

Specialty Pharmacy Industry Outlook: What's Next?

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Lisa Gill, J.P. Morgan Securities

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May 1, 2019

<http://drugch.nl/assembly19>

Agenda

- *Pricing, Patients, and Public Policy: Implications for Specialty Pharmacy* – Adam
 - *Wall Street View: Key Themes & Issues for 2019* – Lisa
 - *The US Specialty Pharmaceutical Market: Trends, Issues, and Outlook* – Doug
 - *Panel Time!* with Adam, Lisa, & Doug
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Pricing, Patients, and Public Policy: Implications for Specialty Pharmacy

Adam J. Fein, Ph.D.

Drug Channels Institute

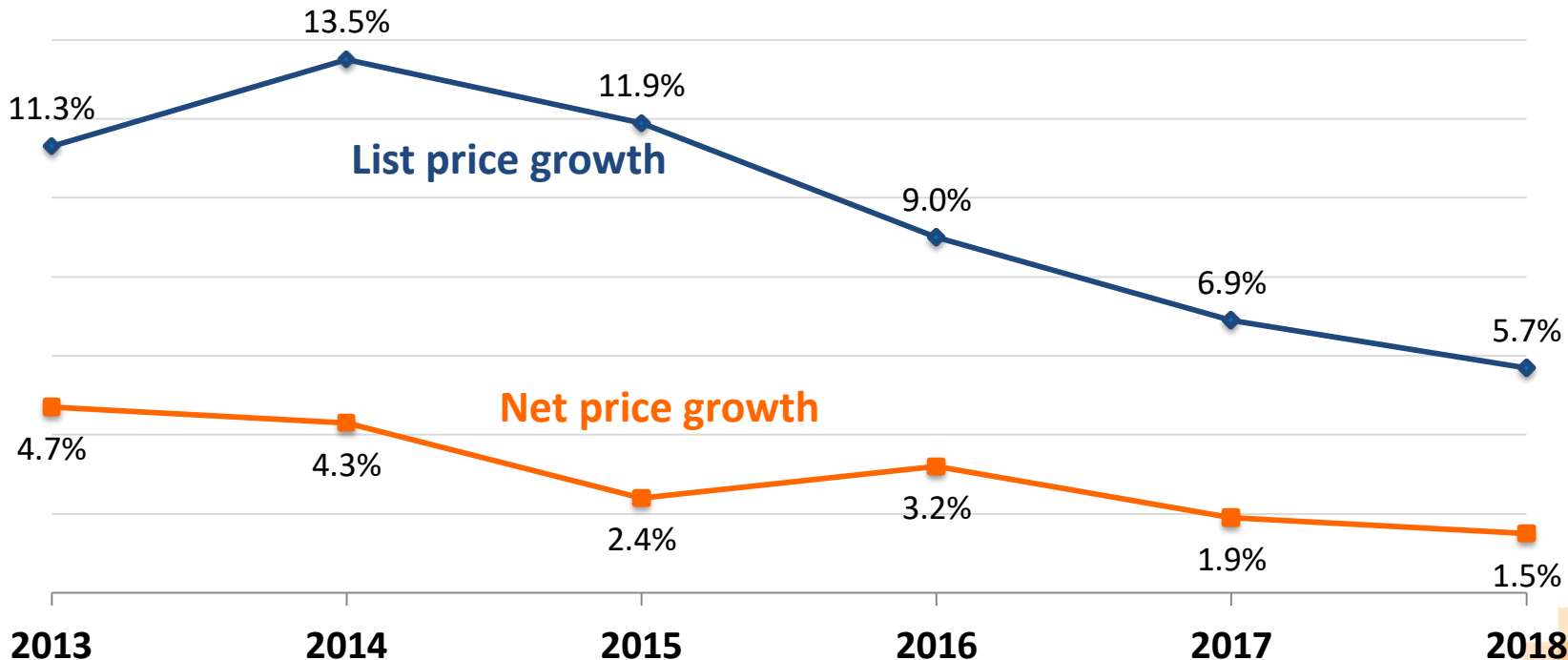
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May 1, 2019

Brand-Name Drug Pricing

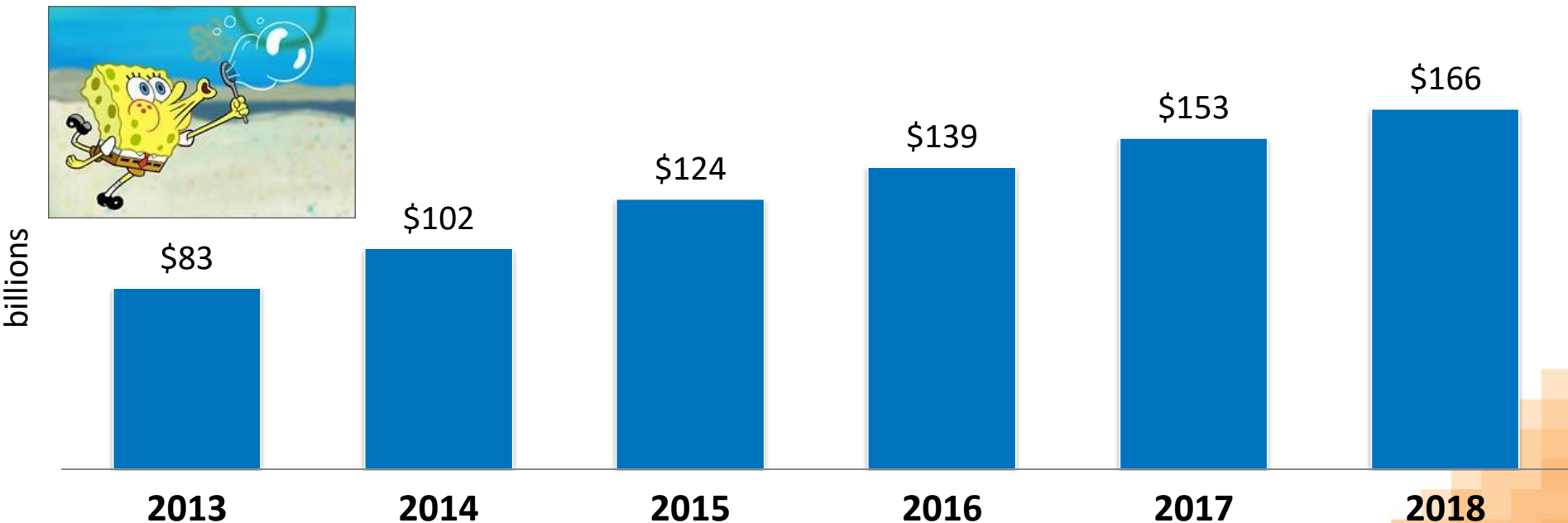
Change from previous year



Source: Drug Channels Institute analysis of IQVIA data. Data show invoice and net price changes for brand-name products that are more than two years old and have not yet faced generic competition. Invoice prices are the amounts paid to distributors by their pharmacy or hospital customers, including prompt-payment and volume discounts. For brand-name drugs, changes in invoice and list prices are very highly correlated. Invoice price growth for 2018 is based on first three calendar quarters. Net prices equal list price minus off-invoice rebates and such other reductions as distribution fees, product returns, chargeback discounts to hospitals, price reductions from the 340B Drug Pricing Program, and other purchase discounts. See [Drug Prices Are NOT Skyrocketing—They’re Barely Growing at All](#), Drug Channels, January 2019.

The Gross-to-Net Bubble

TOTAL VALUE OF PHARMACEUTICAL MANUFACTURERS' GROSS-TO-NET REDUCTIONS FOR BRAND-NAME DRUGS



Source: Drug Channels Institute analysis of IQVIA Institute data; Drug Channels Institute estimates. Gross-to-Net Reductions include the total value of rebates, off-invoice discounts, copay assistance, price concessions, and such other reductions as distribution fees, product returns, the 340B Drug Pricing Program, and more. See [The Gross-to-Net Bubble Reached a Record \\$166 Billion in 2018](#), *Drug Channels*, April 2019.

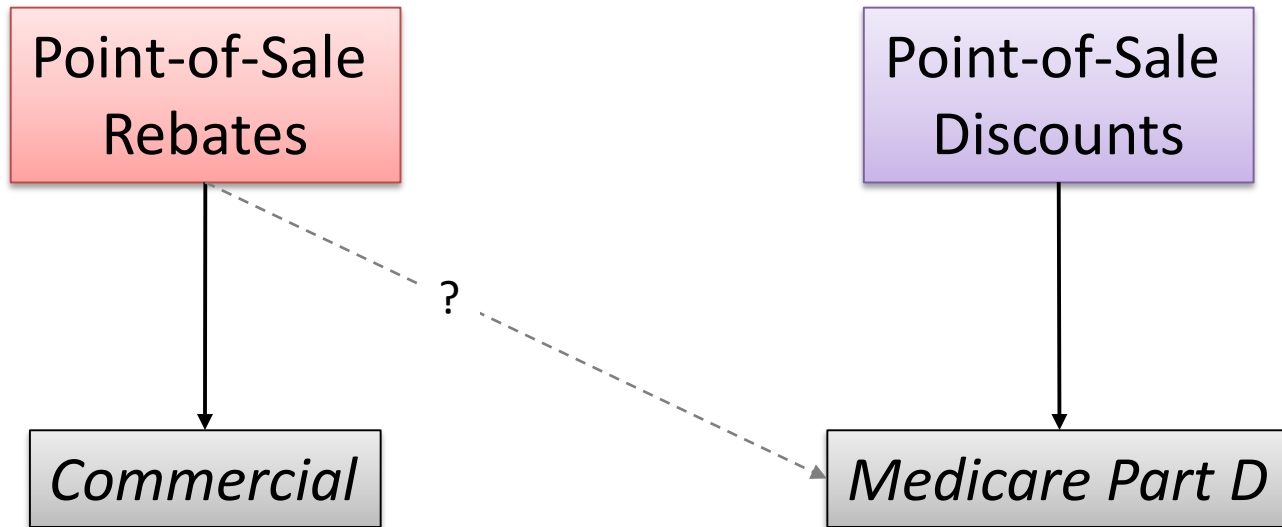
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Patients face list prices

Reverse Insurance: Sick Subsidize the Healthy

Warped incentives

Primary Options for Rebate System Reform



[Removal of Safe Harbor Protection for Rebates in Federal Programs](#), HHS, 2/6/19
(a.k.a. the Rebate Rule)

See: (1) [The 2019 Economic Report on U.S. Pharmacies and Pharmacy Benefit Managers](#), Section 12.4, and
(2) [The Road to 2020: Understanding the Regulatory Timeline for Part D Rebate Reform](#), *Drug Channels*, April 2019

Scenarios For Your Consideration



PBM's Reborn



The Black Swan

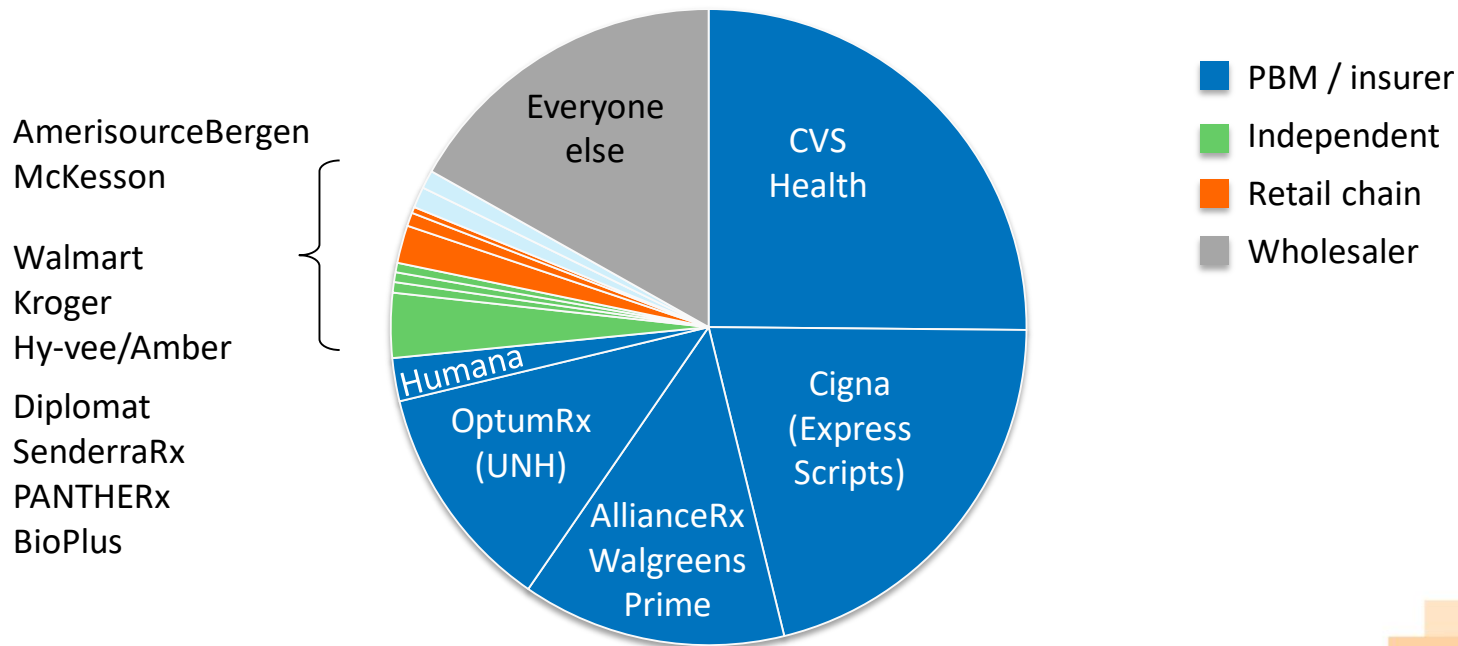
Specialty Pharmacy in a World Without Rebates

- Plans and PBMs directly manage specialty spending
- Benefit designs and formularies change
- More competition among specialty drugs in crowded categories
- Physicians and patients make cost/value tradeoffs
- Gross-to-net bubble pops



Top 15 Specialty Pharmacies: A Final Thought

SHARE OF SPECIALTY DRUG DISPENSING REVENUES, BY COMPANY, 2018



Source: [The 2019 Economic Report on U.S. Pharmacies and Pharmacy Benefit Managers](#), Exhibit 41. Includes revenues from retail, specialty, and mail pharmacies. Excludes revenues from network pharmacies of PBM-owned specialty pharmacies and infusion services covered by medical benefit. Reflects pro-forma impact of 2018 acquisitions. See also [The Top 15 Specialty Pharmacies of 2018: PBMs Keep Winning](#), Drug Channels, April 2019.

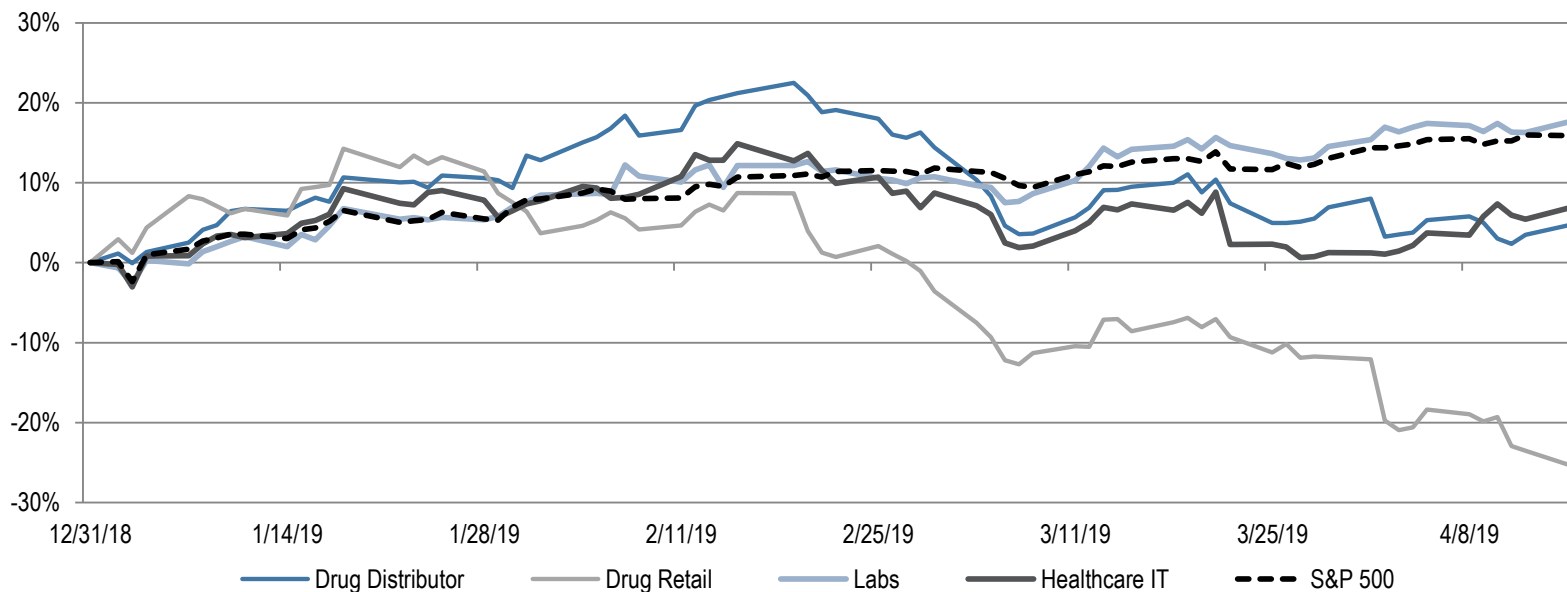


Wall Street View: Key Themes & Issues for 2019

Lisa C. Gill
JPMorgan Securities LLC

YTD 2019 Stock Price Performance

Stock Performance YTD in 2019 by Sector



Revisiting Key Themes for 2019

The Consumer – The Single Biggest Disrupter in Healthcare

- Patients (consumers) are getting more involved in their healthcare and making decisions on how to allocate their healthcare dollars
- The opportunity to engage the patient at their preferred point of service should be an important differentiator
- Convenience, quality and cost will be key

Key Themes Across the Sector

Value-Based Care

- Ongoing interest in value-based models that tie reimbursement to health outcomes
- In our view, companies that are part of the cost solution stand to benefit the most from this trend

Key Themes Across the Sector

Specialty

- Specialty remains the fastest growing area of drug spend
- Payors are looking for ways to address rising specialty costs
- Companies with a proven track record for managing specialty are likely to benefit

Key Themes Across the Sector

Trump Blueprint

- Despite concerns over changes to the rebate model and shift to net pricing, we don't expect a major impact to the Rx channel
- While initially discussed eliminating middlemen, recent tone on the PBMs' role appears more constructive
- Expect transparency to continue to evolve for the sector

Key Themes Across the Sector

Capital Deployment

- We expect consolidation of healthcare services to continue
- We favor companies with strong balance sheets and good cash flow
- Recent transformative deals and potential disruptive entrants could lead to more deals or JVs in the near term

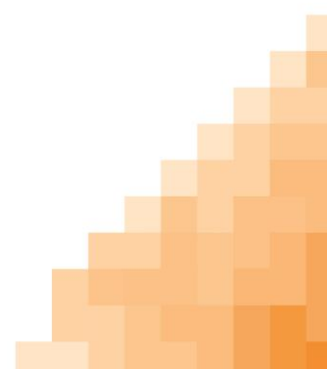
Key Areas of Investor Focus

Can Sentiment Get Any Worse for the PBM Space?

Can Diplomat Turn Things Around?

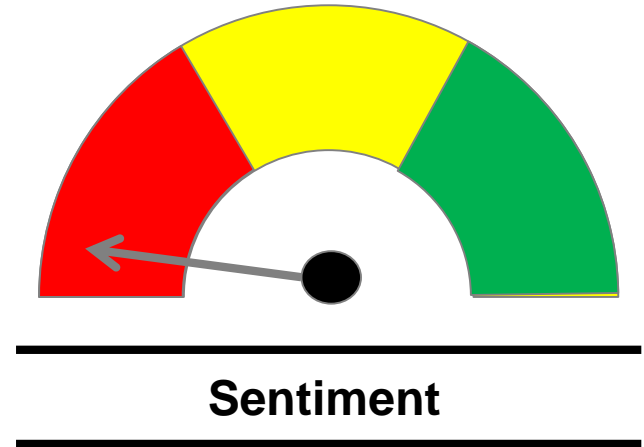
Are There Additional Opportunities for M&A Across the Space?

Any Updates on the Regulatory Front?



Can Sentiment Get Any Worse for the PBM Space?

- Potential regulatory changes
- Market-driven changes
- Pharma manufacturers continue to deflect blame for rising drug prices on the Rx channel, including PBMs
- Ongoing criticism of “middlemen” from politicians and the press
- CEOs of the five largest PBMs testified before a Senate Finance Committee hearing on April 9
- While there was nothing materially incremental or surprising that came out of the hearing, we believe ongoing uncertainty around the regulatory environment remains an overhang.



Can Sentiment Get Any Worse for the PBM Space?

We continue to believe PBMs are part of the solution

- The ability to aggregate scale in negotiations with pharma manufacturers and dispensing pharmacies is critical
- Working with plan sponsors, PBMs are able to drive utilization of lower cost preferred products and/or dispensing sites
- PBMs offer a wide variety of clinical programs aimed at driving adherence, which can lead to lower overall healthcare costs
- New value-based models align economic incentives

The administration also appears to agree that PBMs will play a role

- The administration's tone now seems more constructive, in our view
- The government has pointed to efforts to give government programs negotiation tools successfully used by the private sector



Can Diplomat Turn Things Around?

Competitive environment remains challenged, but a potential takeout

Specialty Pharmacy

- Increased competitive pressures - integrated providers more aggressive
- Company looking to target partnerships with health plans and hospitals, add innovative data and analytics capabilities and new sales resources

CastiaRx (PBM)

- Additional customer losses, subscale player
- Management remains committed to rebuilding the PBM business, investing in sales and account management to generate new sales

Can Diplomat Turn Things Around?

Specialty Infusion

- Remains a steady performer – expected to grow nicely in 2019
- We estimate specialty infusion comprises ~60% of adjusted EBITDA for FY19

Potential for takeout

- DPLO's high touch model, therapeutic expertise and access to limited distribution drugs would be a good fit for health plans/PBMs looking for a way to better manage specialty spend
- A lack of scaled specialty assets increases relative attractiveness, in our view

Additional Opportunities for M&A Across the Space?

- We expect M&A to continue, and believe recent vertical consolidation could give rise to additional transactions, possibly a competitive response
- We wouldn't rule out a potential WBA-ABC deal, which has been discussed in the press
- DPLO could represent an attractive asset for vertically integrated health insurer/PBM



Any Updates on the Regulatory Front?

Despite tight timeline, expect push for 2020 implementation of HHS Rebate Rule:

- Key Issue: rebate rule is expected to increase Part D premiums
- Key Question: Will there be potential legal challenges that could delay implementation? Does HHS have the authority to implement the proposed rule, or is Congressional action needed?
- If the rebate safe harbor rule changes for 2020, CMS will conduct a 2-year demonstration project to modify risk corridors, limiting downside

Any Updates on the Regulatory Front?

What will be the impact of the proposed Rebate Rule:

- **PBMs**
 - No material direct impact as Medicare Part D is essentially a pass through
 - Current proposal only impacts government business
- **PDP and MA Plans**
 - Shift of rebates to member must be accounted for in underwriting (premium increase)
 - Potential for underwriting risk, although demonstration program should modify risk

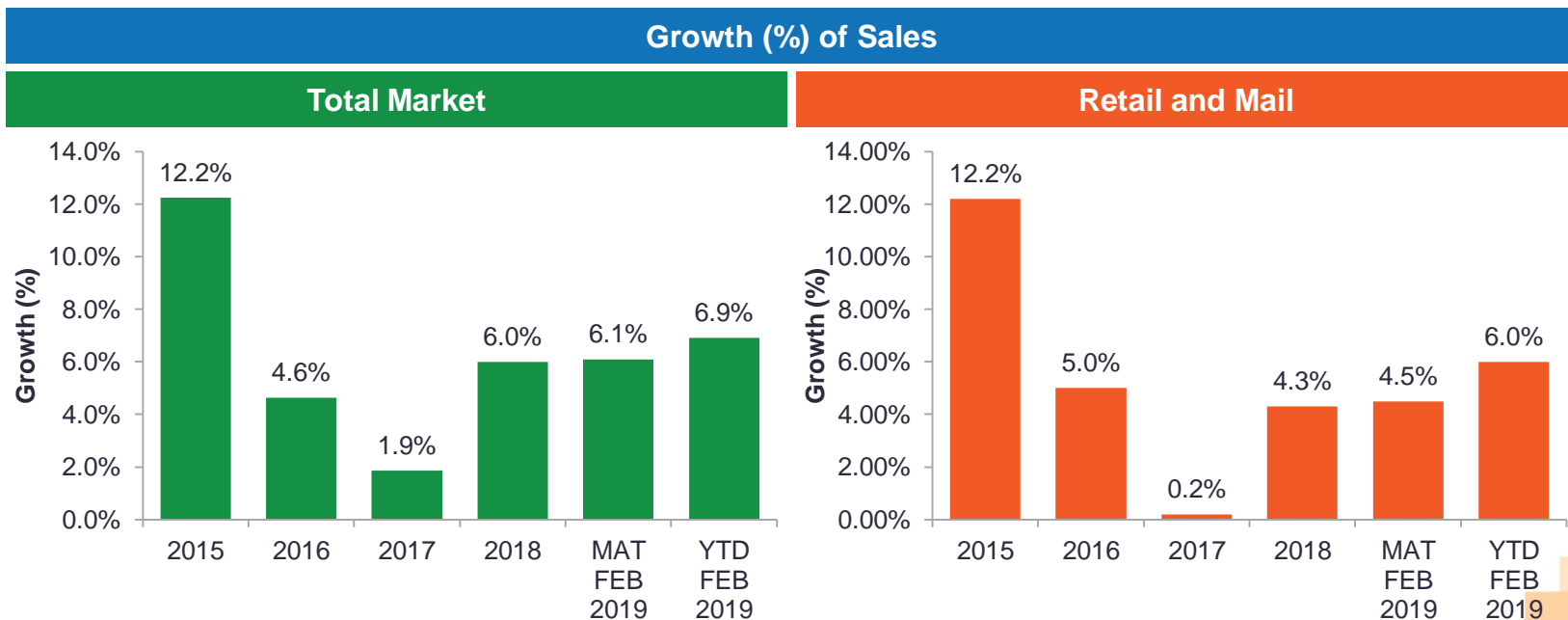


The US Specialty Pharmaceutical Market: Trends, Issues, and Outlook

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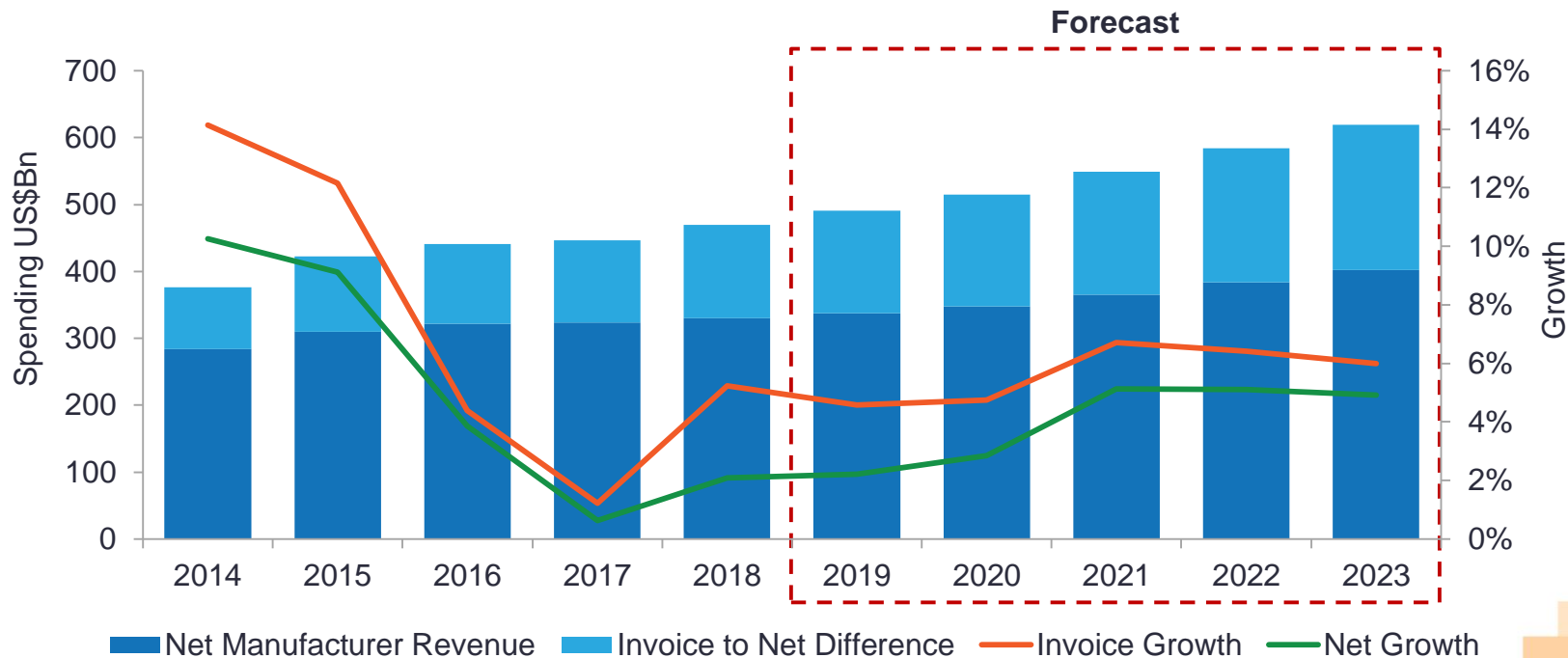
May 1, 2019

Total US market dollar sales growth is at mid-single digits (6.9%) year to date

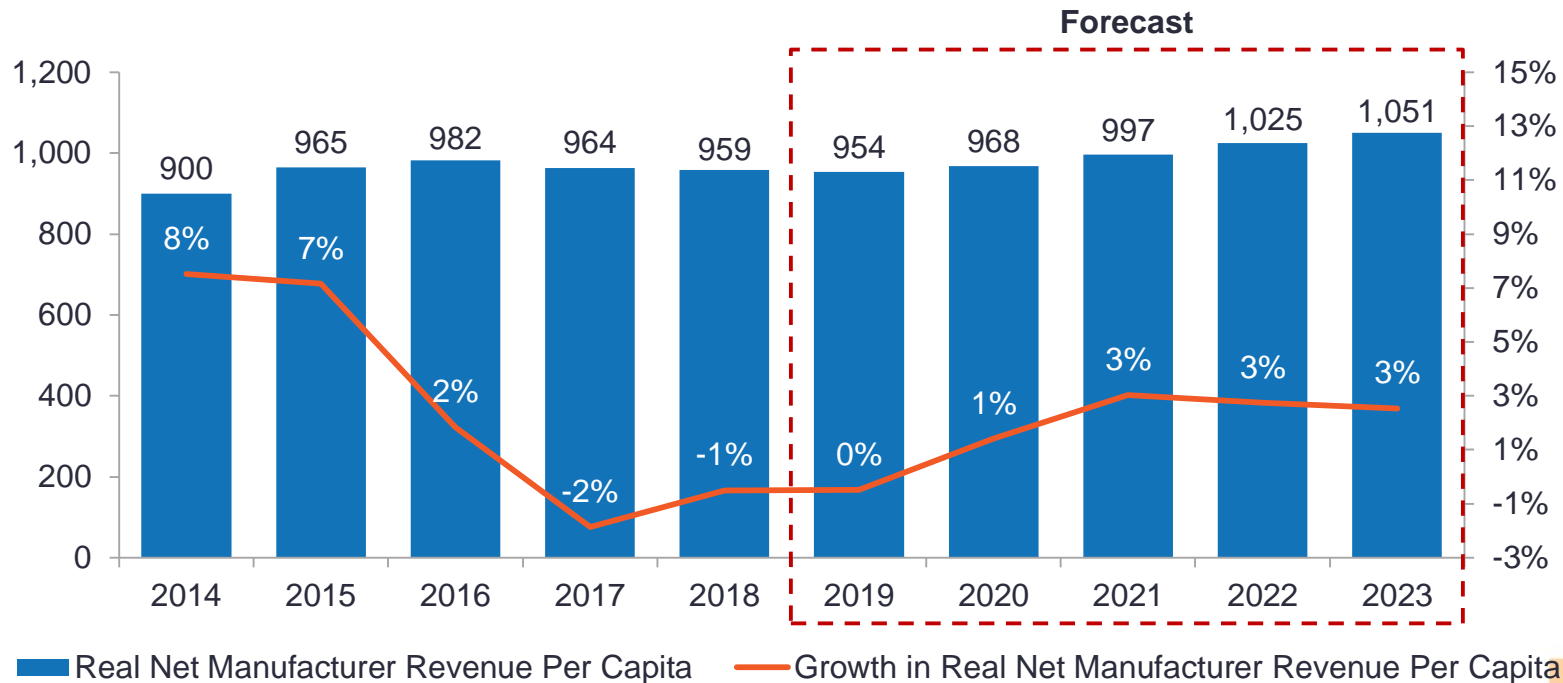


Source: IQVIA, National Sales Perspectives, March 2019
Note: Limited to Rx and OTC Insulins

U.S. Invoice Spending on Medicines and Net Manufacturer Revenue and Growth US\$Bn



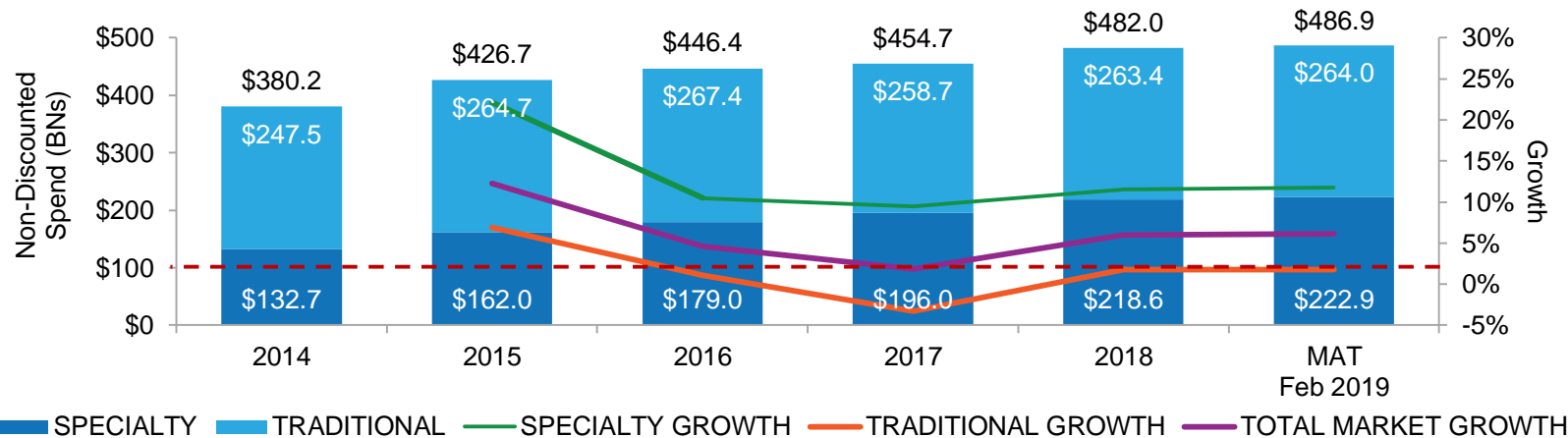
U.S. Real Net Manufacturer Revenue per Capita and Growth US\$



Source: IQVIA Market Prognosis Sep 2018; US Census Bureau, US Bureau of Economic Analysis (BEA), Dec 2018; IQVIA Institute, Dec 2018
Notes: Real net manufacturer revenue reflected in 2015 US\$; See Methodology for estimated manufacturer net revenue

Specialty growth is outpacing traditional growth and now has ~46% share of total non-discounted spend in the most recent 12 months

In MAT FEB 2019, specialty spend is growing at 11.7% while traditional is relatively flat at 1.8%

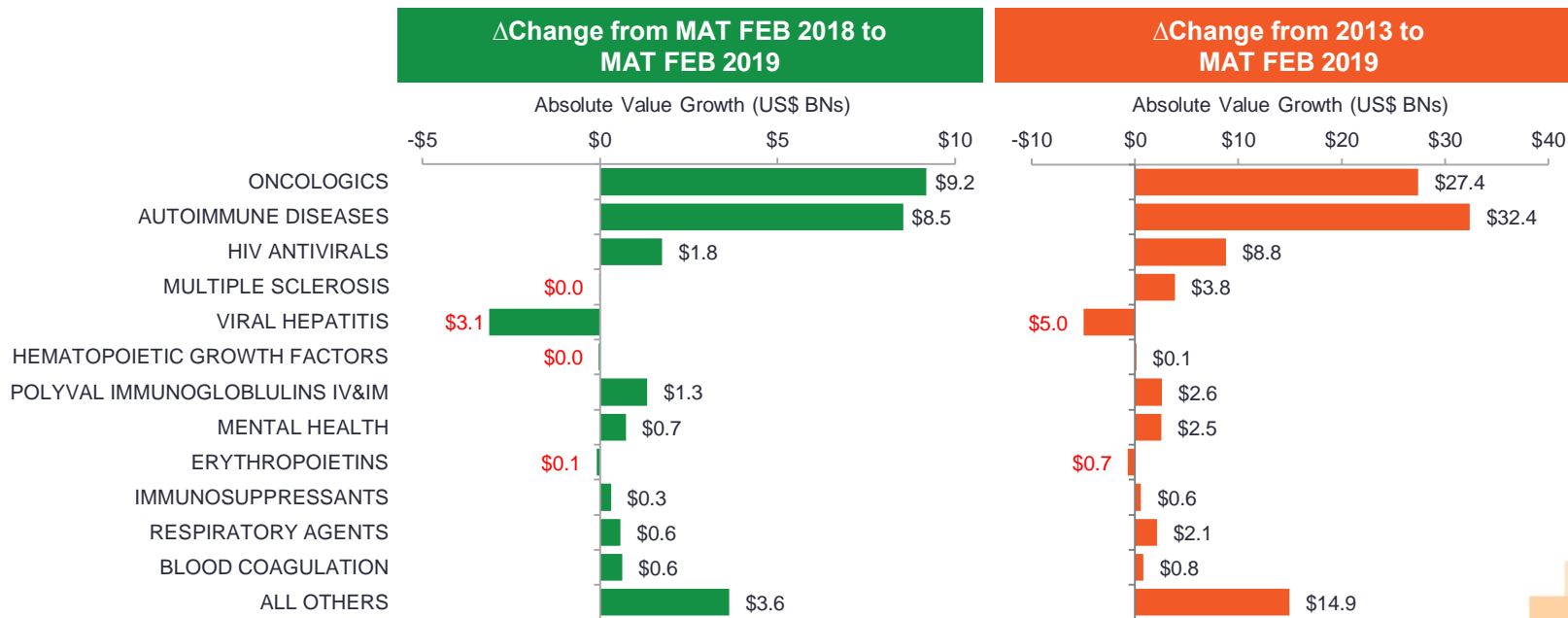


Share of Sales	2014	2015	2016	2017	2018	MAT FEB 2019
SPECIALTY	34.9%	38.0%	40.1%	43.1%	45.4%	45.8%
TRADITIONAL	65.1%	62.0%	59.9%	56.9%	54.6%	54.2%

Source: IQVIA, National Sales Perspectives, April 2019

Oncology, Autoimmune, and HIV lead specialty absolute value growth

Absolute Value Growth for Top Specialty Therapy Areas

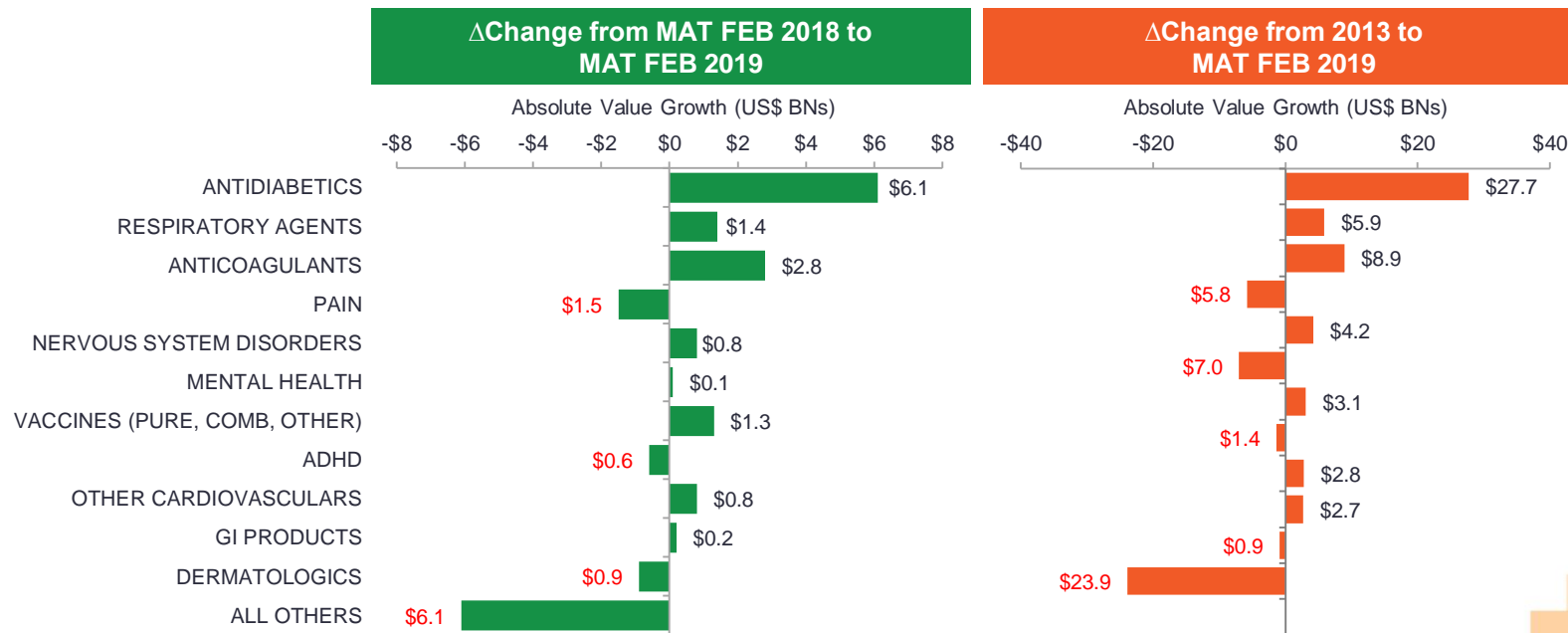


Source: IQVIA, National Sales Perspectives, April 2019

Note: top therapy areas ranked on MAT FEB 2019 non-discounted spend

Diabetes, respiratory and anticoagulants lead traditional absolute value growth while pain, mental health, and ADHD contribute most to value decline

Absolute Value Growth for Top Traditional Therapy Areas



Source: IQVIA, National Sales Perspectives, April 2019

Note: top therapy areas ranked on MAT FEB 2019 non-discounted spend

Top 10 Specialty Therapy Areas – MAT FEB 2019

Therapy Area	Specialty Rank	Overall Rank	Total Volume (in BNs)	% Chg vs. Yr Ago	Total Specialty Volume (in BNs)	% Chg vs Yr Ago	Specialty Retail & Mail Volume	Specialty Retail & Mail Share
ONCOLOGICS	1	2	\$60.3	17.9%	\$60.0	18.1%	\$17.8	29.6%
AUTOIMMUNE	2	3	\$55.8	18.1%	\$55.8	18.1%	\$44.1	79.1%
HIV ANTIVIRALS	3	5	\$22.8	8.4%	\$22.8	8.4%	\$18.7	82.1%
MULTIPLE SCLEROSIS	4	6	\$18.8	-0.3%	\$18.6	-0.1%	\$14.2	76.5%
VIRAL HEPATITIS	5	17	\$7.2	-30.2%	\$7.2	-30.2%	\$5.8	80.4%
HEMATOPOIETIC GROWTH FACTORS	6	24	\$5.1	-0.6%	\$5.1	-0.6%	\$0.4	8.2%
POLYVAL IMMUNOGLOBULINS IV&IM	7	25	\$4.5	42.2%	\$4.5	42.2%	\$0.4	9.5%
MENTAL HEALTH	8	8	\$16.7	5.5%	\$4.3	20.3%	\$1.8	42.7%
ERYTHROPOIETINS	9	27	\$3.5	-2.6%	\$3.5	-2.6%	\$0.2	6.4%
IMMUNOSUPPRESSANTS	10	31	\$3.0	11.0%	\$3.0	11.5%	\$1.4	47.6%

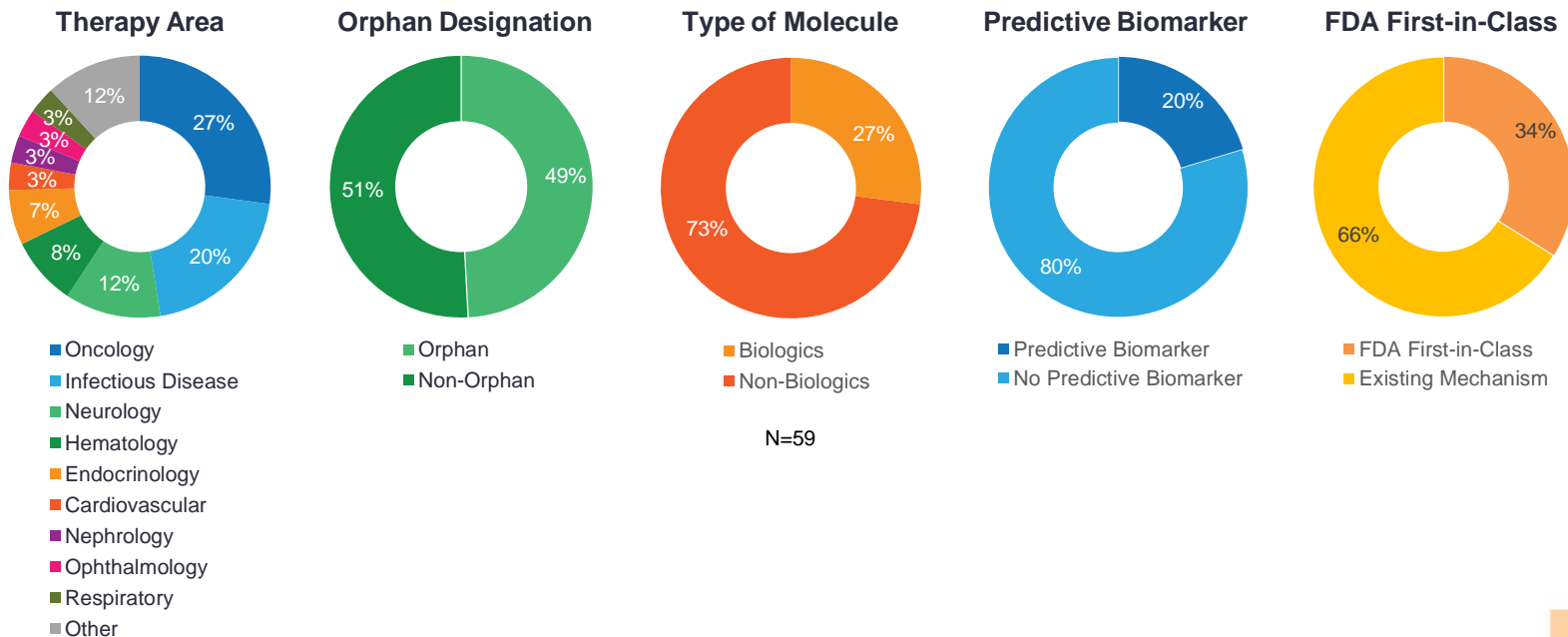
9 of the top 10 launches are specialty; 2 of the top 10 launched in 2018; Shingrix is over \$1BN to date

Top 10 Launches in the past 24 months (sales data through Dec 2018)

Rank	Product	Specialty/ Traditional	Company	Indication	Launch	2017 –2018 \$ (MNs)	Share of Non- Retail \$	Share of Retail \$	Share of Mail \$
1	Ocrevus	Specialty	Roche	Relapsing and Primary Progressive MS	Apr-2017	\$2,999.1	90.3%	0.8%	8.9%
2	Mavyret	Specialty	Abbvie	Hep C	Aug-2017	\$2,158.5	23.0%	28.4%	48.6%
3	Biktarvy	Specialty	Gilead	HIV-1	Feb-2018	\$1,322.1	24.5%	60.4%	15.1%
4	Dupixent	Specialty	Sanofi Aventis	Moderate-to-Severe Atopic Dermatitis (eczema)	Mar-2017	\$1,071.4	5.5%	11.6%	82.8%
5	Shingrix	Traditional	GlaxoSmithKline	Shingles	Dec-2017	\$1,019.8	27.5%	71.9%	0.5%
6	Spinraza	Specialty	Biogen	Spinal Muscular Atrophy (SMA)	Feb-2017	\$864.0	99.9%	0.0%	0.1%
7	Imfinzi	Specialty	AstraZeneca	Non-Small Cell Lung Cancer (NSCLC)	May-2017	\$581.7	98.7%	0.3%	1.1%
8	Vosevi	Specialty	Gilead	Hep C	Jul-2017	\$468.9	22.4%	27.0%	50.6%
9	Tremfya	Specialty	Johnson & Johnson	Moderate-to-Severe Plaque Psoriasis	Jul-2017	\$449.6	6.6%	13.0%	80.4%
10	Symdeko	Specialty	Vertex	Cystic Fibrosis	Feb-2018	\$396.7	23.1%	1.6%	75.3%

A Record Number of Innovative Medicines were Launched in 2018 Bringing 59 New Treatment Options to Patients

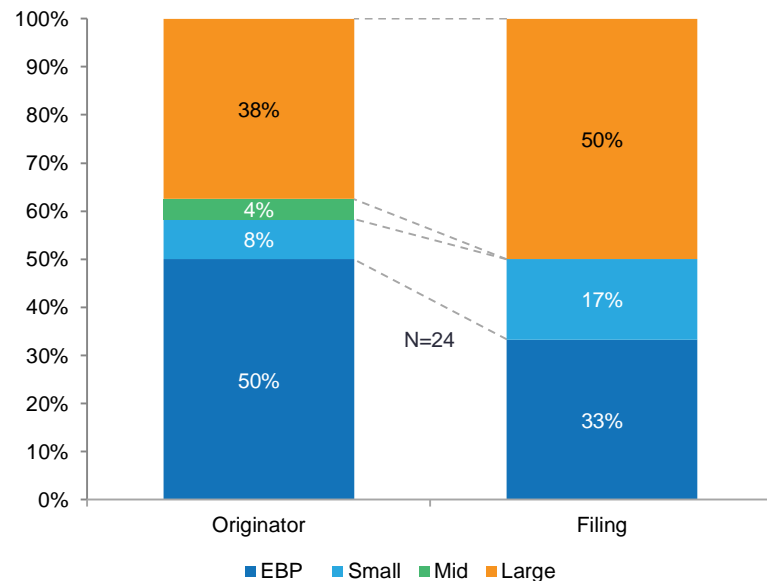
New Actives Substances (NAS) Launched for the First Time in the United States in 2018



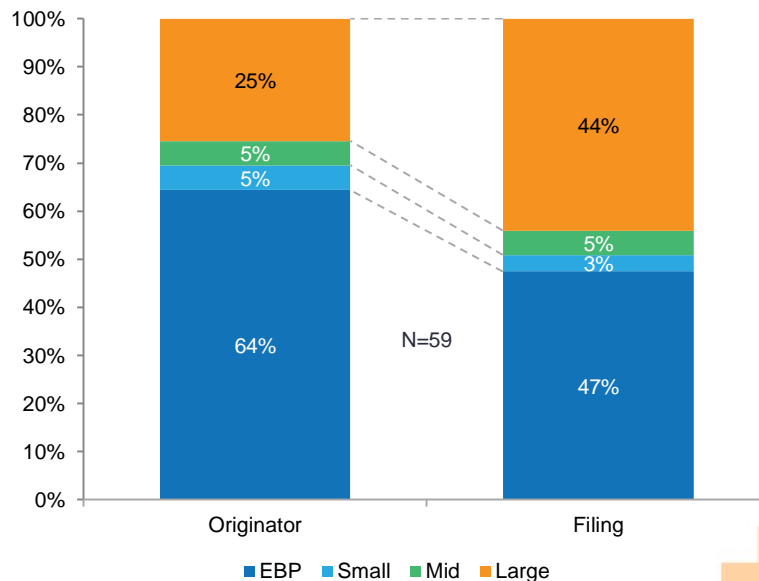
Emerging Biopharma Companies Patented Almost Two-Thirds of the New Drugs in 2018, while Large Pharma Patented One-Quarter

Originator Companies and Companies Filing FDA Regulatory Submission by Company Segment

2010 NAS Launches

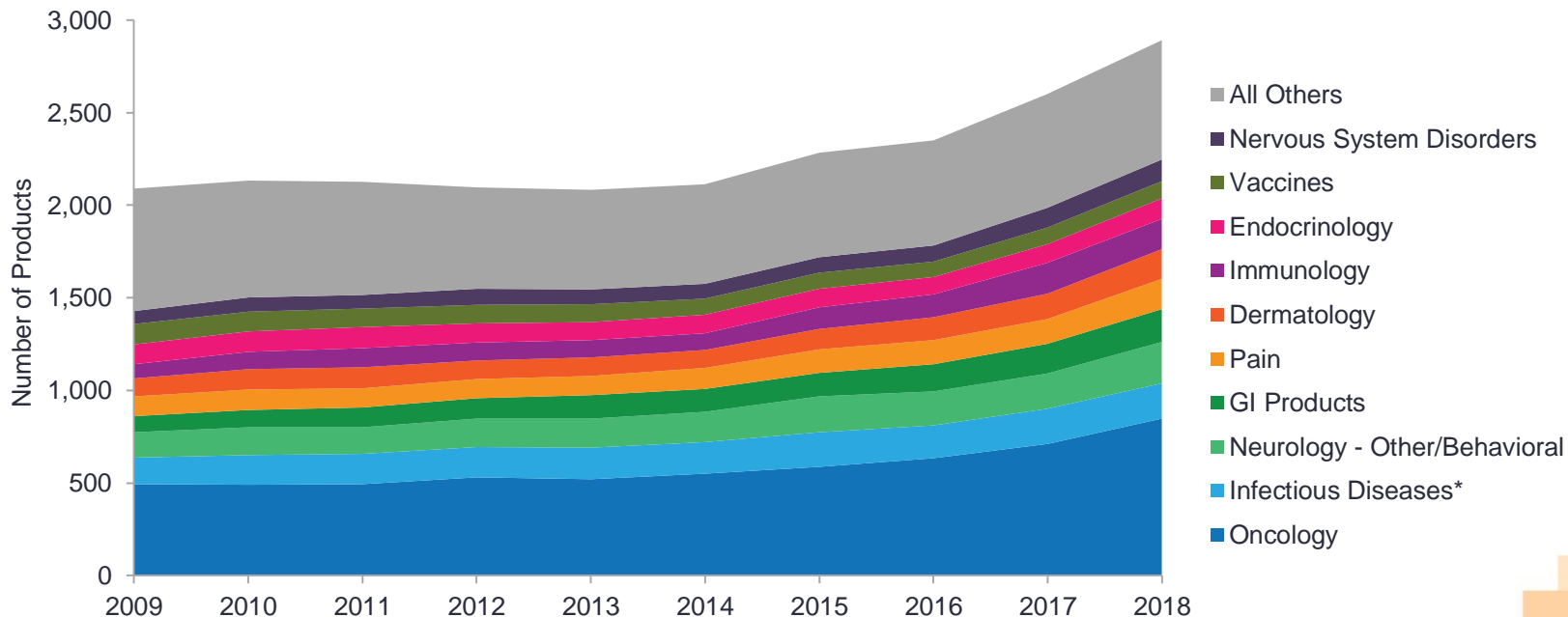


2018 NAS Launches



The Late-Stage Development Pipeline has Expanded Steadily Over the Past Four Years with 11% Growth in Both 2017 and 2018

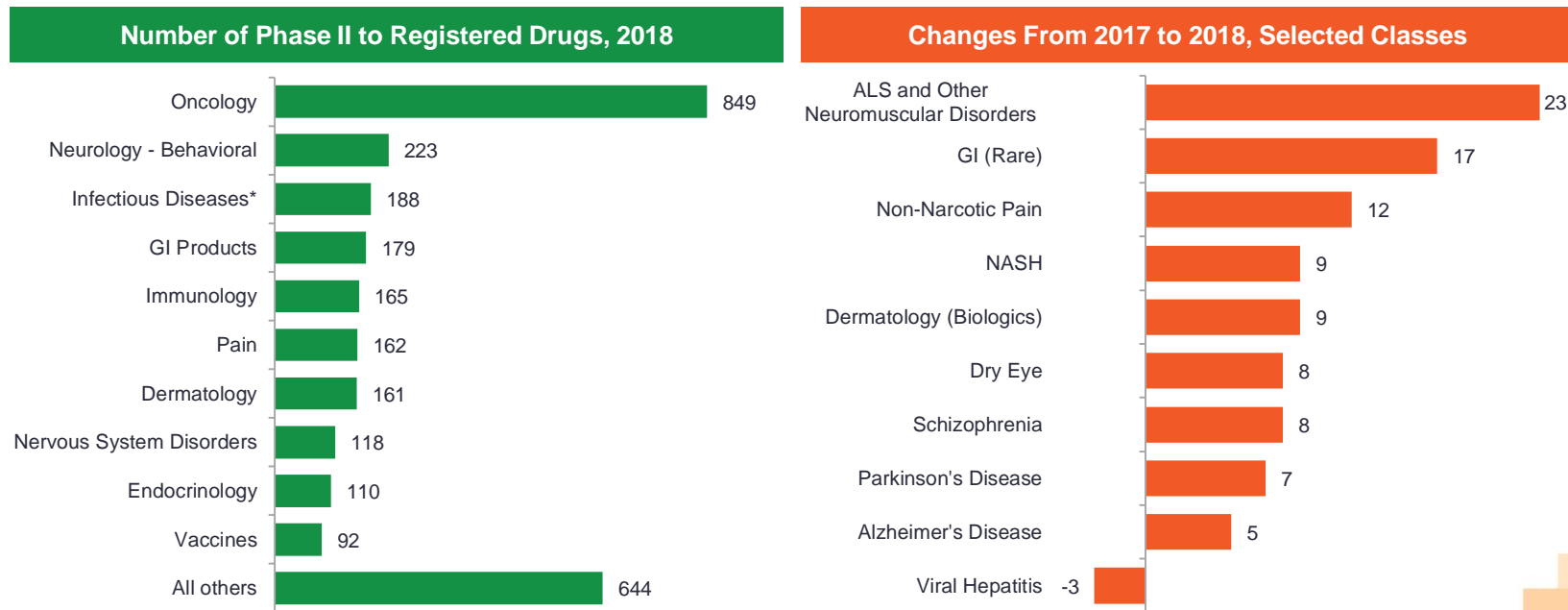
Number of Late-Stage Pipeline Products by Therapeutic Drug Class, 2009–2018



Source: IQVIA Pipeline Intelligence, Dec 2018; IQVIA Institute, Mar 2019

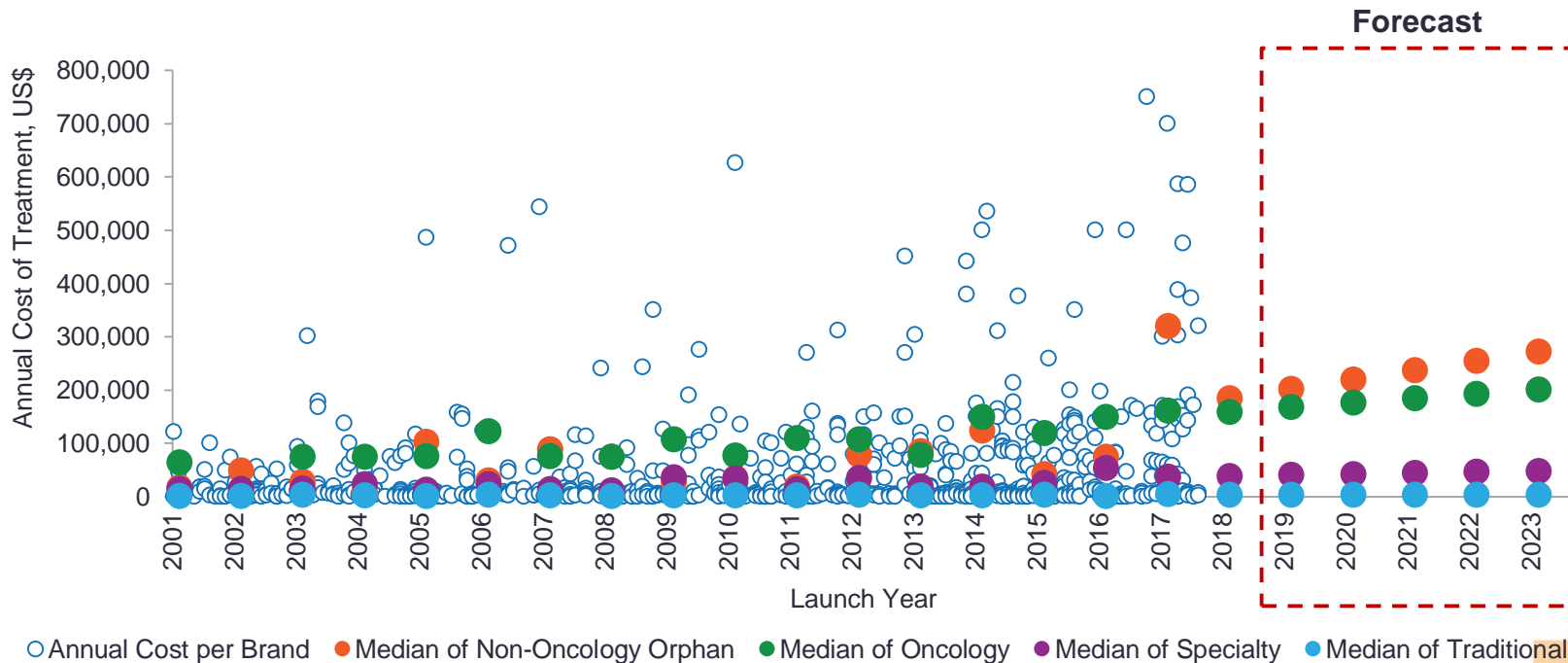
Late-Stage Pipeline Growth is Mostly Driven by Specialty and Niche Therapies Across a Range of Diseases

Late-Stage Pipeline Products and Changes from 2017 in Selected Classes



Source: IQVIA Pipeline Intelligence, Dec 2018; IQVIA Institute, Mar 2019

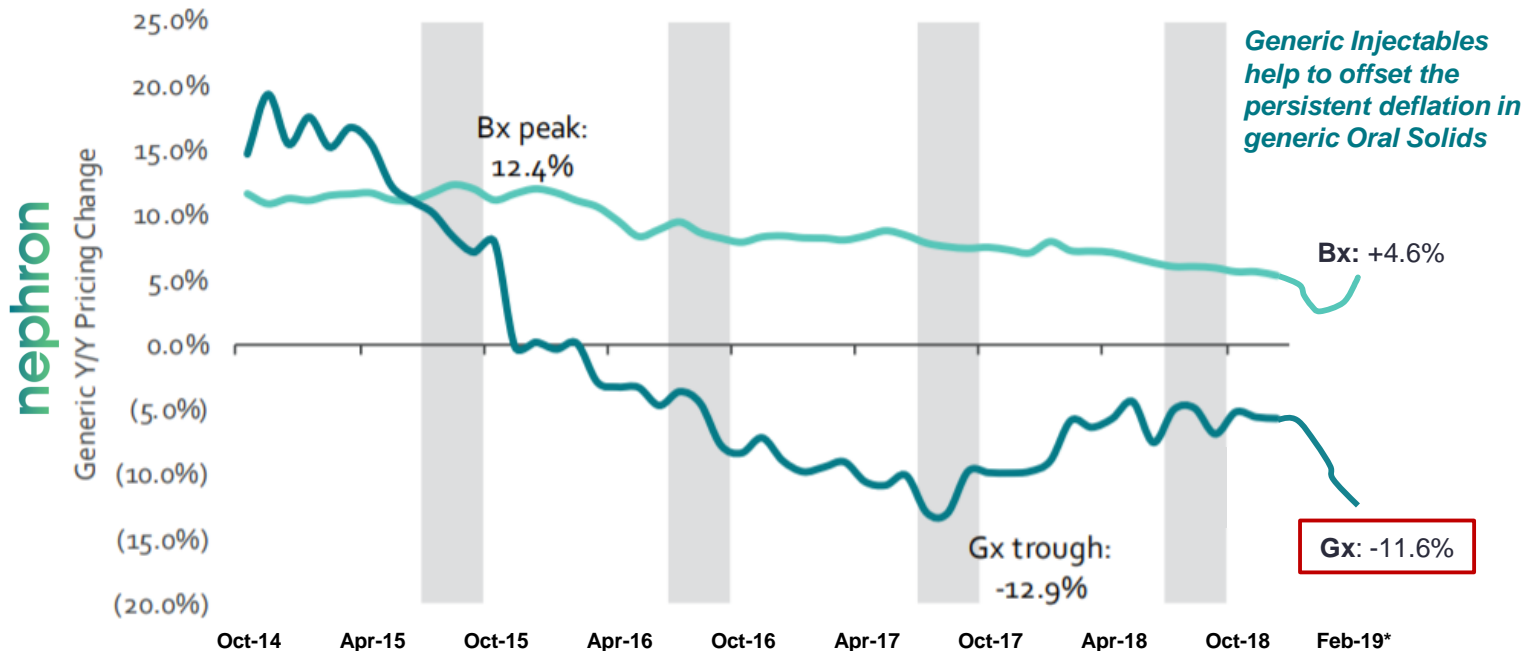
Annual and Median Costs of U.S. Brands by Type and Launch Year US\$



Source: IQVIA National Sales Perspectives, Dec 2017; IQVIA Institute Dec 2018

Notes: Annual costs based on invoice prices, with overall invoice-level spending divided by estimated numbers of patients. Patient estimates are based on audited volumes assuming all patients use the drug according to the approved label. Products are included in medians based on segment assignments. Oncology includes both orphan and non-orphan products. All other products which have orphan indications are grouped together and some products have both orphan and non-orphan indications in this group. Specialty and traditional products exclude orphan or oncology products but are otherwise defined according to IQVIA definitions. Projected median costs are based on simple extrapolation of the medians in the prior ten years.

Generic dollar price deflation has not flattened out: Shortages may increase and greater scrutiny by Dept. Commerce



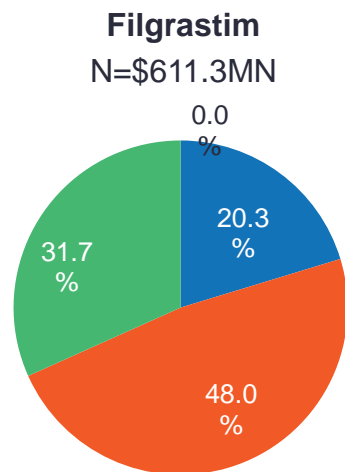
7 of the 18 FDA approved biosimilars have launched

Approval Count	FDA Approval Date	Biosimilar	Biosimilar Manufacturer	Reference Product	Reference Manufacturer	Molecule	Launch Status
1	March 2015	Zarxio	Sandoz Novartis	Neupogen	Amgen	filgrastim	2015
2	April 2016	Inflectra	Celltrion	Remicade	Janssen (J&J)	infliximab	2016
3	August 2016	Erelzi	Sandoz Novartis	Enbrel	Amgen	etanercept	
4	September 2016	Amjevita	Amgen	Humira	Abbvie	adalimumab	2023
5	May 2017	Renflexis	Merck & Co	Remicade	Janssen (J&J)	Infliximab	2017
6	August 2017	Cyltezo	Boehringer Ingelheim	Humira	Abbvie	adalimumab	
7	September 2017	Mvasi	Amgen	Avastin	Genentech	bevacizumab	2019
8	December 2017	Ogivri	Mylan	Herceptin	Genentech	trastuzumab	
9	December 2017	Ixifi	Pfizer	Remicade	Janssen (J&J)	Infliximab	
10	May 2018	Retacrit	Hospira (Pfizer)	Epogen	Amgen	epoetin alfa	2018
11	June 2018	Fulphila	Mylan	Neulasta	Amgen	pegfilgrastim	2018
12	July 2018	Nivestym	Hospira (Pfizer)	Neupogen	Amgen	filgrastim	2018
13	October 2018	Hyrimoz	Sandoz	Humira	Abbvie	adalimumab	2023
14	November 2018	Udenyca	Coherus BioSciences	Neulasta	Amgen	pegfilgrastim	2019
15	November 2018	Truxima	Celltrion	Rituxan	Genentech	rituximab	
16	December 2018	Herzuma	Celltrion	Herceptin	Genentech	trastuzumab	
17	January 2019	Ontruzant	Samsung Bioepis (Merck)	Herceptin	Genentech	trastuzumab	
18	March 2019	Trazimera	Pfizer	Herceptin	Genentech	trastuzumab	

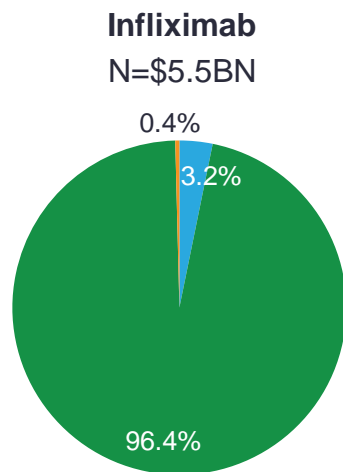
● Launched
 ● Launch delayed
 ● No launch announced

Source: FDA and CDER List of Licensed Biological Products; accessed on March 21, 2019

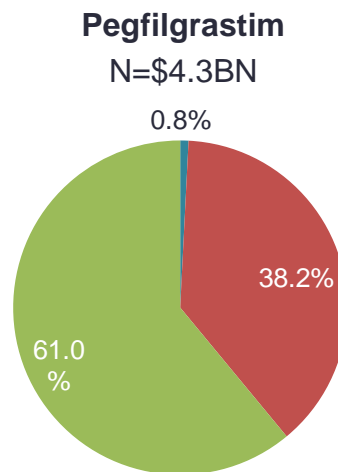
Biosimilar dollar share is minimal to date (MAT NOV 2018) in the US



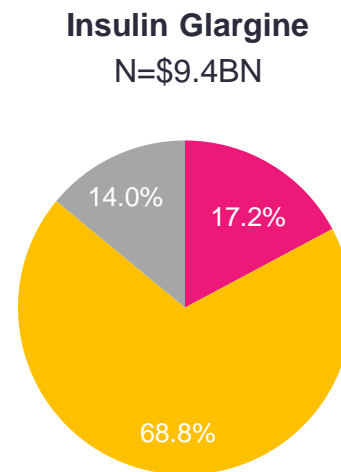
■ Granix
■ Neupogen
■ Zarxio
■ Nivestym



■ Inflectra
■ Remicade
■ Renflexis

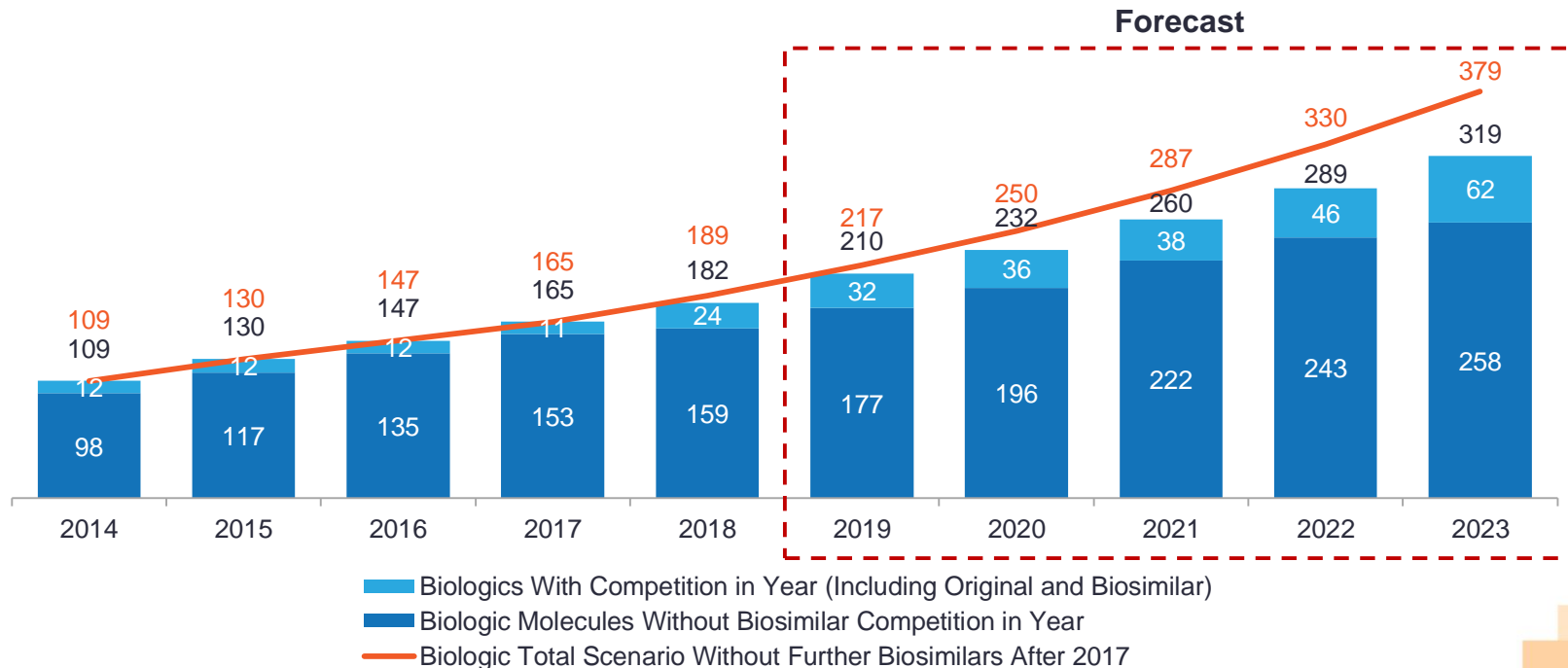


■ Fulphila
■ Neulasta
■ Neulasta Onpro



■ Basaglar
■ Lantus
■ Toujeo

Biologic spending could grow more dramatically without future biosimilar penetration



Source: IQVIA MIDAS, Jun 2018; Institute Dec 2018

Notes: Line on chart represents biologic spending using average growth of molecules not facing competition in 2017 continued to 2023 to represent what spending would have been without new molecules facing biosimilar competitors. Segments for biologics with and without competition are modeled using the average historic growth rates and expected entrance of biosimilars and price and volume changes associated with biosimilar entry.

Six key issues that Market Access teams are currently facing



Tighter, More Consolidated Payer Management



Higher Patient Out-Of-Pocket Payments



Amplified Public Pressure and Demand for Price Transparency



More Stringent Medical Benefit Management



Increase in Value Based Models



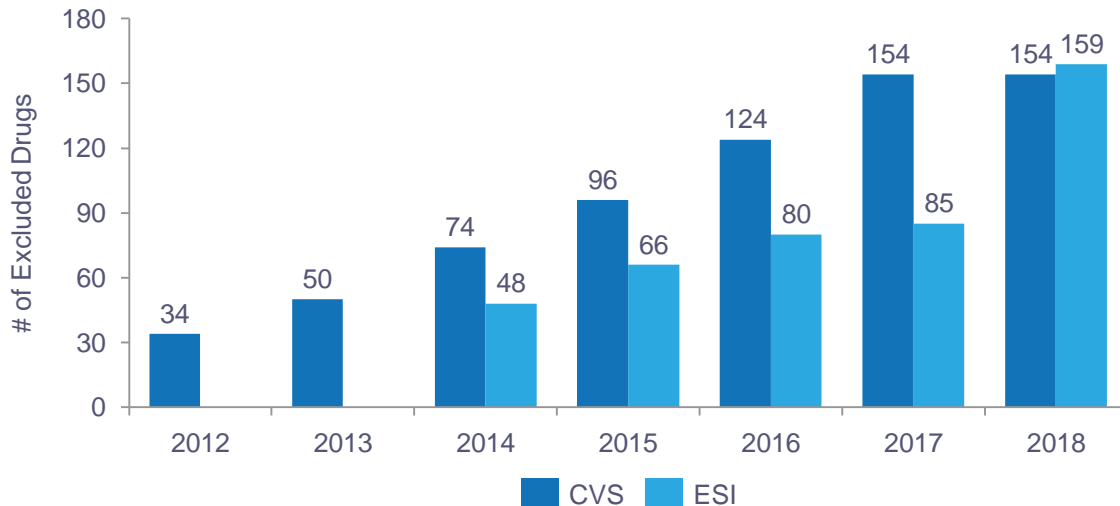
Evolving Provider Landscape

1. The payer grip continues to tighten, as management across brands increases



Tighter, More Consolidated Payer Management

Number of CVS/ESI Drug Exclusions



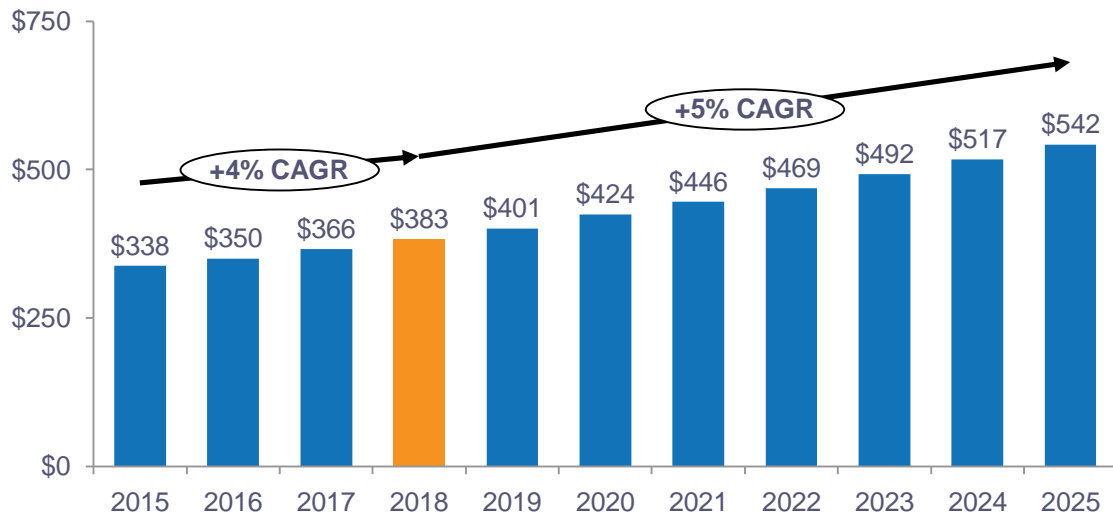
- Managed Care Organizations (MCOs) and Pharmacy Benefit Managers (PBMs) are increasingly utilizing strict approaches to manage drugs, including formulary exclusions
- Access is now discussed in terms of “winning and losing” based on negotiations with the major PBMs and Payers

2. Patients are facing increasing financial pressure, as payers are transferring a higher percentage of costs to patients



Higher Patient Out-Of-Pocket Payments

US Out-of-Pocket Health Spending (in \$USD Billions)



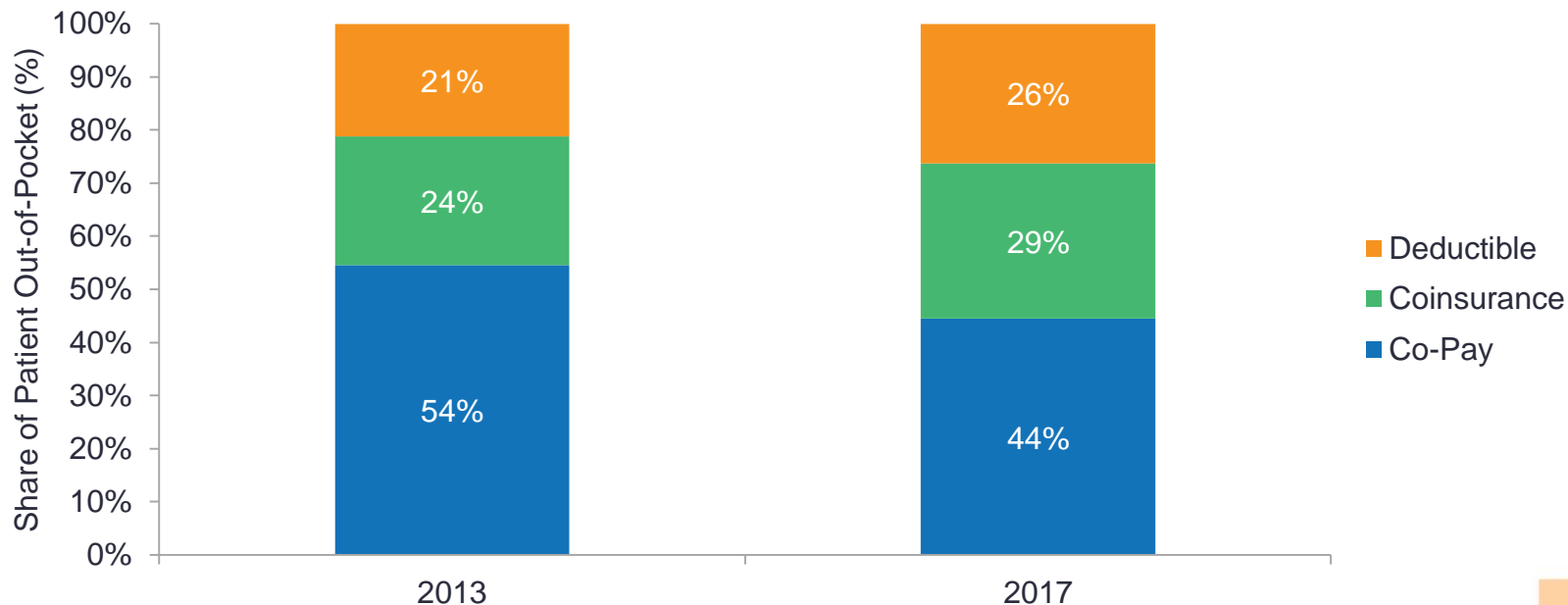
Source: CMS National Health Expenditure Accounts Data; IQVIA Formulary Impact Analyzer (FIA); *Excludes buy-and-bill and hospital products

Average Commercial Co-pay
Increase (2016-2017)*

14%

Since 2013, the proportion of patient costs paid through deductibles and coinsurance has grown

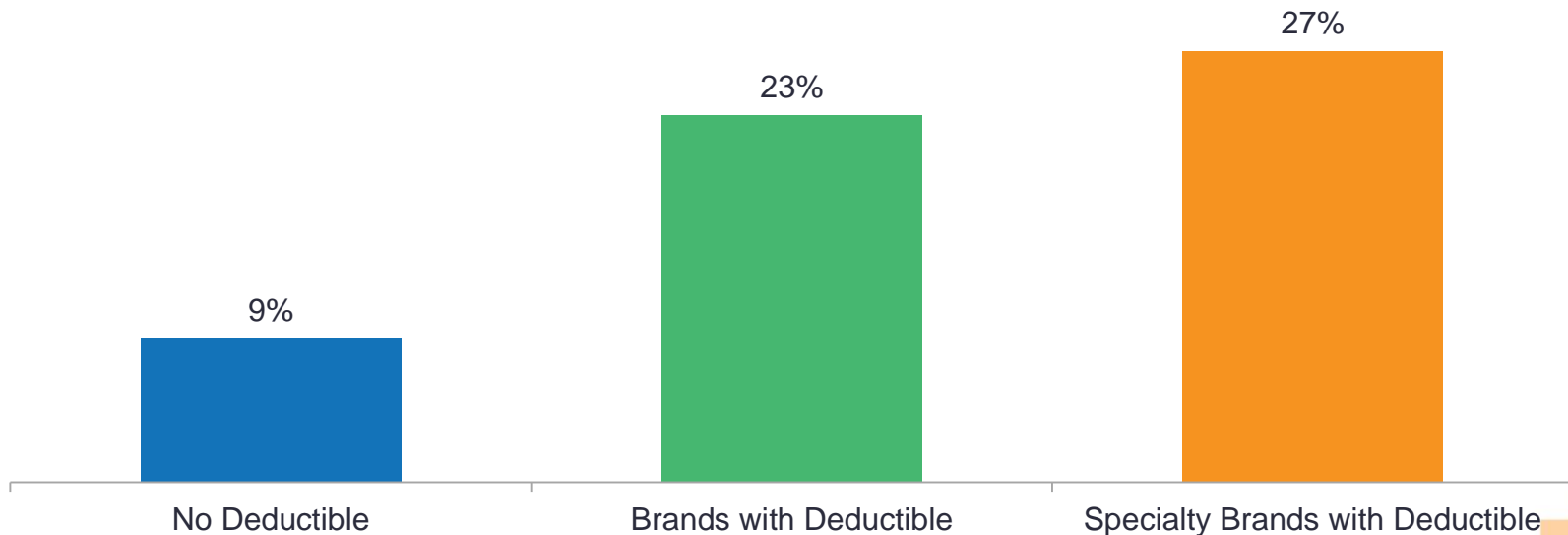
Share of Total Patient Out-of-Pocket by Cost-Sharing Type (Commercial, All Brands)



Source: IQVIA Rx Benefit Design; IQVIA analysis

Almost 1 in 4 prescriptions are abandoned by patients during their deductible phase

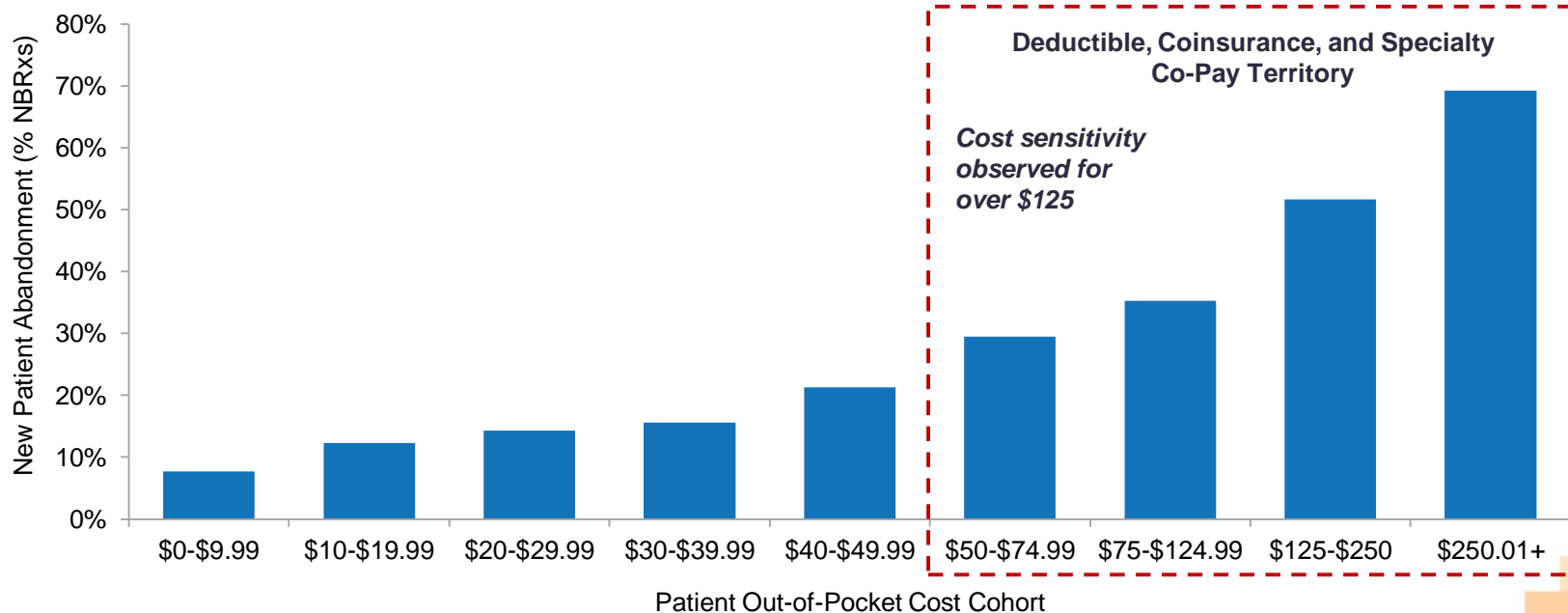
Abandonment Rates for Branded Medicines



Source: Amundsen Consulting (a division of QuintilesIMS) analysis for PhRMA; IMS FIA; Rx Benefit Design, 2015

With higher cost-sharing comes greater abandonment, affecting patients with deductibles, coinsurance, and specialty co-pays

New Patient Abandonment by Patient Out-of-Pocket Cost Cohort (Top Brands, 2017)



Note: Top Brands are defined as key products in the PayCo® tool and span more than 20 therapeutic areas

Source: IQVIA Formulary Impact Analyzer; IQVIA analysis

3. New environment of stricter pricing scrutiny and demand for transparency

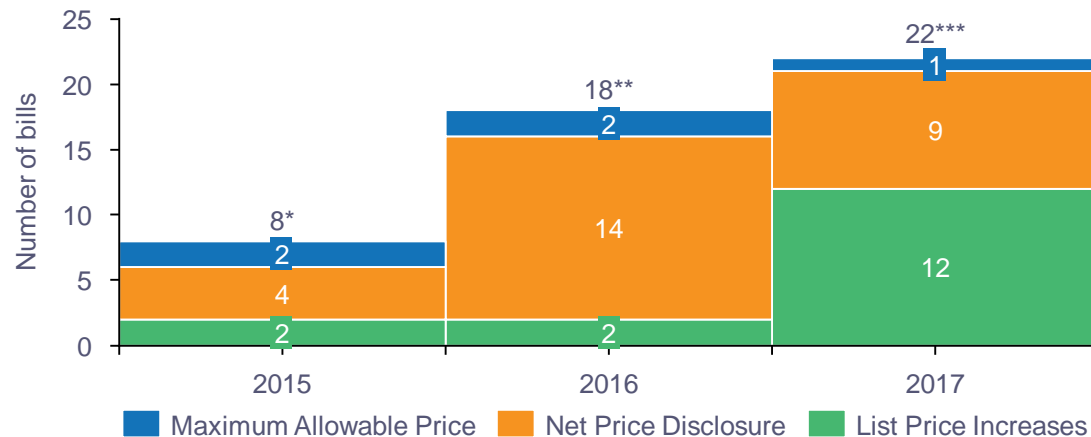


Amplified Public Pressure and Demand for Price Transparency

Increased Public Scrutiny on Drug Pricing



Number of State Bills Introduced on Price Transparency (2015-2017)



There will be an increasing push for companies to communicate a clear rationale for pricing decisions

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4. Medical benefit drugs will no longer be protected, as payers are developing new capabilities to manage the medical benefit



More Stringent Medical Benefit Management

Increased Medical Benefit Management Techniques

Developing medical formularies

Increased utilization management

Shifting medical benefit drugs to the pharmacy benefit

Site-of-care management

As specialty drugs have become increasingly costly, payers have implemented more utilization management techniques for medical benefit drugs

Development of Vertically Integrated Payer Models

Anthem BlueCross BlueShield + CVS → IngenioRx

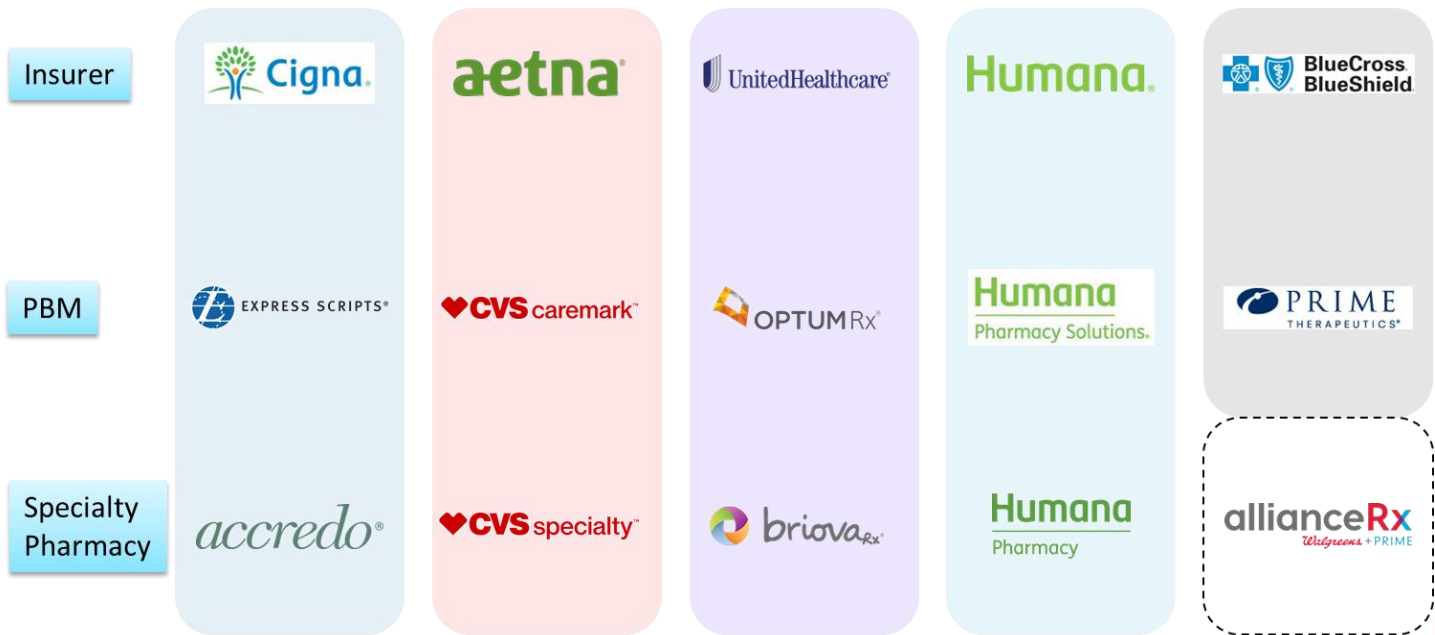
CVS + aetna

UnitedHealthcare → OPTUMRx

Increased vertical integration between PBMs and MCOs leads to increased ability to manage both pharmacy and medical cost

Vertically integrated Payer models are being developed to manage the increasing pharmacy and medical costs

Payer-Aligned Medical-Pharmacy Future



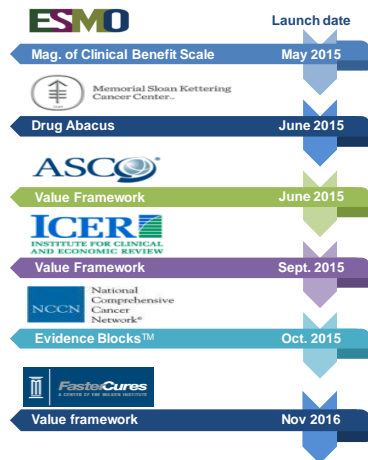
Source: Drug Channels Institute research. AllianceRx Walgreens Prime is jointly owned by Prime Therapeutics and Walgreens Boots Alliance.

5. Value frameworks are expanding influence, and use of value-based payment models and innovative agreements has increased



Increase in Value Based Models

Development of Value Frameworks



Recent Examples of Value-Based Payment Models



Entresto®
(sacubitril/valsartan) tablets
24/26mg • 49/51mg • 97/103mg

Novartis negotiated pay-for-performance agreements with Aetna and Cigna

- Cigna: Payments depend on patient hospitalization rates
- Aetna: Payments linked to delivering real-world results similar to those seen in clinical trials



Repatha™
(evolocumab) injection
140 mg/mL

Amgen negotiated outcomes-based agreements with Harvard Pilgrim

- Amgen will pay a refund for all eligible patients who had a heart attack or stroke while on Repatha

Overall, in the coming years, the concept of value will become part of the fabric of US healthcare

As more innovative products are entering the market, their high prices have come under increased scrutiny

New and innovative products will continue to enter the market over the next 5-10 years but stakeholders are concerned over how they will be funded



Gene
Therapies



Disease Modifying
Therapies



IO
Combinations



Cell
Therapies

Immunotherapy Combos: Will Cost Put Them out of Reach?

Kerry Dooley Young
October 18, 2018

Medscape Oncology News

Gene Therapy: Must Sky-High Prices 'Come on Down' Before the Price Is Right?

Managed Care July 2, 2018

High U.S. Drug Prices Fuel Outrage, Innovation Debate: QuickTake

By **Robert Langreth** | Bloomberg
May 11, 2018

Washington Post

Why prescription drug prices have skyrocketed

By **Robin Feldman**
November 26, 2018

Washington Post

Other ICER initiatives in 2019

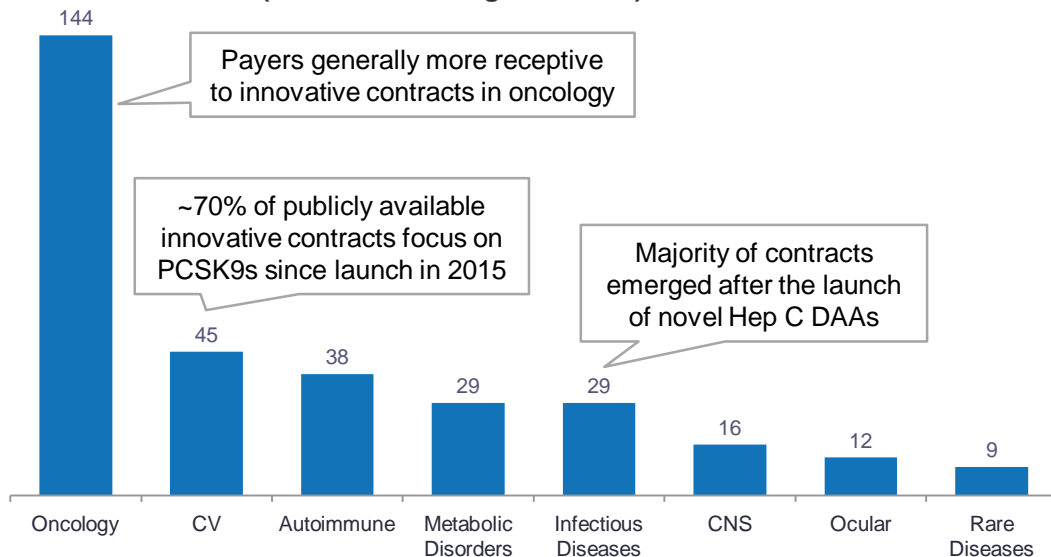
- 2019 topics
 - Spinal muscular atrophy, including gene therapy
 - Siponimod for MS
 - Peanut allergy prophylaxis
 - Duchenne muscular dystrophy (exondys-51 and golodiresan)
 - Esketamine/ketamine for major depression
- Unsupported Price Increase (UPI) Report
- “Valuing a Cure” Project

Innovative contracts incorporate value considerations, allowing payers to de-risk high cost of new therapies

Key Contracting Types		Description
Traditional Discount Approach		Traditional approach where MNFs and payers negotiate pre-determined discounts for products
Innovative	Financial-Based Risk Sharing	Financial-based risk sharing agreements link price or access conditions to non-clinical metrics/outcomes
	Value-Based Risk Sharing	Value-based risk sharing agreements link price or access conditions to metrics related to patient clinical outcomes
	Coverage with Evidence Development	Links access to the generation of additional evidence to address remaining uncertainty around clinical effectiveness
	Financing Agreements	Agreement provides financing (e.g., loans, TA funds); however it does not change product price

Innovative contracting has emerged and grown increasingly popular among some TAs...

of Publicly Available Global Innovative Contract Agreements Between 2005-2018 (IQVIA Contracting Database*)



*IQVIA Contracting Database is based on data from both public sources and PMR/internal IQVIA expertise (no confidential information)

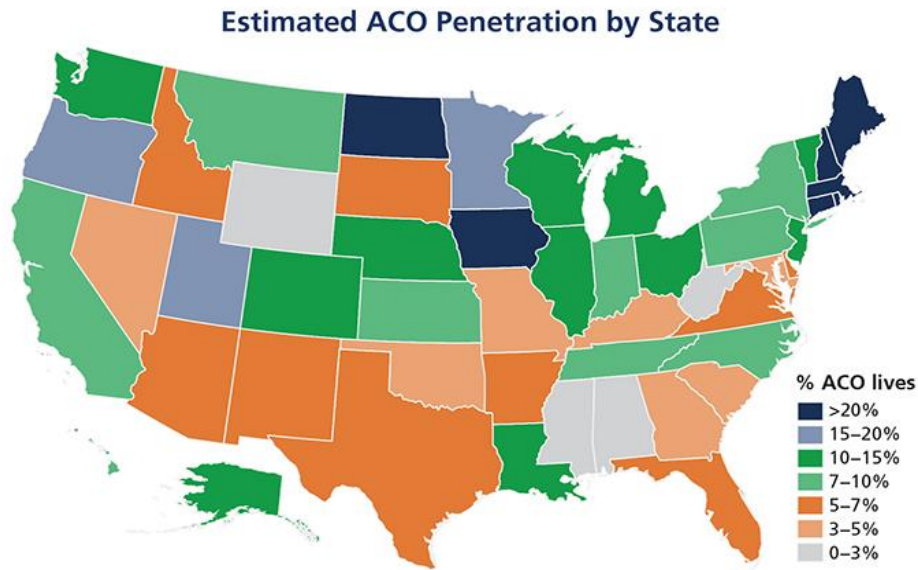
Key Considerations

- **Oncology** has a high concentration of innovative contracts due to:
 - ✓ **High cost** of treatment
 - ✓ Increasing **competition**
 - ✓ Use across **several indications**
 - ✓ Patient **population** size
 - ✓ **Tangible endpoints**
 - ✓ **Uncertain clinical outcomes**
- Innovative contracting in **infectious disease and CV** are mostly driven by novel/disruptive product launches
- **Rare diseases** see more usage of innovative contracts due to significant clinical uncertainty and high cost

6. Finally, the provider landscape is constantly evolving, with continued growth in the number of IDNs and ACOs

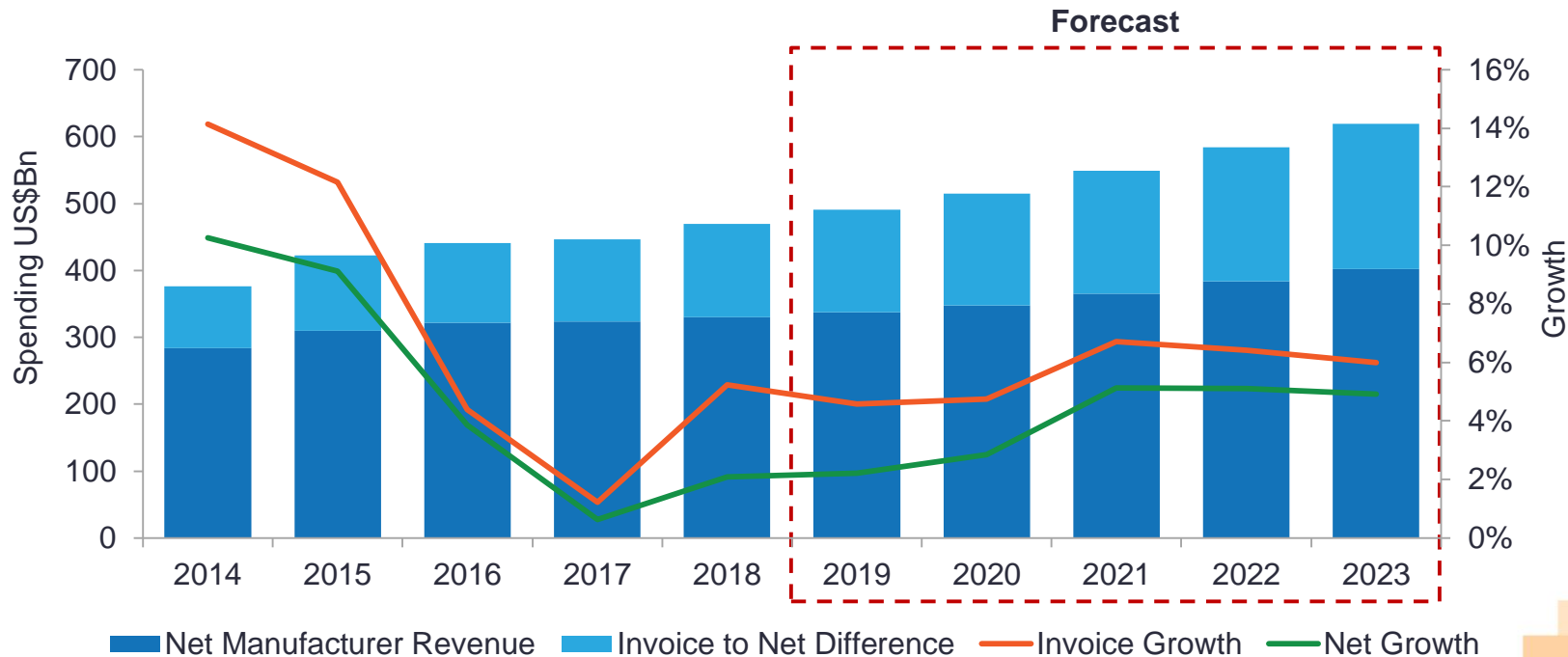


Evolving Provider Landscape



- To streamline care and costs, providers are merging to form integrated delivery networks (IDNs)
- Lines are also blurring between providers and payers through the formation of vertically integrated accountable care organizations (ACOs)
- IDNs/ACOs have become more influential in prescribing decisions and have demonstrated willingness to manage drug utilization at the class level

Net total spending growth will average 2-5% over the next five years while invoice growth will average 4-7%





Strong forces are driving changes in healthcare



Aging population will drive more demand for mental care, homecare and assistance, social capital and self-management services



Rising prevalence of **chronic diseases** will drive greater demand for disease management programs (e.g. prevention, early diagnosis, IPC)



Adherence/Compliance remains largest avoidable cost for healthcare systems



Rising cost of care and increasing **scrutiny around value** will need a structural re-appraisal of the payer role and new sustainable models








Increasing connectivity will drive convergence of solutions (e.g. mobile health, remote monitoring, sensor-enable pills, etc.) and **Healthcare Consumerism**



Patient Centrality: Patients are becoming more involved in healthcare decision making, choices, and becoming vocal about innovation requirements



These changes unlock new value propositions

	Integrated Care Medicine	Integrated care for complex chronic diseases, solutions that help to close gaps in treatment
	Precision/Predictive Medicine	Disease detection, precise diagnosis and rational prescribing
	Outcomes Based Medicine	Rational Prescribing and guaranteed outcomes
	Empowerment Medicine	Information-based healthcare, improve patient outcomes by providing daily solutions to HCPs and Providers
	Medicine Democratisation	Any time, any place medicine (e.g. homecare, telemedicine and virtual physician visits, etc.)... Walmart, Amazon, Apple etc

Panel Time!



Adam Fein
DRUG CHANNELS INSTITUTE



Lisa Gill
J.P. MORGAN SECURITIES



Doug Long
IQVIA



Thank you!

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The 2018-19 Economic Report on Pharmaceutical Wholesalers and Specialty Distributors

Adam J. Fein, Ph.D.
Drug Channels Institute

October 2018



<https://drugch.nl/wholesale>

The 2019 Economic Report on U.S. Pharmacies and Pharmacy Benefit Managers

Adam J. Fein, Ph.D.
Drug Channels Institute

March 2019



<https://drugch.nl/pharmacy>

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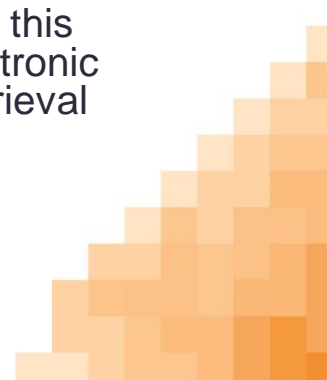
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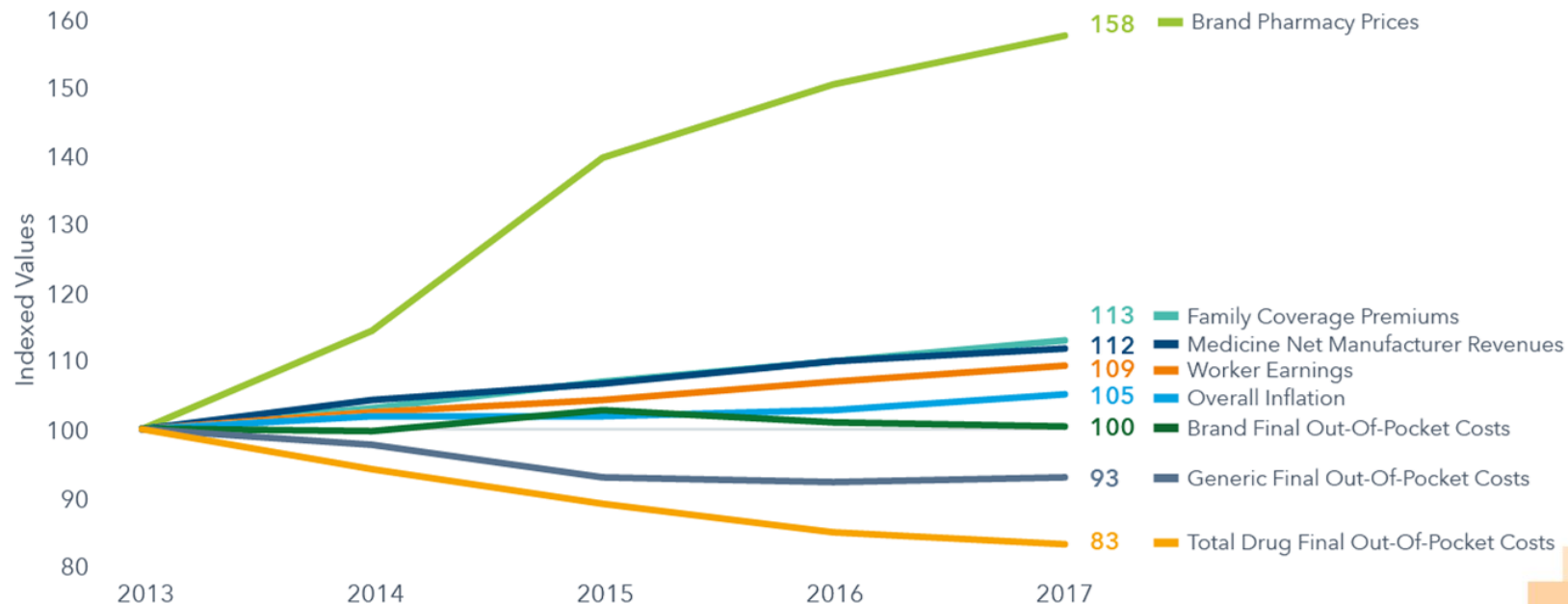
Doug Long, *Vice President, Industry Relations*

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Doug is a frequent industry speaker and the recipient of many awards from trade groups. Before joining IQVIA, Doug held positions at Nielsen Market Research for 16 years in various sales and marketing capacities. A native of Illinois, Doug received a BA from DePauw University and holds an MBA in management from Fairleigh Dickinson University

Changes in Healthcare Costs or Cost Drivers 2013–2017, Indexed (2013 Values = 100)



Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2017; IQVIA Formulary Impact Analyzer (FIA), IQVIA Institute, Dec 2017

Chart notes: Indices sourced from Kaiser/HRET Employer Survey⁴ include: family coverage, premiums, workers earnings, overall inflation. Brand, generic and total final out-of-pocket costs and brand pharmacy prices are for commercially insured, Medicare Part D and cash payment types sourced from IQVIA Formulary Impact Analyzer. All charted values are indexed to set their 2013 value equal to 100

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