Hepatitis C: Focus on the Payer Perspective

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Pharmacy spend growth continues: It’s all about specialty

Circle graph showing how in 2015, specialty was 30% and Traditional was 70%. In 2018 specialty will be 50% and traditional will be 50%.

Source: Express Scripts research
>7,000 potential drugs in development

Pie chart showing Pipeline Projects by Therapeutic Area: Cancer 1,813; Neurological 1,329; Infectious Disease 1,256; Immunology 1,120; Cardiovascular 599; Mental Health 511; Diabetes 475; HIV/AIDS 159

Source: 2015 Profile Biopharmaceutical Research Industry, PhRMA
FDA new drug approvals keep climbing


Source: U.S. Food & Drug Administration
Why is trend increasing?

### Price Inflation

<table>
<thead>
<tr>
<th>Year</th>
<th>Brand Prescription Price Index</th>
<th>Generic Prescription Price Index</th>
<th>Consumer Price Index (BLS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
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<td>2014</td>
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<td>2015</td>
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</table>

Line graph of price inflation of drugs between 2008 and 2015. Inflation trends reported reflect the brand-name prescription price index steadily increasing over the years (top line) generic prescription price index steadily decreasing over the years (bottom line), and the consumer price index remaining steady over the years (middle line).

Source: Express Scripts research

Never before have we seen such high prices on medications that are used by so many
Costly, high-use drugs drive up spend

<table>
<thead>
<tr>
<th></th>
<th>Alzheimer’s</th>
<th>Cancer</th>
<th>High Cholesterol</th>
<th>Hepatitis C</th>
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</thead>
<tbody>
<tr>
<td>Prevalence</td>
<td>$5.4 million</td>
<td>$14 million</td>
<td>$71 million</td>
<td>$3.2 million</td>
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<tr>
<td>Annual Cost</td>
<td>#35,000</td>
<td>&gt;$100,000</td>
<td>&gt;$14,000</td>
<td>~$100,000</td>
</tr>
</tbody>
</table>

Source: Express Scripts research
Sovaldi cost ignites payers & patients

At $84,000 Gilead Hepatitis C Drug Sets Off Payer Revolt

As Gilead Sciences (GILD) touted its pill hepatitis C cure to investors in a hotel in San Francisco, outraged patients took to the streets in protest.

Source: AIDS Healthcare Foundation.
Price shock not felt round the world

Bar chart showing price variations. Harvony cost in the U.S., $94,500; Sovaldi cost in the US, $84,000; Sovaldi cost in Germany, $63,000; Sovaldi cost in the U.K., $57,000; Sovaldi cost in India, $900; Sovaldi cost in Egypt, $900

Innovation reduces prices...
But not in pharmaceuticals

- Cell phone cost has been reduced by 32%
- TV cost has been reduced by 78%
- Computer cost has been reduced by 88%
Savings in India: $75,000+
… And More Accessible for Patients

“While treating patients at all fibrosis stages was more expensive in comparison to waiting to treat until patients reached F3 or F4, it was also more effective.”
Hepatitis Cure Value Program℠

• Significant prescription discount for exclusive use of Viekira Pak™
• Specialized care and therapy management from Accredo’s hepatitis clinicians
• Guaranteed medication adherence
• Financial cap for extended therapy
Proven results curing Hep C

• Adherence rates >95%
• Cure rates >96%
• All patients have access, not just sickest
• Cured more people with hepatitis C than at any time in history

$1B in savings for our book of business in 2015
Pharmaceutical companies

SHOW BETTER JUDGMENT IN PRICING  SUPPORT BIOSIMILARS

REFORM PATENT SYSTEM  REDUCE INTERNATIONAL PRICE DISPARITIES
Federal government

Boost NIH research

Better fund and reform FDA

Tort reform

Bring cost into care equation
Payers

**RATIONAL BENEFIT DESIGNS**

**ADVOCATE FOR POLICY CHANGES**

**WORK TOGETHER FOR COMMON CAUSE**
Summary

1. Exorbitant drug pricing threatens the pharmacy benefit
2. Specialty trend is an ongoing and growing challenge
3. Value based contracting is crucial moving forward
4. New drugs will help many patients but we can’t afford to “waste” any money