
Express Scripts to launch Diabetes Care Value Program that promises to halve diabetes drug spending increases for insurers and to include Lilly/BI's biosimilar insulin glargine Basaglar in 2017 formulary - September 1, 2016

Executive Highlights

- Express Scripts [announced](#) that it will launch a Diabetes Care Value Program in March 2017 that will place guaranteed per-patient caps on diabetes drug spending in an effort to promote more affordable diabetes care.
- The program will cut prescription diabetes drug spending increases in half for its subscribing health insurance plans and employers, capping price rises at 50% of the industry rate. This translates to a reduction of the industry forecasted 18% rise in diabetes drug costs for 2017 to only 9% for Diabetes Care Value Program participants.
- Very notably, Express Scripts concurrently announced that it would include Lilly/BI's biosimilar insulin glargine Basaglar in its 2017 formulary on equal footing

Express Scripts [announced](#) yesterday that it will launch a Diabetes Care Value Program, which will place guaranteed per-patient caps on diabetes drug spending in an effort to promote more affordable diabetes care and curb spending on diabetes care for its customers (mostly employers and other insurers). Express Scripts' latest [2015 Drug Trend Report](#) revealed that diabetes drug spending in the US increased 14% in 2015 and is forecast to rise even more steeply in years to come. According to Express Scripts, the Diabetes Care Value Program will cut prescription diabetes drug spending increases in half for its subscribing health insurance plans and employers, capping price rises at 50% of the industry rate. Slated for launch on March 1, 2017, Express Scripts' new program would thus reduce the industry forecasted 18% rise in costs for 2017 to 9% for its participating employers and insurers. Express Scripts will cover all excess costs should diabetes spending for a plan participant hit this cap, thereby assuming financial risk in a way that is historically atypical for a PBM business model. Currently the largest PBM in the US, Express Scripts will likely make these spending caps financially feasible through two main avenues: (i) even more aggressively negotiating higher rebates from drug manufacturers in exchange for preferred positioning on Express Scripts' formulary; and (ii) limiting the use of expensive new medications (perhaps through more stringent prior authorization requirements).

In addition to cutting costs, the new program also provides measures designed to boost patient engagement, including clinical counseling from diabetes-trained pharmacists and a new policy allowing people to receive 90 day supplies of their medications at once (as opposed to the 30 day standard), thus reducing the inconvenience of retrieving prescription refills. Express Scripts estimates that this policy will increase medication adherence rates by 5% - a not insignificant improvement if extrapolated over the millions of lives covered by Express Scripts. The company suggested that, currently, \$4,690 per diabetes patient is spent each year on medical expenses that could have been avoided if patients had taken their medication as prescribed. We wonder what the avoidable cost of sulfonylurea-induced hypoglycemia is...

We see the launch of this program as a reflection of Express Scripts' confidence that it will be able to win savings above the rest of the industry - and the PBM is putting its money where its mouth is. The Diabetes Care program is the latest addition to Express Scripts' suite of SafeGuardRx programs; similar programs are already in place to reduce drug costs associated with hepatitis, cholesterol care, and oncology.

- **The benefits of the Diabetes Care Value Program are primarily targeted toward the payers that use Express Scripts' formulary.** Although we are encouraged by Express Scripts'

efforts to reduce the costs of diabetes management, it is unclear how much of the savings from the program's 50% reduction in drug spending increases will actually be passed on to patients - and it's unclear what the short- and long-term impacts are on the patient in terms of the patient outcomes (health, financial, etc.). Express Scripts' per-patient spending caps pertain to costs incurred by a patient's insurance plan, which does not necessarily translate to caps on individual patients' co-pays or deductible responsibility. We hope that insurers will use their savings from the Diabetes Care Value Program to reduce costs for their members with diabetes, but we don't view this as extremely likely - we'd love to see more transparency on this front.

- **The Diabetes Care Value Program comes as part of a larger trend of specialized products for diabetes reimbursement.** In contrast to Express Scripts creation of a program for insurers, insurer Aetna unveiled a health insurance [plan](#) last year directed specifically at people with diabetes. Aetna's Leap Diabetes program features low copays for primary care and diabetes-related care visits, free diabetes supplies, and financial incentives for members; however, the plans also come with copays for brand-name drugs and for non-diabetes-related specialists as well as higher deductibles. Like Express Scripts, Aetna's plan similarly hopes to harness improved adherence and limitations on access to specialty drugs to promote diabetes cost savings. While Aetna's plan is directed toward patients, successful utilization of the plan would ultimately likely translate into greater cost savings for Aetna than for individual patients. Time will tell which approach proves most effective at lowering the high cost of diabetes care, but the ongoing creation of diverse diabetes reimbursement programs is an encouraging signal of widespread concern for the escalating costliness of this increasingly prevalent condition. Diabetes has continued to post the highest drug-spending of any non-specialty class, according to Express Scripts' [2015](#) and [2014](#) Drug Trend Reports, and diabetes products account for more of the top ten highest per-member per-year (PMPY) spending drugs than any other class within the traditional therapy category.
- **The Diabetes Care Value Program will operate through a restricted network of preferred pharmacies.** Express Scripts has partnered with over 10,000 pharmacies, including Walgreens and 1,200 independent pharmacies where its 90-day supplies and clinical counseling programs will be available. Although this network is likely large enough to reach a significant proportion of patients (the inclusion of Walgreens is a big win!), it encompasses only ~20% of total pharmacies in the US. Enrolling a small number of pharmacies appears to be a strategic move for Express Scripts, as we imagine the company was able to negotiate a lower reimbursement rate in exchange for larger volumes of drugs. It remains unclear how many people with diabetes fall under the purview of Express Scripts' new program.
- **Very notably, Express Scripts concurrently announced that it would include both Sanofi's Lantus (insulin glargine) and its biosimilar counterpart Lilly/BI's Basaglar in its 2017 formulary.** This comes on the heels of CVS Health's recent decision to [exclude](#) Lantus (along with Sanofi's other basal insulin Toujeo [U300 insulin glargine]) from its formulary list - Express Scripts had reserved judgment on Basaglar's positioning at that point. Lantus has faced increasing competitive and pricing pressures since its patent expiry in early 2015 so CVS Health's formulary exclusion is not altogether surprising, although it is potentially very disruptive to patients as Lantus remains the unequivocal market leader within the basal insulin market, both in terms of value as measured by sales (64% as of 1Q16) and volume as measured by new-to-branch prescription (NBRx) market share (45% as of 1Q16). It will be interesting to see if Express Scripts' inclusion of Lantus will pay off; presumably Express Scripts is hoping to make itself more attractive to payers who want to avoid alienating their members with diabetes who are currently on Lantus and resistant to switching. Furthermore, by also including Basaglar, Express Scripts appears to be giving plan sponsors the option of transitioning to Lantus' biosimilar counterpart, depending on preference. Basaglar is also included in CVS Health's 2017 [formulary list](#), and is the only insulin glargine option - the exclusion of Lantus for the CVS formulary was a surprising given that there has been so little

experience with Basaglar so far. The inclusion of Basaglar on Express Scripts' formulary is a big win for Lilly/BI as the product looks to break into the US basal insulin market in an increasingly difficult pricing environment.

- **Express Scripts' program highlights the potential of improved adherence programs to prevent higher drug costs in the long term.** We are impressed by the PBM's efforts to promote greater patient engagement (there's been very little of that to date in the field)- the 90-day prescription refill policy in particular seems like an especially promising way to ensure that people are taking their diabetes medications. In addition to improving diabetes outcomes, Express Scripts pointed out that greater adherence has financial benefits: \$4,690 per patient that is currently spent annually on diabetes-related medical expenses that could have been avoided by taking medicine as directed. Of course, for some patients, refilling prescriptions by mail may be more convenient - many others are in pharmacies routinely and this will not be a problem. Treatment complexity (perceived and actual), convenience (perceived and actual), and unpleasant drug side-effects are other important considerations, although PBMs have less power to address such issues.

-- by Abigail Dove, Helen Gao, and Kelly Close