA approach to addressing Medicaid pharmacy costs has been that it reinforces a “volume” rather than “value” approach to pharmacy care, disease impact, and overall health and wellness. Outcomes-based SRAs link net costs for pharmaceuticals with their intended results. This type of contracting model may discourage health care payers, including state Medicaid programs, from purchasing expensive drugs that may not be as successful outside of clinical trials, which creates a real-world opportunity for drug manufacturers to demonstrate a product’s value.

Pro tip: As states consider Medicaid outcomes-based contracting, it will be important to carefully evaluate the data collection and aggregation involved and, therefore, the more complex nature of these rebate agreements.

Innovation 2: Subscription Payment Model

The subscription-based payment model is currently utilized by Louisiana and Washington states to address management of the Hepatitis C virus. This model seeks not only to reduce the gross cost of prescription drugs for the treatment of Hepatitis C but also to expand access to treatment and screening, diagnosis, and treatment referral. Annual subscription price and participating drug manufacturers are determined through a formal procurement process led by the state. After the participating manufacturers and pricing are determined, the manufacturers provide unlimited access to the specified drug therapy negotiated throughout the agreed-upon time.

Under such an approach, states are incentivized to engage in a broad and far-reaching public health campaign to promote screening, diagnosis, and treatment referral for the identified condition(s). If states are successful, they may achieve a lower net cost as compared to the traditional SRA model.

Pro tip: As states consider subscription payment models, it will be important to carefully evaluate the additional public health campaign; case-management services; and data collection, aggregation, analysis, and reporting needed to ensure a state’s access and cost goals are achieved.



Pipeline and Forecasting

Notable agents that are further from approval have been identified in **figure 32**. Emerging therapeutics continue to grow and influence the clinical and financial landscape. A continued trend toward the approval of specialty medications, therapeutic options for complex diseases, and new treatment modalities using gene therapy are expected. Moreover, the development of products across a spectrum of disease states is expected.

Impactful trends for Medicaid from this figure and other analysis include:

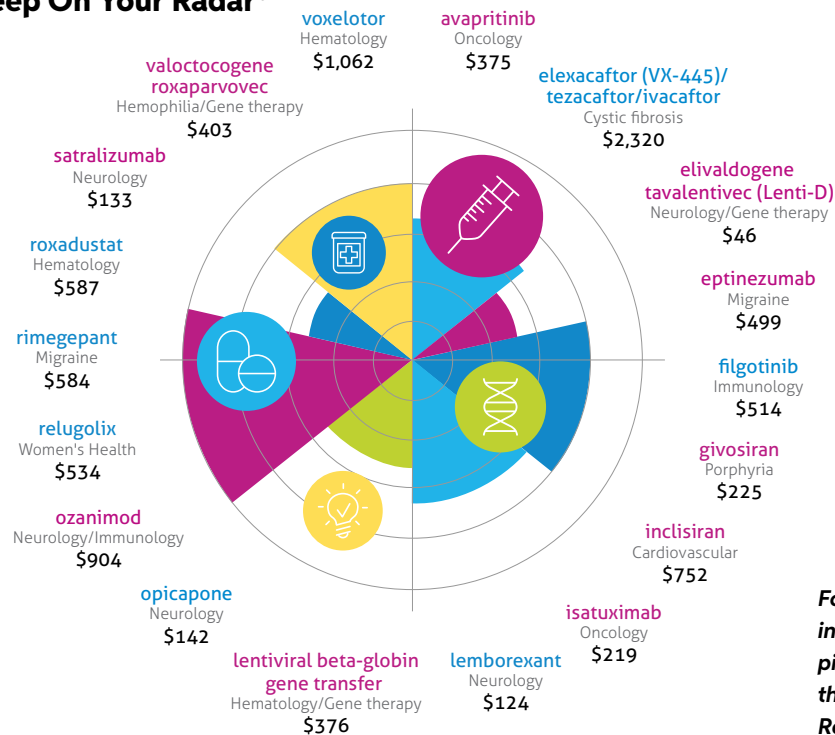
- Drugs for migraine, Parkinson's disease, and insomnia
- Next generation triplet for cystic fibrosis
- Oral and long-acting injectable for HIV-1 infection
- Oral option for HIV pre-exposure prophylaxis (PrEP)
- Oral and transdermal options for schizophrenia
- Treatment options for multiple sclerosis (MS), oncology, and autoimmune disorders
- Therapeutic options for women's health

Key Conditions Forecast

With a steady increase in the pipeline, many key conditions will see steady annual increases in trend over the next three years. Conditions with generic introductions or specialized management strategies will see decreases in trend such as pain conditions, hepatitis C, and MS (see **figure 33**).

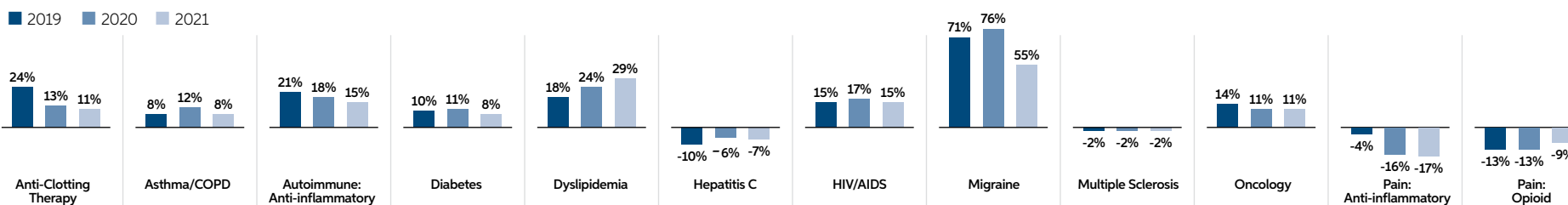
FIGURE 32

Keep On Your Radar³



For more detailed information on the pipeline, please see the latest MRx Pipeline Report on our website.⁴

FIGURE 33



3. This unique watch list displays products with the potential for significant clinical and financial impact. These pipeline products, their respective class or proposed indication, and an estimated financial forecast for the year 2023 are displayed. The financials are projected total annual U.S. sales, reported in millions.

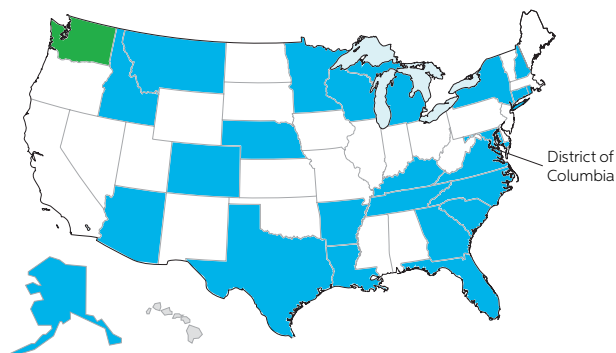
4. MRx Pipeline. https://www1.magellanrx.com/documents/2019/07/mrx-pipeline_q3_july-2019.pdf. accessed August 2019



Methodology and Glossary

The Magellan Rx Management Medicaid Pharmacy Trend Report™ focused exclusively on Medicaid FFS drug spend and does not include managed care utilization. It provides a comprehensive year-over-year analysis of Medicaid FFS pharmacy claims data on a cost-per-claim basis.

- The report trends are based on gross cost and net cost per claim bases and compared the 2017 calendar year data to the 2018 calendar year data.
- The data set used in this evaluation contains more than 119 million claims with a gross cost of \$12.9 billion and a net cost of \$5.4 billion.
- The data includes 25 Medicaid FFS clients across the country, from which two years of complete FFS data are available.
- Similar to commercial plans, neither traditional nor specialty drug trend are immune to manufacturer price actions at the gross cost level; however, the increase at the net cost level is somewhat mitigated by supplemental rebates (where applicable) and the



- MRx customer data used in analysis
- New MRx customers 2017-2018

CPI penalty component of the federal rebate.

- To achieve the highest level of accuracy for the Medicaid FFS space, this report again incorporates the CMS federal rebate data for both 2017 and 2018. Federal rebate data at the drug level is confidential and protected by federal law under the Social

Security Act 42 U.S.C. 1396r-8 (b)(3)(d). Therefore, this report does not disclose net cost pricing information on a per-drug basis.

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AG..... authorized generics
 AMP..... average manufacturer price
 APAP..... acetyl-para-aminophenol
 AWP..... average wholesale price
 CAM..... cell adhesion molecule
 CMS..... Centers for Medicare & Medicaid Services
 CPI-U..... Consumer Price Index-Urban
 ER/XR..... extended release
 FDA..... U.S. Food and Drug Administration
 FFS..... fee-for-service
 FMAP..... Federal Medicaid Assistance Percentage
 GDR..... Generic Dispensing Rates
 HHS..... U.S. Department of Health & Human Services
 IM..... intramuscular
 IV..... intravenous
 MAC..... maximum allowable cost

MACPAC..... Medicaid and CHIP Payment and Access Commission
 MDRP..... Medicaid Drug Rebate Program
 NCPC..... net cost per claim
 NDC..... National Drug Code
 PA..... prior authorization
 PDUFA..... Prescription Drug User Fee Act
 PDL..... preferred drug list
 PAH..... Pulmonary Arterial Hypertension
 PhRMA..... Pharmaceutical Research and Manufacturers of America
 PrEP..... pre-exposure prophylaxis
 QIDP..... qualified infectious disease product
 SQ..... subcutaneous
 SAR..... supplemental rebate agreements
 TNF..... tumor necrosis factor
 ROA..... Rebate Offset Amount
 WAC..... wholesale acquisition cost

