UHC Branded Specialty Pharmacy Program

Evolution to Implementation

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About UHC

UHC, Chicago, Illinois, formed in 1984, is an alliance of academic medical centers. Representing more than 93% of the nation’s nonprofit AMCs.
2014 Integrated Academic Medical Center Principal Members
UHC’s Mission and Values

MISSION
To create knowledge, foster collaboration, and promote innovation to help members succeed.

VALUES
- Service
- Excellence
- Innovation
- Leadership
- Unity
Goals Drive How We Serve Members

UHC’s Strategic Plan

Help ensure that AMCs’ societal value is recognized in public policy

Help members improve performance in quality, safety, cost-effectiveness, and patient experience

Equip members for success in a transforming health care environment through leading-edge strategic research

UHC FOUNDATIONAL PRIORITIES
EMPLOYEES • FISCAL RESPONSIBILITY • INNOVATION
Specialty Pharmaceuticals – What are they?

The specialty drugs you need will cost $300,000 a year. There's a lower-cost option, but I don't recommend it.
What’s a specialty pharmaceutical?

- Costs > $600 per month ………………………..or
- Treats a rare conditions…………………………or
- Requires special handling……………………....or
- Requires special monitoring…………………..or
- Used in a limited distribution network.
>50% of late-stage pipeline drugs and >70% of applications for new indications are for specialty drugs
**Specialty Pharmacy Vertical**

<table>
<thead>
<tr>
<th>Payor</th>
<th>PBM</th>
<th>Provider</th>
<th>Wholesaler</th>
<th>Retail</th>
<th>Independent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aetna</td>
<td>accredo</td>
<td>Wake Forest Baptist Health</td>
<td>AmensourceBergen</td>
<td>KERR DRUG</td>
<td>Avella Specialty Pharmacy</td>
</tr>
<tr>
<td>Acaria Health</td>
<td>briova</td>
<td>Shields Health Care Group</td>
<td>Public</td>
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<td>Biologics</td>
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<td>CIGNA</td>
<td></td>
<td>Shields</td>
<td>Cardinal Health</td>
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<td>ACS Advanced Care</td>
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<td></td>
<td></td>
<td>University of Kentucky ACRO</td>
<td>CVS Caremark</td>
<td></td>
<td>ACS Specialty Pharmacy</td>
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<td>Humana</td>
<td>i-core</td>
<td>Mayo Clinic</td>
<td>Centric Health Resources</td>
<td>Safeway</td>
<td>Coram Pharmacy</td>
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<td>RightSourceRx</td>
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<td>Fairview</td>
<td>McKesson</td>
<td></td>
<td>Coram Specialty Pharmacy</td>
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<td></td>
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<td>UHC</td>
<td>McKesson</td>
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<td>Diplomat Specialty Pharmacy</td>
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<td>OPTUMRx</td>
<td></td>
<td>Premier</td>
<td>Tennova Oncology</td>
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<td>Onco 360 Specialty Pharmacy</td>
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<td></td>
<td></td>
<td>Orchard</td>
<td>Florida Cancer Specialists</td>
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<td>OncologyRx</td>
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<tr>
<td>WellCare</td>
<td></td>
<td>PRIME Therapeutics</td>
<td>Vanderbilt University</td>
<td></td>
<td>Salveo Specialty Pharmacy</td>
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Value Proposition

**Patient**
- Access to top specialists
- Convenient access to drugs
- Improved patient response & adherence

**Payer**
- Reduced PMPM through rigorous product selection & step-wise therapy
- Case management to minimize hospitalization and ED visits
- Extensive data reporting for clinical outcomes & rebates

**PhRMA**
- Increase access by identifying eligible patients
- Enhanced compliance and monitoring programs
- Extensive longitudinal outcomes data
Vision

To be the preeminent national specialty pharmacy program that provides a seamless continuum of care to improve patient outcomes:

• Nationwide network of UHC members (academic medical centers)
• Clinical pharmacists in specialty clinics (within UHC members) to initiate therapy
• Centralized vendor for limited distribution medications
• Case management system
• UHC data repository
• Access to all specialty pharmaceuticals and limited distribution drug products

The UHC specialty pharmacy network will be the first choice of patients and their health plans for the treatment of conditions that require specialty pharmaceuticals.

The UHC specialty pharmacy network will also be the first choice of pharmaceutical manufacturers for distribution of specialty pharmaceuticals and obtaining outcomes data regarding their use.
UHC Pharmacy Council
Specialty Pharmacy

Planning Process
Specialty Pharmacy Task Force Position Paper

October 2011

Conclusion
The development of a partnership between this group of UHC hospitals and an outside business entity is needed to allow our institutions to continue to develop – both to provide optimal patient care for patients using specialty pharmaceuticals and to improve the financial performance of our respective institutions. The market for specialty medications is growing exponentially, and UHC hospitals intend to form a united group to succeed in this market, and we are seeking a business partner to assist in that regard.
What have we learned?

Specialty Pharmacy Prescriptions Generated Annually
Excluding Oncology Infusion Medications

- Froedtert Health: $152.2 M
- University of Illinois Hospital & Health Sciences System: $268.2 M
- Rush University Medical Center: $190.6 M
- Oregon Health & Science University: $376.6 M
- UW Health: $205.5 M
- University of Michigan Health System: $91.6* M
- Wexner Medical Center: $264.1 M

* Limited Dataset
UHC Members have Significant Market Share in Specialty Pharmaceuticals – Market is Growing

Total Specialty Market
2011

$80 Billion

UHC Specialty Market
2012

$22 Billion
Excluding Injectable Oncolytics

>50% of late-stage pipeline drugs and >70% of applications for new indications are for specialty drugs
UHC Strategic Planning Process

UHC Pharmacy Council

Specialty Pharmacy Committee
32 Members

Member Needs Survey on Specialty Pharmacy

Access
Data Management
Infrastructure
Education
Accreditation
Strategic Plan
Specialty Pharmacy Program

September, 2012
Business Plan

UHC Branded Specialty Pharmacy Program
Establish a specialty pharmaceutical program that allows UHC members to meet all of the pharmaceutical needs of their patients, assure continuity of care for every patient, and advance the “Triple Aim” goals of improving care, improving the health of populations, and reducing the cost of care.
Specialty Pharmacy Business Model

UHC Data Management

PhRMA Contracts

Insurer Contracts

UHC Health System Clinic or Hospital

UHC

Insurer

Patient

UHC SP Rx

Referral

Product

Data

Access

Access

$
UHC Program – Key Elements

- Goal: Member Access and continuity of care
- Network of UHC members
- Data Management – UHC retains control of the data
- UHC Staff – establish agreements/broker with PhRMA and insurance providers to gain access and distribution
- UHC Staff – support member Specialty Pharmacy Program development
- Infrastructure Support – Partner with existing SP provider
- HUB distribution – through channel partner or specialty distributor
- Case Management System
Letter of Participation – Member Requirements

Provide, at a minimum, the services listed in Appendix A.

Provide UHC with prescription transactional and case management data domains listed in Appendix B in an electronic format.

Provide data to UHC on a weekly schedule.

Transmit data elements to UHC in comma delimited format.

Participate in the UHC payer and pharmacy benefit management agreements.

Meet with UHC staff conducting on-site audits to validate that its program meets all established performance standards.
Services – At a Minimum

Outpatient Pharmacy Services
Third Party Payer Capabilities
Patient Care Coordination
Call Center with 24/7 Pharmacist Access
Medication Distribution and Delivery
Case Management
Patient Assistance Program
Patient Confidentiality
Protection Against Use of Counterfeit Products
Product Recall Tracking
Proactive Communication
Self-Administration Assistance
Disaster Management Plan
Reporting Service Metrics
Specialty Pharmacy

UHC® launched its Specialty Pharmacy Program (the “Program”) in January 2014. The Program provides exceptional benefits to UHC member hospitals and their patients. The Program developed in direct response to UHC member requests for a way to improve continuity of access to restricted drugs while increasing the revenue generated by the distribution of specialty pharmaceuticals.

Program benefits include improved continuity of care, access to specialty pharmaceuticals and improved adherence to medication regimens. The Program can help your organization accountable care organization environment where continuity of care is crucial. Because pharmaceutical manufacturers would benefit from this UHC-controlled data repository, your organization gain access to specialty pharmaceuticals by leveraging the availability of patient care management as an integral part of specialty pharmacy, the Program improve patients' response and adherence to their medication regimens.

To participate, the Letter of Participation (“LOP”) must be signed by the Chief Executive Officer and returned to Doug Smith, senior director, Supply Chain Services.

- Specialty Pharmacy Position Paper
- Specialty Pharmacy Update
- Developing a Successful Specialty Pharmacy

LOP PRESENTATIONS RESOURCES

- Specialty Pharmacy Letter of Participation
- Specialty Pharmacy Frequently Asked Questions
- Payer Contract Sample
- Manufacturer Contract Sample 1
- Manufacturer Contract Sample 2

LOP PRESENTATIONS RESOURCES

- Specialty Pharmacy Update
- Specialty Pharmacy Business Plan - Rush University Medical Center
- Specialty Pharmacy ROI - Rush University Medical Center
- Specialty Pharmacy Prior Authorization Service Business Case - Wisconsin
- Specialty Pharmacy Prior Authorization Service Business Case - Transplant and Oncology
- Take Home and Clinic Administered Drug List with Distribution
- Manufacturers of Importance for Limited Distribution Products
- CMS Benefit Manual Chapter 5
- Patient Assistance Resources - Databases
- Call Center Policy - Illinois
- Biological Response Modifiers

Member Center > Pharmacy Council > Resources – Specialty Pharmacy
UHC Specialty Pharmacy Program
What are we are seeking and offering?

Access
- UHC will seek access contracts with PhRMA for LD specialty medications.
- UHC will work with members to add access language to research contracts with PhRMA.
- UHC will seek contracts with insurers and PBMs.
- UHC will seek access arrangements with channel partners.
- UHC will provide a single HUB distribution model.

Data
- UHC will collect the most granular specialty pharmaceutical disease, service, and outcome data merging EMR and Case Management data including genotypic data where available.
- UHC will develop three targeted data offerings – Payer data, PhRMA data & Member data.
- UHC will provide the most complete source of HEOR data in the industry.
- UHC will publish comparative trend data and participate in clinical guideline development.

Coordinated Care
- UHC members will provide guideline/evidence-based treatment – potential for risk arrangements.
- UHC members will staff clinical specialist pharmacists in specialty clinics to initiate therapy within 48 hours where possible, educate patients, monitor patient experience, and promote adherence.
- UHC members will provide centralized prior authorization and billing specialist services.
- UHC will administer patient assistance and REMS programs.
Some Medical Centers Became Involved in SP Early…… ACO’s Are Creating A New Market Dynamic

<table>
<thead>
<tr>
<th>First Wave</th>
<th>Second Wave</th>
<th>Third Wave</th>
</tr>
</thead>
<tbody>
<tr>
<td>Big Box &amp; Innovators&lt;br&gt;Mayo Clinic&lt;br&gt;Fairview</td>
<td>PBM &amp; Large Retailers&lt;br&gt;University of Wisconsin&lt;br&gt;University of Michigan&lt;br&gt;University of Illinois&lt;br&gt;OHSU&lt;br&gt;Froedtert&lt;br&gt;Vanderbilt</td>
<td>Insurers &amp; Health Systems&lt;br&gt;40 + UHC Academic Medical Centers</td>
</tr>
</tbody>
</table>
Health Systems will not want others to manage risk who do not share the same incentives!

$\text{$$$ of Business Carved Away to Specialty Pharmacies in an ACO Environment}$

Top Specialists Fueling Market Growth
Who’s involved? Who’s in control?

- Patient
- Pharmacy
- Benefits Manager
- Specialty Pharmacy
- Specialist PhRMA
- Limited Distribution
- Insurer
Why a UHC branded specialty pharmacy program?

Source: October, 2013
Harvard Business Review
Why a UHC branded specialty pharmacy program?

Growing Scrutiny of Provider Charges

<table>
<thead>
<tr>
<th>Reimbursement paid for Avastin (100-unit dose)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Sales Price (ASP)</td>
</tr>
<tr>
<td>NC Baptist Hospital</td>
</tr>
<tr>
<td>Carolinas HealthCare System</td>
</tr>
<tr>
<td>Catawba Valley Medical Center</td>
</tr>
<tr>
<td>Duke University</td>
</tr>
</tbody>
</table>

Price Pressure is forcing the movement of coverage for specialty pharmaceuticals from the medical benefit to the pharmacy benefit.

Source: The Charlotte Observer and The News & Observer
See “How Hospitals Inflate Specialty Drug Prices”  
(http://www.drugchannels.net/2012/10/how-hospitals-inflate-specialty-drug.html)
ESI 2012 Drug Trend Report
Specialty Pharmaceuticals

Four Year Trend Shows Movement Away from Medical Benefit

In 2010, only 47% of Specialty Drug Spend was in the Medical Benefit
Current Model of Care is Fragmented

Legacy SP Model

- Bio Pharma
- Intake Hub
- Third Party Logistics
- Patient Assistance Programs
- Wholesaler
- Service & Communication Lags
- Payer
- MD
- Patient
- SP St. Louis
- SP Pittsburgh
- SP New York

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Why a UHC branded specialty pharmacy program?

Unmet Patient Need in Academic Medical Centers

*Case Study, January 2013*

- 66 yo female with pulmonary arterial hypertension treated with Revatio
- Her Part D plan had a remaining deductible of $225 and copay had more than tripled – trouble with affordability
- The specialty pharmacy instructed the patient to contact Pfizer’s RSVP Patient Assistance Program. She provided the telephone number and website for the patient to contact Pfizer, then put a hold on her file.
- Pulmonologist referred the patient to the UIC clinical pharmacist who discovered that Revatio was non-preferred under her Part D plan and recommended generic sildenafil as a lower cost generic alternative for the patient with a much more affordable copay.
- The patient missed only one day of her medication, significantly minimizing the potential for worsening symptoms or other complications.
Working in an Integrated Practice Unit

Rush Coordinated Care Model
Some of our members are doing a great job alone…… Others are using a channel partner

University of Kansas Experience
Case Study – Distribution Channel

March 2012 – CFO approached by Oncomed Specialty Pharmacy with $2.5M opportunity to provide specialty pharmacy services in oncology clinic for 35% of the spread as a 340B contract pharmacy.

CFO approved establishing KU specialty pharmacy infrastructure request rather than outsource.

Assistance sought from Diplomat to get started → benefit investigation, copay assistance, 24 hour on-call (KU phone line), and case management - $35 per Rx for initiation & $25 per Rx for refills in exchange for data.

September 2012 initiated service – $1M net profit in 4 months

February 2013 – expansion into Hepatology clinic
Vendor Partner Support

Support Services in place since September 2012 for Oncology Medications

University of Kansas Specialty Pharmacy

- Patient presents oncology Rx to treat cancer diagnosis/Rx is e-prescribed from U of K physician; pharmacist tells patient that it’s a specialty drug and additional services are offered
- University of Kansas conducts PA coordination and communicates with physicians
- Rx information transmitted via nightly data feed

Diplomat Specialty Services

Private-labeled as “University of Kansas Specialty Pharmacy”

- Diplomat Specialty Services enters info into eNav, partners on benefits investigation, copay card enrollment, and PA coordination with U of K
- Diplomat Specialty Services contacts patient to assess condition, provides necessary training, gives offer to counsel on medication, and coordinates delivery date of medication.
- Diplomat Specialty Services proactively checks with patient to mitigate any adverse effects, helps with problems, and coordinates refills.

University of Kansas delivers medication to patient based on need-by date
## Specialty Pharmacy: Opportunities for Growth

<table>
<thead>
<tr>
<th>Clinical Area</th>
<th>% Capture of Current Prescriptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>GI/dermatology/rheumatology</td>
<td>4.9%</td>
</tr>
<tr>
<td>Neurology/multiple sclerosis</td>
<td>0%</td>
</tr>
<tr>
<td>Hepatitis B and C</td>
<td>5.5%</td>
</tr>
<tr>
<td>Oncology</td>
<td>37.2%</td>
</tr>
<tr>
<td>Endocrinology</td>
<td>1.5%</td>
</tr>
<tr>
<td>HIV/ID/immune disorders</td>
<td>24.6%</td>
</tr>
<tr>
<td>Transplant/nephrology</td>
<td>26.8%</td>
</tr>
<tr>
<td><strong>Total for all classes</strong></td>
<td><strong>22%</strong></td>
</tr>
</tbody>
</table>

Estimated >$120 million in revenue annually

Data from analysis by University of Wisconsin Consulting engagement
### What have we learned?

**Effect of 340B Pricing**

<table>
<thead>
<tr>
<th>Drug</th>
<th>Generic</th>
<th>Strength</th>
<th>ASP + 6% Part B Reimbursement</th>
<th>ASP+6% - 340B Dollar Spread</th>
<th>Percent Spread</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cimzia</td>
<td>certolizumab</td>
<td>200mg kit</td>
<td>$977.80</td>
<td>$284.02</td>
<td>29.00%</td>
</tr>
<tr>
<td>Enbrel</td>
<td>etanercept</td>
<td>25mg/0.5mL syr</td>
<td>$241.34</td>
<td>$174.14</td>
<td>72.20%</td>
</tr>
<tr>
<td>Enbrel</td>
<td>etanercerp</td>
<td>50mg/mL syr</td>
<td>$482.68</td>
<td>$311.74</td>
<td>64.60%</td>
</tr>
<tr>
<td>Humira</td>
<td>adalimumab</td>
<td>40mg/0.5mL syr</td>
<td>$969.44</td>
<td>$610.27</td>
<td>63.00%</td>
</tr>
<tr>
<td>Kineret</td>
<td>anakinra</td>
<td>100mg/0.67mL syr</td>
<td>NA</td>
<td>NA</td>
<td>33.10%</td>
</tr>
<tr>
<td>Orencia</td>
<td>abatacept</td>
<td>250mg pwvl</td>
<td>$559.95</td>
<td>$185.23</td>
<td>33.10%</td>
</tr>
<tr>
<td>Orencia</td>
<td>abatace</td>
<td>125mg/mL syr</td>
<td>$279.98</td>
<td>$84.01</td>
<td>44.60%</td>
</tr>
<tr>
<td>Simponi</td>
<td>golumimab</td>
<td>50mg/0.5mL syr</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Stelara</td>
<td>ustekinumab</td>
<td>90mg syr</td>
<td>$12,060.27</td>
<td>$5,456.69</td>
<td>45.20%</td>
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<tr>
<td>Stelara</td>
<td>ustekinumab</td>
<td>45mg syr</td>
<td>$6,030.14</td>
<td>$2,691.98</td>
<td>44.60%</td>
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</table>

<table>
<thead>
<tr>
<th>Revenue List (95% AWP +$5)</th>
<th>$24,159,099</th>
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<tbody>
<tr>
<td>Revenue ASP + 6% (Part B)</td>
<td>$14,921,260</td>
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<tr>
<td>Drug Expense 340B</td>
<td>$6,054,138</td>
</tr>
<tr>
<td>Overhead 10%</td>
<td>$1,492,126</td>
</tr>
<tr>
<td>Profit</td>
<td>$7,374,996</td>
</tr>
<tr>
<td>Margin</td>
<td>49%</td>
</tr>
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</table>

**Weighted Average** 59.43%

WAC drug expense is 14.2% > Part B Reimbursement
What have we learned?

Members using 340B for Patient Assistance Programs

<table>
<thead>
<tr>
<th>Specialty Pharmacy Services</th>
<th>Medication Assistance Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Insured Patients</td>
<td>• Uninsured and Functionally Uninsured</td>
</tr>
<tr>
<td>• Transactional</td>
<td>• PMA</td>
</tr>
<tr>
<td>• Copay Cards</td>
<td>• Foundations</td>
</tr>
<tr>
<td>• Copay Matching</td>
<td>• Samples</td>
</tr>
<tr>
<td>• Payment Plans</td>
<td>• [340B Drug Purchase]</td>
</tr>
<tr>
<td></td>
<td>• Medicare Part D Consult Service</td>
</tr>
<tr>
<td></td>
<td>• ACA Enrollment Assistance</td>
</tr>
</tbody>
</table>
What have we learned?

• The current system is difficult for patients & our physicians to navigate – delays can be significant!
• Patients want a personal pharmacist and some will pay more to have one.
What have we learned?

We needed a coordinating force to do what many of us could not do individually.

We needed UHC!
What have we learned?

Rapid Diffusion of Innovation
Where are we? What do we aspire to achieve?

Support for &
Inspection of UHC SP
Programs

Start

Relationships
with Payers &
Manufacturers

Build

Produce
Outcomes &
Satisfaction
Scores that are
the Best in the
Industry

Fly
Summary

• We offer great personalized care from highly trained professionals.
• We are building a best in class data warehouse with our longitudinal EMR, Rx claims, & case management data.
• We have unlimited capacity to perform outcomes research.
• We benchmark our programs so we all keep improving.
• We can compete on price & manage risk.
• We believe we will be a BIG DEAL in the Specialty Pharmaceuticals Industry.
Thank you!