Biosimilar Cost Impact

Lower costs savings anticipated than with typical brand/generic savings

From a payer's perspective?

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

10-25%
expected savings[1]
vs.
75-85%
with typical generics

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.

1. BioTrends Research Group. Biosimilars: Market Access and Pricing Issues According to Surveyed and Interviewed Payers. Nov. 2012.

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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

Leverage many strategies to drive use – either to biosimilar or brand product

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

Leverage traditional strategies to drive use – either to biosimilar or brand product

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

Self-Administered Specialty Biosimilar Pipeline

Medication Name	Therapeutic Use	Expected Cost per Patient / Year	Expected Launch Date	Annual Innovator Product Cost	Clinical: Supply Limits	Clinical: Step Therapy	Clinical: Notification / Prior Auth.	Clinical: Genetic Testing	Clinical: Medical Necessity	PDL: Tier / Rebates / Price Protection	PDL: Elimination of Coupons	PDL: Benefit Coverage Exclusion	Benefit Design (Cost Share, 4th Tier)
Biosimilar Copaxone	Multiple Sclerosis	$36,156	Q4 2014	$6,072	✓	✓	✓		✓	✓	✓	✓	✓
Biosimilar Epogen	Anemia	$8,880	Q4 2014	$3,694	✓	✓	✓		✓	✓	✓	✓	✓
Medications Recently Launched													
Granix 'Biosimilar' Neupogen	Neutropenia	$14,112	Nov. 2013	$3,430	✓		✓		✓	✓	✓	✓	✓

Assisted-Administered Specialty Biosimilar Pipeline

Medication Name	Therapeutic Use	Expected Cost per Patient / Year	Expected Launch Date	Annual Innovator Product Cost	Clinical: Drug Policy (i.e. Genetic Testing)	Medical Necessity: Preferred Product / Step Therapy	Medical Necessity: Site of Service	Medical Necessity: Oncology Treatment Guidelines	Network: Fee Schedules	Network: Premium Provider, COE, ACO contracting	Network: Contract rates, rebates, price protection	Admin. Protocol: Prior Authorization	Benefit Design (Cost Share, 4th Tier)
Biosimilar Epogen	Anemia	$8,880	Q4 2014	$3,694	✓	✓	✓		✓	✓	✓		✓
Medications Recently Launched													
Granix Biosimilar Neupogen	Neutropenia	$14,112	Nov. 2013	$3,430	✓	✓		✓	✓	✓	✓	✓	✓

✓ - strategy strong potential ✓ - strategy being considered ✓ - strategy in-place

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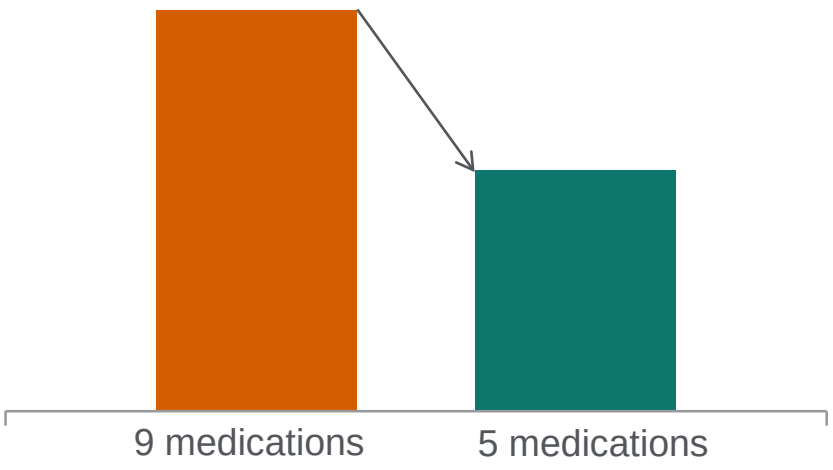
Case Study – Growth Hormones

Pharmacy Benefit

Increase in class trend with multiple products containing the same active ingredient provided an opportunity to lower overall class costs.

Cost per prescription



Result: 40% reduction in costs for clients[1]

Class Overview

Tier 2
- Nutropin
- Saizen
- Tev-Tropin

Tier 3
- Serostim
- Zorbtive

Excluded
- Genotropin
- Humatrope
- Norditropin
- Omnitrope

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.

Why it's good?

- **Benefits everyone** – system, patients, providers, and payers
- More efficient
- Savings can be realized even with a 10-30% discount

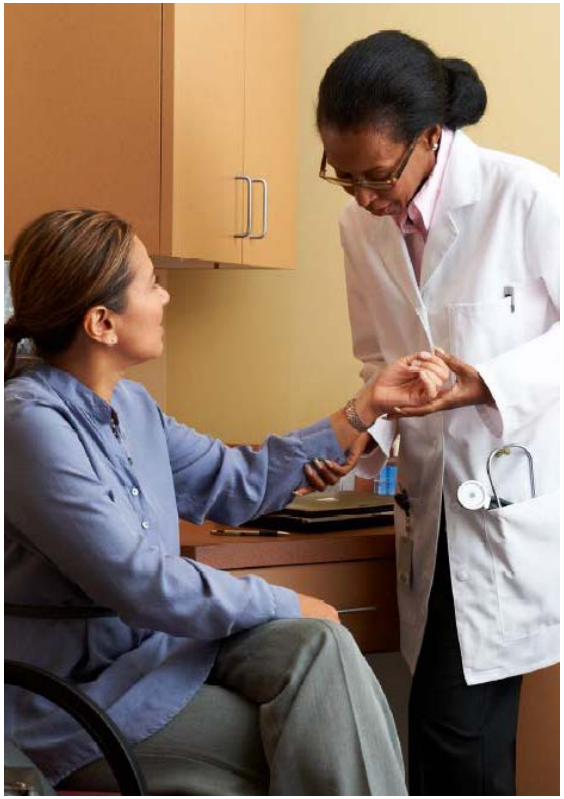
What payers need to do?

- **Determine equivalence rating** based on safety and efficacy:
  - Is the product eligible for automatic substitution?
  - Is it therapeutically equivalent or just clinically similar?
  - What are the indications?

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

What's the downstream impact?

Implying significant difference between drugs

Too different for pharmacists to automatically switch

OR

Not different enough?