

## Prescription Drug Plan Costs and Utilization

### Key Take-Aways

- Plan year 2023 was the twenty-first year of operation for the University of Michigan’s self-managed, self-funded Prescription Drug Plan.
- Continuing the trends seen in 2022, the growth in pharmacy costs in 2023 increased to \$217.5M in plan paid – a 12.9% increase from 2022 (Table 1). Total plan spend per member per month grew 11.8%.
- The growth of traditional drugs, specifically the rise of glucagon-like 1 (GLP-1) products for the treatment of diabetes and weight loss, was a primary driver of plan growth.
- The emergence of adalimumab (Humira) biosimilars led to a decrease in specialty spend in the second half of the year. Specialty medications contributed to 51.2% of plan costs in 2023.

**Table 1:** Cost and Utilization Metrics, 2023.

	2023	2022	Change
Claim Count	1,231,199	1,162,617	+5.6%
Total Drug and Administrative Costs	\$217,468,579	\$189,310,698	+12.9%
Total Plan Costs	\$202,130,361	\$175,011,583	+13.4%
Total Member Costs	\$15,338,218	\$14,299,115	+6.8%
Plan Cost, PMPM	\$137.88	\$121.64	+11.8%

## Plan Operations and Administration

### Member Utilization

More than 80% of eligible members utilized their drug plan benefit in 2023, consistent with utilization in 2022. Approximately 35,000 members obtained a vaccine under their benefit at a retail pharmacy location. The number of eligible members increased to a monthly average of 122,170, a 1.9% increase compared to the previous year. The per-member-per-month (PMPM) plan costs increased to \$137.88 in 2023, an 11.8% increase from 2022.

While four years removed from the onset of the COVID-19 pandemic, the disease continues to have an impact on plan costs and pharmacy utilization. COVID-19 related products – vaccines, OTC tests, and treatments – contributed to more than **\$4M in plan spend in 2023**, a 68.4% increase from 2022. With costs of vaccines and treatments now on employers, we anticipate this growth to continue in 2024. The average cost of a COVID-19 vaccine to the plan in 2024 is expected to be \$155 per dose, and the cost of the antiviral nirmatrelvir /ritonavir (Paxlovid) treatment is expected to cost the University of Michigan \$1,332 per 5-day regimen, per person.

### PGY-1 Managed Care Residency Program

In support of the University of Michigan’s academic mission and key partnerships with the College of Pharmacy and Michigan Medicine, the Benefits Administration Office is in the eighth year of hosting an ASHP/AMCP-accredited Post-Graduate Year 1 (PGY1) Pharmacy Residency program. The residency program offers real-world learning in all aspects of pharmacy benefit management, including member support and communication, formulary management, and network and vendor management. This program underscores our commitment to education, training leaders and being a national leader in pharmacy benefits. All prior graduates of the program have successfully obtained roles within managed care or ambulatory care.

In 2023, Dr. Olivia Ramirez researched the impact of the GLP-1 receptor agonist on cost and health care resource utilization from an employer's perspective. Results of this project were presented at both the 2023 AMCP Annual Conference and the 2023 Great Lakes Pharmacy Residency Conference. The plan's current resident, Dr. Nohal Mekkaoui, is researching the clinical and economic impacts of a unique biosimilar switch policy from both a plan and member perspective. Interim results of her study will also be presented at both AMCP Annual and the Great Lakes Pharmacy Residency conferences in 2024.

## **Plan Accomplishments**

### ***Formulary Management***

In 2023, the Pharmacy Benefit Advisory Committee (PBAC) actively managed the plan's formulary. Pharmacy plan staff presented **9 class reviews, 24 new to market drugs, and 53 new line extensions** for formulary consideration. **The plan's clinical team reviewed and updated over 330 drug use policies in 2023.**

Adalimumab (Humira) has historically been the Plan's number-one drug in terms of plan costs, with \$21M spent for 369 distinct members in 2022. The launch of adalimumab-atto (Amjevita), the first biosimilar of adalimumab (Humira) in early 2023, presented an opportunity for the plan to save a minimum of 55% on every adalimumab claim using a low WAC, non-rebate driven strategy. In May of 2023, the plan initiated a voluntary switch program with our specialty pharmacy to encourage the use of biosimilars in place of brand adalimumab (Humira), ahead of an October 2023 mandated switch. The Plan has achieved nearly 100% conversion to adalimumab biosimilars through these efforts; successfully avoiding approximately **\$6.2M in 2023**. Looking forward, we expect biosimilars of other top specialty products to continue assisting with drug spend.

Active management of existing drugs and classes by the plan in the last year led to substantial savings. Classes of drugs with notable generic entrants include multiple sclerosis, insulins, inhalers, antipsychotics, acne, anticoagulants, and stimulants. **In total, active formulary management led to a drug cost reduction of approximately \$3.7M.**

### ***Strategic Alliance with Michigan Medicine Specialty Pharmacy***

The Plan continues to partner with Michigan Medicine to ensure best in class pharmacy care for our members. In 2023, 4,285 members used Michigan Medicine for 34,562 mandated claims, representing **\$124.9M in drug costs**.

In 2023, the Plan added 12 newly FDA-approved medications and two existing classes of medications (i.e., weight loss GLP-1 agents and Pancreatic Enzyme Replacement Therapies) to the list of drugs mandated to Michigan Medicine pharmacies. Through these efforts, an additional 5,707 claims were mandated to Michigan Medicine in 2023, resulting in neutral plan costs and \$7.1M in additional revenue driven to the system.

This continued partnership facilitates growth at Michigan Medicine while also driving consistency of care and management for Plan membership using high-cost medications.

### ***Challenges and Priorities***

The use of GLP-1 products for diabetes and weight loss increased dramatically in 2023. Growth projections for this class over the next few years present a financial challenge to the plan. **In 2023, the plan spent \$20.6M and \$8.9M on diabetes and weight loss GLP-1s, respectively. This represents a 67% increase in diabetes GLP-1 spend and a 4% increase in weight loss GLP-1 spend compared to 2022.** Market shortage of GLP-1s for both diabetes and weight loss have limited growth in this class, which would otherwise be even higher.

External factors, such as the American Diabetes Association (ADA) 2023 treatment guidelines placing GLP-1s as first-line therapy for patients with type 2 diabetes, and the Michigan Collaborative for Type 2 Diabetes' (MCT2D) goal of increasing the use of GLP-1s for patients with type 2 diabetes, have contributed to the accelerated growth seen in this class.

To address the challenges with GLP-1s for weight loss, the plan implemented additional utilization controls in 2023, requiring members to step through lower cost oral products prior to the use of a GLP-1. As of the end of 2023, the plan had over 1,000 new members receiving the oral weight loss medications. GLP-1 products for weight loss were also moved to Tier 3 in March 2023. Strengthening the utilization management of diabetes GLP-1s in early 2023 has decreased the amount of off label use. Additional management strategies are under consideration for future implementation, if warranted.

To assist with managing rising drug costs, the University of Michigan launched a request for proposal (RFP) for PBM services. The plan will decide on the 2025 PBM vendor in early 2024. We anticipate the upcoming PBM contract to deliver impactful savings over the next contract life cycle. We will also be evaluating all other plan vendors throughout the 2024 plan year to ensure optimal pricing and positive member experiences.

While the plan continues to actively manage the plan's formulary and day-to-day operations, we also are bracing for external forces that will impact plan costs and member utilization going forward. As mentioned, the emergence of GLP-1 products for weight loss continues to stress the plan's finances, with current forecasts anticipating enormous increases in plan spend in 2024 and beyond. Managing this class of drugs while retaining access to members is a major priority.

Major initiatives targeted by the Prescription Drug Plan for 2024 include:

1. Control rising pharmacy costs while providing members with broad access to medications.
2. Explore the potential implementation of an Employer Group Waiver Plan (EGWP) or Medicare Advantage Prescription Drug Plan (MAPD) for Medicare-eligible members.
3. Continue to manage drug spend with active formulary management, utilization controls, and improved network rates.
4. Assess contractual arrangements with all current pharmacy vendors (PBM, Mail Order, Specialty) and finalize new or renewal agreements.

For additional information about the Prescription Drug Plan, please contact [RxDrugPlan@med.umich.edu](mailto:RxDrugPlan@med.umich.edu).