UFCW Unions and Participating Employers

Health and Welfare Fund

Segal Consultant Report

Managed Pharmacy

March 2024

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Segal

Agenda

2023 Key Performance Indicators

Management Programs for Consideration

- **Gene Therapy Coverage**
- **Diabetes Care Management**

Follow Up from Q'4 2023 Board of Trustees Meeting

Recommendations and Next Steps

2023 Key Performance Indicators Headlines

The Fund's 2023 pharmacy benefits management program performed very well:

Trend was 7% to 8% lower than industry benchmarks for labor groups[1]

Plan Performance

3.7% Trend

(-7%) non-specialty drug trend

23% specialty drug trend

Diabetes - #1 cost driver

Specialty trend fueled by increased utilization, inflation

Milestones

OptumRx contract renewal

Added targeted UM programs

Vigilant Drug List implemented

Humira biosimilars, low-WAC insulins, Narcan OTC added to the formulary

Opportunities

Diabetes Disease Management

Double down on GLP-1mgt.

Gene therapy risk management

Integrated medical/specialty drug management

[1]Sources: OptumRx 2023 QPR; Segal 2023 Trend Report

2023 Key Performance Indicators
Plan Statistics and Cost Drivers

Key Statistics	CY 2023	CY 2022	Percent
Plan paid PMPM	$197.65	$190.57	4%
Plan paid per Rx	$218.99	$178.37	23%
Rxs PMPM	0.90	1.07	-16%
Average days supply	50	49	2%
Days supply PMPM	45	52	-14%
Member paid share	6%	6%	-11%
Member paid per Rx	$13.34	$12.22	9%
Generic dispensing rate	86%	84%	2%
GDR-without Vaccines	88%	87%	1%
Percent of specialty plan paid	43%	36%	18%

There were minor shifts in the rank order of the Fund's Top 10 Disease States, and a major change with **Sickle Cell Anemia,** which moved up from #31 to #10.

The top 5 disease states account for 68% of total Plan paid amounts.

Inflammatory Conditions trend increases accounted for 16% of total Plan paid amounts; trend increased by 9%; Humira Pen was the top drug.

Diabetes continues to be the single largest driver of drug spend and drug trend.

Antidiabetic treatments account for 23% of total drug spend; trend increased by 21%.

Rebates reduced PMPM costs by 22% ($155 PMPM).

Specialty drugs account for 43% of total plan costs, an increase of 18% from the previous period.

Top 10 Disease States by Cost						
CY 2023						
Rank	Prev	Peer	Indication	Patients	Plan Net Cost	Plan Cost PMPM
1	1	2	Diabetes	182	$715,471	$44.58
2	2	1	Inflammatory Conditions	16	$513,177	$31.98
3	3	19	Endocrine and Metabolic	10	$459,087	$28.61
4	4	5	HIV	8	$252,198	$15.71
5	7	3	Oncology	22	$202,771	$12.63
6	8	7	Cardiovascular	476	$143,835	$8.96
7	5	4	Asthma/COPD	167	$118,564	$7.39
8	6	6	Blood Clot Prevention/Stroke	68	$115,256	$7.18
9	9	8	Mutliple Sclerosis	1	$104,210	$6.49
10	31	81	Sickle Cell Anemia	1	$68,893	$4.29

Source: OptumRx QPR 2023

2023 Key Performance Indicators
Top 10 Drugs by Plan Cost

Humira continues to be the #1 drug by plan cost.

Increased use of Humira biosimilars will mitigate costs and reduce the risk of members switching to other high-cost specialty brand drugs within this therapy class*.

Top 10 Drugs by Plan Cost											
CY2023									CY 2022		
Current Rank	Previous Rank	Peer Rank	Brand Name	Indication	Pts.	Total Plan Paid	Cost Per Rx	Plan Cost PMPM	Plan Cost PMPM	% Change	Driver
1	1	1	Humira Pen	Chronic Inflammatory Disease	5	$322,329	$8,265	$20.08	$16.98	18%	Cost
2	2	284	Somavert	Growth Hormones	1	$284,109	$71,027	$17.70	$12.75	39%	Utilization
3	3	10	Biktarvy	HIV	6	$169,117	$5,832	$10.54	$11.03	-5%	Utilization
4	10	2	Ozempic	GLP-1 Receptor Agonists	31	$130,165	$964	$8.11	$4.07	99%	Utilization
5	n/a	269	Signifor Lar	Endocrine Disorders	1	$128,804	$16,101	$8.03	$0.00	n/a	n/a
6	7	4	Jaridiance	Diabetes	32	$115,804	$1,148	$7.22	$5.42	33%	Utilization
7	n/a	91	Kisqali	Oncology	1	$108,646	$9,877	$6.77	$0.00	n/a	n/a
8	5	217	Mayzent	MS	1	$104,210	$20,842	$6.49	$6.73	-4%	Utilization
9	11	40	Cosentyx Pen	Chronic Inflammatory Disease	1	$98,801	$7,057	$6.16	$3.50	76%	Utilization
10	n/a	72	Lenalidomide	Oncology	1	$89,410	$11,176	$5.57	$0.00	n/a	n/a

*See page 24 the appendix for additional information on Inflammatory Conditions and therapies.

Other Notable Trends

In June 2023, a decision was made to reduce the number of $0.00 copay COVID-19 test kits from four to two per
test kits from 4 to 2 per member per 30-day period.

2023 costs and utilization decreased by comparison to 2022[1].

Segal recommends continuing this coverage for the duration of 2024.

*The cost of Binaxnow test kits was substantially higher than average; OptumRx is reviewing these claims for accuracy (8 kits were purchased at Walgreens, 1 at Sam's Club).

[1]Utilization: 51 scripts by 37 members; total cost $3,959.

Gene Therapies

Gene Therapies Background Information

- Gene therapies treat or cure rare, genetic and infectious diseases by correcting problems in a patient's DNA.
- Mechanisms of action:
  - ➢ Replace a disease-causing gene with a healthy copy
  - ➢ Inactivate a disease-causing gene
  - ➢ Introduce a new or modified gene
- Many are one-time, curative treatments; data on long-term treatment efficacy is unknown.
- New gene therapies are receiving FDA approval at a rapid pace; approximately 300 are in the pipeline, forcing plan sponsors to face difficult decisions regarding coverage.
  - – Until recently, gene therapy coverage decisions were often handled on a one-off basis.
- Absent clear exclusion language, most plans will end up covering gene therapy, directly or upon appeals.
  - – FDA-approved gene therapies meet the criteria for medical necessity.
- **In December 2023, the FDA approved two (2) cell-based gene therapies for the treatment of sickle cell disease (SCD)[1] in patients 12 years and older.**
- **Casgevy and Lyfgenia will launch in Q1 2024 at a cost of $2.2 million and $3.1 million respectively for a one-time dose. Both drugs will be available through limited distribution networks; both have demonstrated high rates of efficacy.**

[1]The Fund has one member with SCD; 2023 prescription drug costs were $79,644.

Sickle Cell Disease and Gene Therapies

Sickle Cell Disease
Group of inherited blood disorders

Prevalence: 100,000
Primarily African Americans, some Hispanic Americans

Life Expectancy w/out Gene Therapy
Est. 30 years of healthy living

Lifetime Cost of Current Treatments
Est. $1.2M

Administration
Controlled medical setting

Life Expectancy w/ Gene Therapy
+ 10 Years

Gene Therapy Costs
Casgevy: $2.2M
Lyfgenia: $3.1M

Coverage Considerations and Next Steps

1

Risk Assessment
Prevalence
Treatment costs with/without gene therapy
Current medical and stop-loss coverage/limits

2

Evaluate Options for Managing Risk
Outcomes or value-based insurance coverage (medical, stop loss)
Performance-based premiums

3

Adopt (or modify) Coverage Rules
Dollar limits
Appeals process
Member contribution

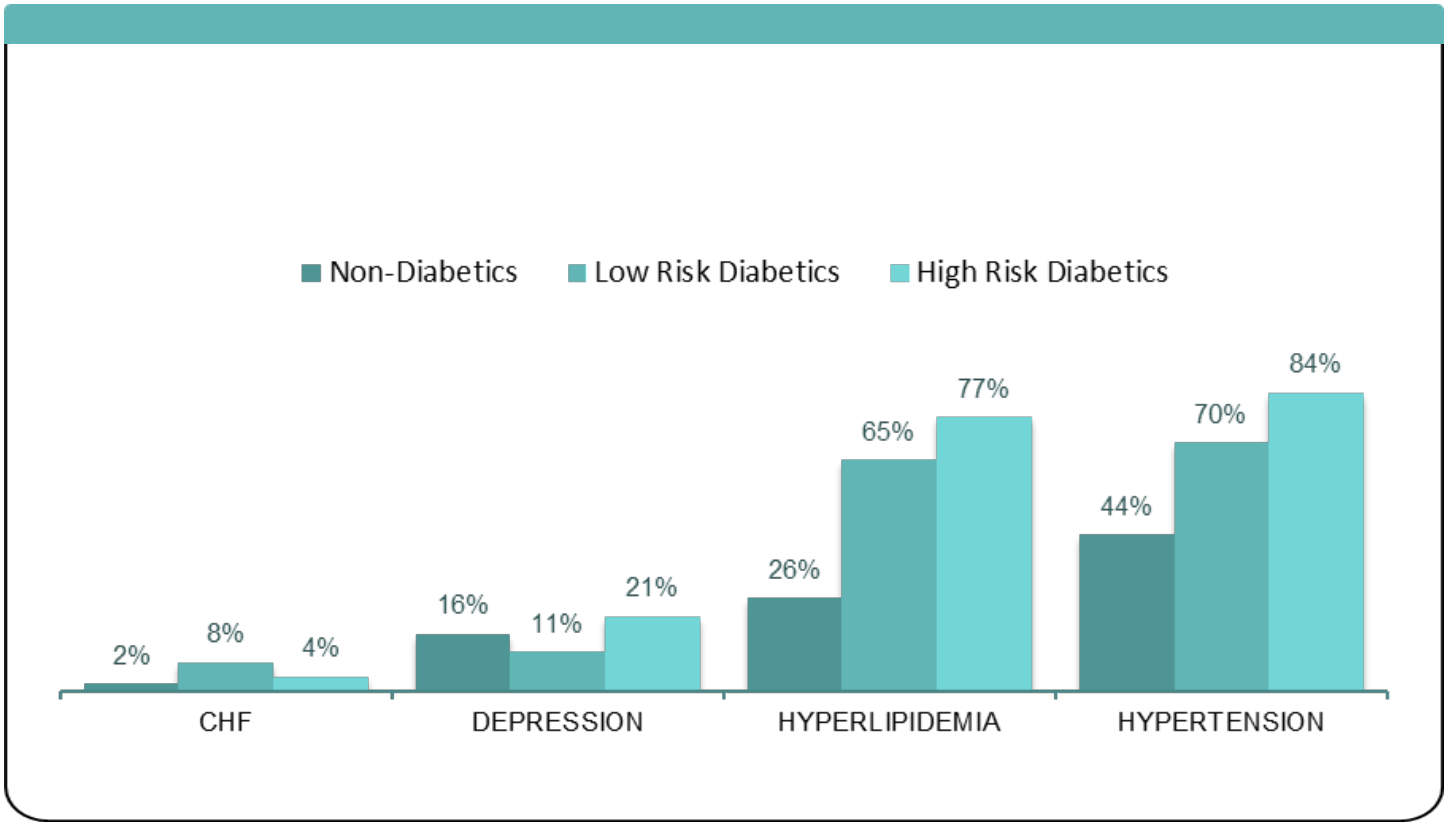
Diabetes Management Program

Cost of Treating Diabetics

[1]Plan Paid difference of annualized Plan Paid for a High Risk Diabetic and Low Risk Diabetic Utilizer; High Risk is defined by pathway progression to a SGLT-2, GLP-1, or DPP-4 inhibitor.

Diabetic Co-Morbidities

90% of the Fund's diabetics have co-morbidities[1]

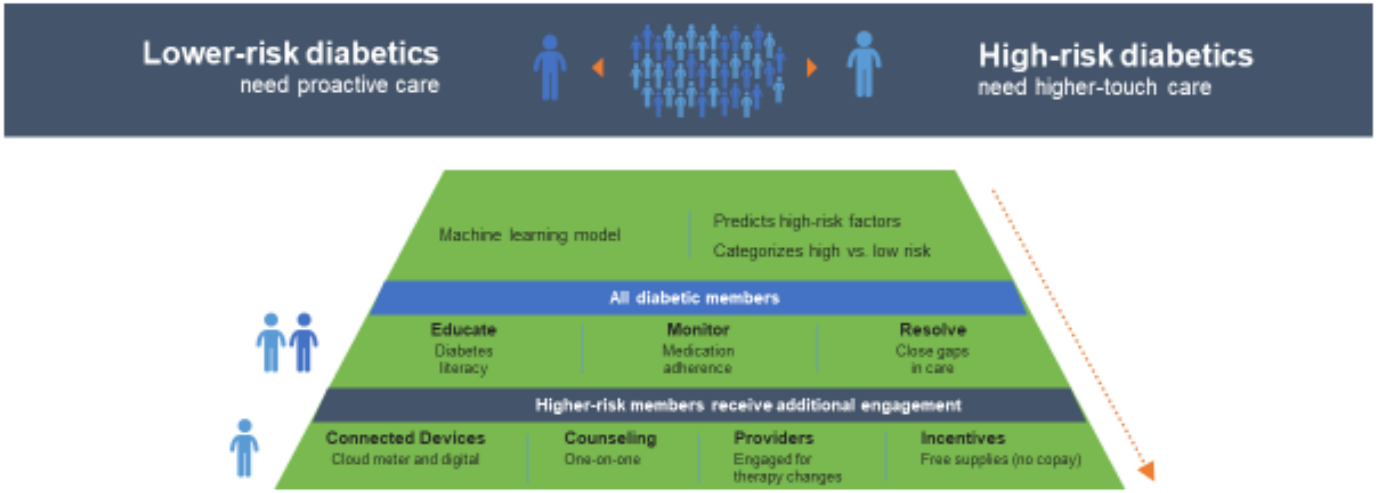


[1]Pharmacy claims used as an indicator of disease. Drugs could be used for other purposes.

Overview of Diabetes Management Program

Optum Rx Diabetes Management Program

- Addressing needs through an evidence-based approach



Engagement strategy varies by risk and aligns with ADA guidelines

Education and Counseling

- Expert client support is offered through Optum's Rx's clinical call center and beyond Optum Rx, through their participating network partners and MedMonitor portal.

Gaps in Care

Using integrated data to identify clinically relevant and significant opportunities to drive drug therapy changes, prevent adverse drug events and improve member care

Pharmacy claims data

Assesses drug utilization, trends and drug inferred disease states

Retrospective review of member claims trigger provider intervention opportunities

Providers are informed and members are engaged to close gaps in care for cardiovascular disease and diabetes

Clinical issues are resolved, total health care savings are achieved

~11%

Care gaps closed successfully for cardiovascular and kidney protective medications

Diabetes Management Program

- Connected care through $0 copay blood glucose meters

Members receive a **Contour® Next One** blood glucose meter and testing supplies at a $0 copay*

1. Members also get a letter explaining how to get their free meter and supplies
2. Their doctor can provide a prescription for the meter and supplies, which can be filled at the pharmacy of their choice
3. Members can call their Certified Diabetes Care and Education Specialist for help getting started

Unique features

- Proven accuracy
- Target range indicator gives instant feedback
- Fewer wasted strips through Second-Chance® sampling technology
- Seamless Bluetooth Connectivity to the CONTOUR DIABETES app captures blood sugar results

Optum Rx integrates testing data from the cloud-based meter into a member's profile for enriched coaching

* Free supplies are an optional feature in the Diabetes Management Program. By opting into this feature, clients are responsible for the member copay on the member's behalf. Depending on plan design and benefit set-up, a deductible may need to be met before $0 copay applies on testing supplies.

Adherence Monitoring

New to Therapy

Proactive member outreach and educational support for new prescriptions and conditions

Primary Medication Nonadherence

Identifies and guides members not filling first new to therapy Rx through provider engagement

Reverse claim from the pharmacy

No paid claim for therapeutic alternative/ same medication within 60 days of initial prescription

63% success rate converting nonadherent diabetic members to adherent

IVR Refill Reminders

Outreach to members who are late to refill by two days

Transfer members to last dispensing pharmacy for immediate refill

Low Adherence

Identifies low adherence through Proportions of Days Covered (PDC) methodology (PDC <80%)

PDC calculations based on minimum of two paid claims and review period of 180 days

Provider and member notification of non-adherence

Results may vary based on intervention opportunities and member engagement. Figures included represent Optum Rx commercial direct client book of business analysis from January 2019 – July 2020.

Diabetes Management Estimated Annual Costs

Number of members utilizing diabetes agents	174
Total member lives	1,337
High Risk Threshold	100%
Engagement Rate	25%
HR fees Per Participating Member Per Year (PPMPY)	$195
Diabetes Adherence fees PPMPM	$0.06
Diabetes Gaps in Care fees PPMPM	$0.02
Potential annual fees for case management (174*25%*$195)	$8,482
Potential annual fees for Adherence ($0.06*1337)	$963
Potential annual fees for Gaps in Care ($0.02*1337)	$321
Total annual fees (sum of all program fees)	$9,766

Assumes OptumRx will have 95% or more accurate phone numbers, and that 25% of the membership with diabetes will engage. ROI of 3:1

OptumRx Diabetes Management Program

Cons

Return on investment is not guaranteed, due to the small sample size.

OptumRx's program is new, untested.

Opt-in programs generally do not get traction.

Pros

Intervention is needed to blunt the rising costs of diabetes.

OptumRx's direct access to pharmacy paid claims data is invaluable.

Program costs are relatively low, compared to other DM vendors.

The Fund can use pharmacy credits to offset costs.

Diabetes Disease Management Recommendations

1. Implement the Case Management and Adherence program modules by July 1, 2024.

2. Consider making the program opt-out vs opt-in, given the high co-morbidity rates of the Fund's diabetic members.

3. Compare costs of Contour® Next One blood glucose meter and testing supplies with glucose meters and testing supply costs currently covered by the Plan, provide recommendations for most cost-effective options.

4. Revise current coverage rules for weight loss medications to eliminate off-label use of GLP'1s, prevent waste from occurring due to high patient abandonment rates with GLP-1 therapies.

Target date for adopting agreed-upon coverage rules: July 1, 2024.

With the Trustee's permission, Segal will take the lead in drafting proposed coverage rules that can be administered by OptumRx (without incurring additional fees for custom set-up or losing GLP-1 rebates), working in collaboration with the Fund office and co-counsel.

Appendix

Inflammatory Conditions

- An *inflammatory disorder* is where the immune system causes inflammation by mistakenly attacking the body's own cells or tissues. There are a number of ways our immune system can go wrong and cause inflammation.
- In a process called "autoimmunity," our antibodies get directed against our own cells, as in patients with rheumatoid arthritis and lupus. An example of a different way our immune system can attack our own tissues is when you have an "autoinflammatory" disease. In that case, cells produce inflammatory chemicals, without the involvement of antibodies. Gout, for example, is thought to be an autoinflammatory disease.
- Inflammatory conditions such include **rheumatoid arthritis, ankylosing spondylitis, juvenile idiopathic arthritis, psoriatic arthritis, plaque psoriasis, Crohn's disease, and ulcerative colitis.**
- Medications frequently used to treat inflammatory conditions include:

Enbrel	Cosentyx	Rinvoq
Simponi	Stelara	Skyrizi
Humira	methotrexate	Otezla
Remicade	Kineret	Rituxan

10 Most Expensive Gene Therapies

Gene Therapies	Use	Description	Cost - One Time Dose
Hemegenix	Hemophilia B	Lifelong bleeding disorder caused by a single gene defect requiring lifelong, expensive, lifelong infusions of factor IX.	$3.5M
Elevidys	Duchenne Muscular Dystrophy	Inherited childhood muscular dystrophy.	$3.2M
Skysona	Cerebral Adrenoleukodystrophy (CALD)	Inherited, fatal neurodegenerative disease in young males resulting in complete loss of voluntary movement, death usually occurs within 5 years of onset.	$3M
Zynteglo	Beta-thalassemia	Genetic blood disease causing severe anemia, lifelong dependence on red blood cell transfusion every 2-5 weeks.	$2.8M
Zolgensma	Spinal Muscular Atrophy	Genetic disease that results in problems with breathing, holding up your head, and swallowing. The majority of children with SMA do not survive past early childhood due to respiratory failure.	$2.1M
Myalept	Lipodystrophy / Leptin deficiency	Causes severe insulin resistance, diabetes, or high levels of triglycerides.	$1.3M
Danyelza	Neuroblastoma	Solid tumor(s) on the outside of the brain, most often in infants and young children. Tumors spread aggressively to bone/ bone marrow.	$1.2M
Zokinvy	Progeria and Progeroid Laminopathies	Genetic premature aging diseases; accelerates death in young patients. Untreated children typically die of heart disease ~14.5 years old.	$1.2M
Kimmtrak	Uveal Melanoma	Eye cancer that aggressively spreads to other part of the body.	$1.1M
Luxturna	Biallelic RPE65-Mediated Inherited Retinal Disease	Genetic vision disorder that can lead to blindness.	$850K

Gene Therapy Predictive Modeling
Segal SHAPE Data Warehouse

Gene Therapy Estimated Cost and Utilization Statistics							
Condition	**Members with condition per 10,000 lives**	**Annual Cost of Condition**	**Total Annual Cost**	**Year of Approval**	**Gene Therapy Name**	**Estimated Cost of Gene Therapy**	**Breakeven Period**
Hemophilia A	0.005 - 0.023	$170,000 - $599,000	$316,000 - $610,000	2023	Roctavian	$2,500,000	4 - 14 years
R/R Multiple Myeloma	0.025 - 0.121	$220,000 - $615,000	$413,000 - $758,000	2022	Carvykti	$504,000	0 - 2 years
Beta Thalassemia	0.041 - 0.084	$19,000 - $43,000	$58,000 - $70,000	2022	Zynteglo	$2,800,000	65 - 147 years
Cerebral Adrenoleukodystrophy	0.043 - 0.128	$2,500 - $7,500	$17,000 - $35,000	2022	Skysona	$3,000,000	399 - 1,199 years
Spinal Muscular Atrophy	0.017 - 0.087	$152,000 - $530,000	$438,000 - $757,000	2019	Zolgensma	$2,125,000	4 - 13 years
Mantle Cell Lymphoma	0.020 - 0.099	$172,000 - $438,000	$230,000 - $500,000	2020	Tecartus	$688,000	1 - 3 years
DLBCL	0.139 - 0.677	$148,000 - $435,000	$262,000 - $572,000	2021	Breyanzi	$471,000	1 - 3 years
Multiple Myeloma	0.190 - 0.893	$177,000 - $389,000	$264,000 - $497,000	2021	Abecma	$420,000	1 - 2 years

Source: July 2023 SHAPE Book of Business Modeling

Diabetes Facts and Figures

- After adjusting for inflation, the direct medical cost of diabetes increased by 7% between 2017 and 2022.
- National health care costs attributable to diabetes have increased by $80 billion in the past 10 years—from $227 billion in 2012 to $307 billion in 2022.
- On average, people with diagnosed diabetes have medical expenditures 2.6 times higher than would be expected without diabetes.
- The inflation adjusted cost of insulin increased 24% from 2017 to 2022.
- Spending on insulin tripled in the past 10 years—increasing from $8 billion in 2012 to $22.3 billion in 2022.
- After adjusting for inflation, the total cost of insulin and other medications to manage blood glucose increased by 26% from 2017 to 2022.
- Despite having a lower prevalence rate, women with diabetes spend more on average than men on annual health care expenditures.
- People with diabetes above the age of 65 spend roughly double on per capita annual health care expenditures than any other age group above the age of 18.
- $106.3 billion (26%) of the total estimated national cost of diabetes can be attributed to lost productivity at work, unemployment from chronic disability, and premature mortality.
- Absenteeism, or missed workdays, accounts for $5.4 billion in annual indirect costs.
- If people with diabetes participated in the workforce like peers without diabetes, there would be 2 million more people between the ages of 18 and 65 in the workforce.

Source: American Diabetes Association/New American Diabetes Association Report Finds Annual Costs of Diabetes to be $412.9 Billion /November 1, 2023 | Arlington, Virginia

Diabetic Medications

- SGLT2 inhibitors, which are also called gliflozins, are a class of drugs that lower blood sugar levels by preventing the kidneys from reabsorbing sugar that is created by the body; the extra sugar leaves through urine. Some SGLT-2 inhibitors are FDA-approved for use in people with chronic kidney disease (CKD) and/or heart failure to lower the risk of heart attack, stroke, and/or heart failure flare-ups, including in people who do not have diabetes. Some SGLT2 inhibitors are FDA approved to help slow the progression of kidney disease. Examples include Jardiance, Steglatro, Farxiga.
- DPP-4 inhibitors, known as gliptins, are a class of prescription medicines that are used with diet and exercise to control high blood sugar in adults with type 2 diabetes. Medicines in the DPP-4 inhibitor class are available as single-ingredient products and in combination with other diabetes medicines such as metformin. DPP-4 inhibitors lower blood sugar by helping the body increase the level of the hormone insulin after meals. Examples include Januvia, Tradjenta, Nesina.
- GLP-1 RAs - Provide superior glycemic support and weight loss vs DPP-4 inhibitors in patients with diabetes. Examples include Victoza, Saxenda, Byetta, Wegovy.
- Clinical evidence demonstrates that GLP-1RAs provide superior glycemic control and weight loss compared with DPP-4 inhibitors, suggesting that GLP-1RAs are an appropriate and effective treatment where local guidelines allow.
- Because of their oral administration, there are some instances when the use of DPP-4 inhibitors are preferable.
- The American Diabetes Association (ADA) and the American Association of Clinical Endocrinologists (AACE) recommend glucagon-like peptide 1 receptor agonists (GLP-1) as an add-on therapy to oral agents and in combination with insulin for the treatment of diabetes. Current guidelines by the ADA and AACE, as well as the Food & Drug Administration (FDA), do NOT support combination therapy of GLP-1 and dipeptidyl peptidase 4 inhibitors (DPP-4) due to lack of added clinical benefit.