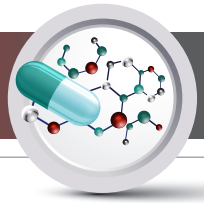
Health Care Cost Drivers: Spotlight on Specialty Drugs

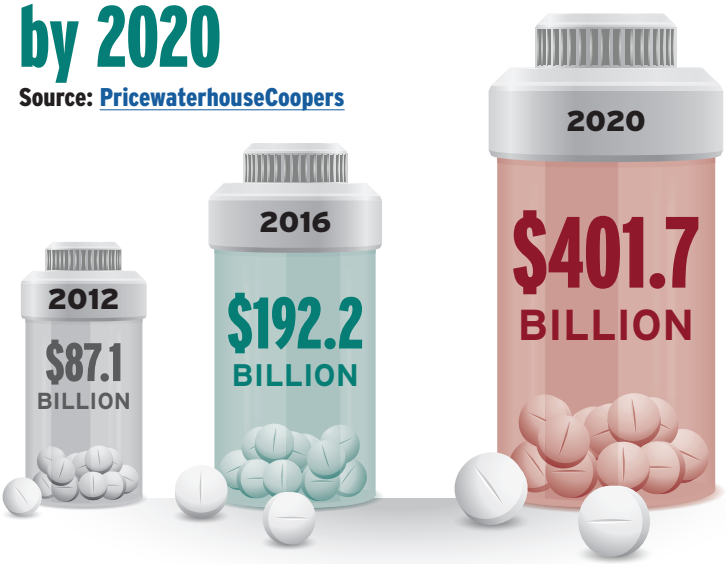


"Skyrocketing prices for specialty medications are unsustainable in the long-term. While health plans and other stakeholders are working to make the Affordable Care Act a success – expanding coverage for millions of Californians and working to ensure that coverage is affordable – specialty drug manufacturers and their six-figure price tags are raising costs for everyone."

Patrick Johnston, President and CEO
California Association of Health Plans

U.S. Specialty Drug Spending will Quadruple by 2020

Source: PricewaterhouseCoopers



Several Factors Will Drive Future Spending

- ✓ **More drugs entering the market due to expedited FDA approvals for breakthrough therapies**
- ✓ **New medications with longer patent protections reduce potential cost-savings through generics & biosimilars**
- ✓ **Higher utilization**
  - More patients needing specialty drugs
  - Doctors prescribing more often
  - More off-label uses
  - Therapies increasingly prescribed in combination with other drugs
- ✓ **Continued price increases on existing drugs**

Higher Prices on Existing Drugs have Driven Spending in Recent Years

Branded oncology drugs have doubled in price over the past decade:

2003: $5,000 per month

2013: $10,000 per month

Gleevec (a leukemia drug taken lifelong) has tripled in price since entering the market in 2001:

2001: $30,000 per year

2014: $92,000 per year

70% OF NEW FDA DRUG APPROVALS IN 2013 WERE **Specialty Medications**

CASE STUDY

A recent study showed switching from an expensive eye medication to a similar, cheaper medication could save

$29 billion

Lucentis*
$2,023
per month

vs.

Avastin*
$55
per month

*Biologic drugs prescribed for macular degeneration (which can lead to blindness)

While there is no agreed upon definition of specialty drugs, they are generally high-cost medications that treat complex or rare conditions such as cancer, multiple sclerosis, and rheumatoid arthritis and require special handling and administration.

For more information, please go to www.calhealthplans.org

California Association of Health Plans

September 2014

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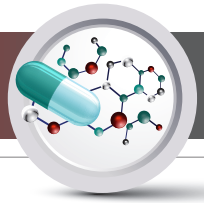


Sovaldi

A Canary in the Coal Mine

High-cost specialty drugs have come under increased scrutiny since the December 2013 release of Gilead Sciences' Hepatitis C medication, Sovaldi, which costs $1,000 per pill.

FACT! Gilead spent $11 billion to acquire Pharmasset, which developed Sovaldi.

FACT! Sovaldi reached $5.78 billion in sales in the first two quarters since its release, which has more than quadrupled Gilead's profits.

Cost of 12-week course of Sovaldi

Egypt.....$900
India .....$1,000-$2,000
U.S. (planned) $36,000
Pre-release sales price by Pharmasset
U.S. (actual) $84,000
Sales price by Gilead

Estimated cost to manufacture Sovaldi + combination therapy drug:

$78 - $166

Combination therapy price tag for U.S. consumers:

$150,000

Sovaldi Impact

The high cost of treating Hep C with Sovaldi in the U.S. and California

UNITED STATES

Sovaldi would instantly **DOUBLE** U.S. drug spending

$300 Billion + **$300 Billion**

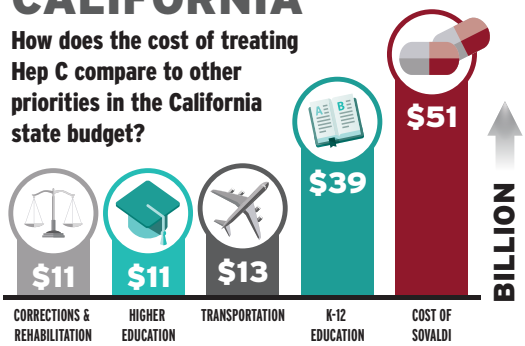
Total annual U.S. spending on all medications combined

Cost to treat all 3.2 million Americans infected with Hepatitis C using Sovaldi

= **$600 Billion**

CALIFORNIA

How does the cost of treating Hep C compare to other priorities in the California state budget?



Sovaldi will cost California's Medi-Cal program **$51 BILLION** – more than the state spends on K-12 & higher education combined.

Sovaldi Uproar

Leaders react to the high cost of Sovaldi

4 out of 5 likely voters find the price of Sovaldi "unacceptable"

"[Sovaldi's] pricing has raised serious concerns about the extent to which the market for this drug is operating efficiently and rationally."

Sens. Charles Grassley & Ron Wyden

"Sovaldi is the canary in the coal mine, alerting all of us that disaster is coming unless something is done to prevent it. Unfortunately the problem is far bigger than one drug – we are talking about a tsunami of expensive medicines that could literally bankrupt the health care system."

John Rother, President & CEO
National Coalition on Health Care

Organizations Questioning Price of Sovaldi

- ✓ American Society of Clinical Oncologists
- ✓ AIDS Healthcare Foundation
- ✓ US Congress, Committee on Energy & Commerce
- ✓ US Senate Finance Committee
- ✓ World Health Organization
- ✓ Express Scripts
- ✓ *New England Journal of Medicine* Editorial Board
- ✓ National Coalition on Health Care
- ✓ Germany's Institute for Quality and Efficiency in Healthcare

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