


Managed Health Care Associates, Inc.

Beyond LTC: Opportunities in Specialty Pharmacy

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### What is a Specialty Pharmaceutical Drug?

- Complex large molecule and biologic drugs
  - Difficult to produce
  - Generally limited inventory
  - Shorter shelf life
  - High cost/unit
- Require special handling and services
  - Cold Chain Handling to ensure product viability
  - Risk Evaluation and Mitigation Strategy (REMS) for patient safety
- Target small population rare and chronic diseases
  - Patients require education on disease, drug regimen, administration
  - High annual drug expense/patient
  - High medical cost/patient
- Reimbursement Challenges
  - Co-Pay Programs and Patient Assistant Programs




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### Specialty Pharmaceutical Market Growth

➢ Express Scripts measures and reports prescription **SPENDING TREND** annually

➢ What is "Spending Trend" ??


➢ In 2009 Drug Spending Trend increased at a greater rate than prior years to 6.4%

Drug Spending Trend	
Market Forces	Behavioral Factors
•Prevalence	•Intensity (adherence)
•Cost/Unit (inflation)	•Mix (% higher cost drugs)
•Units/Rx	
•Patent Expirations	
•New Drug Entrants	

<b>Traditional Drugs</b>	<b>4.8%</b>
<b>Specialty Drugs</b>	<b>19.5%</b>

➢ Specialty **5 times** that of traditional drugs

Source: Express Scripts 2009 Drug Trend Report




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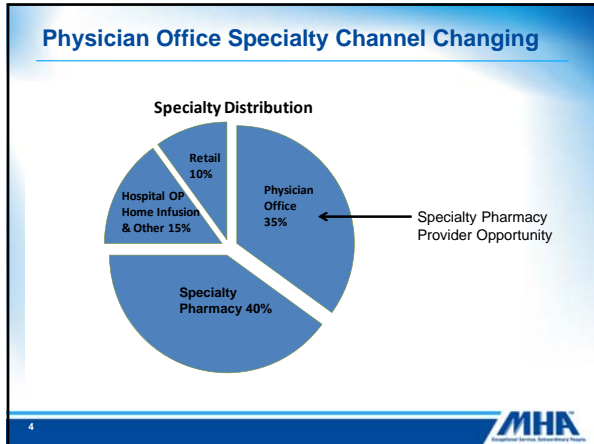
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### Specialty Market Cannot be Ignored

- In multiple distribution channels today
- The overall market is large
- The market is growing faster than traditional pharmaceuticals
- Trends are not expected to change in the near future
- Opportunity exists to provide specialty pharmaceuticals on both the prescription and medical benefit

**Specialty Pharmaceuticals Services Segment**

Specialty Pharmaceutical Growth

\$260 billion predicted by IMS

2013

AARP: Top 10 Drugs in the Country

Year	Biologics
2000	4
2014	10

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### Specialty Drugs Benefit Coverage Split

Pharmacy Benefit	Medical Benefit
Therapies that are designed to be self administered by the patient	Therapies administered by health care professionals and most infusion products
<ul style="list-style-type: none"> <li>• Most self administered SubQ injectables</li> <li>• Orals</li> <li>• Some IM injections</li> </ul>	<ul style="list-style-type: none"> <li>• Infusions</li> <li>• Most IM injections</li> <li>• Some SubQ</li> <li>• Intra-articular</li> </ul>
50% of Specialty Medications are Rx Benefit	50% of Specialty Medications are Medical Benefit
40% of Specialty Spend is Rx Benefit	60% of Specialty Spend is Medical Benefit

Allows health plan to utilize proven cost containment tools

Harder for health plans to Manage -Not Real Time Adjudications

Source: AIS Health, "Specialty Pharmacies Continue to Garner Broad Health Care Interest," Specialty Pharmacy News Atlantic Information Services, Inc. October 2007.

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### Health Plan Selection of a Specialty Pharmacy

➤ Surveyed Plans reported they select Pharmacies for Specialty Contracts based upon their services and performance

#### Top 10 Priorities for Health Plan Selection of a SPP\*

- Contract Price
- Patient/Customer Service
- Access to breadth of Products
- Demonstrated Results
- Reporting and Benchmarking
- Reputation and References
- Financial Stability of Company
- Clinical Services
- Account Team
- Experience of Management team

62% of Health Plans reported that they will Likely or Very Likely Use the SPP of their PBM. However this is down from 78% in 2008

\* EMD Serono Specialty Digest™, 6th edition, available at [specialtydigest.emdserono.com](http://specialtydigest.emdserono.com)



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### What Performance is Important to Plans?

#### SPP performance by importance to health plan

- Enforce Prior Authorization
- Enforce Preferred Product Selection
- Distribution direct to Patient's Home or Business
- Prevent Drug Waste, Abuse and Misuse
- Ensure Appropriate Dose of Medication
- Contract for Rebates
- Distribution Direct to MD
- Reimbursement and Eligibility Coordination
- Measurement of Outcomes
- Implement Therapy-Specific Clinical Management Programs
- Measurement of Savings
- Measurement of Adherence and Persistency
- Plan and Industry Benchmarking

\* EMD Serono Specialty Digest™, 6th edition, available at [specialtydigest.emdserono.com](http://specialtydigest.emdserono.com)



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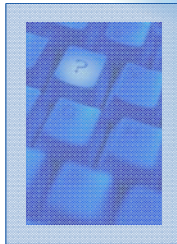
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### Specialty Pharmacy – Is it a Class of Trade ??

- Specialty Pharmaceuticals today are diverse and dispensed across multiple classes of trade
- Plans describe specialty pharmacies by the services provided and focus on clinical and financial outcomes
- Manufacturers use the term Specialty Pharmacy but what do they mean when they use the term?
- What qualifies a pharmacy for participation or preferred pricing on a contract for specialty pharmaceutical?



Specialty Mail Order \* Home Infusion \* Community Specialty Retail  
Combo Pharmacies \* Clinic \* Long Term Care \* HMO Pharmacy\*Chain Retail



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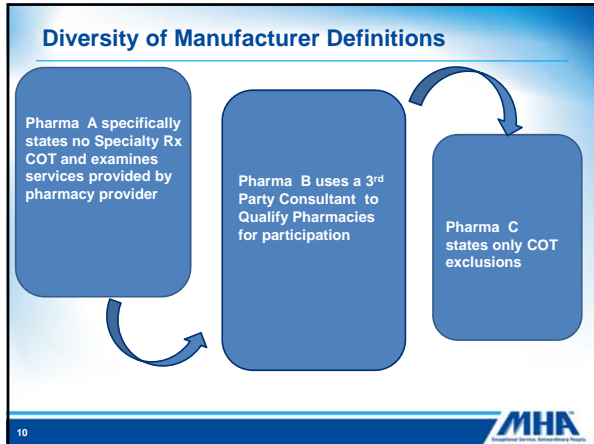
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- ### Industry Reports Resource List
- The following on line industry reports were used in today's presentation
- **Medical Injectables & Oncology Trend Report**
    - ICORE HEALTHCARE – first edition Jan 2010
    - [www.icorehealthcare.com/TRENDS.ASPX](http://www.icorehealthcare.com/TRENDS.ASPX)
  - **Drug Trend Report**
    - Express Scripts – updated annually
    - [www.express-scripts.com/research/studies/drugtrendreport/](http://www.express-scripts.com/research/studies/drugtrendreport/)
  - **EMD Serono Specialty Digest™**
    - EMD Serono, Inc – updated annually for annual AMCP meeting
    - <http://specialtydigest.emdserono.com/>
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*"Exceptional Service. Extraordinary People."*

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