



# IMPACT OF DRUG REBATES ON YOUR PARTICIPANTS AND YOUR PLAN RISK PROFILE

2018 Indiana Health and Wellness Summit

# National Diabetes Volunteer Leadership Council

## Who We Are



- Patient advocacy organization committed to improving the safety and quality of life for people with diabetes



- Comprised of former national leaders of voluntary health organizations focused on diabetes

# JDRF

## Who We Are



- We are the leading global organization funding type 1 diabetes (T1D) research, focused on curing, preventing and treating T1D
- JDRF has invested more than \$2 billion in research funding
- We are built on a grassroots model
- We advocate with federal officials, public and private payers

# PRESENTATION OBJECTIVES

Review the scope and prevalence of diabetes

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Consider the cost of diabetes in your organization

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Review the role of ***insulin*** in diabetes treatment and the impact of insulin costs on patient adherence

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Discuss changes in the economics of the health system

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Propose plan design changes to mitigate risk and cost

ARE YOUR EMPLOYEES **OVERPAYING** FOR INSULIN?

# SHAPE YOUR PLAN WITH INSULIN IN MIND

## Negotiate for your employees

- Insulin exemption
- Discount and rebate sharing
- Co-pays vs. co-insurance

### Shape Your Plan Design to Reduce Cost Sharing



#### Insulin exemption

Add insulin to a preventive drug list that is exempt from the deductible



#### Discount and rebate sharing

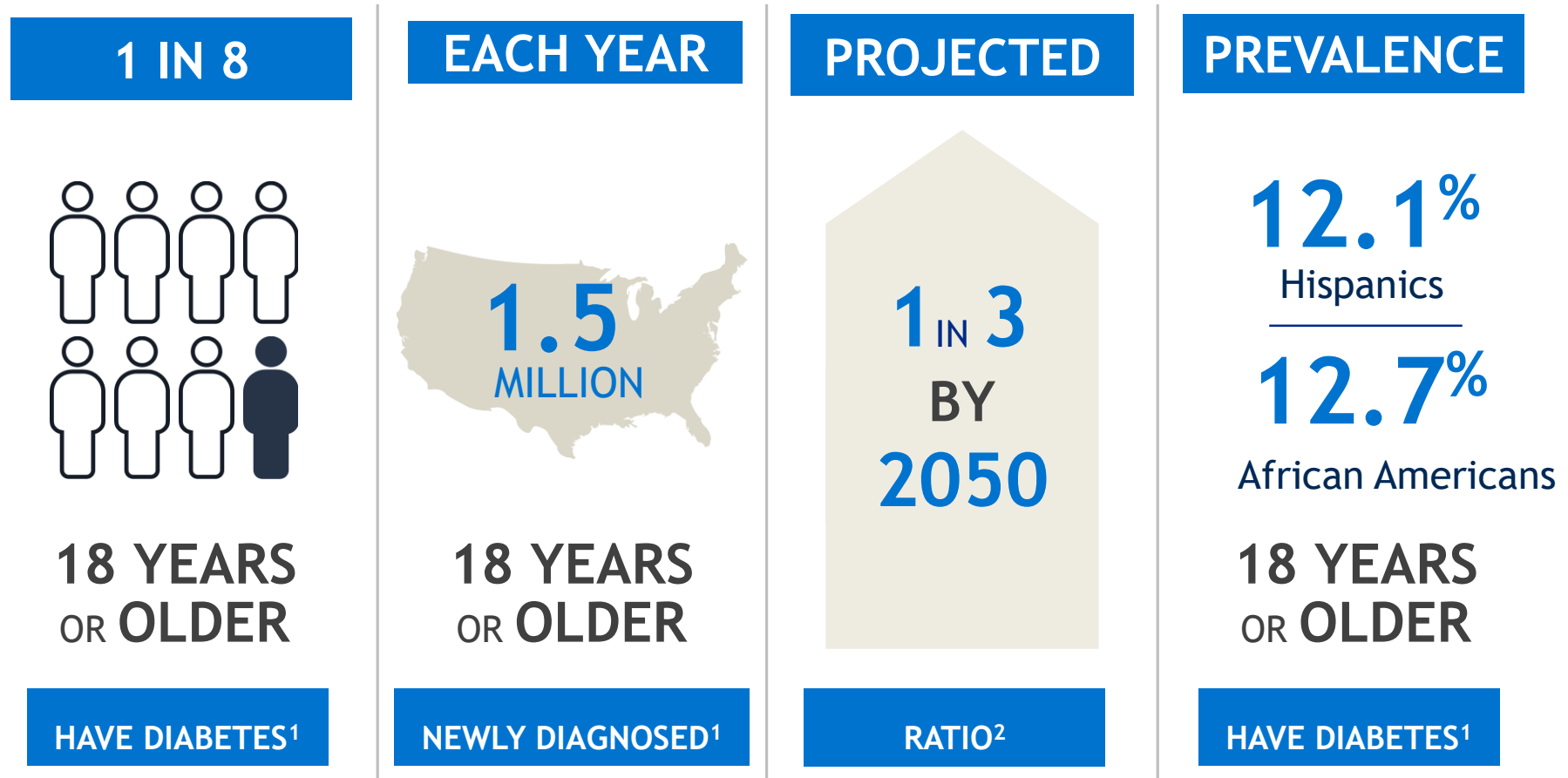
Rebates and discounts negotiated with the manufacturer **are directly passed on** at the point of sale



#### Use Co-Payments

Cost sharing is a **fixed dollar co-payment** instead of co-insurance percentages that vary with list price

# LARGE AND GROWING PATIENT POPULATION



1. Centers for Disease Control and Prevention. <https://www.cdc.gov/diabetes/pdfs/data/statistics/national-diabetes-statistics-report.pdf>.
2. Centers for Disease Control and Prevention. <https://doi.org/10.1186/1478-7954-8-29>.

# HOW MANY PEOPLE WITH DIABETES ARE IN YOUR ORGANIZATION?



## SIGNIFICANT ECONOMIC BURDEN

### Total Cost of Diabetes in 2017

**\$327 BILLION**

**\$237 BILLION**  
in direct medical costs

**\$90 BILLION**  
in indirect costs  
(disability, work loss,  
premature mortality)

**1 IN 4**

**\$\$\$\$**

**HEALTH CARE  
DOLLARS**

Spent caring for people  
with diabetes

1. American Diabetes Association. <https://doi.org/10.2337/dci18-0007>.

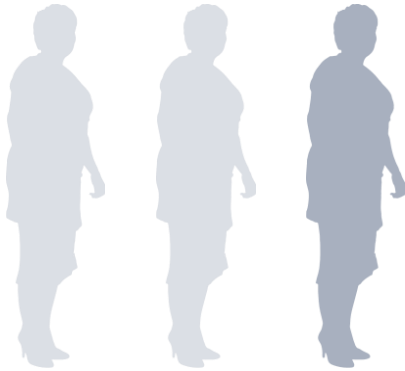
# WHAT DOES DIABETES COST YOUR ORGANIZATION?

# OPTIMAL MANAGEMENT

**INSULIN IS A STANDARD OF CARE**

and is an **important component of optimal management**

**1 IN 3 ADULTS WITH DIABETES**



**> 8 million people**

**REQUIRE INSULIN  
EVERY DAY<sup>1</sup>**

**TYPE 1**



**REQUIRE LIFE-SUSTAINING  
INSULIN THERAPY<sup>2</sup>**

**TYPE 2  
A PROGRESSIVE DISEASE**



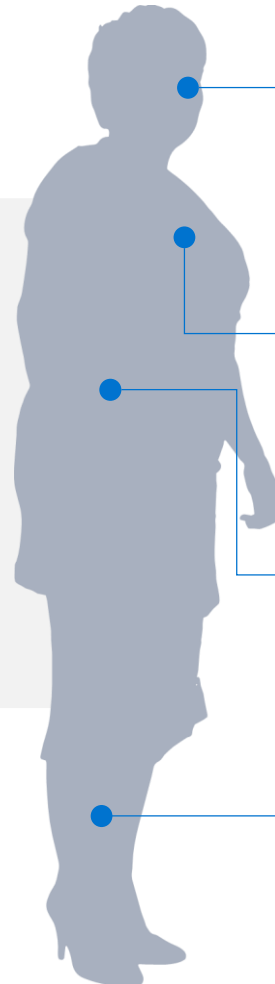
**EVENTUALLY REQUIRE  
INSULIN THERAPY<sup>2</sup>**

1. Centers for Disease Control and Prevention. <https://www.cdc.gov/diabetes/statistics/meduse/fig2.htm>.  
2. American Diabetes Association. *Diabetes Care*. 2018 Jan; 41(Supplement 1): S1-S159.

# DEVASTATING CLINICAL COMPLICATIONS

## Nonadherence to insulin therapy

affects **many parts of the body** and is associated with **serious complications**



Diabetic Retinopathy

Approximately 1 in 3 aged 40 years or older<sup>1</sup>



Heart Disease

2 to 4 times more likely to die<sup>2</sup>



Kidney Failure

44% of new cases<sup>1</sup>



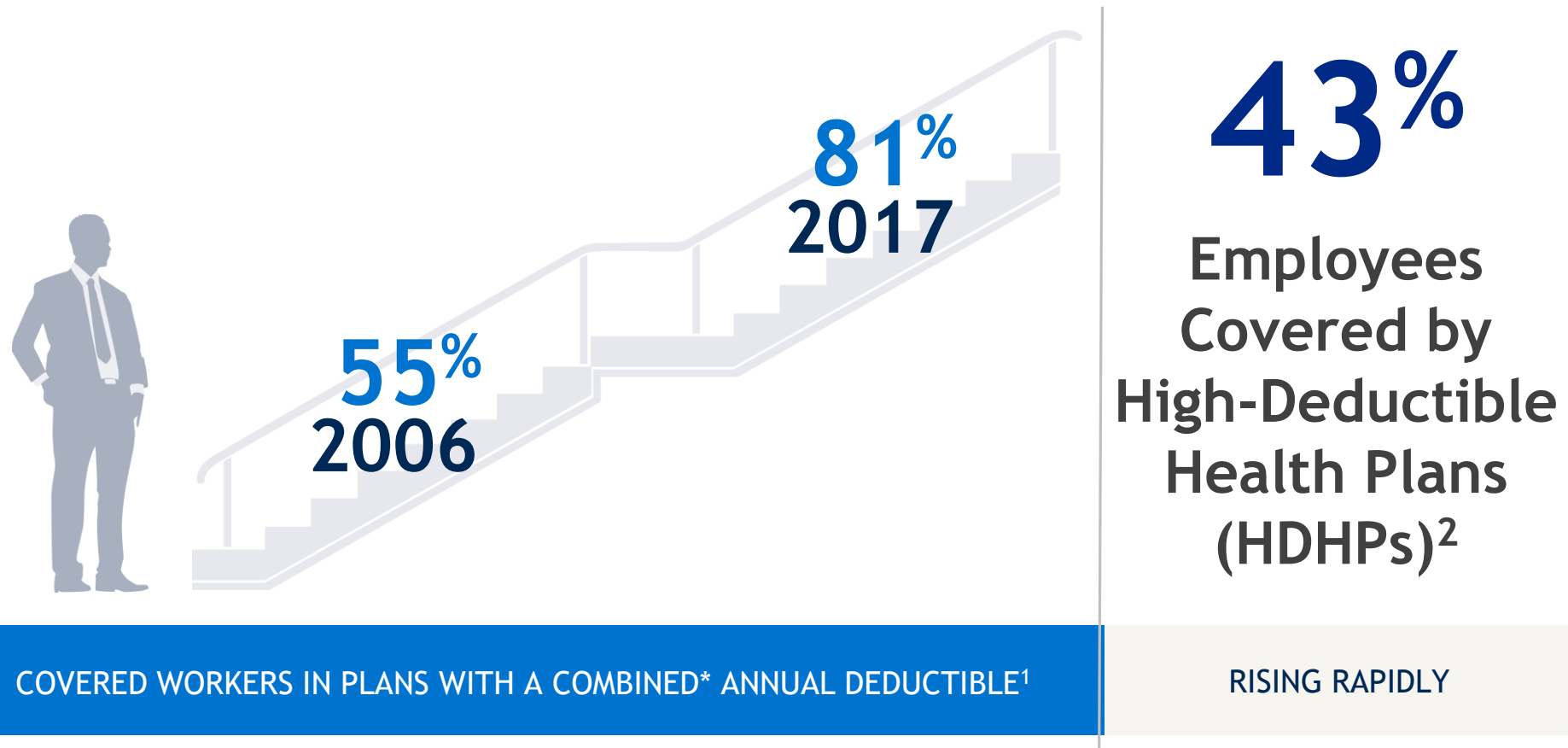
Lower-limb amputation

60% of non-traumatic amputations<sup>1</sup>

1. Centers for Disease Control and Prevention. <https://www.cdc.gov/diabetes/pdfs/data/2014-report-estimates-of-diabetes-and-its-burden-in-the-united-states.pdf>.

2. American Heart Association. [http://www.heart.org/HEARTORG/Conditions/More/Diabetes/WhyDiabetesMatters/Cardiovascular-Disease-Diabetes\\_UCM\\_313865\\_Article.jsp/#.W1un89JKhPa](http://www.heart.org/HEARTORG/Conditions/More/Diabetes/WhyDiabetesMatters/Cardiovascular-Disease-Diabetes_UCM_313865_Article.jsp/#.W1un89JKhPa).

# HIGH COST-SHARING BURDEN



\*Medical and pharmacy deductible

1. Kaiser Family Foundation. <http://files.kff.org/attachment/Report-Employer-Health-Benefits-Annual-Survey-2017>.
2. National Center for Health Statistics. <https://www.cdc.gov/nchs/data/nhis/earlyrelease/insur201802.pdf>.

# RECENT CHANGES IN HEALTHCARE

**Financial burden on patients**  
may contribute to nonadherence

**208%<sup>1</sup>**

**2016**  
**2008**

**AVERAGE PRICE**  
of brand-name  
drugs

**65%<sup>2</sup>**

**2016**  
**2014**

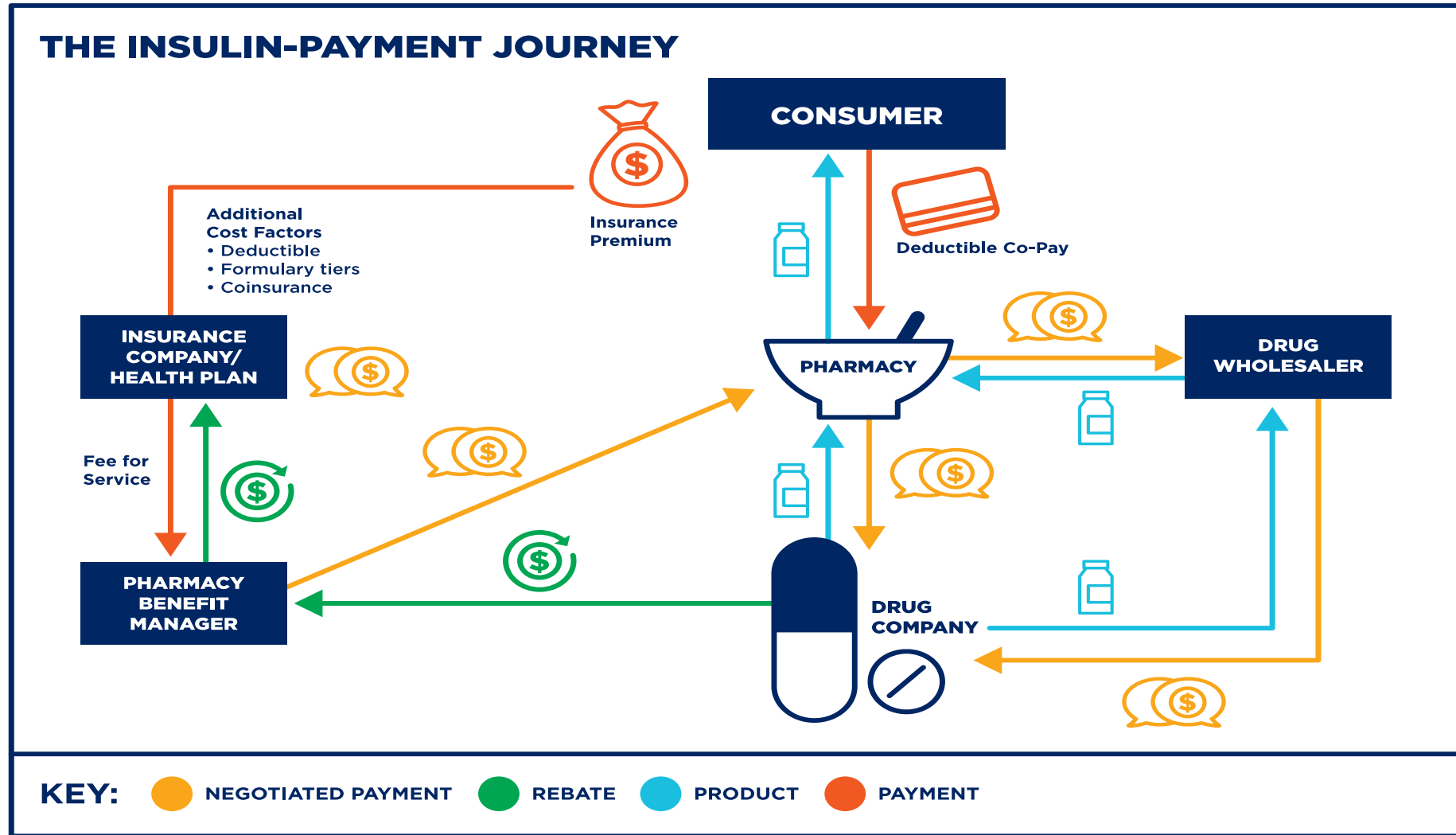
**NUMBER  
OF DRUGS**  
on the exclusion  
lists of the  
2 largest pharmacy  
benefit managers  
(PBMs)

1. Express Scripts. <http://lab.express-scripts.com/lab/drug-trend-report/~/-/media/29f13dee4e7842d6881b7e034fc0916a.ashx>.

2. Tufts Center for the Study of Drug Development.

<https://static1.squarespace.com/static/5a9eb0c8e2ccd1158288d8dc/t/5aa2bc4e9140b7f28066dc65/1520614478946/Summary-MayJunIR2016.pdf>.

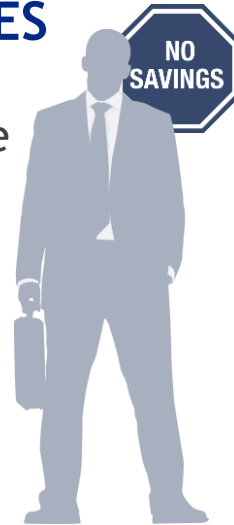
# VIEW OF A FLAWED SYSTEM



# FORCED TO PAY

## MANY EMPLOYEES

are forced to pay full price during the deductible phase



## INSULIN REBATES CAN EXCEED<sup>1,2</sup>

# 60%



## DISCOUNTS AND REBATES NEGOTIATED

by Pharmacy Benefit Managers and others in the supply chain **are not passed on to employees at the point of sale.**

## THIS LEADS TO:

- Significant overpayment for insulin by employees
- Premature claims costs for insulin by employers

1. Bloomberg <https://www.bloombergquint.com/onweb/2016/09/29/novo-nordisk-job-cuts-diabetes-drug-price-war-casualties>.

2. QuintilesIMS. <http://nationalacademies.org/hmd/~media/Files/Activity%20Files/HealthServices/Affordable%20Drug%20Therapies/ADS%20Presentation%20II/Tenaglia.pdf>.



# TRANSPARENCY IS NEEDED



## AS AN EMPLOYER

do you know how much of negotiated rebates are being passed on to you? What about fees that PBMs charge the manufacturers but do not pass on to you?

## ARE YOU SURE?

### DISCOUNTS AND REBATES NEGOTIATED

by Pharmacy Benefit Managers and others in the supply chain are not usually shared 100% with employers in self-insured plans.

### THIS LEADS TO:

- Uncertain cash flow
- Poor understanding of cost controls
- Lack of trust in the plan

# A CLOSER LOOK AT POTENTIAL COST IMPLICATIONS FOR AN EMPLOYEE WITH DIABETES IN AN HDHP

# MEET MICHAEL

A Typical Employee  
With Diabetes

## On company health plan

- HSA-qualified HDHP
- Annual deductible of \$2300
- His insulin copay after he meets the deductible is \$35

## A 52-year-old computer support specialist working in the IT department

- Type 2 diabetes
- Regularly treats with metformin and long-acting insulin

## Daily regimen



1000-mg tablet of metformin twice a day



Blood sugar testing twice a day



56 units of a long-acting insulin every night

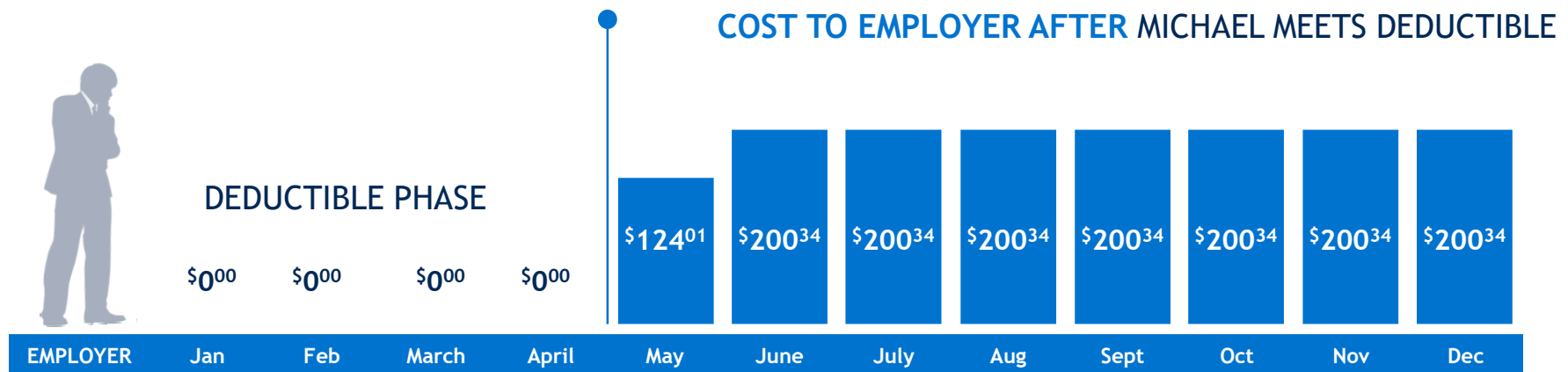
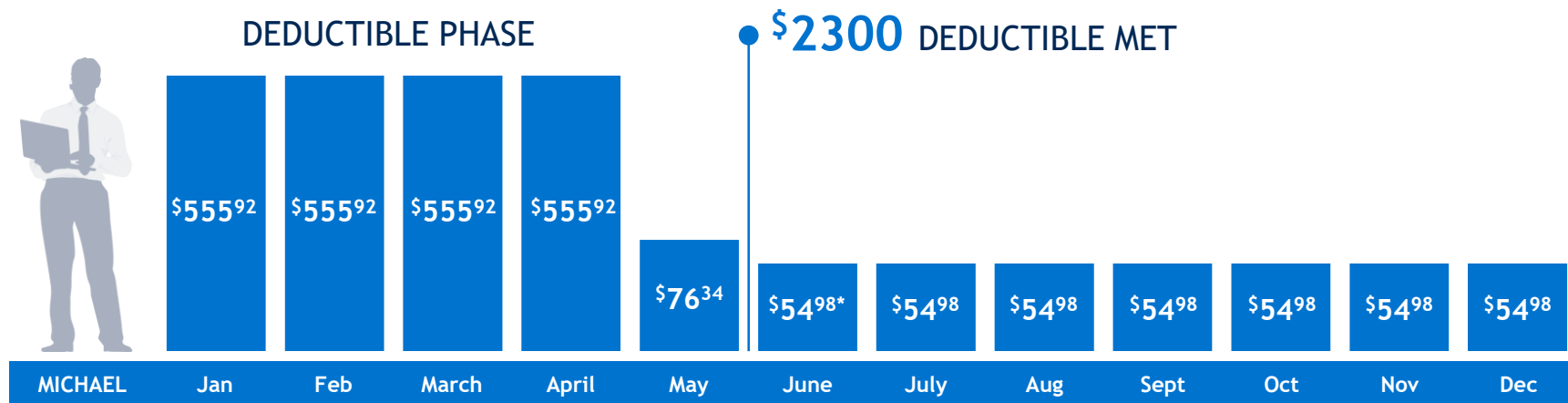
# SIGNIFICANT OUT OF POCKET (OOP) COST

MONTHLY COST IMPACT*	TOTAL OOP COST	ADHERENCE IS REDUCED
<p>INSULIN</p> <p><b>\$500<sup>99</sup></b></p> <hr/> <p>METFORMIN</p> <p><b>\$5<sup>00</sup></b></p> <hr/> <p>SUPPLIES (needles and test strips)</p> <p><b>\$49<sup>93</sup></b></p>	<p><b>\$555<sup>92</sup></b></p> <p><b>PER MONTH</b></p> <p>before deductible is met</p>	<p>WHEN PATIENTS TAKING BASAL INSULIN</p> <p><b>HAVE TO PAY MORE THAN</b></p> <p><b>\$75<sup>00</sup></b></p> <p><b>PER MONTH<sup>1</sup></b></p>

\* Calculated using list prices.

1. Bibeau WS et al. *J Manag Care Spec Pharm*. 2016;22:1338-1347.

# LIST PRICE IS A COST BARRIER



\*Cost sharing after deductible includes copay for insulin and metformin and coinsurance for supplies: \$54.98.

**AFTER ONLY 4 MONTHS**

MICHAEL'S EMPLOYER BEGINS TO BEAR A SIGNIFICANT PORTION  
OF THE COST

# WHAT WOULD MICHAEL DO?

Do I pay for my  
medicine, or...



My rent?



My car?



My food?



Reduce my insulin?

# DISCOUNTS NOT EXTENDED

## WERE YOU AWARE?

**Pharmacy** is the only part of the health care benefit that **does not pass negotiated discounts and rebates on** to the patients.



**Discounts and rebates are not being extended to Michael.**

Is that by design or accident?



# WHAT IS THE CLINICAL AND FINANCIAL COST OF NONADHERENCE?

# ADHERENCE REDUCTION



# NONADHERENCE HAS AN ECONOMIC IMPACT

## LOW ADHERENCE



**699,000**

MORE **ER VISITS**

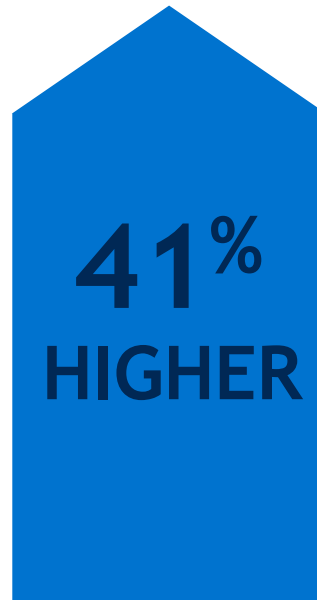


**341,000**

MORE **HOSPITALIZATIONS**

ANNUALLY<sup>1</sup>

## NONADHERENCE



INPATIENT COST<sup>2\*</sup>

## DEDUCTIBLE PHASE

**Up to 2.5x**

MORE LIKELY TO  
**DISCONTINUE  
FILLING  
PRESCRIPTIONS**

PAYING FULL PRICE<sup>3</sup>

\* Study included oral antidiabetics and insulin.

1. Jha AK et al. *Health Aff (Millwood)*. 2012;31:1836-1846.

2. Egede LE et al. *Diabetes Care*. 2012;35:2533-2539.

3. IQVIA Institute for Human Data Science. <https://www.iqvia.com/-/media/iqvia/pdfs/institute-reports/medicines-use-and-spending-in-the-us.pdf>.

# ADHERENCE REDUCES COSTS\*

ANNUALLY\*

EACH  
**10%**  
INCREASE

ADHERENCE TO INSULIN

WAS ASSOCIATED WITH  
AN APPROXIMATE  
**9% TO 29%**  
DECREASE

ANNUAL HEALTHCARE COST

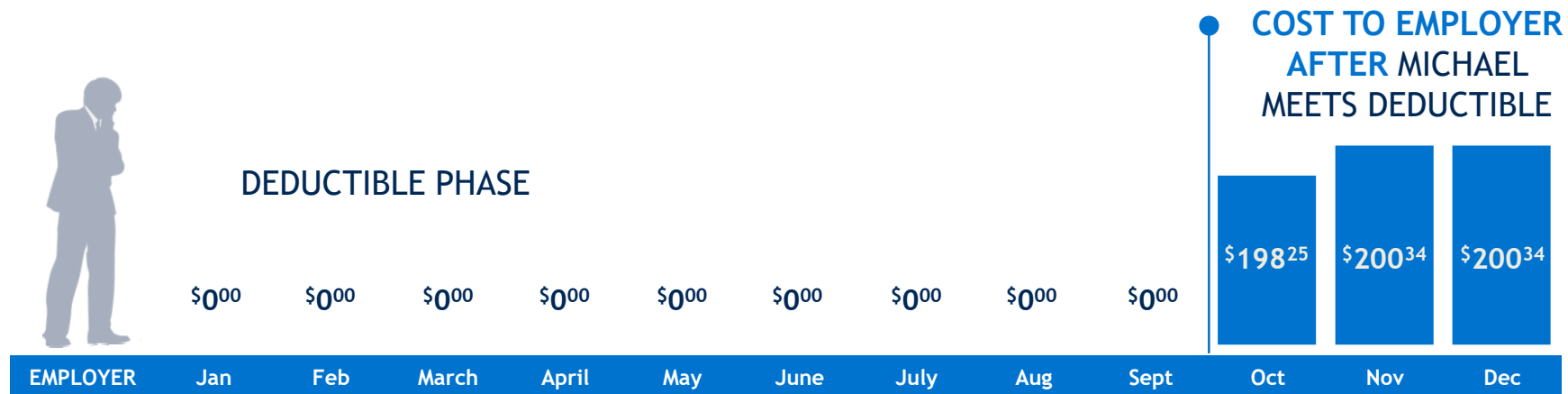
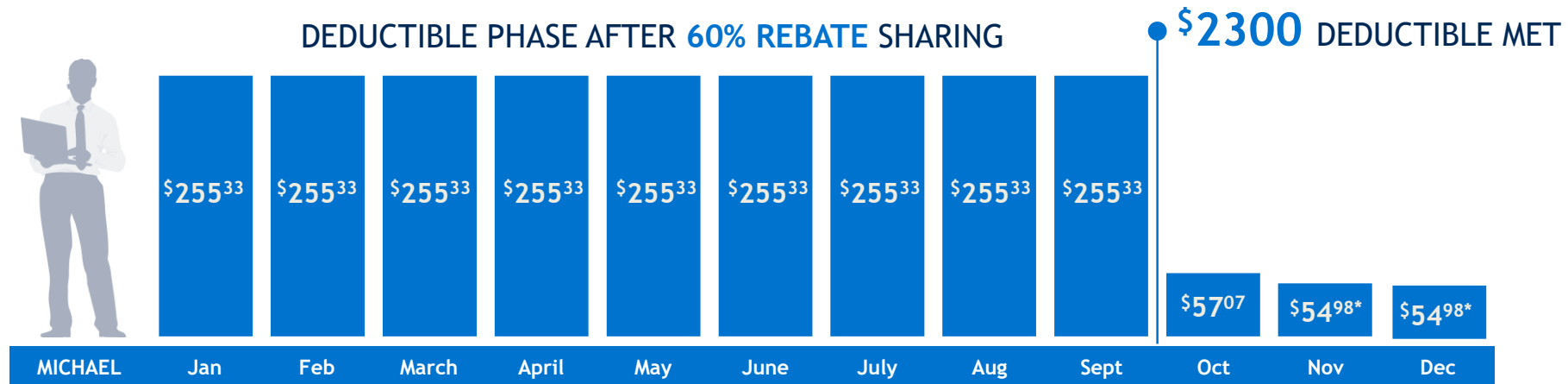
\*Study included oral antidiabetics and insulin. Separate stratified analyses found that increased adherence was associated with lower costs, independent of type of antidiabetic medication. The study was a self-reported longitudinal cohort study.

1. Balkrishnan R et al. *Clin Ther.* 2003;25:2958-2971.

# PROTECT MICHAEL FROM PAYING FULL LIST PRICE FOR INSULIN

What would it look like if rebates are shared with him?

# REBATE SHARING SIGNIFICANTLY REDUCES MICHAEL'S MONTHLY OOP COST



\* Cost sharing after deductible includes copay for Insulin and metformin and coinsurance for supplies: \$54.98

**MICHAEL'S EMPLOYER WILL BENEFIT**  
BECAUSE THE DEDUCTIBLE ENDS AT A LATER DATE

# REBATE SHARING OPTIMIZES CARE

## BEFORE REBATE IS SHARED



MICHAEL PAYS  
**\$555<sup>92</sup>**  
PER MONTH

While in the deductible phase



EMPLOYER  
PREMATURELY PAID  
**\$927<sup>48</sup>**

## AFTER REBATE IS SHARED



MICHAEL PAYS  
**\$255<sup>33</sup>**  
PER MONTH

While in the deductible phase



MICHAEL AND EMPLOYER  
can **avoid long-term  
medical costs** due to  
clinical complications  
from **nonadherence**.

## IN 2018 HOSPITAL COST<sup>1</sup>



Heart attack

**\$22,600**



Stroke

**\$18,000**



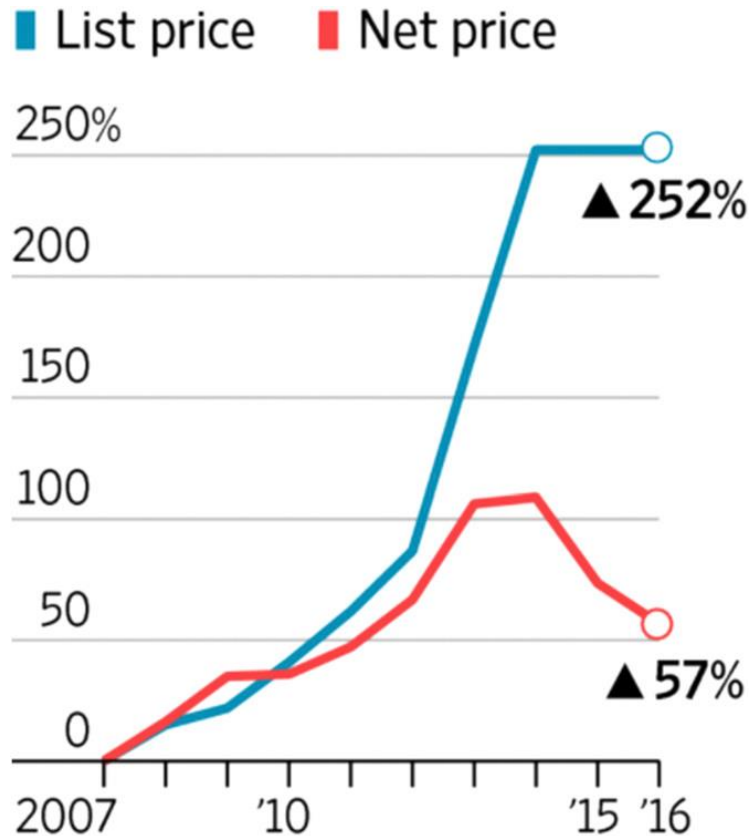
## REBATES DRIVE PERVERSE INCENTIVES

	Lantus	Basaglar
List Price	\$ 278.001	\$ 234.001
Assumed Rebate	60%	60%
Total Rebate	\$ 166.80	\$ 140.40
Assumed percent of rebate given to plan	90%	90%
- Rebate dollars received by plan	\$ 150.12	\$ 126.36
- Rebate dollars retained by PBM	\$ 16.68	\$ 14.04
Assumed patient coinsurance	20%	20%
- Patient cost	\$ 55.60	\$ 46.80
- Plan cost (net of rebate and patient coinsurance)	\$ 72.28	\$ 60.84
Manufacturer's net (list price minus total rebate)	\$ 111.20	\$ 93.60

**PBMs and Plans** get more money when they cover the higher priced brand insulin (Lantus), rather than the less expensive biosimilar (Basaglar). That's bad for patients and employers.

Prices are list prices shown at [www.goodrx.com](http://www.goodrx.com) for an equivalent amount of each drug.

# MANUFACTURERS INCREASE LIST PRICES MOSTLY TO PAY LARGER REBATES



Employers should require PBMs to pass on 100% of rebates and fees received from manufacturers

Sources: Truven Health Analytics (list prices) and Bernstein (net price estimates)

Cefalu, W., Dawes, D., Gavlak, G., Goldman, D., Herman, W., Van Nuys, K., Powers, A., Taylor, S., and Yatvin, A. Insulin Access and Affordability Working Group: Conclusions and Recommendations. *Diabetes Care* 2018 May; dci180019. <https://doi.org/10.2337/dci18-0019>.

# MANY EMPLOYERS PLAN TO PASS THROUGH REBATES

A recent NBGH survey found that a majority of employers do not believe rebates are an effective tool for helping to lower pharmaceutical costs

- **27%** of employers surveyed are adopting capabilities to provide point-of-sale rebates to consumers in 2019, and another
- **31%** are considering doing so in the next 2 years

National Business Group on Health. 2019 Large Employers' 2019 Health Care Strategy and Plan Design Survey. Reported in Modern Healthcare, August 7, 2018.  
<http://www.modernhealthcare.com/article/20180807/NEWS/180809931/employers-curb-high-deductible-plans-even-as-insurance-costs-rise>

# ADVOCATES FOR AFFORDABLE INSULIN

## LEADING DIABETES ORGANIZATIONS



The American  
Association of Clinical  
Endocrinologists



American College of  
Endocrinology



American Diabetes  
Association



Juvenile Diabetes  
Research Foundation

**STRONGLY RECOMMEND THAT INSULIN BE MORE AFFORDABLE<sup>1-3</sup>**

1. AACE/ACE. <https://www.aace.com/files/position-statements/Patient-Access-to-Necessary-and-Appropriate-Medical-Care.pdf>.

2. ADA. <https://makeinsulinaffordable.org/>.

3. JDRF. <http://advocacy.jdrf.org/wp-content/uploads/sites/111/2017/02/JDRF-Position-Statement-Access-to-Insulin-1.pdf>.

# SHAPE YOUR PLAN WITH MICHAEL IN MIND

## Negotiate for your employees

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- Discount and rebate sharing
- Co-pays vs. co-insurance

### Shape Your Plan Design to Reduce Cost Sharing



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Add insulin to a preventive drug list that is exempt from the deductible



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Cost sharing is a **fixed dollar co-payment** instead of co-insurance percentages that vary with list price



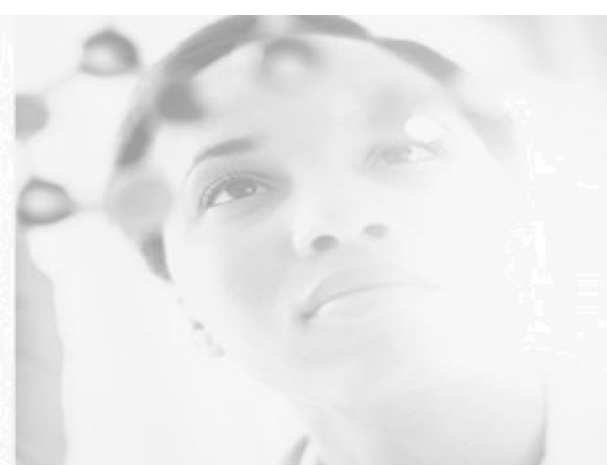
REDUCED COST SHARING  
**MAY INCREASE**

PATIENT ADHERENCE  
TO INSULIN AND  
**HELP PREVENT**  
FUTURE COSTLY  
CLINICAL COMPLICATIONS



# THANK YOU





# APPENDIX



# TYPES OF DIABETES

- **Type 1 diabetes** is when the body does not make enough insulin. Type 1 accounts for 5% of all diagnosed cases of diabetes
- **Type 2 diabetes** is when the body cannot use insulin properly. Type 2 is the most common form of diabetes, accounting for 90-95% of all diagnosed cases

# A CHRONIC DISEASE

Affects many parts of the body and is associated with serious complications

A complex, chronic illness requiring continuous medical care and optimal glycemic control



Stroke



Blindness



Heart Disease



Kidney Failure



Lower-limb Amputation

# COST CALCULATIONS

## Support

### for “Significant Out Of Pocket Cost”

- **Cost of insulin = \$500.99**

- Average insulin use per year from 2011–2013: 206 mL = 20,600 units
- Average insulin use per day: 56 units
- Average insulin use per month (30 days): 1680 units = 16.8 mL
- Average wholesale price (AWP) of Lantus Solostar (5 pens): \$447.31
  - 5 pens = 1500 units
  - 1680 units = \$500.99

- **Cost of metformin (using discount card) = \$5.00**

- **Cost of needles (discounted) = \$17.93**

- Average needle use per month (30 days): 30 needles

- **Cost of test strips (discounted) = \$32.00**

- Average test strip use per month (one touch ultra-test strips) (30 days): 60 strips

- **Cost of insulin, metformin, and supplies = \$555.92**

- $\$500.99 + \$5.00 + \$17.93 + \$32.00 = \$555.92$  patient OOP cost per month before deductible is met

1. Hua X et al. JAMA. 2016;315(13):1400-1402.

2. Truven Health Analytics. [https://micromedex2/librarian/PFDefaultActionId/, DanaInfo=www.micromedexsolutions.com+redbook.ModifyRedBookSearch](https://micromedex2/librarian/PFDefaultActionId/,DanaInfo=www.micromedexsolutions.com+redbook.ModifyRedBookSearch)

3. GoodRx. [https://www.goodrx.com/metformin?drug-name=metformin&hide\\_online\\_pharmacies=true&show\\_pet\\_friendly\\_pharmacies=false&form=tablet&dosage=1000mg&quantity=60&days\\_supply=&label\\_override=metformin](https://www.goodrx.com/metformin?drug-name=metformin&hide_online_pharmacies=true&show_pet_friendly_pharmacies=false&form=tablet&dosage=1000mg&quantity=60&days_supply=&label_override=metformin)

# COST CALCULATIONS

## Support

### for “List Price Is A Cost Barrier”

The full list price of insulin poses a cost barrier for Michael.

- Copay of insulin: \$35.00
- Copay of metformin: \$5.00
- Coinsurance of supplies:  $0.3 * \$49.93 = \$14.98$

**OOP cost: \$54.98 after deductible is met**

**Employer cost after the deductible:**

- Insulin rebate:  $\$500.99 * 0.6 = \$300.59$
- 70% cost share for supplies:  
 $0.7 * \$49.93 = \$34.95$
- $(500.99 - 300.59) + 34.95 = \$235.35$

\*Cost sharing after deductible includes copay for insulin and metformin and coinsurance for supplies: \$54.98.

1. Kimball ES et al. J Med Econ. 2011;14(6):720-728.

# COST CALCULATIONS

## Support

for “Rebate Sharing Significantly Reduces Michael’s Monthly OOP Cost”

Michael’s Cost after receiving the rebate:

- Insulin Rebate:  $500.99 \times 0.6 = \$300.59$
- $555.92 - 300.59 = \$255.33$  OOP cost for Michael in the deductible phase