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Gastroenterology & Hepatology
Advanced Practice Providers

EIGHTH ANNUAL National Conference

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Current & Future Payer Trends

Jeff Dunn & Ed Pezalla

Experience

Ed Pezalla, MD, MPH

Ed Pezalla, MD, MPH

- Founder and CEO, Enlightenment Bioconsult
- Payer strategy consultant for biotech and pharma
- Former VP, Pharmaceutical Policy and Strategy, Aetna
- Active in MIT Center for Biomedical Innovation NEWDIGS and FOCUS projects
- Member of the first class of Scholars-in-Residence, Duke Margolis Center for Health Policy

Experience

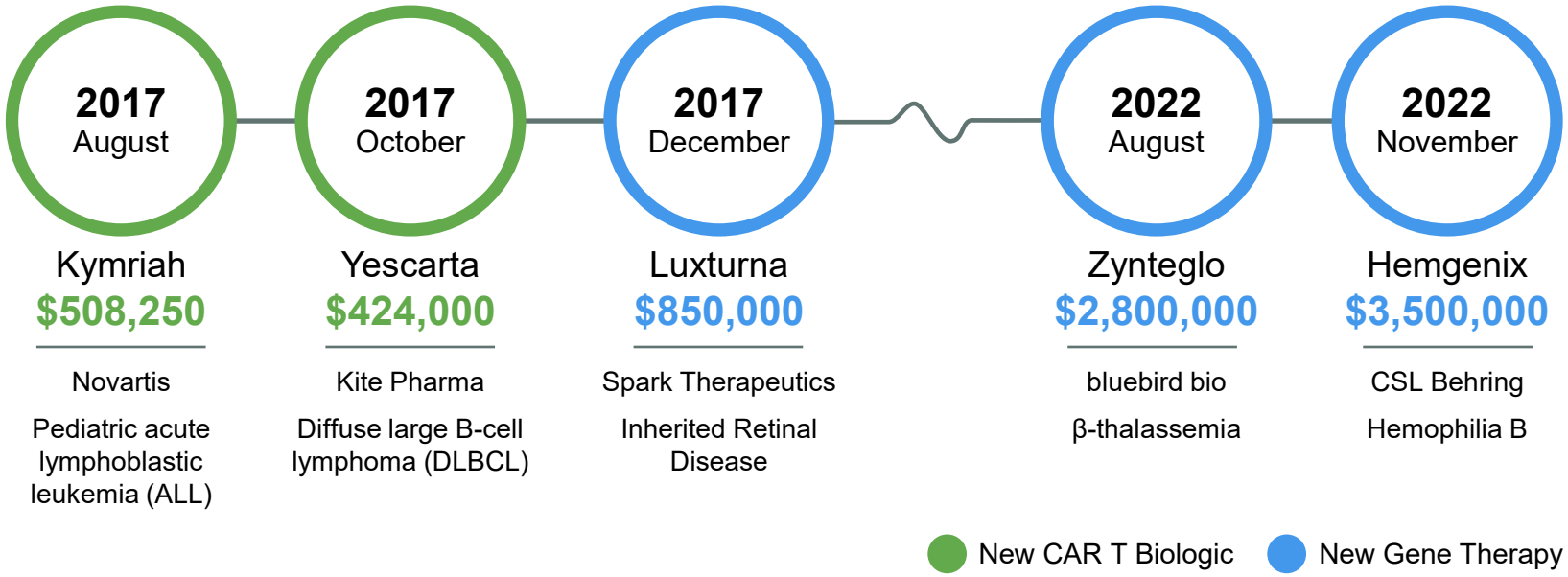
Jeff Dunn, PharmD, MBA

Jeff Dunn, PharmD, MBA

- President & CEO,
  Cooperative Benefits Group
- Board Member AMCP
- Former Roles:
  - Haven
  - MagellanRx
  - VeridicusRx
  - SelectHealth

Higher Cost Gene and Cell Therapies Entering the Market

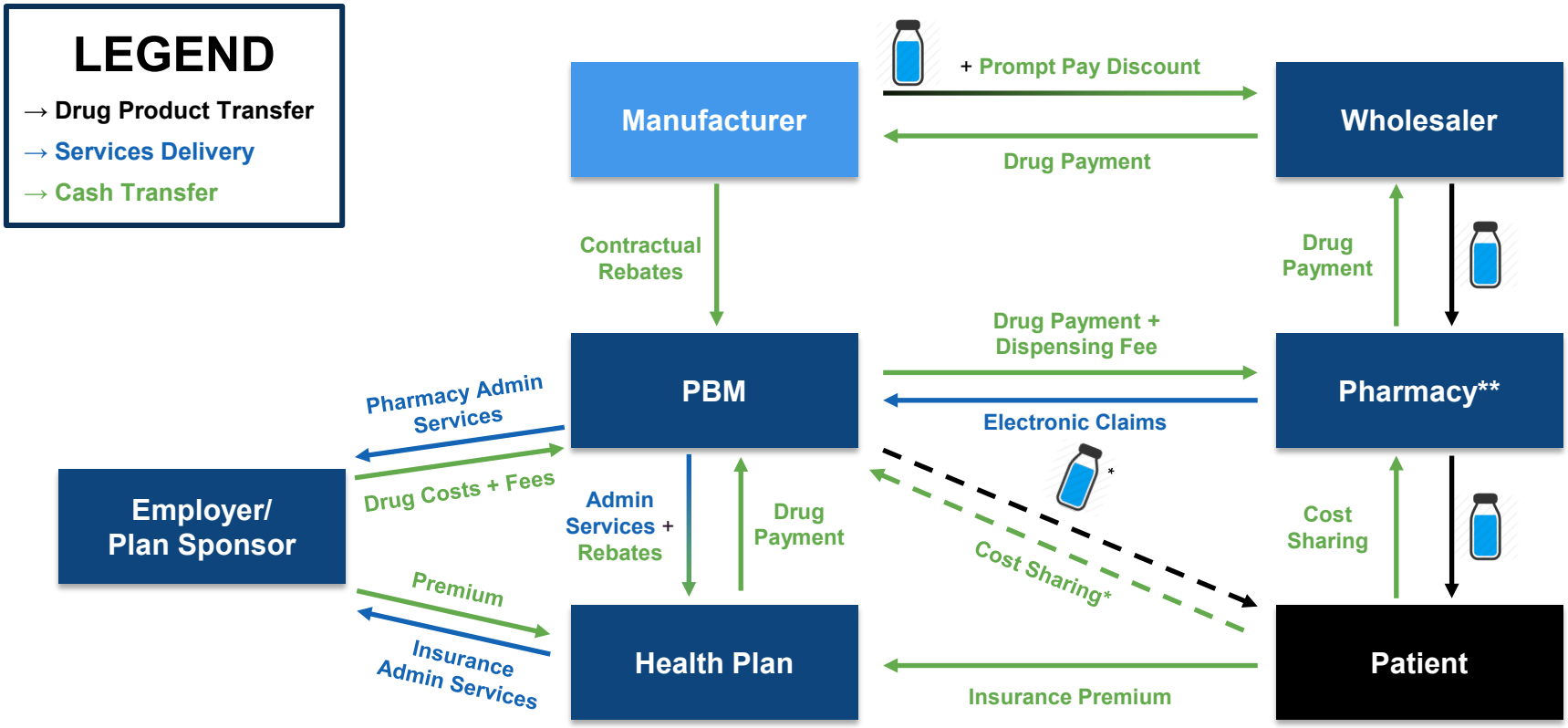
Figure 11 Higher Cost Cell and Gene Therapies Entering the Market



- Such therapies can be transformative and sometimes curative
- Are they worth it? How do we evaluate that question?

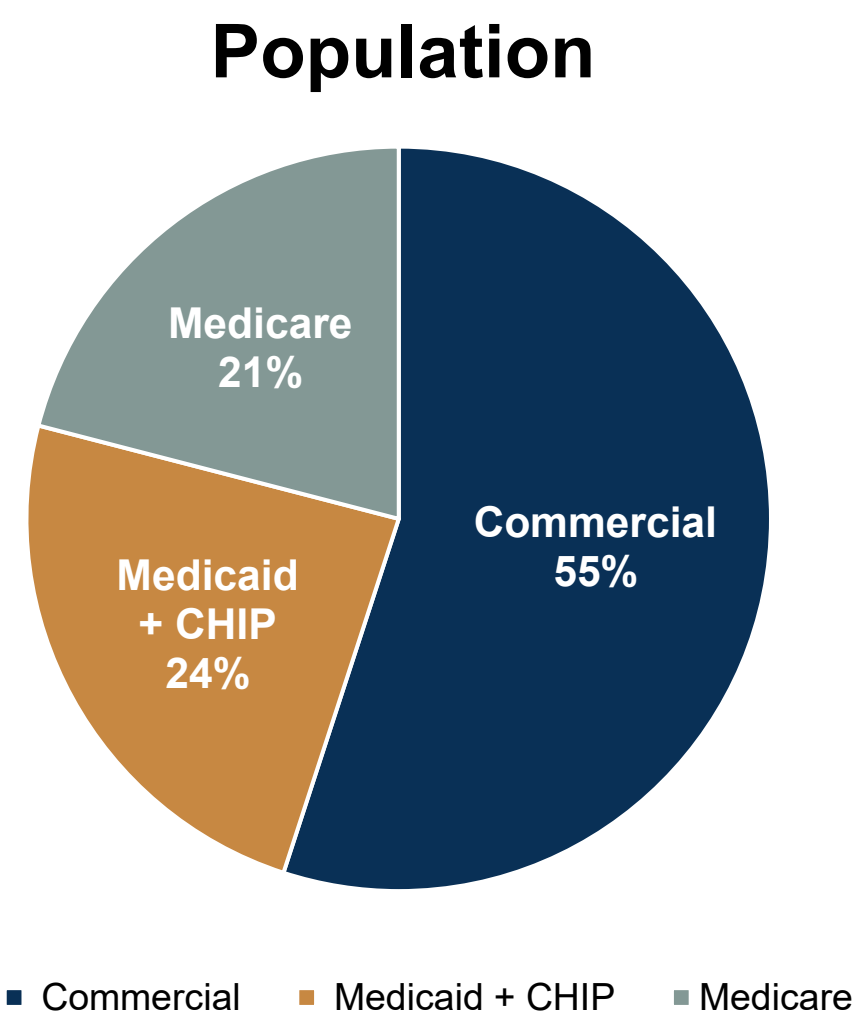
Pharmaceutical Strategies Group. 2023 Artemetrx State of Specialty Spend and Trend Report. Dallas, TX: PSG.

Stakeholders in the Pharmaceutical Ecosystem



* Applicable to mail-order drugs only.
**May be a traditional retail pharmacy or a specialty pharmacy.
PBM = Pharmacy Benefits Manager.
Adapted From: Danzon PM, PBM Compensation and Fee Disclosure, 2014 Employee Retirement Income Security Act (ERISA) Advisory Council, July 2014.

US Payer Structures



Commercial: employer-based

Employees and Families

Commercial insured: small employers and individuals

Medicare: 65 and over

Medicaid traditional: income based, state pays

Managed Medicaid: state capitates private insurer

Utilization Management

Copay	• **Patient OOP** • Based on tier for pharmacy • 20-25% for medical benefit
Prior Authorization	• **Treatment approval** • Dx, severity, other criteria
Step Therapy	• **Requirement to use another drug first** • For pharmacy may be automated • **For** medical built into the PA criteria
Site of Care Policies	• **Governs where patient can receive a medical benefit drug** • Usually requires lowest cost appropriate site

Pharmacy Benefit Managers: Provide Pharmacy Benefit for All Payer Types

Activity	
Claims processing	All pharmacy claims go through the nationwide NCPDP system
	PBMs receive claims from pharmacies and approve them at time of sale
Network management	PBMs maintain a network of contracted retail and specialty pharmacies
	PBMS may also own mail order, retail and specialty pharmacies
Contracting and rebates	Drug prices are adjusted for the customer health plan through discounts paid after the sale – REBATES
	PBMs negotiate the rebate amount and collect rebates from drug companies for distribution to their clients
Utilization management	Prior authorization: doctor provides information to determine if the patient meets criteria for receiving a drug
	Step edit: requirement to try and fail another drug first (usually automated)

Factors Considered by P&T Committee

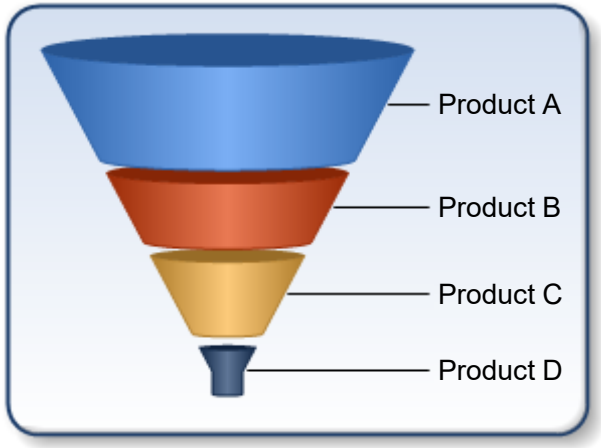
- Clinical efficacy
- Safety
- Therapeutic need
- Clinical guidelines
- Standards of medical practice
- Other treatment options
- Pharmacoeconomics
- Cost

Product Dossier
- Disease information
- Product background
- Clinical trial summary

Clinical Trial Results
- Efficacy/Safety
- Applicability to “real-world”
- Comparative efficacy

HEOR/CER
- Real-world outcomes data
- Mechanisms of comparing competitor products

Economic Modeling
- Budget-impact models
- Cost-effectiveness models
- Cost-benefit models



Stakeholders

All Payer Types Have Separate Pharmacy and Medical Benefits

Pharmacy

- Drugs self-administered by patient or care-giver
- Sourced via a pharmacy
- Drugs are listed on a formulary
- Payment/coverage and decision making is the responsibility of the PBM

Medicare = Part D

Medical

- Drugs administered by a healthcare provider
- Based on label and clinical trial
- IV, IM and other forms
- Payment/coverage and decision making is the responsibility of the health plan

Medicare = Part B

Goals of Managed Care Pharmacy

- Incorporate diagnosis, cost, and treatment information with pharmacy data
- Integration of a patient's medical history with their drug therapy
- Short-term reality: expanded formulary allows access to more medications at a lower copay
- Long-term implications: pharmacy cost contributes to higher copays and increasing premiums
  - Pharmacy trend needs to be managed
- Balancing act
  - We need to look at the larger picture
- Appropriate utilization
- Cost-effectiveness

Top Drug Categories and Drugs for Cost and Trend

Table 4 Top 10 Categories for Specialty Drug Spend

	Top Categories	% of 2022 Drug Spend	Avg 2022 Cost / Rx	2021 Rank	Utilization Trend	Cost / Claim Trend	Cost PMPY Trend
1	Inflammatory Disorder	33%	$6,354	1 –	13.9%	5.4%	20.1%
2	Oncology	28%	$4,513	2 –	7.9%	4.1%	12.3%
3	Multiple Sclerosis	7%	$10,207	3 –	-3.2%	7.1%	3.7%
4	Immunological Disorders	4%	$2,769	4 –	10.8%	-37.9%	18.8%
5	Blood Cell Disorders	4%	$4,177	5 –	5.0%	-6.4%	-1.7%
6	Skin – Immunosuppressant	2%	$2,794	8 ▲	28.0%	9.9%	40.7%
7	Lung Disorders	2%	$16,517	6 ▼	8.8%	6.3%	15.7%
8	Eye Disorders	2%	$2,934	11 ▲	7.7%	-3.4%	4.1%
9	Growth Disorders	2%	$6,904	7 ▼	3.1%	6.1%	9.4%
10	Neuromuscular Disorders	2%	$1,922	12 ▲	17.5%	1.5%	19.3%

▼ Down from 2021 ▲ Up from 2021 – Same rank from 2021

Pharmaceutical Strategies Group. 2023 Artemetrx State of Specialty Spend and Trend Report. Dallas, TX: PSG.

Table 5 Top 10 Specialty Drugs by Spend

	Top Drugs	Avg 2022 Cost/Rx	2021 Rank	Utilization Trend	Cost / Claim Trend	Cost PMPY Trend
1	Humira (Inflammatory Disorders)	$7,433	1 –	16.3%	4.6%	21.6%
2	Stelara (Inflammatory Disorders)	$11,398	2 –	15.7%	17.5%	36.0%
3	Keytruda (Oncology)	$17,452	4 ▲	6.4%	35.9%	44.6%
4	Ocrevus (Multiple Sclerosis)	$36,016	11 ▲	-2.3%	19.2%	16.4%
5	Dupixent (Skin - Immunosuppressant)	$3,358	9 ▲	28.2%	33.9%	71.7%
6	Remicade (Inflammatory Disorders)	$3,162	5 ▼	-14.7%	14.2%	-2.6%
7	Entyvio (Inflammatory Disorders)	$7,713	10 ▼	12.1%	20.0%	34.5%
8	Enbrel (Inflammatory Disorders)	$6,177	3 ▼	22.9%	-2.6%	19.8%
9	Skyrizi (Inflammatory Disorders)	$6,962	25 ▲	10.8%	89.1%	109.4%
10	Tremfya (Inflammatory Disorders)	$6,611	14 ▲	15.0%	42.7%	64.1%

▼ Down from 2021 ▲ Up from 2021 – Same rank from 2021

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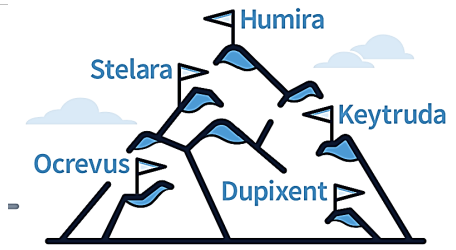
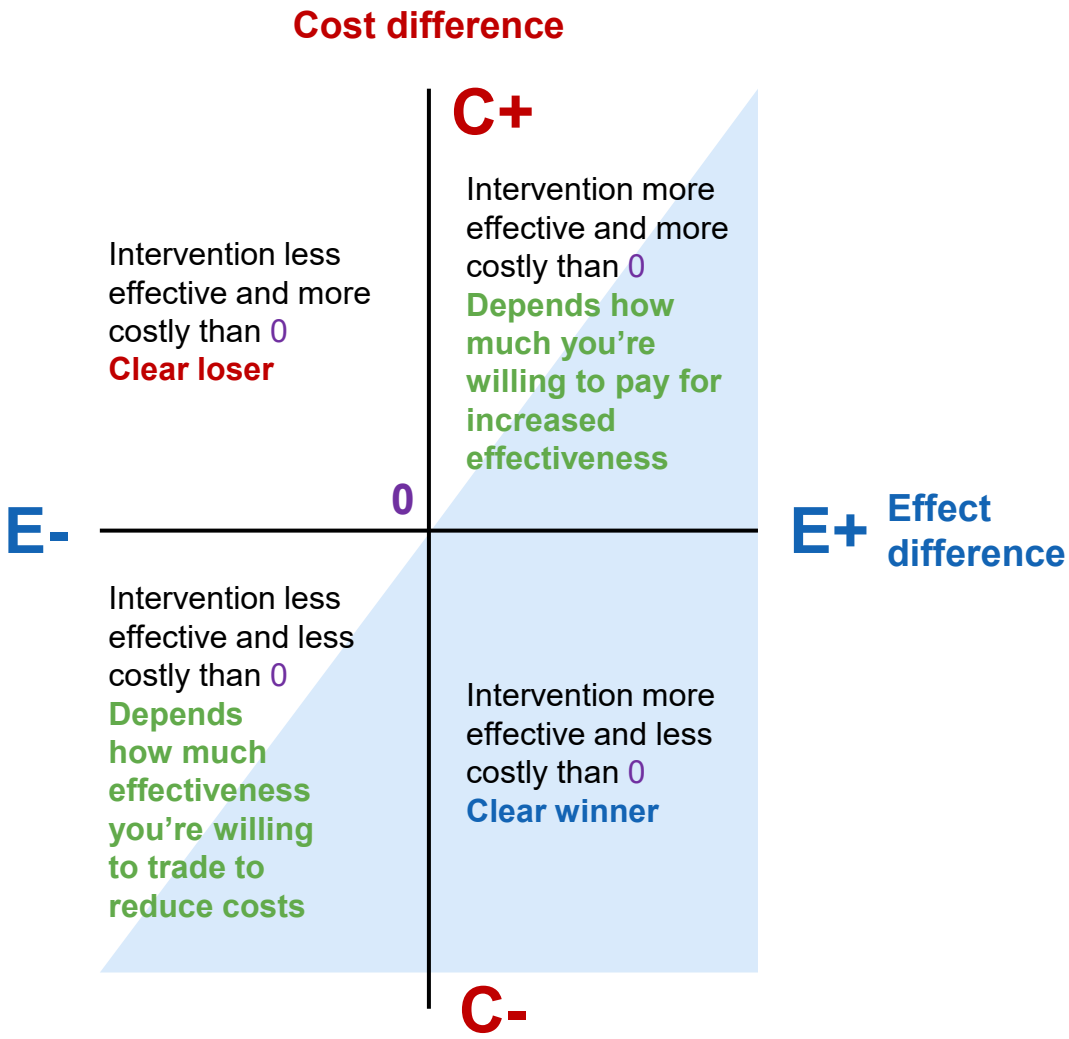


Value = Cost-Effectiveness

- Efficacy
- Price

- Cost per event avoided
- Cost per % improvement

- Helps compare agents
  - When there are no head-to-head trials



Drummond et al. 1987.

Contact Info

Jeff Dunn

6770 S 900 E, Suite 202, Midvale, UT 84047

jddunn@coopbenefitsgroup.com

Mobile +1 801-557-7906

Edmund Pezalla

210 S Beach Street, Suite 202, Daytona Beach, FL 32114

edmund.pezalla@enlightenmentbioconsult.com

Mobile +1 860-218-8216