

Drug Trend and Pipeline 2023

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The complex pharmacy marketplace continues to evolve as new products are introduced and treatment paradigms are updated. MercerRx Government’s team of consultants, licensed pharmacists, and former state Medicaid pharmacy directors monitor market and pipeline developments to incorporate real-time insights into our analyses. This FLASH contains projected pharmacy trend highlights for 2023 and beyond.

National Trend Projections

In their March 2022 publication, the CMS office of the actuary projected average annual growth of 5.6% for Medicaid spending for 2021 through 2030. Medicaid spending growth was expected to accelerate to 10.4% in 2021 due to rapid gains in enrollment. Over 2022 and 2023, Medicaid spending growth was expected to slow to 5.7% and 2.7%, respectively. CMS projects spending growth for retail prescriptions will increase at an average rate of 5% over 2021–2030.

Medicaid Drug Trend

Medicaid pharmacy trend projections for traditional drug classes for CY 2022 to 2024 remain generally consistent with projections from the previous period. Trend projections for specialty drugs have declined due to the projected availability of biosimilar competition. MercerRx Government reports per member per month (PMPM) trend gross of any rebates collected by State Medicaid programs or their contracted MCOs.

Our team’s robust trend development and review process projects trends based on industry insights, professional judgement, and experience observed through our Medicaid clients. In our projections, we account for the ongoing COVID-19 pandemic to the extent it may impact drug cost and utilization; however, our projections assume a stable base of members in terms of acuity. Information related to the drug pipeline, clinical guidelines, and the ongoing pandemic is rapidly evolving and we continue to evaluate and adjust pharmacy trend projects as needed throughout the year.

<p>Traditional Drugs 2022–2023: 2.5% to 4.5% 2023–2024: 1.5% to 3.5%</p> <p>Specialty Drugs 2022–2023: 7.5% to 11.5% 2023–2024: 6% to 10%</p> <p>Overall Projected Medicaid Drug Trend 2022–2023: 5% to 8% 2023–2024: 4% to 7%</p>	
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Trend Drivers and Other Considerations

Drivers in Traditional Drug Categories

Trend projections for traditional drugs were similar to previous projections and are expected to slow down over the next period as new generics provide price pressure in top categories.

- **Diabetes:** Biosimilars and generics for top insulin products have helped to mitigate unit cost growth. Multiple biosimilars and follow-on biologics are now available for the market leading Lantus® basal insulin. The savings from biosimilar introductions is offset by the continued growth of non-insulin treatments such as GLP-1 drugs Trulicity®, Victoza®, and Rybelsus®.
- **Asthma:** Our team is tracking new generics for Spiriva® and Dulera® in 2023 and expects additional generics for Symbicort® to further decrease the unit cost in the category. 2022 unit cost trends were negative due to new generics for the market leading controller inhaler, Flovent®.
- **Substance Use Disorders:** Utilization of medication assisted treatment (MAT) is expected to continue to increase as the pandemic wanes and more individuals seek treatment. Injectable options such as the long acting buprenorphine product Sublocade® are expected to gain market share and increase unit cost in the category.
- **Attention Disorders:** A generic is expected for market leader Vyvanse® in mid-2023 which is expected to create a significant unit cost decline into 2024. New products in this category are not expected to gain significant market share.

Drivers in Specialty Drug Categories

Trend projections for 2023–2024 are reduced compared to previous periods due primarily to the expected introduction of biosimilar products for the blockbuster drug Humira®.

- **Rheumatoid Arthritis and Other Inflammatory Conditions:** Multiple biosimilars for Humira, including some interchangeable versions, are poised to launch in 2023 and 2024. Meanwhile, new market entrants and expanded uses of existing products continue to push utilization up double digits.
- **Oncology:** Over 700 new investigational drugs are in the oncology pipeline. New products are introduced at higher price points than existing therapies. While generics for Revlimid® became available in 2022, a volume limitation currently is in effect—an unlimited volume of generics will not be available until 2026.
- **HIV:** Single tablet regimens have become the treatment standard for new and existing infections. High cost branded products Biktarvy®, Genvoya®, and Triumeq™ now account for 60% of spend in the HIV category. Unit costs will continue to increase as additional patients migrate to single tablet regimens and the manufacturers continue to increase prices each year. New monthly injectable products are available for both treatment and Pre-Exposure Prophylaxis (PrEP).
- **Pulmonary:** Patients with Cystic Fibrosis are expected to continue to migrate toward Trikafta®, especially as the drug’s indication is expanded to include young children in 2023. Utilization for Tezpire®, a new product for severe asthma, is expected to grow over time.

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. The treatments 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 our pharmacy trend projections, but may need to be addressed in the medical trend or as a program change in the rate development process.

- Valoctocogene roxaparvovec (Roctavian™) is expected to be approved for hemophilia A in the first half of 2023.
- Two potential gene therapies for sickle cell disease could be approved in late 2023 or 2024 and will likely be used in patients aged 12 to 35 years. An estimated 20,000 people nationwide could eventually be eligible for therapy.
- A gene therapy for Duchenne muscular dystrophy (DMD) could become available as soon as 2024. An effective gene therapy could reduce the need for existing treatments that cost over \$700,000 per patient per year.
- Multiple other gene therapies for rare diseases are in development.

Conclusion and Outlook

For 2023–2024, outpatient prescription drug trends will finally begin to moderate after a multi-year period of high trends. The introduction of new generics and biosimilars for blockbuster drugs will reduce trends compared to previous periods. Meanwhile, continued specialty drug approvals for rare diseases will continue to drive positive pharmacy trend. As the gene therapy marketplace evolves, we may see a shift over time to one time curative treatments for some rare and difficult to treat conditions.

The MercerRx Government pharmacy team works with clients to inform and educate on the financial and clinical implications of pipeline products and pharmacy trends.

CMS Office of the Actuary Releases 2021-2030 Projections of National Health Expenditures | CMS Accessed 1/17/2023.

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