

Mercer Government Human  
Services Consulting

PHARMACY *FLASH*

National Drug Trend and Pipeline Highlights  
2019 - 2020



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## NATIONAL DRUG TREND

CMS is predicting drug spending to be in line with other health care spending and to remain a stable portion of overall US health care expenditures.

- Total health spending is projected to grow at an average rate of 5.5% per year between 2018 and 2027.
- Medicaid spending growth is expected to rise to 4.8% in 2019, attributable, in part, to the expected expansion of Medicaid coverage in 5 states.
- For 2020–2027, Medicaid spending is then projected to grow at an average annual rate of 6.0%<sup>[1],[2]</sup>

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## MEDICAID DRUG TREND

Pharmacy trend projections for traditional and specialty drug classes for Medicaid programs for CY 2018 to 2019 and for CY 2019 to 2020 are provided below. The trends are based on Mercer's pharmacy sector professional judgement and experience from our GHSC Medicaid clients.

## TRADITIONAL DRUGS

- 2018–2019: 4.0% to 5.0%
- 2019–2020: -1.0% to 0.0%

## SPECIALTY DRUGS

- 2018–2019: 7.0% to 11.0%
- 2019–2020: 10.0% to 14.0%

## OVERALL PROJECTED MEDICAID DRUG TREND

- 2018–2019: 5.0% to 7.0%
- 2019–2020: 4.0% to 6.0%

## NEGATIVE TREND DRIVERS

### Authorized Generics

- The introduction of Gilead's generics to Harvoni® and Epclusa® is expected to shake up the hepatitis C market. These authorized generics are projected to take market share from Mavyret™ and Zepatier; they have fewer drug interactions and are competitively priced.
- Lilly will release an authorized generic of its market share leading insulin, Humalog®, at a 50% discount. This, along with biosimilar and follow-on biologic products Admelog® and Basaglar®, will help lower the unit cost of insulin, driving down the PMPM trend projection for the diabetes treatment category.

### Biosimilars Launches

- 71 potential biosimilar patent expirations through 2023<sup>[3]</sup>
- Xolair® for asthma may see biosimilar competition in 2019
- Herceptin® biosimilar for breast cancer is set to launch in 2019

### Generic Launches

- Generic Advair Diskus® and ProAir® are now available on the market. Likely to gain high market share with significant price reductions, these generics are expected to contribute to negative unit cost trends and negative PMPM trends starting in 2019.

- Mercer is expecting an increase in utilization of substance use disorder products as states implement policies expanding access to opioid addiction treatment. However, the recent launch of generics for Suboxone® film, one of the category's most popular products, will drive negative trend for this drug class.

Individual policy decisions, such as uniform PDL, will impact drug trend projections. Each state program requires historical and programmatic review when applying trends at the therapeutic drug class level in order to capture policy and program changes unique to each state program.

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## **DRUG PIPELINE HIGHLIGHTS 2019 - 2020**

### **RECENT APPROVALS**

- - Xofluza™ (baloxavir marboxil), approved October 2018, is a first-in-class, single-dose influenza antiviral regimen
- Esperoct®, a long-acting factor VIII for hemophilia A, was approved February 2019, however will not launch until 2020
- Spravato™ (esketamine), a nasal spray for treatment-resistant depression, was approved March 2019

### **STILL IN THE PIPELINE**

- Robust pipeline for targeted cancer treatment and expanded indications for currently-approved oncology products
- Several treatment options for non-alcoholic steatohepatitis (NASH)
- Viaskin® Peanut patch for peanut allergy desensitization

### **CELLULAR AND GENE THERAPY: A MEDICAL PHARMACY UPDATE**

The drug pipeline continues to grow in the number of cellular and gene therapies currently under investigation. Cellular and gene therapies share a common therapeutic goal of modifying genetic material to improve function or cure disease. These new clinician-administered therapies have the potential to significantly impact state Medicaid program budgets. The cost of cellular and gene therapy

types of treatments are often high on a per-dose basis, but generally require only a limited number of doses, in contrast to more traditional ongoing annual costs required of current therapies.

## CELLULAR AND GENE THERAPY: PIPELINE

- Gene therapies in the pipeline with estimated approval dates between 2019–2020, each with a potential price tag of multi-million per treatment:
- Zolgensma<sup>®</sup>, gene therapy for spinal muscular atrophy (SMA), to prevent further muscle degradation, was recently approved with a \$2.1 million price tag
- Gene therapy for hemophilia to reduce or eliminate the need for blood factor replacement to manage bleeds
- Gene therapy for Duchenne muscular dystrophy (DMD) to prevent muscle cell deterioration

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## CONCLUSION AND OUTLOOK

For 2019–2020, high-profile generic launches in highly utilized categories such as diabetes, asthma, and substance use disorder are expected to push down the unit cost trend for traditional drugs. Meanwhile, the drug pipeline continues to be robust, particularly for high cost specialty drugs. The GHSC pharmacy team works with clients to inform and educate on the financial and clinical implications of high cost specialty drugs in the pipeline.

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<sup>[1]</sup> Centers for Medicare and Medicaid Services Office of the Actuary, National Health Expenditure Projections, 2018–2027

<sup>[2]</sup> National Health Expenditure Projections, 2018–27: Economic and Demographic Trends Drive Spending and Enrollment Growth

<sup>[3]</sup> "Year After Year, One Thing Remains Certain – High-cost Therapies Are Entering the Market." ESI Outcomes Conference, May 2019

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