



Reining in Rising Generic Drug Spend

Are You Paying More Than Necessary?

The culprit might be hiding in your generic drug list. MedImpact's High-Cost Generic (HCG) solutions can help plans monitor and manage rising high-cost generic spend.



THE CHALLENGE

Even though the cost of most generic drugs remains stable, the prices of nearly 400 generic drugs skyrocketed more than 1,000% over the past five years¹, including some older generic drugs which experienced price soars of up to 5,500%².

Ranging from a large hospital system to a small self-insured employer, five MedImpact plans were paying more than necessary for high-cost generics, including:

- Large state employer plan with 170,000 lives
- Large hospital system with 70,000 lives
- Mid-size self-insured plan with 45,000 lives
- Mid-size HMO plan with 45,000 lives
- Small self-insured plan with 10,000 lives

While plan size varied, the goal was the same: Lower generic spend by shifting members from high-cost generics to lower cost, clinically relevant alternatives — while minimizing member and provider disruption.



THE SOLUTION

All five plans implemented MedImpact's HCG Choice program to reduce rising generic drug spend with a three-pronged approach:

1. Vigilant Price Surveillance: Moving beyond formulary management, MedImpact leveraged our clinical expertise and advanced analytics to identify and track list prices, MACs and claim costs for more than 2,000 generic drugs. Vigilant price surveillance allowed for rapid response to frequent high-cost generic price fluctuation.

2. Deep Clinical Review: We identify lower cost alternatives with similar safety and efficacy, and they are reviewed and approved by our P&T committee. By up-tiering high-cost generics with clinically appropriate, lower cost alternatives, we helped all the plans optimize savings.

3. Proactive Outreach: To help mitigate potential disruption, MedImpact provided targeted multi-channel, educational outreach to members, prescribers and pharmacists, recommending safe, clinically equivalent lower cost generic alternatives by:

- Notifying members of pending benefit changes *in advance*
- Informing prescribers at every high-cost generic initial fill
- Providing pharmacists with drug-specific, detailed messaging at the pharmacy to facilitate switching before filling the prescription

To help ensure choice and reduce disruption, short-term grandfathering allowed time to transition to lower cost generic alternatives and allowed coverage of high-cost generics at a higher brand copay.

5 Facts About Rising High-Cost Generics

- 1. Generic drugs are not always inexpensive.** While the costs of most generic drugs remains stable, approximately 2% of generics have increased by more than 1000%¹, drawing the attention of media, lawmakers, the FDA and the U.S. Department of Justice.
- 2. While the 2017 national average generic list price was \$25, a wide disparity in generic drug prices exists.** And the proportion of generic drugs with extraordinary price increases is growing.³
- 3. In fact, researchers have found that amongst commonly used generic antibiotics 14% sustained large price increases of 90% or more.⁴**
- 4. Causes of rising generic costs are multifactorial: lack of competition, manufacturer consolidation, closed distribution systems, stringent manufacturing standards, raw material shortages and FDA backlog.⁵**
- 5. The Department of Justice (DoJ) and 45 states are claiming that generic drug prices are fixed and the alleged collusion may have cost U.S. businesses and consumers more than \$1 billion.⁶**

Congress initiated investigations of these price increases. And the DoJ issued subpoenas to some generic drug companies as part of an investigation into possible violations of anti-trust laws.⁷



THE RESULTS

Our HCG Choice program delivered significant savings for all five plans — ranging from \$1.30 to \$4.33 PMPM savings. In fact, our HCG Program collectively has saved our clients more than \$30 million off their high-cost generic spend since 2015. Furthermore, members who switched from high-cost generic drugs to alternatives also benefited from savings — providing better value for all.



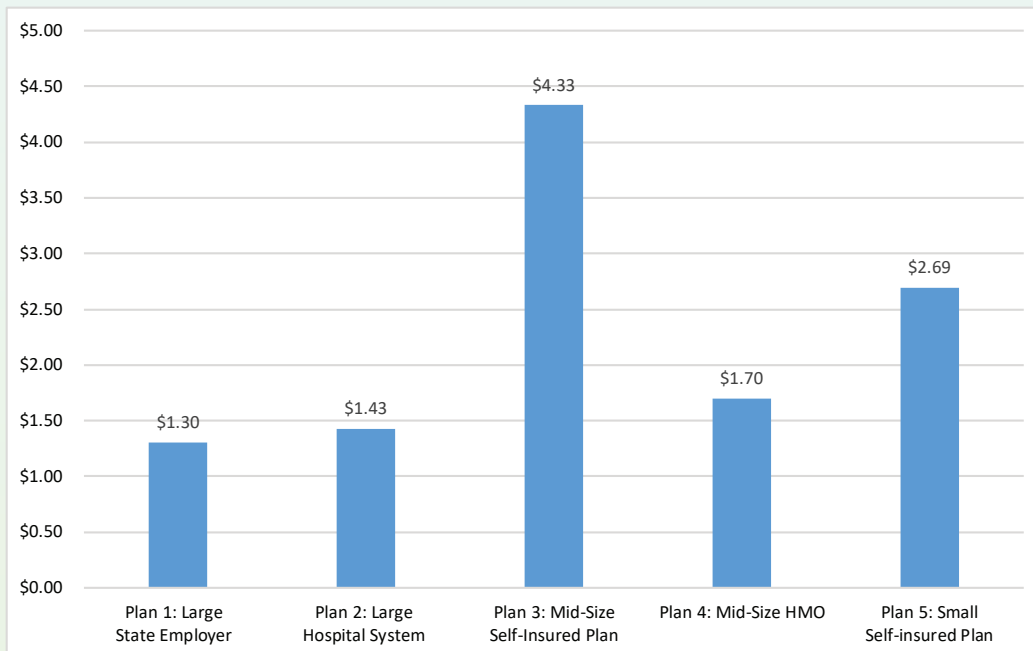
\$30 MILLION
High-Cost Generic Spend
Saving Since 2015

Average client savings across all plans
participating in HCG Choice:
\$2.04 PMPM

HIGH-COST GENERIC SAVINGS RESULTS ACROSS THE 5 PLANS:

\$1.30 — \$4.33 PMPM

SAVINGS RANGE FOR THE FIVE PLANS



MedImpact received the 2017 PBMI
EXCELLENCE AWARD
for cost-containment for our
innovative HCG Choice program.

1. MarketWatch. Why Drug Prices Remain Insanely High and 6 Things You Can Do To Save: www.marketwatch.com/story/six-tips-for-fighting-rising-prescription-drug-costs-2015-09-15
 2. JAMA. The High Cost of Prescription Drugs in the US: Origins & Prospects for Reform: <https://jamanetwork.com/journals/jama/fullarticle/2545691>
 3. IQVIA. Medicine Use and Spending in the U.S., A Review of 2017 and Outlook to 2022. April 2018
 4. Alpern JD et al. Trends in Pricing and Generic Competition Within the Oral Antibiotic Drug Market in the United States. Clin Infect. Dis. 2017;65(11):1848-52.
 5. Academy of Managed Care & Specialty Pharmacy. "High-cost generic programs decrease drug spend in 5 plans" www.managedhealthcareexecutive.com/business-strategy/high-cost-generic-programs-decrease-drug-spend-5-plans
 6. NPR. Probe Into Generic Drug Price Fixing Set To Widen; March 2018.
 7. New England Journal of Medicine: High-Cost Generic Drugs — Implications for Patients & Policymakers. www.nejm.org/doi/pdf/10.1056/NEJMp1408376

To learn more about how MedImpact can help reduce your high-cost generic spend, contact your account executive; email info@medimpact.com or visit pbm.medimpact.com.

MedImpact, an independent, trend-focused pharmacy benefit manager (PBM), is the nation's largest privately held PBM, serving health plans, self-funded employers and government entities. Our unique business model aligns us with our clients. We focus on effectively managing pharmacy benefits to promote Lower Cost and Better Care through One Source.

