Florida Healthcare Affordability Summit

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Sunshine Health
Sunshine Health Overview

- Plan started in 2009.
- Grown from 200,000 members in 2014 to more than 600,000 members.
- Multiple product lines offered.
- Staffing increased to over 1500, more than quadrupling the number of employees since 2012.
- Offices in six Florida locations across the state.
### Purpose
Transforming the health of the community, one person at a time

### Mission
Better health outcomes, lower costs

### Brand Pillars
| Focus on Individuals | Whole Health | Active Local Involvement |

### Employee Values

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<tr>
<th>Uncompromising Integrity</th>
<th>Collaborative Leadership</th>
<th>Candid Communication</th>
<th>Disciplined Growth</th>
<th>Purposeful Innovation</th>
<th>Entrepreneurial Spirit</th>
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<td>We adhere to the strict moral and ethical Centene Code of Conduct, without exception. We know that our future depends entirely on our reputation.</td>
<td>We must be committed to an organizational culture that inspires all team members to flourish in the achievement of value-driven goals and opportunities for continuous development.</td>
<td>We value diversity and trust in all aspects of our business. This is built through appropriate disclosure, honesty and consideration in all forms of communication and at all levels.</td>
<td>We will achieve our Vision through clear and consistent decision making and strategies that produce reliable results for our customers and shareholders.</td>
<td>We will always look for, find, and implement unique solutions that improve our business and reward our stakeholders.</td>
<td>We embrace the drive, creativity and open-mindedness of our people. We empower all individuals in the organization to take ownership of the business, at all levels.</td>
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Antiparasitic drug Daraprim price raised over 5,000% from $13 to $750/tablet.

Price Soars for Overdose drug

Evzio® (naloxone auto-injector) for heroin and opiate overdose price increases 400% to $4,500

References:
The Mechanics of Drug Pricing

• Product Cost + Dispense Fee = Total Drug Cost
• Looks simple, but…..
  – U&C = Usual and Customary “cash price”
  – AWP = Average Wholesale Price – “Ain’t What’s Paid”
  – WAC = Wholesale Acquisition Cost
  – AMP = Average Manufacturer Price
  – EAC = Estimated Acquisition Cost
  – AAC = Average Acquisition Cost
  – NADAC = National Average Drug Acquisition Cost
  – MAC and FUL for multi-source drugs
  – Rebates
US Prescription Drug Spending

Spending increased $46.2Bn

Reasons behind Rx Price Inflation

• Brands
  – Rise in specialty/large molecule drugs
  – Orphan Drugs
  – Breakthrough Therapies

• Generics
  – Quality oversight
  – Consolidation
  – Fewer new product launches
Why Change?
Healthcare Trend Not Sustainable

References: AMCP Point-of-care Assessment of Response to High-Cost Specialty Therapy: A Real World Experience in Outcomes-Based Contracting. Thursday April 21, 2016
Opportunities

• Generics and Biosimilars
• Optimize medication use
• Alternative Reimbursement Models
• Greater pricing transparency
Generic Patent Expirations Slow

Decline in Brand Spending from Loss of Exclusivity US$Bn

Biosimilars

- Specialty drugs are large, injectable molecules or biologicals. Biologicals are generally produced using a living system or organism.

- The first two “biosimilar” specialty drugs have reached the U.S. market
  - Zarxio, biosimilar for Neupogen, approved 3/15
  - Inflectra, biosimilar for Remicaid, approved 4/16

Source: [http://bio.org/healthcare/followonbkg/DrugsVBiologics.asp](http://bio.org/healthcare/followonbkg/DrugsVBiologics.asp)
Biosimilars

$43.8B OPPORTUNITY | 56 PATENT EXPIRATIONS THROUGH 2020

IOM estimates 2.0 Million serious ADRs occur yearly in the U.S. with over 100,000 deaths.
- Many ADEs are preventable
- ADRs increase exponentially with 4 or more medications
Optimize Medication Use

• Reduce medication errors
• Reduce polypharmacy and dangerous combinations
• Improve medication adherence
• Practice evidence based medicine
  – Reduce inappropriate medication use, including antibiotic overuse
  – Identify non-responders and stop drug
Alternative Reimbursement Models

• Outcomes Based Contracting
• Bundled Payments to manage cost
• CMS Medicare Part B Pilot Program
  – Designed to test doctor and patient incentives to drive cost effective drugs and reward positive patient outcomes through new payment models

• Barriers:
  • Medicaid Best Price
  • Anti-kickback statutes
  • Outcomes measurement

Challenges with Drug Price Transparency

Protected Brand Invoice and Net Price Growth

Pricing Transparency

• Technology to access drug prices

• Proposed Legislation
  – Disclosure Requirements
  – Price caps

• New pricing models – Actual Acquisition Cost

• New federal Medicare PDP contracting requirements based on the 2014 final rule

• Understand “value” not just “price”