Drug Trend and Pipeline 2020

As the pharmacy marketplace continues to evolve rapidly, Mercer Government’s Pharmacy sector is diligently tracking new market and pipeline developments to incorporate the most recent intelligence into our pharmacy related analyses. This FLASH contains the projected pharmacy trend highlights for 2020 and beyond.

National Drug Trend

Prior to COVID-19, CMS was 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 was projected to grow at an average rate of 5.4% per year between 2019 and 2028.
- Medicaid spending growth was expected to rise 4.5% in 2020, attributable, in part, to the expected expansion of Medicaid coverage in three states and increases in Medicaid payment rates to providers compared to 2019.
For 2021–2023, Medicaid spending was then projected to grow at an average annual rate of 5.7%.\textsuperscript{1}

**Medicaid Drug Trend**

Medicaid Drug Trend Pharmacy trend projections for traditional and specialty drug classes for Medicaid programs for CY 2019 to 2020 and for CY 2020 to 2021 are provided below. The trends are based on our professional judgement and experience from our Mercer Government Medicaid clients. To the extent that information was available, emerging and potential effects of COVID-19 were accounted for in these projections. Information related to COVID-19 is rapidly evolving and we will continue to evaluate its effects on pharmacy trend projections.

**TRADITIONAL DRUGS**

- 2019–2020: -1.0% to 0.0%
- 2020–2021: 1.0% to 2.0%

**SPECIALTY DRUGS**

- 2019–2020: 10.0% to 14.0%
- 2020–2021: 11.0% to 15.0%

**OVERALL PROJECTED MEDICAID DRUG TREND**

- 2019–2020: 4.0% to 6.0%
- 2020–2021: 5.0% to 7.0%

**NEGATIVE TREND DRIVERS**

**Authorized Generics**

- In January 2020, Novo Nordisk released authorized generics of its highly utilized insulins, Novolog\textsuperscript{®} and Novolog\textsuperscript{®} Mix at a 50% discount. Similarly, in 2019 Lilly released an authorized generic of
its market share leading insulin, Humalog®, at a 50% discount. These 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

- In 2019, two biosimilars were launched for Herceptin®, a market share leading breast cancer treatment, with three additional biosimilars launched in early 2020.
- Biosimilars for Neulasta®, a market leading specialty anemia product are now available on the market with more expected to be launched in 2020.
- In the second half of 2019, two biosimilars were launched for Avastin®, a highly utilized cancer treatment, with two more biosimilars expected in late 2020.

Generic Launches

- Generics for two market leading human immunodeficiency (HIV) therapies, Atripla® and Truvada®, are expected in late 2020. Despite the launching of these generics, continued utilization of alternative brand HIV therapies is expected, mitigating the impact of the generic launches.
- Uptake of generic formulations of Advair Diskus®, ProAir®, and Proventil® are expected to contribute to negative unit cost trends and negative PMPM trends in 2020 and 2021. Trend declines were somewhat mitigated by COVID-19 and subsequent demand of albuterol inhalers.
- State opioid policies have contributed to a further declining PMPM in the traditional pain category.
- The increased availability of generic Suboxone® film, a popular formulation of medication-assisted treatment (MAT), is expected
to drive a negative unit cost trend for the substance abuse category although utilization continues to climb upward.

- The competitive launch of Lyrica® generics in 2019 resulted in unit cost declines and mitigated trends for seizure therapies in 2020.

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.

Drug Pipeline Highlights 2020-2021

Recent Approvals

- Zeposia® (ozanimod), a new oral multiple sclerosis therapy, was approved in March 2020, however launch has been delayed due to COVID-19.
- Nexletol™ (bempedoic acid), approved in February 2020, is the first oral, once-daily, non-stat in treatment option for lowering cholesterol approved since 2002.
- Palforzia™ (peanut allergen powder), the first oral peanut immuno-therapy for peanut allergies, was approved in January 2020.

Still in the Pipeline

- Clinical trials are experiencing delays and disruptions as a result of the COVID-19 pandemic.
- Robust pipeline for rare disease treatments and drugs designated as Orphan status by the FDA.
- Oncology therapies continue to influence future approvals including new targeted cancer treatments and expanded indications for existing products.
- Viaskin® Peanut patch for peanut allergy desensitization.

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.

Recent Approvals

- Zolgensma®, a one-time gene therapy for spinal muscular atrophy (SMA), to prevent further muscle degradation, was approved in May 2019 with a $2.125 million price tag

Still in the Pipeline

Gene therapies in the pipeline with estimated approval dates between 2020 and early 2022, each with a potential price tag of multi million per treatment:

- Zynteglo™, gene therapy for transfusion-dependent beta thalassemia to reduce the need for blood transfusions.
- Gene therapy for hemophilia to reduce or eliminate the need for blood factor replacement to manage bleeds.
- Gene therapy for treatment of patients with deficiency of a protein called aromatic L-amino acid decarboxylase (AADC).
- Gene therapy for treatment of adrenomyeloneuropathy to prevent further damage in the brain and spinal cord.

Conclusion and Outlook

For 2020–2021, recent high-profile generic launches of highly utilized traditional medications in the diabetes, asthma, and substance use
disorder categories are expected to result in continued low unit cost trends for traditional therapies. For specialty medications, despite the launch of high-profile biosimilar therapies the robust pipeline for high-cost, rare disease therapies is expected to result in increases in unit cost and PMPM trends. 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. Information related to COVID-19 is rapidly evolving and we will continue to evaluate its effects on pharmacy trend projections.

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1Centers for Medicare and Medicaid Services Office of the Actuary, National Health Expenditure Projections, 2019 – 2028 – Forecast Summary