Biosimilar Cost Impact

**Lower costs savings anticipated than with typical brand/generic savings**

10-25% expected savings vs. 75-85% with typical generics

**From a payer’s perspective?**

- Increase competition
- Provides more options
- PBMs thrive on competitive markets

**Likelihood of members switching?**

Members with high-deductible plans may be more inclined to switch since they also benefit from the cost savings.

**Ultimately, market share uptake will depend on providers’ and members’ comfort level in prescribing and taking them.**

Biosimilars Management

There are many factors which will drive management strategies.

- Member and Provider Comfort Level
- Clinical Review (P&T, PDL)
- Overall Cost
- Interchangeability
- Indication Variations
Overview of Management Strategies

Management by Benefit
Benefit managed under is likely to follow innovator product

Benefit Design
Similar benefit if dosage forms and route of administration are the same

Specialty Network
Add biosimilar to specialty network construct

Clinical and Utilization Management
Coverage based on cost and clinical needs

Tier Placements
Driven by clinical and economic factors

Support Services
Historically “me too” manufacturers offer less support than innovator products

$4.52
PEPM Savings

Specialty Pharmacy Network Savings
+
Utilization Management Programs Savings
Management Strategies
Pharmacy Benefit

<table>
<thead>
<tr>
<th>Leverage many strategies to drive use – either to biosimilar or brand product</th>
</tr>
</thead>
</table>
| **Step Therapy**  
Drive use of biosimilar before brand especially if no interchangeability |
| **Tier Placement**  
Place biosimilar in a lower tier depending on pricing / rebates / access |
| **Supply Limits**  
Similar to innovator unless unique labeling |
| **Prior Authorization**  
Will be used to drive product selection |
| **Elimination of Coupons**  
Encourage use of lower-cost options |
| **Benefit Design**  
Exclude from benefit coverage and/or create new cost share tier |
### Management Strategies

**Medical Benefit**

<table>
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<tr>
<th>Leverage traditional strategies to drive use – either to biosimilar or brand product</th>
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</table>
| **Step Therapy**  
Drive use of biosimilar before brand especially if no interchangeability |
| **Site of Service**  
Steer to most cost-effective site of service |
| **Drug Policy**  
Based on FDA indications and clinical evidence |
| **Genetic Testing**  
Help ensure members get the right drug the first time |
| **Preferred Product**  
Will be used to drive product selection |
| **Administrative Guide**  
Requires use of designated specialty pharmacy for sourcing |
## Biosimilar Pipeline

<table>
<thead>
<tr>
<th>Medication Name</th>
<th>Therapeutic Use</th>
<th>Expected Cost per Patient / Year</th>
<th>Expected Launch Date</th>
<th>Annual Innovator Product Cost</th>
<th>Clinical</th>
<th>PDL</th>
<th>Benefit Design (Cost Share, 4th Tier)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Biosimilar Copaxone</td>
<td>Multiple Sclerosis</td>
<td>$36,156</td>
<td>Q4 2014</td>
<td>$6,072</td>
<td>✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Biosimilar Epogen</td>
<td>Anemia</td>
<td>$8,880</td>
<td>Q4 2014</td>
<td>$3,694</td>
<td>✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Medications Recently Launched**

<table>
<thead>
<tr>
<th>Medication Name</th>
<th>Therapeutic Use</th>
<th>Expected Cost per Patient / Year</th>
<th>Expected Launch Date</th>
<th>Annual Innovator Product Cost</th>
<th>Clinical</th>
<th>PDL</th>
<th>Benefit Design (Cost Share, 4th Tier)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Granix</td>
<td>Neutropenia</td>
<td>$14,112</td>
<td>Nov. 2013</td>
<td>$3,430</td>
<td>✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- - strategy strong potential
- - strategy being considered
- - strategy in-place
Increase in class trend with multiple products containing the same active ingredient provided an opportunity to lower overall class costs.

**Result:** 40% reduction in costs for clients\(^1\)
Case Study – Enzyme Replacement

Medical Benefit

Drive use to preferred product when several clinically comparable medications provide similar therapeutic outcomes and responses.

Cerezyme  
Elelyso

Prior Authorization and Medical Necessity

VPRIV
Preferred Product
# Interchangeability

Interchangeability would be a game changer in this space.

<table>
<thead>
<tr>
<th>Why it’s good?</th>
<th>What payers need to do?</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Benefits <strong>everyone</strong> – system, patients, providers, and payers</td>
<td>• <strong>Determine equivalence rating</strong> based on safety and efficacy:</td>
</tr>
<tr>
<td>• More efficient</td>
<td>• Is the product eligible for automatic substitution?</td>
</tr>
<tr>
<td>• Savings can be realized even with a 10-30% discount</td>
<td>• Is it therapeutically equivalent or just clinically similar?</td>
</tr>
<tr>
<td></td>
<td>• What are the indications?</td>
</tr>
</tbody>
</table>

Ultimately, it depends on pathway the biosimilar was approved under and if the product is considered a “me too”, “bio-better”, or a true biosimilar.
Interchangeability based on State Legislation

State legislation will also play a role in driving interchangeability.

- Substitution
- Physician Notification
- Patient Consent
- Record Retention

Leading to an inefficient process and disruptive member and provider experience.
Indication Variations

While it’s assumed that biosimilars will carry the same indications as their innovator product, that’s not always the case.

What happens when biosimilars have…

ALL of the same indications?

- Directly competing with innovator product
- Increase in class competition
- Greater opportunity for management strategies.

SOME of the same indications?

- This is often the case.
- Still used for same indications as innovator product.
- Adopt indications from innovator and apply to biosimilar.
Naming Conventions

How biosimilars are named may have an impact on their interchangeability.

1. Same exact generic name
2. Adopted chemical name
3. Modified biosimilar name

Implying significant difference between drugs

What’s the downstream impact?

Too different for pharmacists to automatically switch

OR

Not different enough?