# Examining Trends that Drive Decisions

## 2023 Drug Trend Report Executive Summary

In an industry clouded by complexity, the Navitus Drug Trend Report shines a light on cost and utilization trends in our commercial book of business. By empowering our clients with their data and book of business reference points through this report, they have clarity to better understand the cost and value of their benefit and performance to their goals.

**29%**
**Commercial Clients with Negative Year-Over-Year Trend**

## Core Levers to Control Trend

Navitus has published a Drug Trend Report for eight years. Throughout that period, our commercial trend has outperformed industry peers. This is the result of our foundational principles:

- **Drive to the lowest net cost:** Unlike traditional prescription benefit managers (PBMs), we don't add cost to the system. We don't engage in spread pricing, and we don't create or take margin from rebates and discounts we negotiate.
- **True transparency:** Not only do we pass 100% of rebates and fees received to clients, but we provide them comprehensive access to their data and audit their pharmacy claims.
- **People-first approach:** The people we serve are at the core of what we do. Behind every member ID is a real person and we strive to ensure they get the medication they need to live their healthiest lives. This is one of the reasons why we consistently receive a **rating of Excellent** from both our clients and members.[1]

## 2023 Changes in Trend

| Specialty | Non-Specialty | Total |
| --- | --- | --- |
| 5.7% | 7.9% | 6.8% |

[1] 2023 Navitus Annual Membership Survey and Client NPS score

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# Significant Trend Driver: Glucagon-like peptide 1s (GLP-1s)

In 2023 several factors contributed to high growth within non-specialty, but none of them made the impact that GLP-1s did. They are transforming treatment of type 2 diabetes, chronic weight management and associated co-morbidities.

Due to varying coverage decisions by clients, GLP-1s for weight loss were not included in the Drug Trend Report, yet they still warrant thoughtful consideration and conversation in the overall picture of trend and future decisions.

## Impacts on Non-Specialty Trend

While highly effective, GLP-1s are also costly. **Diabetic GLP-1 medications were the biggest contributor to trend growth in 2023**, where this single class of medication increased the overall trend by 1.7%, even though **less than 3% of our members used the medications.**

If it were considered separately and removed from the total trend of 6.8%, commercial trend for specialty and non-specialty combined would have been 5.1%.

**5.1% Trend Without GLP-1s**

| % Utilizing Members | % Non-Specialty Prescriptions | % Non-Specialty Net Cost | Medication List Cost per Month* |
|---|---|---|---|
| <3% | ~1.5% | ~15% | $1000+[2] |

*Rebates typically exceed 50%, significantly reducing net costs

## Management Approaches for GLP-1s

As we look ahead and consider GLP-1 trends, we recognize that plan sponsors have unique populations and must make difficult coverage decisions. Our multi-faceted approach for GLP-1s is flexible, supporting plans to optimize member health outcomes while controlling costs. This includes a variety of diabetic clinical management approaches:

- **Plan Data Assessment:** Modeling and forecasting that includes client-specific recommendations
- **Utilization Management:** Clinical edits to control for appropriate prescribing and use
- **Cost Containment:** Solutions to help make GLP-1 medications more affordable for members
- **Healthy Weight Management:** Support for healthy lifestyles, including weight management resources, behavioral health strategies and diabetes reversal programs

[2] Costly GLP-1 Drugs are Rarely Covered for Weight Loss by Marketplace Plans. KFF. Published June 12, 2024. Accessed June 25, 2024. https://www.kff.org/affordable-care-act/press-release/costly-glp-1-drugs-are-rarely-covered-for-weight-loss-by-marketplace-plans/

## Commercial Non-Specialty Trend

There were standard utilization increases across much of the non-specialty category, but significant impacts of high-cost medications contributed to increases in per member per month (PMPM) cost trend for 2023.

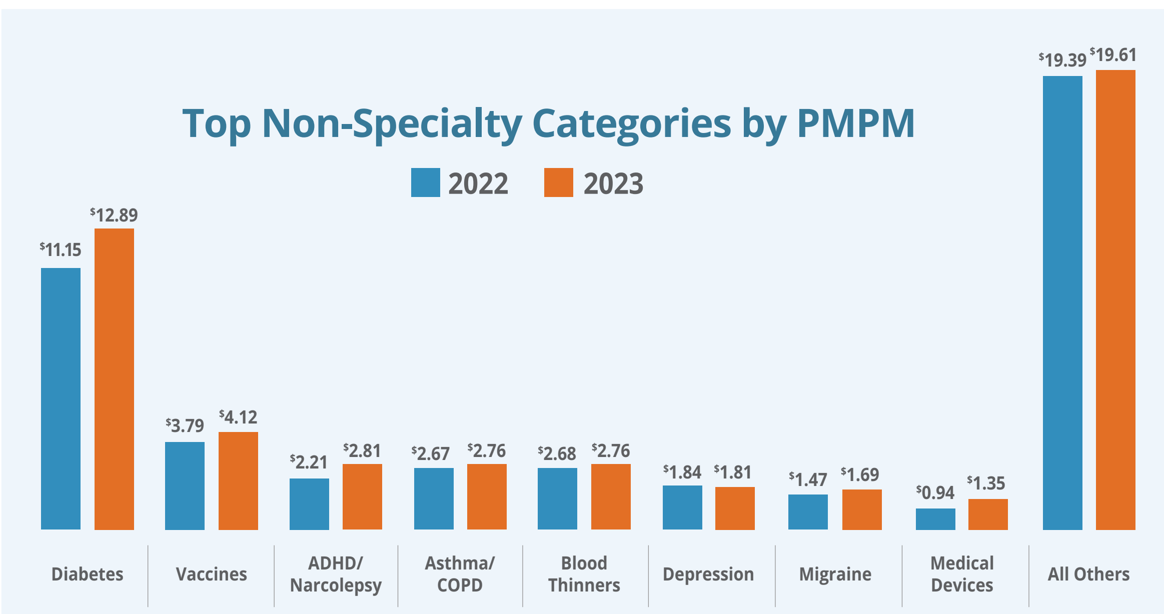
**$49.80**

Net Total Non-Specialty Cost PMPM for Commercial Clients in 2023

| | |
|---|---|
| 1.6% | Utilization Trend |
| + 6.3% | Unit Cost Trend |
| 7.9% | Overall Trend |

### Factors that drove higher costs included:

- Increased utilization of more expensive antidiabetic medications
- The introduction of higher cost vaccines – notably for respiratory syncytial virus (RSV)
- Increased utilization of brand attention-deficit/hyperactivity disorder (ADHD) and migraine medications




## Commercial Non-Specialty Trend Drivers

### Mental Health

More than one in five Navitus commercial members used a medication for mental health in 2023. A generic, lisdexamfetamine, became available for Vyvanse®, the most utilized brand in its class for treatment of ADHD. However, product shortages and an increased utilization trend of 3% resulted in an **overall cost trend of 4%.**

A generic, lurasidone, launched for Latuda®, indicated for the treatment of schizophrenia and bipolar disorder. Utilization of this generic was strong, achieving a 95% generic utilization and driving down cost by 25% for the category.

### Vaccines

The first-ever vaccines to prevent respiratory syncytial virus (RSV) resulted in **a 45% cost increase across the category** in 2023, overshadowing a 2% decrease in utilization.

### Diabetes

As in previous years, the diabetes category was the **largest contributor to non-specialty cost.** While overall utilization increased marginally, the mix of antidiabetic drugs being prescribed was a more significant trend driver. In 2023, the drug mix included more of the expensive brand products, including GLP-1s such as Ozempic® (semaglutide) and Mounjaro® (tirzepatide), and sodium-glucose transport protein 2 (SGLT-2) inhibitors such as Farxiga® (dapagliflozin) and Jardiance® (empagliflozin).

**Our diagnosis check program helped combat off-label use of GLP-1s. Clients who implemented the point-of-sale utilization management control mitigated 30% of prescription fills by preventing those without an appropriate diagnosis.**

### Medical Devices

The medical devices category consists of products such as continuous glucose monitors (CGMs) and wearable insulin pumps for patients with diabetes. CGMs capture data on sugar levels over time, especially the time in range – the amount of time that blood glucose is in the ideal range. The more time spent in range, the less likely individuals are to develop certain complications of diabetes. However, these devices are costly, and retail prices may exceed $1000 per month.[3]

**Spend in this category increased 40%, due in large part to the significant increase in the use of CGMs.** These trends drove this class into the top eight in spend of non-specialty classes.

## Looking Ahead — Non-Specialty Drug Pipeline

### GLP-1s

Antidiabetic GLP-1 utilization will continue to grow due to clinical guideline recommendations and popularity in the medical community. Wegovy®, now approved for secondary prevention of cardiac events, could further increase plan spend on GLP-1 products.

### COVID-19 Treatments

Plans will incur the full cost of COVID-19 treatment. With current pricing over $1300 per treatment course, this could result in a $2-3 PMPM impact.

### Vaccines

Plan sponsor vaccine costs are anticipated to increase over prior years. This will be driven by additional launches of age-specific RSV vaccines and exposure to the full cost of COVID-19 vaccines.

### Generics

Continued development and launch of generic alternatives to high-cost brands will introduce lower-cost options. The following approvals are likely:

- Diabetes: Victoza® (liraglutide)
- Epilepsy: Oxtellar® (oxcarbazepine)
- Blood Thinner: Xarelto® (rivaroxaban)
- Diabetes: Farxiga® (dapagliflozin)

[3] CGM & Time in Range | ADA. diabetes.org. https://diabetes.org/about-diabetes/devices-technology/cgm-time-in-range

## Commercial Specialty Trend

The specialty category saw a noticeable **4.9% decrease** in unit cost trend. Generic and biosimilar launches partially offset increases in utilization rates.

**$51.97**
Net Total Cost PMPM for Commercial Clients in 2023

| | |
|---|---|
| 10.6% | Utilization Trend |
| + (-4.9%) | Unit Cost Trend |
| 5.7% | Overall Trend |

### Factors that drove trend included:

- Decreased unit cost in targeted immunomodulators due to Humira® biosimilars, despite increased utilization
- Increased oncology utilization as clinical advancements have led to patients starting treatments earlier and staying on them longer
- Increased Dupixent® (duplimuab) utilization for treatment of a variety of conditions


Lumicera Health Services®, our specialty pharmacy, continued to bolster transparency and influence lower spend with their cost-plus pricing model. Their carefully crafted approach means:

- Clients are only billed for acquisition cost plus a flat management fee
- Inflationary mark-ups do not exist
- Clinical care is patient-centered, including education and utilization support

Lumicera® Health Services

**With its cost-plus model, the average costs of generic oncology medications dispensed through Lumicera are 60% less than those processed through other specialty pharmacies.**

## Commercial Specialty Trend Drivers

### Targeted Immunomodulators (TIMs)

TIMs treat a wide variety of immunologic and inflammatory conditions such as rheumatoid arthritis, psoriatic arthritis, Crohn's Disease and ulcerative colitis. As in previous years, **the TIMs class was the largest contributor to specialty medication costs in 2023.** Overall utilization across the TIMs category increased by nearly 9%, driven in part by the rising popularity of newer medications with expanded indications.

In 2023, multiple adalimumab biosimilars were released in direct competition with one of the top-selling drugs worldwide and the most utilized medication in the category – Humira®. As health plans and plan sponsors gain access to lower-cost biosimilars, brand drug manufacturers will evolve their pricing strategies to remain competitive – and we diligently stay on top of market dynamics to achieve lowest net cost.

Aligned with our lowest-net-cost formulary management philosophy and after careful clinical consideration, Navitus added several adalimumab biosimilars to our formularies. Total cost of these products was **reduced by 20% due to savings from biosimilar utilization and Humira® rebate enhancements fully passed through to clients.** This decrease in unit cost helped offset the growth of other products, including Stelara® (ustekinumab), Tremfya® (guselkumab), Taltz® (ixekizumab), and Skyrizi® (risankizumab), and led to an overall decrease in spend of –1.4% for the class.

### Oncology

Oncology saw net cost growth of 11% as continued research and resources have been dedicated to new brand treatments across this category. Additionally, we saw a 12% increase in members utilizing a specialty oncology medication. However, savings achieved through **a 30% generic utilization rate offset some of the upward pressure of utilization growth.**

For those plans that chose Lumicera, generic oncology medications averaged $400 per prescription fill compared to an average of $1000 at other specialty pharmacies.

### Multiple Sclerosis (MS)

**Generic utilization within the MS category exceeded 60%.** This included generic options for Gilenya® (fingolimod) and Aubagio® (teriflunomide), launched in the second half of 2022 and first quarter of 2023 respectively. As a result, there was nearly a 20% decrease in overall cost across the category.

### High-Cost Claims

The increased prevalence of high-cost claims in recent years has contributed to rising costs within specialty. In 2023, **13 products had an average cost above $50,000 per prescription fill.** With just 85 members in the dataset using these products, the result was still nearly $30 million in spend. This is approximately the same cost as medication therapy for 400,000 members with high blood pressure.

## QALYiQ™ Delivers Relief for High-Cost Drugs

Our QALYiQ program has been specifically designed to assure plan sponsors that their costs will never rise unexpectedly when a member needs high-cost specialty drugs. The dedicated team provides hand-on support with outreach and assistance to access alternative medication funding.

epiphanyRx™
A Navitus Solution

**EpiphanyRx, our solution for employer groups of 3000 lives and fewer, implemented QALYiQ and delivered $190k in savings to one client in 2023. An employee managing a rare condition was able to access the medication they needed.**

## Looking Ahead — Specialty Drug Pipeline

### Dermatology

With several new brand products anticipated to come to market in 2024 and the continued use of specialty products to treat dermatological conditions, we anticipate upward trend in this category.

### Metabolic Associated Steatohepatitis (MASH)

Although MASH affects just 3-5% of the population in the United States, the recent approval of Rezdiffra™ (resmetirom) will introduce a treatment option for a disease with no previously approved therapy. This could drive growth in prescription utilization, albeit in comparatively small volume.

### TIMs

Additional competition in this category may reduce long-term costs, including a biosimilar for Stelara® forecasted to arrive in 2025.

### Generics

Continued development and launch of generic alternatives to high-cost brands will contribute to lower-cost options across these categories. The following approvals are likely in the next two years:

- Leukemia: Sprycel® (dasatinib)
- Leukemia: Tasigna® (nilotinib)
- Kidney Disease: Jynarque® (tolvaptan)
- Anemia and Other Conditions: Promacta® (eltrombopag)

**Methodology**

The Navitus drug trend is calculated by comparing the net total cost PMPM for 2023 to that for 2022. Net cost PMPM represents full-year (Q1-Q4) data for total member copays and plan paid amounts minus manufacturer rebates and fees. This value is divided by the total number of members and by 12 months of the year. Add qualifier for number of member lives calculated year to year

Net total cost PMPM trend consists of two components: utilization and cost and includes both specialty and non-specialty drugs. Utilization trend measures the change in total days of therapy. Cost trend measures the change in net total drug cost per the above. This analysis included data for more than 500 clients, representing 3M members within Navitus' commercial book of business, including plan sponsors and health plans. To be included, these organizations must have been clients of Navitus in both 2022 and 2023. Exclusions from this analysis include products administered at physicians' offices, clinics and hospitals, COVID-19 vaccines, weight loss products, and any additional savings from copay assistance programs.