

Newsletter

This Quarter's Articles

Some Good News Due to Upcoming Generics

Robert Kordella, RPh, MBA

Industry Titans Make a Media Splash with Low-Cost Drug Approaches

DeeDee Tillitt, MBA

To Bag or Buy — That is the Question

Mara Teer, MBA, PharmD Candidate, Pharmacy Intern
Rebecca Lich, PharmD, MBA



Some Good News Due to Upcoming Generics

Not all of the news is bad in the world of pharmacy benefits management. The patents of many high-cost brand drugs continue to expire, creating savings opportunities as generic versions become available. We have included a table below that lists only those brand drugs having annual sales in excess of \$500 million for which generic versions have a 50% or greater probability of launching in 2022.

First, some notes on the terminology used in the chart's column headers:

PROJECTED DATE is the best estimate for the date on which generic versions may begin to be marketed. Uncertainty surrounding these dates is introduced by various types of legal wrangling.

BRAND NAME is the name of the product that has a patent expiring. It is the name that would currently appear in your utilization reports to assist you in identifying those products of direct material relevance to your plan.

GENERIC NAME is the name of generic versions that will launch, as well as the generic name of the brand product.

BRAND COMPANY is the name of the manufacturer of the brand product.

BRAND SALES (millions) is the estimated annual sales in millions of dollars of the brand product.

DAY 1 MAC ELIGIBLE indicates those generic launches that are expected to occur with more than three generic manufacturers, meaning we should expect to see aggressive, deeply discounted MAC pricing almost immediately. This number is important because most PBMs and Carriers do not apply MAC pricing discounts to generic drugs until there are at least three generic manufacturers, since it is only then that aggressive purchasing discounts are available to pharmacies. When there are only one or two generic versions available in the marketplace, prices of generic versions are typically only minimally less than the comparable brand product. TBD in this column means that ongoing legal proceedings will impact the number of Day 1 Entrants, once resolved. For non-MAC products, new generic entrants typically produce savings vs. the brand drug's cost of approximately 10%, while MAC pricing typically delivers savings in excess of 75% vs. the brand drug's cost. MAC pricing will vary by drug and by PBM/Carrier.

[CONTINUED>>>](#)

[LOCKTON.COM](https://www.lockton.com)

Questions? Your Lockton service team is here to help.

Some Good News Due to Upcoming Generics

UPCOMING GENERIC VERSIONS

<i>Projected Date</i>	<i>Brand Name</i>	<i>Generic Name</i>	<i>Brand Company</i>	<i>Estimated Brand Sales (millions)</i>	<i>Day 1 MAC Eligible</i>
03/2022	Revlimid (5, 10, 15, 25 mg)	Lenalidomide	Celgene; Bristol Myers Squibb	\$9,500	No
2022-2025	Pomalyst	Pomalidomide	Celgene; Bristol Myers Squibb	\$2,700	TBD
2022-2024	Myrbetriq	Mirabegron	Astellas	\$2,300	TBD
2022	Flovent HFA	Fluticasone Propionate	GSK	\$2,000	No
2022-2023	Spiriva	Tiotropium Bromide	Boehringer Ingelheim	\$1,900	No
03/2022	Vimpat (tablet)	Lacosamide	UCB	\$1,600	Yes
05/2022	Alimta (500 mg)	Pemetrexed Disodium	Eli Lilly	\$1,300	Yes
2022	Sandostatin LAR	Octreotide Acetate	Novartis	\$1,300	TBD
05/2022	Velcade	Bortezomib	Millennium Pharmaceuticals; Takeda	\$1,200	Yes
03/2022	Abraxane	Paclitaxel	Abraxis Bioscience; Bristol Myers Squibb; Celgene	\$1,200	No
2022-2023	Esbriet (capsule)	Pirfenidone	InterMune; Genentech; Roche	\$1,000	TBD
2022-2023	Esbriet (tablet)	Pirfenidone	InterMune; Genentech; Roche	\$1,000	TBD

[CONTINUED>>>](#)

[LOCKTON.COM](https://www.lockton.com)

Questions? Your Lockton service team is here to help.



Some Good News Due to Upcoming Generics

UPCOMING GENERIC VERSIONS CON'T

<i>Projected Date</i>	<i>Brand Name</i>	<i>Generic Name</i>	<i>Brand Company</i>	<i>Estimated Brand Sales (millions)</i>	<i>Day 1 MAC Eligible</i>
01/17/22	Vasostriect	Vasopressin	Par; Endo Pharmaceuticals	\$800	No
2022	Revlimid (2.5, 20 mg)	Lenalidomide	Celgene; Bristol Myers Squibb	\$800	No
04/11/22	Lexiscan	Regadenoson	Astellas; Gilead	\$700	Yes
2Q 2022	Pradaxa (capsule)	Dabigatran Etexilate Mesylate	Boehringer Ingelheim	\$600	Yes
06/04/22	Viibryd	Vilazodone Hydrochloride	Allergan; AbbVie	\$600	Yes
2022	Dulera	Formoterol Fumarate; Mometasone Furoate	Merck & Co; Organon	\$600	No
2022	Combigan	Brimonidine Tartrate; Timolol Maleate	Allergan; AbbVie	\$500	Yes

Enjoy the savings, and please reach out to your Lockton account team if you require any assistance understanding the timing and quantifying the impact of these upcoming generic launches to your pharmacy benefit plan. We are always happy to help.



Robert Kordella, RPh, MBA

Chief Clinical Officer

Bob has more than 35 years of diverse experience in the pharmacy industry. Over the course of his career, Bob has led clinical and PBM operations teams in successfully managing more than \$4 billion in annual drug spend. This was also while limiting per-member-per-year spending growth to levels that have simultaneously drawn industry acclaim and consistently high levels of member and payer satisfaction.

[LOCKTON.COM](https://www.lockton.com)

Questions? Your Lockton service team is here to help.





Industry Titans Make a Media Splash with Low-Cost Drug Approaches

Although it was Amazon's announcement that it was launching an online pharmacy back in 2020 that shook the healthcare market space, it's Mark Cuban's Cost Plus Drug Company (Cost Plus) that might do a better job at lowering the price of generic drugs and be a bigger disrupter by owning the supply chain as well. While both Amazon and Cost Plus own online pharmacies, their business models vary drastically at this stage of development.

Amazon Pharmacy is a mail-order pharmacy and a discount card program with additional options at PillPack pharmacy and expansion expected into brick and mortar at Whole Foods Markets. Amazon accepts most insurance and also has a product for the uninsured through their partnership with Cigna's Evernorth. The program, called Prime Savings, allows uninsured members to receive the same discounts the insured members enjoy through their Cigna/ESI insurance at over 60,000 retail pharmacies. This benefit is similar to those offered by programs such as Good Rx and SingleCare, where price lookup is available as well as better prices than the usual and customary (U&C) pricing offered at retail pharmacies. Amazon also has a unique program where Amazon Prime members can receive six months of a prescription for as little as \$6 on a short list of drugs.

Besides cost savings, Amazon believes that through their online technology superiority and enhanced member experience, customers will prefer using Amazon over other pharmacies. Add to that free two-day delivery for Amazon Prime members and it becomes an attractive option.

In true Amazon fashion, they are going into the pharmacy/healthcare space on multiple fronts by both organic growth and through acquisitions, as can be witnessed by the following headlines over the last several years regarding:

- Purchase of PillPack for \$750 million in 2015
- Becoming an online pharmacy in November 2020
- Bringing pharmacies to Whole Foods Markets (purchased in August 2017 for \$13.4 billion)
- Announcement of a new-age healthcare company (2019)
- Amazon Care: Virtual care is now available nationwide and in-person care is available in over 20 cities (February 8, 2022)

Cost Plus is a mail-order pharmacy as well; however, there are many differences from Amazon and other pharmacies. First, Cost Plus is powered by Truepill's digital health platform and relies on Truepill's nationwide pharmacy footprint to fill and deliver prescriptions. Second, Cost Plus is a cash-only program that does not have any partnerships with PBMs or insurers, so the customer pays the full price. Currently, Cost Plus only offers generic drugs so no brand drugs are available at this time. The Cost Plus model is a transparent model with a 15% markup on the cost of the drug as well as a \$5 shipping fee and a \$3 dispensing fee.

Besides not taking insurance, Cost Plus also differs from Amazon by owning a manufacturing facility and being a licensed wholesaler. This allows Cost Plus to manufacture drugs and to negotiate and purchase directly from other manufacturers

[CONTINUED>>>](#)

[LOCKTON.COM](https://www.lockton.com)

Questions? Your Lockton service team is here to help.



UNCOMMONLY INDEPENDENT



Industry Titans Make a Media Splash with Low-Cost Drug Approaches

and remove the middlemen from the equation. As a result, Cost Plus can better control the supply chain and work out current inefficiencies and expensive middlemen. Currently, they only manufacture one drug but over time this might prove to be a successful strategy.

Similarities between Amazon and Cost Plus include:

- Patient-friendly electronic experience
- Digital options
- 24/7 call center support
- Real-time tracking

POPULAR GENERIC DRUGS 30-DAY SUPPLY

<i>Prices as of 02/25/22</i>	Cost Plus	Amazon
Atorvastatin 40 mg	\$4.20	\$13.10
Albuterol (ProAir)	\$30.00	\$7.56
Bupropion XL 150 mg	\$4.80	\$7.40
Fluoxetine 20 mg	\$3.90	\$3.80
Levothyroxine 50 mg	\$4.20	\$3.80
Lisinopril 20 mg	\$4.20	\$3.80
Losartan 50 mg	\$3.90	\$3.80
Metformin 500 mg	\$3.90	\$2.00
Topiramate 25 mg	\$3.90	\$17.90
Subtotal	\$63.00	\$63.16
Dispensing Fees: \$3 per Rx	\$27.00	\$0.00
Total	\$90.00	\$63.16
Shipping Fees: \$5 per package*	\$5.00	\$0.00

**Only one shipping fee regardless of the number of prescriptions*

[CONTINUED>>](#)

[LOCKTON.COM](https://www.lockton.com)

Questions? Your Lockton service team is here to help.



Industry Titans Make a Media Splash with Low-Cost Drug Approaches

As the above table illustrates, the cost of the drugs is similar between the two pharmacies; however, once shipping and dispensing fees are added to the Cost Plus price, it becomes a more expensive option. It should be noted that with Cost Plus being both a wholesaler and manufacturer, once they can scale the business Cost Plus anticipates that manufacturing costs will decrease, enabling even lower-cost drugs for its customers.

We expect both Amazon and Cost Plus will evolve over time. If we've learned anything from history, it is to not underestimate Amazon and their ability to dominate, nor Mark Cuban's penchant for being a loud disrupter.



DeeDee Tillitt, MBA

Vice President

DeeDee has almost 20 years of pharmacy consulting experience with health plans such as Medicaid Managed Care, Medi-Cal, Medicare Part D and Taft-Hartley Funds. Her background includes managing her clients' PBM contract through RFP selection, contract negotiation and implementation, as well as ongoing management and consultation throughout the life of the PBM contract. In the complex areas of specialty pharmacy and 340B pricing, DeeDee has successfully advised her clients on the various vendors and pricing models that best match their organization and mission. With her industry insight, strategic planning and guidance, her clients have achieved cost savings, operational effectiveness and clinical best practices.



To Bag or Buy — That is the Question

We all know that specialty drugs account for, on average, 50% of an employer’s total pharmacy benefit costs — and will continue to be a pain point. What about specialty drugs that have traditionally been on the medical benefit? These drugs, often infused, have historically been reimbursed on the medical benefit through a process called buy-and-bill. Payers have sought to disrupt the traditional buy-and-bill method to cut costs from the health system by preferring or requiring that providers use medication obtained through “bagging” methods. Let’s explain some terminology and then dig into the advantages and disadvantages of each method.

ADVANTAGES AND DISADVANTAGES

	<i>Delivery and Administration</i>	<i>Who Gets Billed</i>
Brown Bagging	Medication shipped from a specialty pharmacy to a patient	Pharmacy bills payers
White Bagging	Medication shipped from a specialty pharmacy to where it will be administered (doctor’s office, clinic, hospital)	Pharmacy bills payers
Clear Bagging	Medication dispensed from a health system-owned pharmacy to where it will be administered within the health system	Health system bills payers
Buy-and-Bill	Medications bought and stored in bulk to be administered when patient(s) need the medication	Provider bills payers

Is one approach better?

Physician practices and health system-owned infusion centers have long used the method of buy-and-bill for infused specialty drugs, so there has been significant pushback on these alternative methods. The buy-and-bill strategy allows for the administration of medication during the patient’s visit, and with a sufficient drug inventory, the provider may adjust the patient’s dose if needed. The provider also values oversight of the storage and handling of the drug — not just receipt and administration. This is the most traditional method for large health systems that can afford to maintain a large stock quantity with many patients utilizing the same medications. However, this method may be costly to providers who must anticipate the medication will be used, and it occupies the bulk of their storage. There may be less transparency for the plan sponsor on the true cost.

[CONTINUED>>>](#)

[LOCKTON.COM](https://www.lockton.com)

Questions? Your Lockton service team is here to help.



To Bag or Buy — That is the Question

The advantages of brown and white bagging may include cost savings on the payer's end. The plan sponsor would reimburse for the cost of dispensing the medication through the pharmacy benefit rather than as a medical cost. Fees to cover the drug's administration, such as infusion by a clinician, are often a separate fee and would still be billed under the medical benefit. This approach decreases the need for anticipatory supply purchasing by providers. White bagging is generally more acceptable than brown bagging, but providers may still have concerns about the storage and handling of the medication before it reaches them for administration to their patient. There was an increase in brown and white bagging during the pandemic as more patients got their infusions at home.

The disadvantages of brown and white bagging include safety and liability concerns, as well as frustration from providers. Specialty medications require strict storage and handling requirements that patients or practitioners may be unable to follow. This can result in unstable or damaged medication that cannot be safely administered. Several states have proposed legislation that may prohibit white bagging, with some health systems citing these safety and liability concerns. Another risk is that since the medication is ordered and shipped, there is a potential for a patient to need a different dosage than what was originally ordered. As such, these strategies may require multiple trips to a hospital, clinic or doctor's office, which could be burdensome to patients.

In addition to buy-and-bill, clear bagging has become a preferred option among many providers and health systems. Clear bagging may be advantageous when medications have strict storage and handling requirements that can be controlled by the health system. This approach is also useful in minimizing waste because the patient is already in-house. The oversight of the medication itself also remains within the health system.

As the costs of specialty medications continue to rise and there is more pressure for transparency, these types of programs will continue to proliferate in the market. These new bagging methods may be able to withstand the pandemic shift of obtaining medications. Bagging exerts greater control over patient access, sites of care, dispensing and pricing, and so far, seems to be sticking around. While approaches and proposed legislation emerge, it is important to understand these fundamentals and how these policies may affect your plan costs and member experience. Payers will highlight potential cost savings for plan sponsors and members through brown bagging and white bagging, while providers will focus on the prevention of adverse events from the buy-and-bill perspective. A more definitive answer for which channel of obtaining specialty medications should emerge with more use of these methods over time.

Mara Teer, PharmD Candidate May 2022, Pharmacy Intern



Rebecca Lich, PharmD, MBA

Pharmacy Practice Leader

As a Doctor of Pharmacy, Rebecca has expertise in areas such as contract development, pharmacy claim pricing, benefit design, rebate management programs and adjudication of pharmacy claims. She is a residency-trained clinical executive with 15 years of managed care experience, including 10 years with one of the largest PBM companies. Rebecca has been published in peer-reviewed medical journals and was a contributing author for the Express Scripts Drug Trend Report. Before joining Lockton, she analyzed and evaluated specialty utilization data for over 10 health plans, and identified over \$50 million in savings opportunities for specialty medications.

[LOCKTON.COM](https://www.lockton.com)

Questions? Your Lockton service team is here to help.