

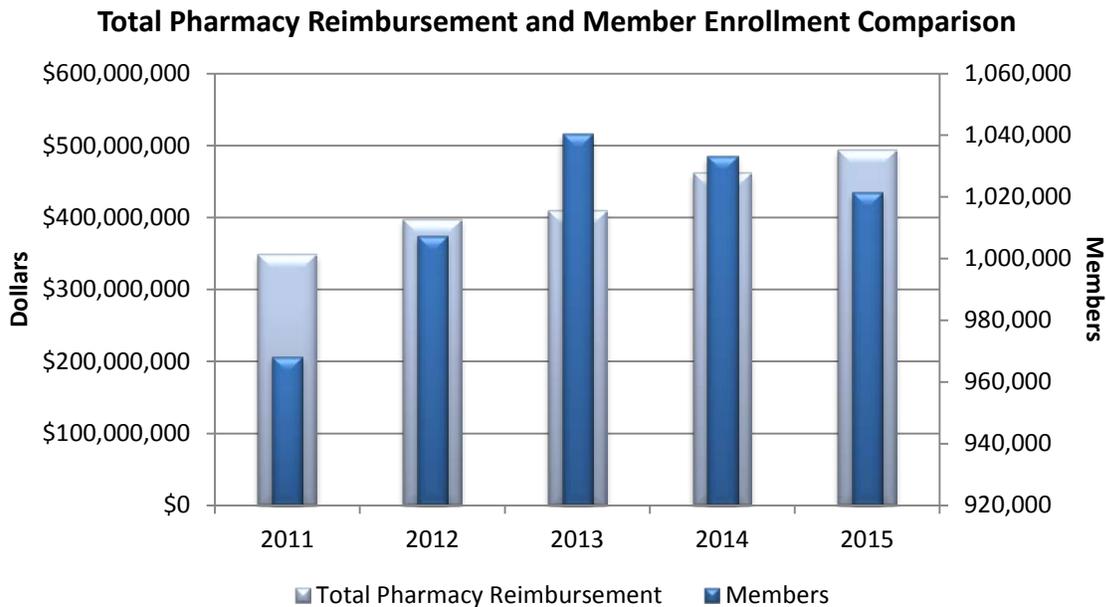
# Fiscal Year 2015 Pharmacy Annual Trend Report

## Oklahoma Health Care Authority

### Introduction

Pharmacy benefits are optional for Medicaid programs; however, all fifty states and the District of Columbia have chosen to include pharmacy coverage for their members. During State Fiscal Year (SFY) 2015, prescription drugs accounted for \$493 million of the over \$5 billion spent in the SoonerCare program. Over the past four fiscal years, SoonerCare has served over one million members each year. In terms of costs, total pharmacy reimbursement has increased and subsequently cost per claim and cost per day. The rate of change for pharmacy reimbursement can be attributed to overall healthcare cost increases, new emerging pharmaceutical therapies, and unfortunate drug shortages that drive uses of other more costly therapeutic alternatives<sup>1</sup>. There has been a small decline in number of members and utilizers in the last two years which may correlate with new health care reforms and laws such as the Affordable Care Act.

SFY	Members	Utilizers	Claims	Reimbursement	Days	Cost/Claim	Cost/Day
2010	885,238	515,436	5,320,746	\$354,293,701	124,139,343	\$66.59	\$2.85
2011	968,296	553,200	5,782,249	\$349,029,291	137,444,282	\$60.36	\$2.54
2012	1,007,356	579,892	6,334,413	\$397,692,844	153,973,718	\$62.78	\$2.58
2013	1,040,332	600,950	6,479,131	\$410,385,880	158,274,398	\$63.34	\$2.59
2014	1,033,114	573,699	6,378,863	\$461,468,656	157,296,100	\$72.34	\$2.93
2015	1,021,359	569,421	6,393,186	\$493,616,586	157,443,279	\$77.21	\$3.14



## Traditional versus Specialty Pharmacy Products

Traditional pharmaceuticals include products which are typically non-injectable and do not require special transportation, storage, or administration. These products treat many common chronic diseases such as diabetes, hypertension, and Chronic Obstructive Pulmonary Disease (COPD). The traditional pharmaceutical products comprised 85% of the total pharmacy reimbursement costs and were utilized by 99.4% of members. Specialty products, in contrast, are typically injectable, require special handling such as refrigerated transport, and special administration techniques provided by dedicated facilities and or personnel. These products include treatments for hemophilia, rheumatoid arthritis, and genetic deficiencies, for example. The specialty pharmaceutical products comprised 15% and 0.6% of total pharmacy reimbursement costs and member utilization, respectively.

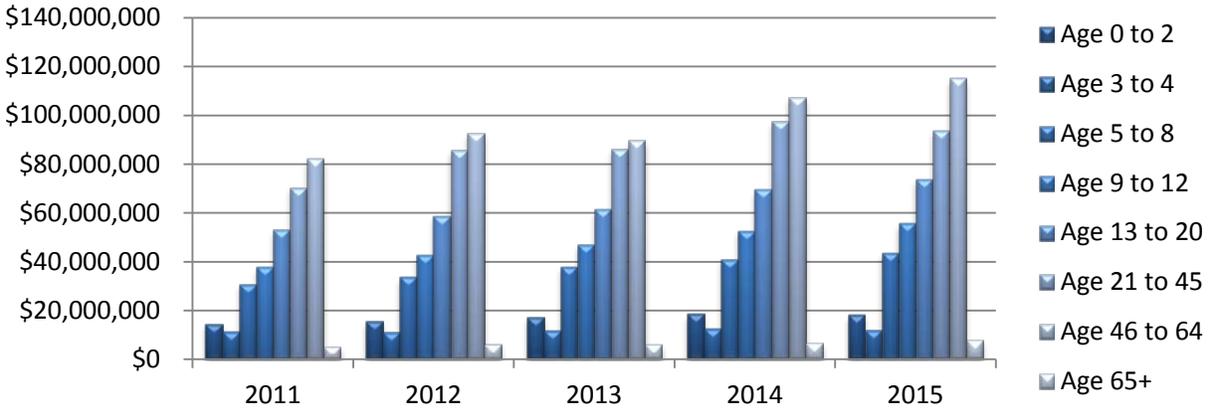
## Traditional Pharmacy Expenditure Trend

Spending for all ages for traditional pharmaceutical products has consistently increased annually since 2011. During SFY2015, spending increased by only 1.6% over SFY2014. Traditional expenditure increased the most within the 65 and older age category at 7.6%.

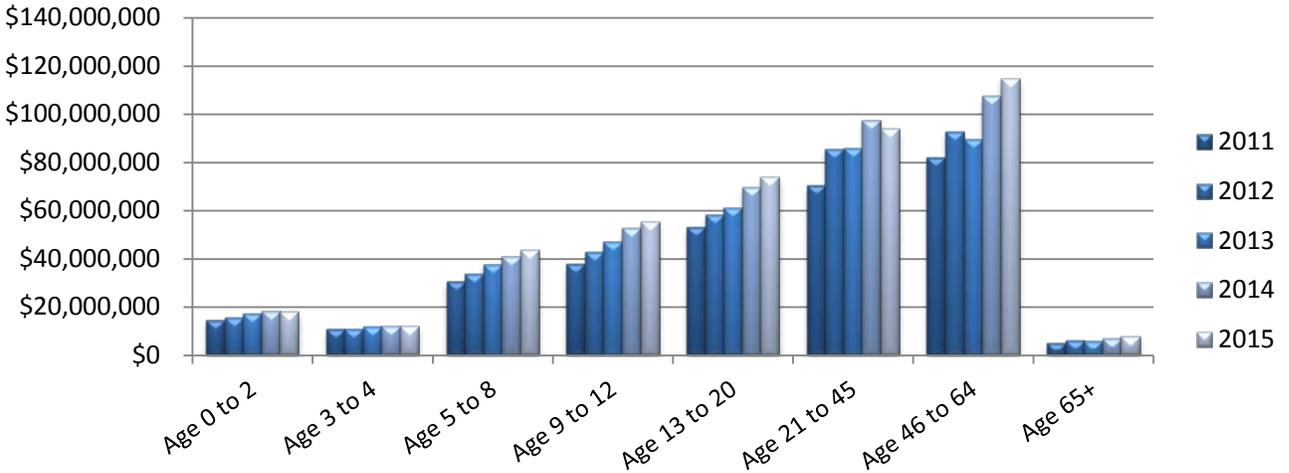
The top traditional pharmaceuticals by spending for ages 0 to 4 years include antibiotics and anti-asthma products. For ages 5 to 20 years they include treatments for ADHD and other behavioral health-related conditions. Ages 21 to 45 years, the highest costs are attributed to atypical antipsychotics, hepatitis C therapy, and diabetes medications. Finally, ages 46 years and older have similar therapies to 21 to 45 year age group with the addition of COPD products.

Traditional Pharmacy Reimbursement Age Group Comparison by Fiscal Year					
Traditional	2011	2012	2013	2014	2015
Age 0 to 2	\$14,436,516	\$15,411,667	\$17,218,539	\$18,580,268	\$18,138,809
Age 3 to 4	\$10,518,876	\$11,083,377	\$11,791,096	\$12,287,713	\$12,089,657
Age 5 to 8	\$29,776,928	\$33,570,159	\$37,972,235	\$41,231,725	\$43,568,704
Age 9 to 12	\$37,058,976	\$42,614,490	\$47,038,663	\$52,587,236	\$55,539,515
Age 13 to 20	\$53,355,408	\$58,635,781	\$61,295,659	\$69,578,269	\$73,862,213
Age 21 to 45	\$71,520,949	\$85,652,772	\$86,146,716	\$97,696,715	\$93,705,234
Age 46 to 64	\$82,695,926	\$92,820,612	\$89,908,733	\$107,430,317	\$115,142,876
Age 65+	\$5,351,375	\$6,137,321	\$5,891,280	\$6,681,625	\$7,787,682
All ages	\$304,714,954	\$345,926,179	\$357,262,921	\$406,073,868	\$419,834,690

### Traditional Pharmacy Reimbursement Trend by Fiscal Year



### Traditional Pharmacy Reimbursement Trend by Age



## Special Focus: Hepatitis C Treatment

### Hepatitis C Medications Compared by Fiscal year

SFY	Claims	Members	Cost	Claims/Client	Cost/Claim	Cost/Member	Cost/ Day
2013	2,298	265	\$6,931,306.72	8.67	\$3,016.23	\$26,155.87	\$104.13
2014	2,432	311	\$19,873,167.82	7.82	\$8,171.53	\$63,900.86	\$289.73
2015	1,275	291	\$21,719,650.85	4.38	\$17,035.02	\$74,637.98	\$610.09

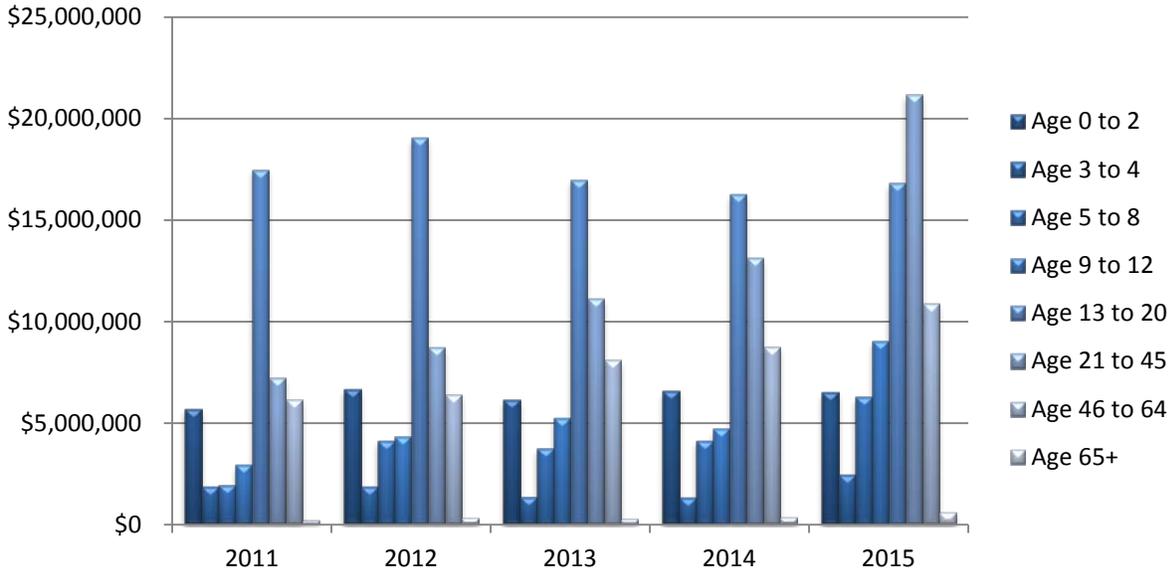
Hepatitis C medication prior authorization criteria was initiated July 2014. OHCA and the University of Oklahoma College of Pharmacy: Pharmacy Management Consultants reviewed new therapies such as Sovaldi® (sofosbuvir) and Olysio® (simeprevir), along with established therapies Victrelis® (boceprevir), and Incivek® (telaprevir). Looking in detail, Sovaldi® expenditure went from \$9 million in 2014 up to \$15 million in 2015 for ages 46-64 years. The Drug Utilization Review Board (DUR) voted to update hepatitis C criteria in December 2014 to include Harvoni® (ledipasvir/sofosbuvir), and again in February 2015 to include Viekira Pak™ (ombitasvir/paritaprevir/ritonavir/dasabuvir). Harvoni® and Viekira Pak™ are now the most commonly used agents for the treatment of Hepatitis C genotype-1. Harvoni® accounts for 4.82% of pharmacy reimbursement for traditional medications in SFY2015. Medicare pharmacy spending is expected to reach \$616.8 billion partly due to new hepatitis C therapies.<sup>1</sup> Gilead and AbbVie, the makers of Harvoni® and Viekira Pak™, have made exclusive deals with payers, Medicare, pharmacy benefit managers, and individual state Medicaid programs to create cost savings through pharmaceutical rebates increasing access to the most effective hepatitis C treatments available.<sup>2</sup>

### Specialty Pharmacy Expenditure Trend

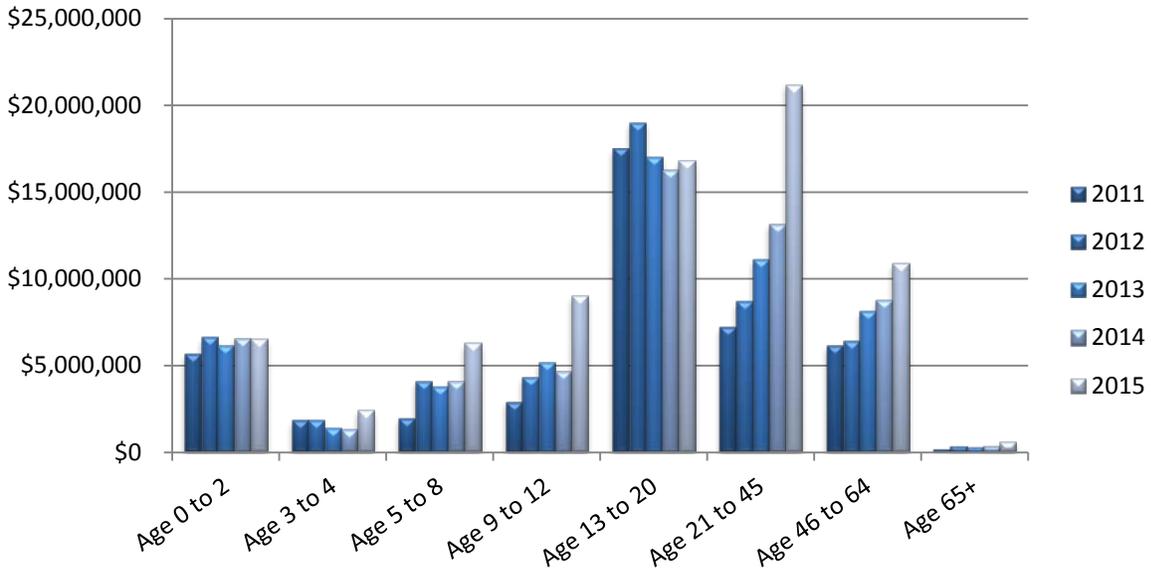
Specialty pharmaceuticals have become a larger part of reimbursement over the last 5 years at close to 15% of the total. New therapies for hemophilia, multiple sclerosis, and rheumatoid conditions have increased expenditures. Genotropin® (somatropin), the preferred growth hormone, accounted for 24.8% of reimbursement for ages 9 to 12 years at \$1.74 million in SFY2014 and 20.2% at \$1.85 million in SFY2015. In SFY2014 Kogenate® (antihemophilic factor) reimbursement totaled \$954,446 and represented 13.6% of the reimbursement for ages 9 to 12 years and increased to 18.1% at \$1,663,762 in SFY2015. For ages 21 to 45 years, the top spending was for Makena® (hydroxyprogesterone) at \$3.48 million and Humira® (adalimumab) with \$3.32 million. Ages 65 and older included Humira® with \$160,542 up from \$87,407 in SFY2014, and Copaxone® 40mg (glatiramer) at \$107,963 increasing from \$4,901 in SFY2014.

<b>Specialty Pharmacy Reimbursement Age Group Comparison by Fiscal Year</b>					
<b>Specialty</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Age 0 to 2</b>	\$5,985,893	\$6,920,031	\$6,164,339	\$6,605,415	\$6,508,459
<b>Age 3 to 4</b>	\$2,460,323	\$1,856,738	\$1,386,304	\$1,303,351	\$2,435,422
<b>Age 5 to 8</b>	\$2,918,660	\$4,130,658	\$3,769,625	\$4,115,579	\$6,288,636
<b>Age 9 to 12</b>	\$3,721,996	\$4,342,169	\$5,233,654	\$4,717,588	\$9,029,454
<b>Age 13 to 20</b>	\$17,284,359	\$19,025,050	\$17,008,883	\$16,267,713	\$16,825,260
<b>Age 21 to 45</b>	\$6,147,297	\$8,685,855	\$11,131,710	\$13,142,479	\$21,206,852
<b>Age 46 to 64</b>	\$5,565,597	\$6,421,741	\$8,112,318	\$8,779,363	\$10,885,366
<b>Age 65+</b>	\$140,271	\$321,724	\$272,005	\$347,787	\$602,441
<b>All ages</b>	<b>\$44,224,396</b>	<b>\$51,703,966</b>	<b>\$53,078,838</b>	<b>\$55,279,275</b>	<b>\$73,781,890</b>

**Specialty Pharmacy Reimbursement Trend by Fiscal Year**



**Specialty Pharmacy Reimbursement Trend by Age**



## Spending Per Member Per Year (PMPY) By Age Groups

Overall PMPY	2011	2012	2013	2014	2015
Overall PMPY	\$360.46	\$394.79	\$394.48	\$446.68	\$483.37

The Per Member Per Year (PMPY) value reflects the total cost for each age group divided by the unduplicated number of members (total enrollees) for each time period. While 2012 and 2013 were similar, 2014 increased in all age groups for traditional pharmaceuticals. Ages 0 to 4 years traditional PMPY values for SFY2015 decreased from 2014 and may be attributed to the prior authorization of antibiotics such as Suprax® (cefixime), Cedax® (ceftibuten), and Spectracef® (cefditoren).

Traditional Per Member Per Year Age Group Comparison by Fiscal Year					
Traditional PMPY	2011	2012	2013	2014	2015
Age 0 to 2	\$119.66	\$127.50	\$142.23	\$161.41	\$157.59
Age 3 to 4	\$141.61	\$151.15	\$161.19	\$176.75	\$174.44
Age 5 to 8	\$231.78	\$254.68	\$276.82	\$299.12	\$310.60
Age 9 to 12	\$333.78	\$379.97	\$404.16	\$446.71	\$458.07
Age 13 to 20	\$314.09	\$340.26	\$344.53	\$389.91	\$404.25
Age 21 to 45	\$342.88	\$363.60	\$344.30	\$395.07	\$408.26
Age 46 to 64	\$925.61	\$987.97	\$928.86	\$1081.00	\$1,205.76
Age 65+	\$81.00	\$91.14	\$87.09	\$98.55	\$114.80
All ages	<b>\$314.69</b>	<b>\$343.40</b>	<b>\$343.41</b>	<b>\$393.06</b>	<b>\$410.99</b>

Overall, the Specialty PMPY has increased. Most of the increase is shown between ages 3 to 4 years and 9 to 12 years. One medication that is utilized in both age groups is antihemophilic factor (recombinant) which went from \$5,113,963.57 to \$6,390,031.30 with the same number of members per fiscal year from 2014 to 2015 respectively.

Specialty Per Member Per Year Age Group Comparison by Fiscal Year					
Specialty PMPY	2011	2012	2013	2014	2015
Age 0 to 2	\$49.61	\$57.25	\$50.92	\$57.38	\$56.54
Age 3 to 4	\$33.12	\$25.32	\$18.95	\$18.75	\$35.23
Age 5 to 8	\$22.72	\$31.34	\$27.48	\$29.86	\$44.83
Age 9 to 12	\$33.52	\$38.72	\$44.97	\$40.07	\$74.47
Age 13 to 20	\$101.75	\$110.40	\$95.60	\$91.16	\$92.33
Age 21 to 45	\$29.47	\$36.87	\$44.49	\$53.15	\$92.46
Age 46 to 64	\$62.30	\$68.35	\$83.81	\$88.34	\$114.92
Age 65+	\$2.12	\$4.78	\$4.02	\$5.13	\$8.88
All ages	<b>\$45.67</b>	<b>\$51.33</b>	<b>\$51.02</b>	<b>\$53.51</b>	<b>\$72.38</b>

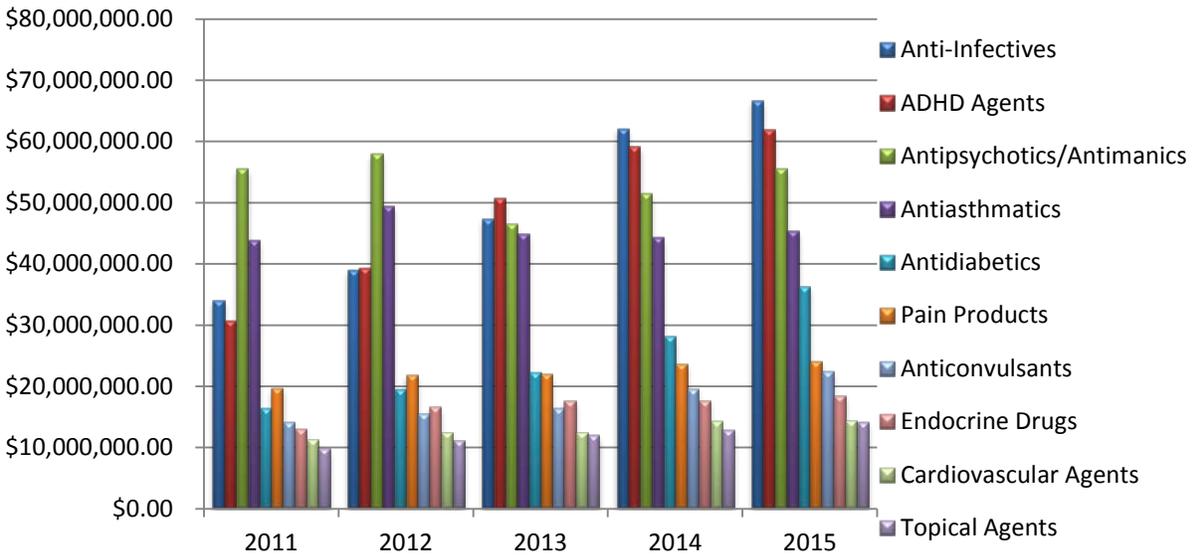
## **Top 10 Therapeutic Classes by Reimbursement**

Traditional pharmaceutical spending overall and within the top ten ranking classes has increased. The reimbursement increase is minimal and more than likely due to expected yearly price increases by product manufacturers.

Traditional therapeutic class reimbursement ranking has not changed from the previous fiscal year and only slightly differs from SFY2013. The changes include the anti-infective class becoming the highest ranking class, along with anticonvulsant reimbursement increasing over endocrine therapies. Hepatitis C treatments are included in the anti-infective class and implementation of a hepatitis C medication therapy management program has assisted with keeping costs as low as possible while still making the therapies available to appropriate members. The anti-diabetic class increase can be attributed to new products, use of new insulin options, and a trend toward multiple agents used concurrently for this disease state. The anticonvulsant class is reviewed annually to avoid over expenditure for off-label utilization. The continual influx of generically available products for ADHD agents and antipsychotic/anti-manic classes has minimized cost increases for those categories. Products used to treat pain have seen an increase due to new Abuse Deterrent formulations of previously available products.

<b>Traditional Top 10 Classes by Reimbursement</b>					
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Anti-Infectives</b>	\$34,156,254	\$39,001,643	\$47,491,962	\$62,091,889	\$66,808,605
<b>ADHD Agents</b>	\$30,672,084	\$39,264,858	\$50,747,046	\$59,314,817	\$62,045,723
<b>Antipsychotics Antimanics</b>	\$55,452,246	\$57,938,004	\$46,596,337	\$51,537,111	\$55,488,284
<b>Antiasthmatics</b>	\$43,783,923	\$49,538,833	\$44,950,083	\$44,245,770	\$45,396,065
<b>Antidiabetes</b>	\$16,365,995	\$19,474,144	\$22,219,365	\$28,280,215	\$36,445,583
<b>Pain products</b>	\$19,737,070	\$21,844,293	\$22,064,126	\$23,722,509	\$24,102,985
<b>Anticonvulsants</b>	\$14,086,343	\$15,591,403	\$16,396,098	\$19,571,759	\$22,381,831
<b>Endocrine drugs</b>	\$13,030,446	\$16,661,513	\$17,683,908	\$17,721,777	\$18,565,123
<b>Cardiovascular Agents</b>	\$11,276,679	\$12,533,620	\$12,500,403	\$14,242,324	\$14,429,148
<b>Topical Agents</b>	\$9,844,837	\$11,225,286	\$11,983,191	\$12,871,248	\$14,091,264

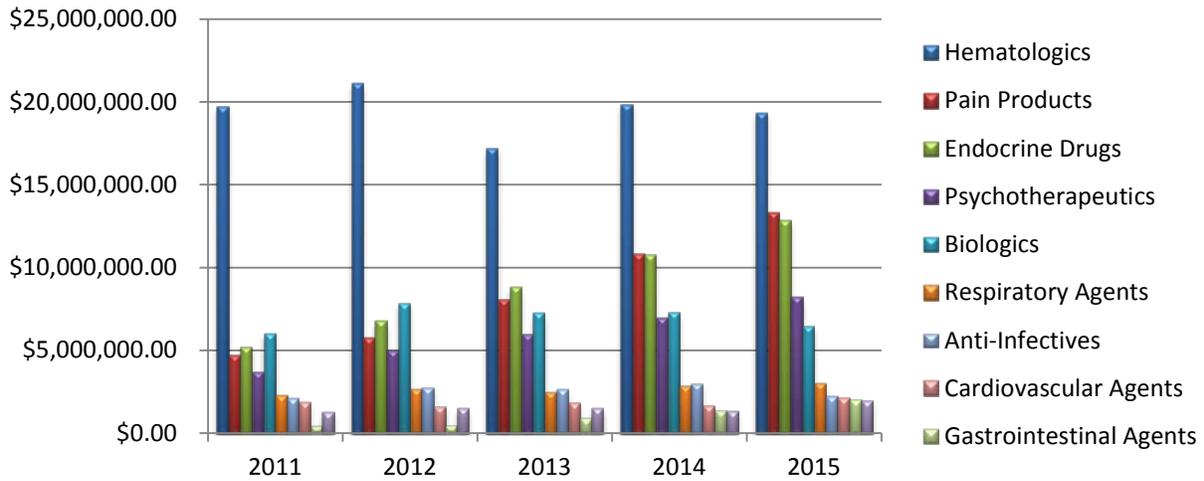
### Top 10 Traditional Therapeutic Classes by Reimbursement



On the specialty side, hematological agents remain the highest cost category in 2015. For example just in 9 to 12 years of age, a new Hemophilia B long-acting agent, Alprolix® (Coagulation Factor IX (Recombinant), Fc Fusion Protein) was FDA approved March 2014 with spending of \$740,577.06 in SFY2015, has replaced the usage of Benefix® (Coagulation Factor IX Recombinant) with spending of \$317,784.79 in SFY2014.

Specialty Top 10 Classes by Reimbursement					
	2011	2012	2013	2014	2015
<b>Hematologics</b>	\$19,737,663	\$21,094,430	\$17,218,955	\$19,832,897	\$19,345,228
<b>Pain Products</b>	\$4,762,275	\$5,743,446	\$8,087,586	\$10,840,237	\$13,326,310
<b>Endocrine Drugs</b>	\$5,225,651	\$6,792,319	\$8,806,490	\$10,764,140	\$12,861,387
<b>Psychotherapeutics</b>	\$3,695,513	\$4,964,755	\$5,985,823	\$6,944,097	\$8,194,188
<b>Biologics</b>	\$6,026,595	\$7,849,145	\$7,274,995	\$7,320,897	\$6,475,590
<b>Respiratory Agents</b>	\$2,282,523	\$2,670,374	\$2,438,662	\$2,854,727	\$2,965,695
<b>Anti-infectives</b>	\$2,107,395	\$2,761,979	\$2,645,237	\$2,990,297	\$2,210,287
<b>Cardiovascular Agents</b>	\$1,880,002	\$1,621,252	\$1,829,626	\$1,703,643	\$2,148,855
<b>Gastrointestinal Agents</b>	\$438,726	\$462,307	\$886,903	\$1,390,862	\$2,002,378
<b>Non-Therapeutics</b>	\$1,270,198	\$1,510,148	\$1,510,762	\$1,342,170	\$1,997,198

### Top 10 Specialty Therapeutic Classes by Reimbursement



As mentioned previously, new hepatitis C medications have jumped into the top 10 drugs by reimbursement. In SFY2014 Sovaldi® was ranked number two by reimbursement at over \$14 million which was replaced by Harvoni® for SFY2015 and increased to more than \$20 million. Harvoni® exceeded Sovaldi® by 1.25% of total traditional pharmacy reimbursement within the past fiscal year.

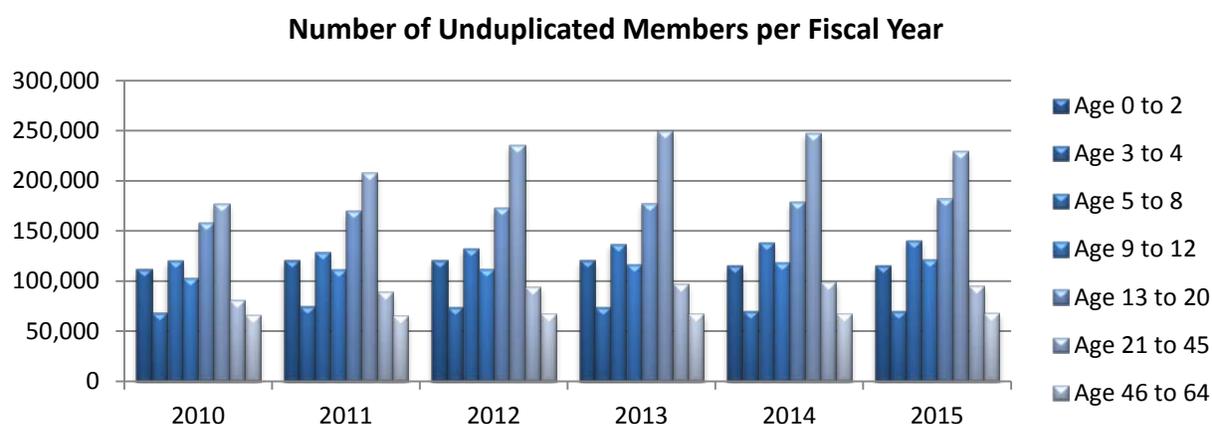
Top 10 Drugs by Reimbursement					
Rank	2011	2012	2013	2014	2015
1	Abilify®	Abilify®	Abilify®	Abilify®	Abilify®
2	Seroquel®	Concerta®	Concerta®	Sovaldi®	Harvoni®
3	Concerta®	Singulair®	Proair®	Proair®	Vyvanse®
4	Singulair®	Quetiapine	Adderall®	Vyvanse®	Proair®
5	Zyprexa®	Proair®	Intuniv®	Intuniv®	Guanfacine
6	Proair®	Olanzapine	Vyvanse®	Adderall®	Strattera®
7	Vyvanse®	Vyvanse®	Focalin®	Concerta®	Invega®
8	Budesonide	Synagis®	Invega®	Invega®	Tamifu®
9	Synagis®	Budesonide	Budesonide	Dexmethylphenidate	Flovent®
10	Feiba®	Adderall®	Flovent®	Flovent®	Genotropin®

### Total Enrollment

Enrollment saw a slight decrease from last year likely due to the Federal Poverty Level (FPL) eligibility limit decrease for the SoonerPlan (Family Planning) and for full scope pregnancy benefits, effective January 1, 2014. Typically Medicaid enrollment is counter-cyclical with the economy. The online enrollment process provides the ability to apply for SoonerCare services through the eligibility portal 24 hours a day.

Total Enrollment Age Group Comparison by Fiscal Year					
Members*	2011	2012	2013	2014	2015
Age 0 to 2	120,649	120,877	121,060	115,113	115,097
Age 3 to 4	74,279	73,329	73,151	69,520	69,274
Age 5 to 8	128,473	131,811	137,173	137,845	140,272
Age 9 to 12	111,029	112,152	116,386	117,720	121,246
Age 13 to 20	169,871	172,327	177,910	178,445	182,714
Age 21 to 45	208,586	235,570	250,210	247,288	229,498
Age 46 to 64	89,342	93,951	96,795	99,384	95,426
Age 65+	66,067	67,339	67,647	67,799	67,832
<b>All Ages</b>	<b>968,296</b>	<b>1,007,356</b>	<b>1,040,332</b>	<b>1,033,114</b>	<b>1,021,359</b>

\*Includes Insure Oklahoma members



Overall Pharmacy Trend SFY2015 Comparison*				
Drug Class	Trend			
	PMPY Spend	Utilization	Unit Cost	Total
Traditional	7.56%	-1.56%	6.12%	3.39%
Specialty	10.34%	-1.79%	14.01%	33.47%
<b>Total Overall Change from SFY2014</b>	<b>7.96%</b>	<b>-1.56%</b>	<b>12.72%</b>	<b>6.99%</b>

\*Percentage changes are in comparison to SFY2014.

## Forecast

The forecast for SFY2016 and SFY2017 shown below is an extrapolation of future trends. These estimated values are based on a best fit (least squares) linear regression from the known values from the previous six years of data. Unfortunately, these assumed values do not take into consideration new economic policies or healthcare reforms however according to CMS, the average rate of growth in health care spending will be 5.8% per year.<sup>1</sup>

SFY	Members	Utilizers	Claims	Reimbursement	Days	Cost/Claim	Cost/Day
2010	885,238	515,436	5,320,746	\$354,293,701	124,139,343	\$66.59	\$2.85
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2015	1,021,359	569,421	6,393,186	\$493,616,586	157,443,279	\$77.21	\$3.14
2016	1,053,657	580,899	6,653,466	\$528,323,772	165,882,468	\$80.18	\$3.22
2017	1,066,845	582,922	6,780,098	\$563,618,812	170,214,506	\$84.51	\$3.38

## Conclusion

Over the past five years, reimbursement to pharmacies by SoonerCare increased annually after SFY2011. This is expected as price inflation and new products came to market after the corrections made in SFY2010 in response to the economic recession. Even though costs have risen, they have not risen in direct proportion to the increase in membership, indicating cost-effective management measures were successful. The goal of the SoonerCare program is to provide members with the most appropriate healthcare in a fiscally responsible manner. For the pharmacy benefit, this is accomplished by the use of a robust prior authorization program, limiting the number of total prescriptions and the number of brand name prescriptions allowed each month for non-institutionalized adults, continuous product pricing maintenance, and prescriber outreach and education. Constant market review and response to changes such as the introduction of new Hepatitis C treatments, growth of the specialty market, and introduction of biosimilars is necessary. SoonerCare will continue to strive to bring value-based pharmacy services to the citizens it serves.

## References:

- 1.) Centers for Medicare and Medicaid Services. "National Health Expenditure Projections 2014-2024, forecast summary". Available from: <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/Downloads/proj2014.pdf>
- 2.) Langreth R, Chen C. "Gilead makes exclusive deal with CVS for hepatitis C drugs". Bloomberg [serial on the Internet]. 2015 Jan 5 [cited 2015 Jun 25]. Available from: <http://www.bloomberg.com/news/articles/2015-01-05/gilead-makes-exclusive-deal-with-cvs-for-hepatitis-c-medicine>
- 3.) U. S. Food and Drug Administration. "ANDA (Generic) Drug Approvals in 2014". Available from: <http://www.fda.gov/Drugs/DevelopmentApprovalProcess/HowDrugsareDevelopedandApproved/DrugandBiologicApprovalReports/ANDAGenericDrugApprovals/ucm430850.htm>. Page last updated 1/20/15.