

EMPLOYER AND HEALTH PLAN ANALYTICS

Quarterly analytic spotlight

Summer 2023 | Issue 3



Contents

- 01 [The latest on medical and Rx spend](#)
- 02 [Substance abuse disorder trends](#)
- 03 [CMS drug price negotiations](#)
- 04 [Price transparency](#)
- 05 [Rx corner](#)

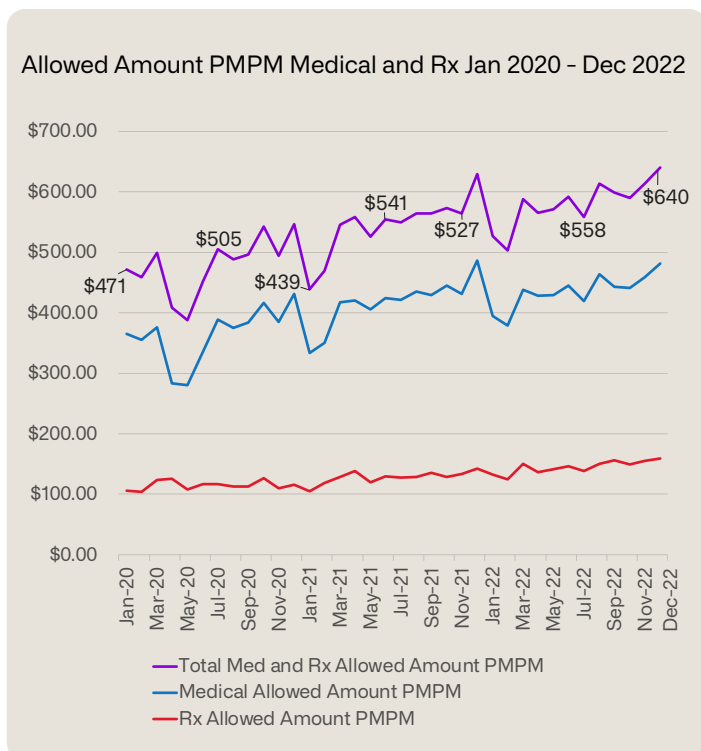


The latest on medical and Rx spend

By: Leah Kamin and Mahil Senathirajah

In July, Merative released its 4Q22 semi-annual book of MarketScan normative data for employers. There has been concern about labor-driven inflation at a provider-level being passed through to payers as contracts are renegotiated. While costs are a function of both price and utilization, we looked at recent trends to help assess how costs are increasing, potentially reflecting inflationary impacts.

Based on a sample of 286 companies with 8.3M active members, there was a **6.7% increase in total medical and prescription drug costs** per member per year (\$6,548 PMPY in 2021 to \$6,986 PMPY in 2022). The table below identifies the key drivers of that trend.



The increase in prescription drug costs (13.1%) far exceeded the increase in medical costs (4.7%). Furthermore, the increase in medical costs is driven by the 6.9% increase in outpatient costs. Inpatient spend notably decreased by 2.3%. Therefore, despite recent hospital labor contract increases in the 20% range over three years, we are not yet seeing increases in inpatient costs among commercial payers (at least to the end of 2022).

Among the key drivers of outpatient spending growth, ER costs increased by 9.2%. In contrast, lab growth was minimal (1.4%). We will continue to monitor cost increases as payers and providers renegotiate contracts.

Examination of the most recently quarterly trend (not shown), comparing Q4 2022 to Q4 2021, the overall increase had moderated to 4.4%. However, the prescription drug increase continued to be the strongest driver with a 14.1% increase. In comparison, the medical spend increased by only 1.4%.

If you're interested in monitoring the drivers of cost increases or learning more about our semi-annual norms report and other normative data assets, [contact us](#) or your account representative.

Medical spend: Allowed Amount Per Member Per Year

	2021	2022	Trend
Inpatient	\$1,287	\$1,258	-2.3%
Outpatient	\$3,523	\$3,766	6.9%
Key outpatient services			
ER	\$494	\$540	9.2%
Office visit	\$1,168	\$1,223	4.7%
OP lab	\$340	\$344	1.4%
OP rad	\$442	\$463	4.7%

Note: Inpatient and outpatient are not exhaustive of all medical spend



Substance abuse disorder trends

By: [Rebecca Niehus](#)

Much has been [written](#) about the increase in prevalence and severity of substance use disorders (SUDs) during the COVID-19 pandemic. Given the known association between SUDs and [social vulnerabilities](#), including [poverty](#), we wanted to provide insight into trends and prevalence of SUDs in a commercial population.

Using our [MarketScan® benchmarking database](#), we used zip codes to map [Metropolitan Statistical Areas](#) to determine rural status and the [CDC's Social Vulnerability Index](#) to identify members who live in areas at the 90th percentile for poverty.

High poverty areas

As shown in Figure 1, while the overall prevalence of SUDs increased by 4.7% from 2020 to 2021, it increased by 7.6% for those members living in high poverty areas.

Rural areas

Because rural prevalence started at a much higher point in 2020, prevalence remained relatively stable in rural areas compared to a 5.2% increase for members in metropolitan areas. However, baseline prevalence was substantially higher in rural areas.

As shown in Figure 2, when we drill into the substances used most frequently, we see different patterns based on metro/rural and poverty/non-poverty status. Members living in high poverty areas had a much higher increase in opioid related disorders than those in lower poverty areas (17% vs 3%).

Taken together, these numbers indicate that although much of the research into SUDs and social determinants of health (SDOH) have been based on patients in government programs (i.e., Medicaid, Veterans Administration), members in commercial insurance also show variance in prevalence based on SDOH. This speaks to the need for commercial payers to design programs and outreach based on member characteristics.

If you're interested in understanding how SDOH are impacting a given risk in your population, [contact us](#) or your account representative.

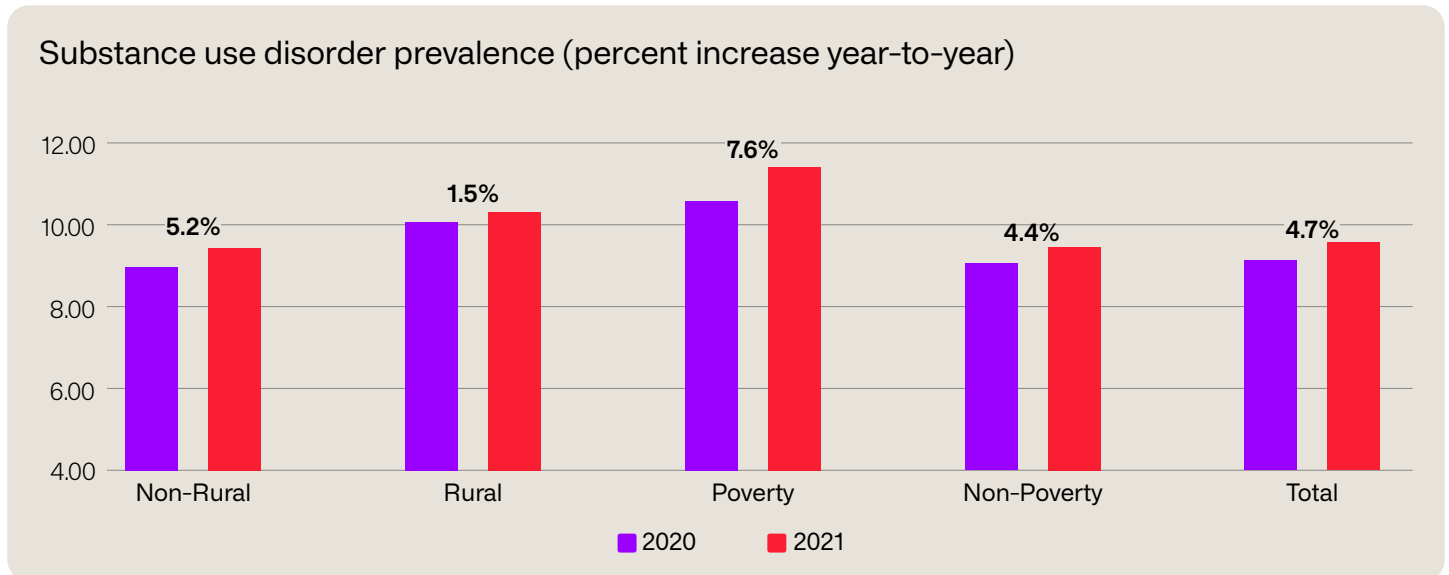


Figure 1

Increase in prevalence: 2020-2021

Diagnosis summary group	Rural	Non-rural	Poverty	Non-poverty
Opioid related disorders	1%	8%	17%	3%
Alcohol related disorders	0%	5%	10%	7%
Cannabis related disorders	0%	4%	4%	4%
Nicotine dependence	4%	4%	4%	3%



Which drugs will CMS likely target for price negotiation?

By: [Rebecca Niehus](#)

At the recent ISPOR 2023 conference, our MarketScan real-world data experts presented a poster identifying drugs likely to be targeted by CMS as part of the [Medicare Drug Price Negotiation Program](#). As part of the Inflation Reduction Act, for the first time, CMS is allowed to negotiate prices directly with drug manufacturers.

Using administrative claims data from [MarketScan and our Treatment Pathways solution](#), we identified the highest-spend drugs in a 12-month period ending September 2022 that met criteria for inclusion in the negotiation program. Namely, single-source drugs approved for at least 7 years as of September 2023 or single-source biologics approved for at least 11 years as of September 1, excluding orphan drugs. A projected list of likely drugs based on price was determined using these claims.

Medicare negotiations will allow CMS to set a “[maximum fair price](#)” for the negotiated drug, which is estimated to result in billions of dollars in savings to CMS, though savings to individual members will be dependent on their use of the specific drugs/ drug classes impacted by new pricing guidelines.

The impact on the commercial market is [less clear](#). Pricing for the negotiated drugs could be lower if average wholesale pricing is replaced by a maximum fair price index, however, there is substantial concern that decreases in revenue from the government market could result in cost-shifting to the commercial market.

One potential roadblock to cost shifting is that the Inflation Reduction Act also ties Medicare rebates to overall drug price inflation. Therefore, increase in commercial prices still impact the rebates owed to Medicare, providing a backstop to uncontrolled price growth for commercial payers.

[Explore our ISPOR presentations ↗](#)

Table 1: Medicare Part D drugs likely to be targeted by CMS for price negotiation for 2026

Rank	Brand name	Generic name	Manufacturer	Mean payment
1	Eliquis®	apixaban	Bristol Myers Squibb; Pfizer	\$4,088
2	Humira®	adalimumab	AbbVie Inc.	\$61,700
3	Xarelto®	rivaroxaban	Janssen Pharmaceuticals	\$4,211
4	Trulicity®	dulaglutide	Eli Lilly & Co.	\$7,220
5	Januvia®	sitagliptin phosphate	Merck & Co	\$4,312
6	Imbruvica®	ibrutinib	Pharmacyclics LLC, an AbbVie Company	\$129,829
7	Xtand®i	enzalutamide	Astellas Pharma Inc.	\$84,200
8	Jardiance®	empagliflozin	Boehringer Ingelheim	\$4,067
9	Enbrel® Surelick	etanercept	Amgen Inc.	\$56,384
10	Spiriva®	tiotropium bromide	Boehringer Ingelheim	\$3,216



Price transparency corner

By: Bryan Briegel and Mark Gillespie

Everything you need to know to comply with the Transparency in Coverage Rule January 1 deadline:

Our industry experts, Bryan Briegel and Mark Gillespie, walk-through the TIC rule along with the latest in CMS directives such as hospital MRFs and enforcement actions in this hour long [AHIP webinar recording](#). Hear learnings from fellow payers and the available resources to support your organization's TIC adherence and to meet compliance by end of year.

[Listen now ↗](#)



Rx corner

By: Katherine Shanahan

- Non-specialty drugs are rising, driven largely by one drug class – GLP-1s (glucagon-like peptide 1 agonists). This class includes medications for both Diabetes and Weight Loss and has grown from \$13 allowed PMPY spend in 2013 to over \$184 PMPY in 2022 – an annual CAGR of 35%
- While most payers are including diabetes-specific GLP-1s on their formulary, there are mixed opinions on the coverage of weight loss GLP-1s. To assist health plans and employers with this decision, we have developed the following whitepaper as a guide to navigate the potential benefits and challenges of this emerging topic.

[Read weight loss medication guide ↗](#)



You asked, we listened! Our teams are hard at work on a new one-stop-shop for all things thought leadership, helping you explore our perspectives and stories on the latest industry trends – and we want you to have a sneak peek!

This library is still in the early stages and we have lots of new features in the works, but we want to hear from you. Have ideas for improvements or topics to consider? Please reply back to this email with your feedback.

[See the new library →](#)

About Health Insights

Health Insights by Merative helps health plans, employers, and governments understand whether the healthcare programs they have in place are working, find effective interventions to optimize healthcare spend, and improve population health and program performance. Health Insights turns chaos into comprehension in one tool, driving the powerful insights and targeted interventions that help organizations strive for a healthier population and bottom line. Our combination of leading analytics and trusted experts is how we've maintained a 90+% retention rate among the top brands in the country.

Learn more at merative.com/healthcare-analytics.

About Merative

Merative is a data, analytics and technology partner for the health industry, including providers, health plans, employers, life sciences companies and governments. With trusted technology and human expertise, Merative works with clients to drive real progress. Merative helps clients orient information and insights around the people they serve to improve decision-making and performance. Merative, formerly IBM Watson Health, became a new standalone company as part of Francisco Partners in 2022.

Learn more at www.merative.com



© Merative US L.P. 2023. All Rights Reserved.

Produced in the United States of America
August 2023

Merative and the Merative logo are trademarks of Merative US L.P. Other product and service names might be trademarks of Merative or other companies.

The information contained in this publication is provided for informational purposes only. While efforts were made to verify the completeness and accuracy of the information contained in this publication, it is provided AS IS without warranty of any kind, express or implied. In addition, this information is based on Merative's product plans and strategy as of the date of this publication, which are subject to change by Merative without notice. Nothing contained in this publication is intended to, nor shall have the effect of, creating any warranties or representations from Merative, or stating or implying that any activities undertaken by you will result in any specific performance results. Merative products are warranted according to the terms and conditions of the agreements under which they are provided.

MHI-4958684444 Rev 1.0