

BENEFITS ADVISORY COMMITTEE (BAC)
MINUTES OF MEETING
March 12, 2015

[These minutes reflect discussion and debate at a meeting of a committee of the University of Minnesota Senate; none of the comments, conclusions or actions reported in these minutes represent the views of, nor are they binding on, the Senate, the Administration or the Board of Regents.]

PRESENT: Tina Falkner (chair), Jean Abraham, Amos Deinard, Jody Ebert, Pam Enrici, Ken Horstman, Susann Jackson, Joe Jameson, Theodor Litman, Rodney Loper, Amy Monahan, William Roberts, Karen Ross, Dale Swanson, Jennifer Schultz, Terri Wallace

OTHERS ATTENDING: Karen Chapin, Betty Gilchrist, Hattie Lindahl, Kathy Pouliot,

REGRETS: Melinda Bakke

ABSENT: Carl Anderson, Roger Feldman, Nancy Fulton, Keith Dunder, Fred Morrison, Sara Parcels

[In these minutes: Employee Benefits update; Drug and specialty price trends]

1. WELCOME AND EMPLOYEE BENEFITS UPDATE

Dr. Falkner called the meeting to order and asked for introductions. She then informed members that campus wellness was a topic discussed at a recent campus conversation. She said that this is a positive sign that the discussions at BAC around what defines a healthy campus have taken root with other groups as well.

A member asked if the emergency room is being overused. Ms. Chapin said that they can bring data, but they have seen a reduction in inappropriate use. Virtual care and quick care clinics have combined to decrease that usage. The copay is also a disincentive.

Ms. Chapin distributed a report on the topic “What is a healthy campus?” written by Lisa Lemler of University Recreation and Wellness. Ms. Chapin noted that the report was very positive. One aspect that was mentioned was the recent implementation of the smoke and tobacco-free campus policy, and that it is difficult to approach those that are smoking on campus.

2. DRUG & SPECIALTY PRICE TRENDS

Stephen Schondelmeyer, professor and director, PRIME Institute, University of Minnesota, began his presentation by asking members for their questions. He used a PowerPoint to present the following information:

- Overview
 - What is recent UPlan Drug Trend?

- Drug pricing significant issues
 - Insulin & Cancer Drugs
 - Concerta and Sovaldi
 - Biosimilars and Coupons
- Drug Claims per member per year for Self-Insured Employer Plan
 - They are down to 8.1 prescriptions per member per year (pmpy).
- Average Cost per Drug Claim in Self-Insured Employer Plan (UPlan): 2004-2013
 - The cost of patented and off-patent brand drugs is increasing steadily.
 - The generic cost is much lower.
 - Average Generic: \$30
 - Average Drug Claim: \$122
 - Average Off-Patent brand: \$314
 - Average Patented Brand: \$468
- Price Change for Most Widely Used Brand Name Drugs: 2006-2013
 - Started at 6% and ended at a 14% increase and continuing to climb
 - Drugs do not have normal economic factors present. A user's decision to purchase is almost completely separate from the cost. Drug companies do not price their drugs on cost of production. They begin by looking at how much it would cost for a user to treat a condition without the drug and then reduce it some from there. The cost of the product is often only 5% of the profits.
- Share of Drug Claims & Expenditures: July 2014
 - % of Claims: Brand 14.8%; Generic 80.1%; OTC 4.3%; Specialty .8%
 - % of Expenditures: Brand 52.2%; Generic 27.7%; OTC 1.4%; Specialty 18.7%
 - For something to be OTC and covered, it still needs a prescription.
- Significant Drug Pricing Issues:
 - Price Change for Humulin U-500: 2006-2013
 - Consumer Price Increase (CPI): Range of 0% in 2006 to 1.5% in 2014
 - Brand Medications: Range of 8% in 2006 to 14% in 2013.
 - Humulin U-500: Range of 0% in 2006 to 73% in 2013 and 50.3% in January, 2014.
 - It is an across the board issue for insulin medications. The oral medications for diabetics and they have had a 20% increase.
 - He believes there might be a need for a federally-based price review process.
 - Cost of Cancer Drug
 - He provided an example of a cancer drug that would cost a single user \$780,000 for one year of usage, which would be paid by both the UPlan and employees, and could increase UPlan premiums by \$20 per user.
 - Concerta: Generics

- Used for Adult Attention Deficit Disorder
 - Concerta 18 mg tab Extended Release: \$7.60
 - Methylphenidate 18 mg tab Extended Release: \$5.18
 - They have taken a product and by changing to an extended release form of the drug, they have been able to charge more, despite the fact that it is not new.
- Sovaldi was the first new medication for Hepatitis C (Hep C) to be made that actually has a high cure rate.
 - Specialty drugs utilization
 - Hepatitis C (Sovaldi & Olysio) & Plan Cost: 2014
 - Covered Population of 40, 093
 - 1,000 persons with Hepatitis C (2.5%)
 - 15 with Hep C will seek treatment (1.5%)
 - Cost of Drug Therapy \$102,000 Per Person
 - Annual Plan Cost \$1.53 million
 - Annual Plan Cost of Drug Therapy \$38.16
 - Increased 4% total of PMPY
 - Sovaldi is unique because it is as close to a cure as possible with drug therapy.
- Hep C Drug Strategies
 - What are the major PBMs doing?
 - Express Scripts
 - Announced exclusive deal with AbbView for Viekira
 - Viekira is the only Hep C drug covered
 - No limits on coverage or utilization of Viekira
 - No clinical criteria applied
 - Lifetime cap
 - Guaranteed result or money back
 - CVS Health
 - Announced exclusive deal with Gilead Sciences
 - Sovaldi & Harvoni are only Hep C Drugs covered
 - Clinical criteria will be issued with a required Prior Authorization
 - Prime Therapeutics
 - Both Gilead & AbbVie have agreed to favorable pricing
 - All Hep c drugs must be treated the same on formulary
 - All Hep C drugs must have same clinical criteria for PA
 - Specialty Drug Tourism – Global Differences in Cost of Sovaldi
 - This is not a proposal, but a demonstration of the drug market. The same drug is being sold for \$84,000/year in the United States, while in Egypt it costs \$900/year.
 - Someone can bring the drug back with them, and likely have to claim it at customs.
 - The first wave of usage of the new Hepatitis C medications has been created by the baby boomers because blood transfusions

were not always historically screened for Hep C.

- Specialty Drugs
 - Specialty Pharmaceuticals are drugs that treat complex, chronic conditions and which often require special administration, handling, and care management.
- New Specialty Drugs: 2009-2014
 - Over time, specialty drug development is growing.
- Specialty Drug Spend through the Medical (versus Pharmacy Plan): 2004-2020
 - Expect to spend \$192.2 billion in 2016 and \$401.7 in 2020. They are administered in doctor's offices and clinics. They are on the medical benefit side of the benefits. The cost is doubling every four years.
- Specialty Drug Spend Estimate for Major Self-Insured Employer: 2013
 - Brand: Pharmacy Benefit \$19.4
 - Generics : Pharmacy Benefit: \$10.8 million
 - Specialty: Pharmacy Benefit: \$8.3 million
 - Specialty: Medical Benefit \$8.3 million
- Average Cost per Specialty Claim in Self-insured Employer Plan: August 2014
 - Specialty Drug Claims \$3,541
 - Major changes in government effect cost indirectly historically.
 - Each Specialty Drug Claim:
 - Average \$42,300/Year
 - Adds \$1.07 PMPY (per member per year) to Premium
 - He believes that specialty drugs are being used carefully, but that they will continue to drive costs.
- Channels of Distribution for Prescription Drugs: 2005
 - The market is shifting. Specialty and bio therapies are being dispensed in other ways, through hospital clinics and specialty pharmacies, limited distribution pharmacies.
 - The patient doesn't have to find where the lowest cost distribution is, but can rely on the Pharmacy Benefit Manager to assist them.
 - Important to assure your Pharmacy Benefit Manager tracks specialty drugs and spending on them.
- Specialty Benefit Issues: 2012
 - They are looking at ways to ensure that prescriptions for specialty drugs are not prescribed when they are not needed.
 - The split fill program will also reduce waste and cost, especially since drugs cannot be returned once they have been dispensed to a patient. The patient receives half of the medication at the beginning, and the other portion half way through the prescription.
- What are biosimilars?
 - First biosimilar approved:
 - What is the impact of the first biosimilar
 - Filgristim (Sandoz)

- Reference Product was Neupogen (Amgen)
 - Non-proprietary Name (filgristim-sndz)
 - Approved as a Biosimilar, but not as interchangeable with the specialty medication.
 - MN state law does not allow substitution
 - He believes the way this is being implemented will not provide an opportunity for price reduction.
 - Will be like having 2 brand name drugs, not like having a brand with an equivalent generic.
- Who benefits from Drug Coupons?
 - Manufacturer-Coupons for Drugs
 - More than 500 of the top drugs
 - Coupons have a long-term effect of raising premiums for employers and plan members because of the higher cost of the drug on which a coupon is available.
 - Ms. Chapin added that the some higher-cost coupon drugs are being removed from the formulary because there are lower cost alternatives available.
- Generics over time will increase slightly in cost, but the issue is when the price on a generic is increased by 100% over night.
- Canada drugs are cheaper trans specific, free trade agreement that is negotiated by the US trade representative. The trade agreements are not public and cannot be negotiated by line item. The free-trade agreement prohibits the free-trade of drugs.
 - PA – State A law is being proposed in Minnesota that addresses Prior Authorizations (PA). They are calling for standardization across the plans and across criteria. Dr. Schondelmeyer believes that law could have a negative impact on the UPlan, and that there needs to be a balance in how PAs are used. It would it be difficult to standardize PAs because drug plan formularies are not standardized.
- Ms. Chapin emphasized that the data that is analyzed by Dr. Schondelmeyer does not have identifying information, and that all HIPAA standards are followed.

Hearing no further business, Dr. Falkner adjourned the meeting.

Jeannine Rich
University Senate