

Drug Trend and Pipeline 2022

Mercer Government

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The complex pharmacy marketplace continues to evolve as new products are introduced and treatment paradigms are updated. MercerRx Government has a team of consultants, licensed pharmacists, and former state Medicaid pharmacy directors who monitor market and pipeline developments to incorporate real-time insights into our analyses. This FLASH contains projected pharmacy trend highlights for 2022 and beyond.

National Drug Trend

CMS projects an average annual growth of 5.6% in Medicaid spending for 2021-2030.

In 2021, growth was projected to have increased to 10.4% due, in part, to rapid enrollment gains.

For 2022 and 2023, CMS projects Medicaid spending growth to slow to 5.7% and 2.7%, respectively. This is a result of projected enrollment declines, after the end of the COVID-19 public health emergency.¹

Medicaid Drug Trend

Medicaid pharmacy trend projections for traditional and specialty drug classes for CY 2021 to 2022 remain generally consistent with projections from the previous period, with a slightly accelerated trend for specialty drugs. Mercer reports projected per member per month (PMPM) trends gross of any rebates collected by State Medicaid programs or their contracted MCOs.

We base trends on our industry insights, professional judgement and experience observed through MercerRx Government Medicaid clients. In these projections, we account for emerging and potential effects of COVID-19 on pharmacy cost and utilization to the extent that this information was available at the time of publication. Information related to the current and projected impact of the COVID-19 pandemic is rapidly evolving and we will continue to evaluate its effects on pharmacy trend projections.

Trend Drivers and Other Considerations

Traditional Drugs

2021–2022: 3% to 5%

2022–2023: 2% to 4%

Specialty Drugs

2021–2022: 12% to 16%

2022–2023: 10% to 14%

Overall Projected Medicaid Drug Trend

2021–2022: 7% to 10%

2022–2023: 6% to 9%



COVID-19

The COVID-19 pandemic contributed to declines in utilization in the first and second quarters of 2020. Most areas of healthcare utilization saw steeper declines than prescription drug utilization, which initially decreased but returned to more typical utilization patterns by the end of 2020. We expect costs for prescription drugs to increase in 2022 due to increased inflation, introduction of new products, and continued supply chain issues.

Positive Drivers of Traditional Drugs

Trend projections for traditional drugs increased this year compared to previous projections. Top driving categories include diabetes, diabetes supplies, gastrointestinal disorders, and blood modifying drugs.

- Top drivers for the diabetes categories include newer oral and injectable drugs for Type 2 diabetes (especially the GLP-1s) which continue to gain in market share and utilization. Trend growth in the diabetes category is offset somewhat by the availability of lower cost generic and biosimilar insulin products.
- New innovations in continuous glucose monitoring (CGM) such as Dexcom® are driving the growth in the diabetes supply category. More states and plans managing the CGM products as part of their preferred drug lists.
- Branded products for irritable bowel disease such as Linzess®, Amitiza®, and Zelnorm® lead the growth in the gastrointestinal disorders category. Price increases for pancreatic enzymes such as Creon® also contribute to category growth.
- Newer oral anticoagulants such as Xarelto® and Eliquis® are the primary drivers of the blood modifying category. The newer agents are patent protected from generic competition until at least 2024.

Positive Drivers of Specialty Drugs

Specialty drug trend projections continue to be strong in 2021–2022. Top driving categories include rheumatoid arthritis and inflammatory conditions, oncology, and HIV.

- Products for rheumatoid arthritis and inflammatory conditions have overlapping indications and many products are generally considered clinically equivalent for several disease states. Several newer oral agents have entered the market. However, the FDA released a drug safety communication in February 2021 regarding the increased risk of heart-related problems and cancer for the oral market leader Xeljanz®. Safety concerns may result in further shifts to injectable market leaders Humira® and Enbrel®. Biosimilars for Humira are not expected to launch until 2023.
- The oncology market continues to be a top driver of specialty drugs. As more oral therapies are approved, more treatments are being managed under the pharmacy benefit which will be reflected in both spend and utilization.
- HIV utilization continues to shift to newer, more expensive single-tablet regimens. In January 2021, the FDA approved Cabenuva®, the first once-monthly complete HIV regimen. In addition, the FDA approved Apretude®, a new injectable product for pre-exposure prophylaxis in December 2021. The injectable options are expected to provide advantages in patient adherence for both treatment and prevention of HIV.

Cellular and Gene Therapy: Pipeline

Cellular and gene therapies modify genetic material to improve function or cure disease. Cellular and gene therapy treatments come at a significant cost but generally require a limited number of doses. Cellular and gene therapies are typically administered in a clinic or hospital setting and are not generally dispensed through the retail outpatient pharmacy channel. In general, cellular and gene therapies are not incorporated into pharmacy trends, but may need to be addressed in the medical trend or as a program change in the rate development process.

- BioMarin's valoctocogene roxaparvovec (Roctavian) is expected to be indicated for hemophilia A. The product was originally anticipated to be approved in August 2020, but has been delayed until early 2023.
- uniQure's etranacogene dezaparvovec (AMT-061), expected to be indicated for hemophilia B, was also anticipated to be approved in 2020 but has been delayed into late 2022.
- Spark's fidanacogene elaparvovec (SPK-9001), indicated for hemophilia B, had an anticipated approval date of 2021, and has been delayed until 2023.

Conclusion and Outlook

For 2022-2023, COVID-19 pandemic price inflation will continue to impact pharmacy cost projections. In addition, COVID-19 will contribute to utilization increases in traditional drug categories such as those used to treat mental health conditions. As the healthcare system continues to return to pre-pandemic norms, COVID-19 impacts will continue to diminish, but policy makers should be mindful of the likelihood of unexpected and as of yet unidentified COVID-19 impacts.

Continued specialty drug approvals for rare diseases will continue driving increases in pharmacy trend. Previous generic launches for highly utilized categories such as high cholesterol have exhausted their negative trend impact. Mercer Government's Pharmacy sector works with clients to inform and educate on the financial and clinical implications of high cost specialty drugs in the pipeline.

¹ Centers for Medicare and Medicaid Services Office of the Actuary, National Health Expenditure Projections, 2021 – 2030 – Forecast Summary. Available at: <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsProjected>. Accessed 8/17/2022.