

2021 DRUG TREND & INSIGHTS REPORT



DRIVEN BY HUMANITY

The medications people take can be among the most personal things in their lives. They can make the difference between *living* and *truly living*.

About 25% of American adults take four or more prescription drugs to manage their health, and 30% of adults haven't taken their medications as prescribed at least once in the past year because of cost.¹ They're stretching doses or skipping them altogether — putting their health and well-being at risk.

The cost of medications is a top concern for most Americans. According to polling by Gallup, 78% of Americans are worried a great deal or a fair amount about the availability and affordability of health care.² At Navitus, we want to change that.

Bringing Humanity Back to Health Care

We believe that by approaching pharmacy benefit management differently, we can achieve greater medication affordability, access and adherence for people.

That's why we have led the charge to offer an alternative to traditional pharmacy benefit management services since our inception in 2003. For nearly two decades, we have challenged the status quo and innovated on a model that effectively drives down prescription drug costs. We exist to help people get the medicine they **can't afford to live without** — at prices they **can afford to live with**.

Our pass-through model provides plan sponsors visibility into their pharmacy-benefit costs and savings opportunities.

When plans save, they have the opportunity to pass on savings to members in the form of additional benefits.

We are proud to announce that we helped our plan sponsors:

- Achieve an all-in, total-net-cost per member per month (PMPM) cost of **\$84.37³** for commercial plans with Navitus in 2021, a modest year-over-year (YOY) increase of **1.5%**
- Achieve average PMPM cost savings of **16%** compared to their previous year with another pharmacy benefits manager (PBM) for new clients
- Experience outstanding service — as shown in our **client net promoter score (NPS)** which **increased to 76** from 72 in the prior year, a super star rating; NPS is measured from -100 to 100

We are proud of what we accomplished in 2021 in partnership with our clients — because success means more people can access important medication therapies and live their fullest lives. We look forward to continued engagement with you, our trusted partners, continuing our focus on improved health and cost reduction for over 8.5M members we are privileged to serve.

Brent Eberle, RPh, MBA
Senior Vice President
& Chief Pharmacy Officer

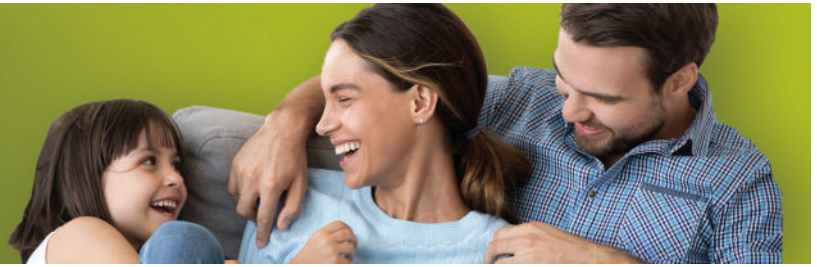
Thomas J. Pabich
Senior Vice President, Business
Development & Client Services

¹ Public Opinion on Prescription Drugs and Their Prices. Kaiser Family Foundation. Published April 5, 2022. Accessed May 4, 2022. www.kff.org/health-costs/poll-finding/public-opinion-on-prescription-drugs-and-their-prices/.

² Healthcare System. Gallup. Accessed May 5, 2022. news.gallup.com/poll/4708/healthcare-system.aspx.

³ All-in, net-cost PMPM was calculated from Navitus commercial clients, including employers of all types (retail, manufacturing, government, school districts) and commercial health plans, and comprised of different and varied health populations.

CLIENT RESULTS



NAVITUS CLIENTS REALIZE SIGNIFICANT SAVINGS

When measuring client results, it's important to look at not just first-year savings, but also continued savings after year one. The following examples highlight how we help our clients find value year after year.

Additionally, Navitus has achieved significant results while minimizing member disruption, receiving high marks for member transitions post implementation. In our 2021 implementation satisfaction survey, clients responded that they were **100% satisfied, with 91% extremely/very satisfied.**

One-Year Savings

As a first-year, new client example, a health plan with more than 35,000 covered members realized a 9% reduction in PMPM cost in 2021 compared to the forecasted PMPM cost with its prior PBM. This amounted to nearly \$7M in first-year savings. These savings were driven by eliminating spread pricing and carefully managing the client's formulary.

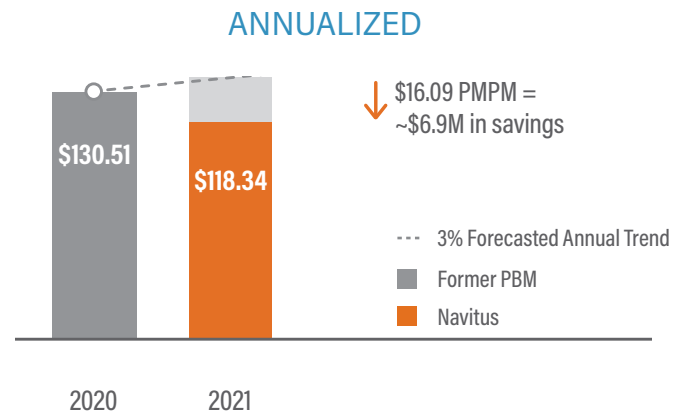
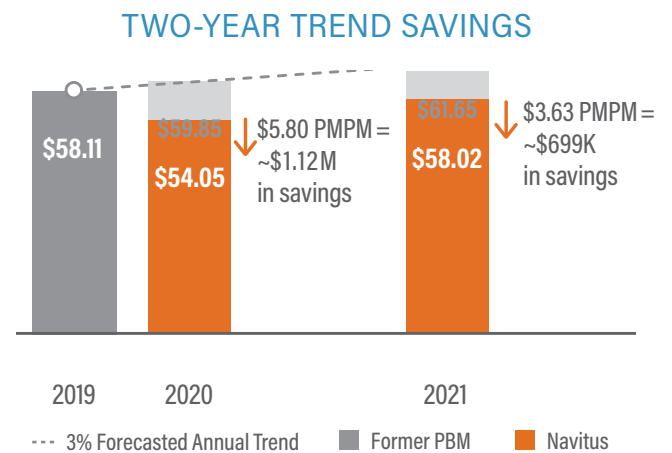


Chart uses total-cost PMPM instead of total-net-cost PMPM as rebate numbers from previous PBM were not provided.

Two-Year Savings

Beyond year one, data indicates that clients benefit from continued year-over-year savings.

A national employer group with more than 16,000 covered members realized savings of \$1.12M (\$5.80 PMPM) in year one and almost \$699K of additional savings in year two, compared to costs before Navitus based on a 3% forecasted trend.



PMPM cost savings annualized for one year time period.

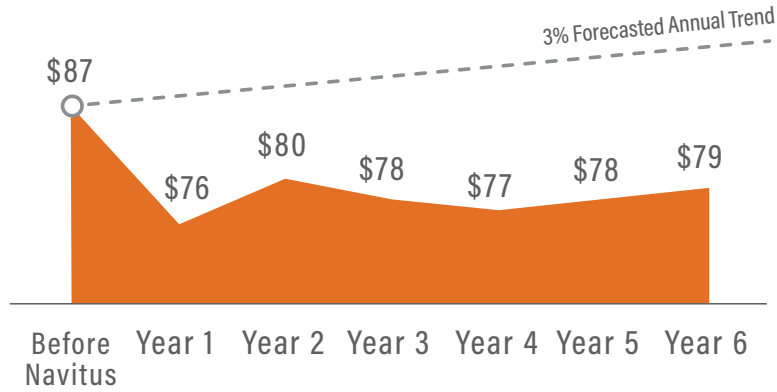
Combined savings of almost \$1.8M were achieved for this national employer group through the Navitus model

Six-Year Savings

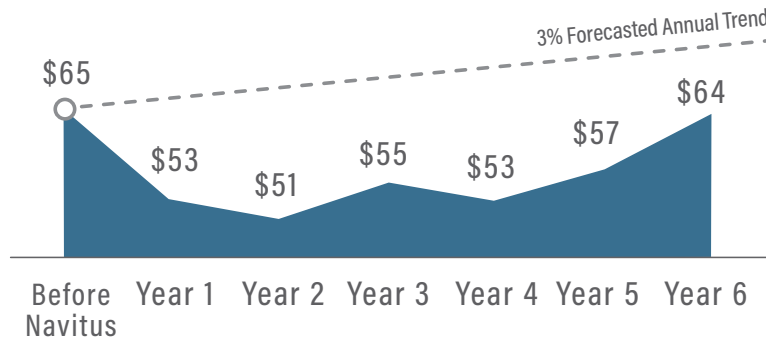
With incremental increases in cost expected year to year, can the savings continue? The answer is a resounding yes. In fact, some continue to see a **PMPM cost below their previous PBM even after six years with Navitus.**

Here are two examples:

A LARGE SCHOOL SYSTEM



A LARGE INDUSTRIAL GAS & ENGINEERING COMPANY



Historical First-Year Savings for New Clients

Navitus is committed to delivering consistent results. Over the last five years, new clients have realized first-year savings ranging from 16% to 25%.

2017	2018	2019	2020	2021
17%	16%	25%	18%	16%

Data used for comparison varies by client mix for each year.

2021 TRENDS



KEY COMPONENTS OF TOTAL-NET-COST PMPM TREND

The two key components of total-net-cost PMPM trend are:

- **Utilization** — how much product members use, which can be influenced by how many members are taking a medication, how often they fill them and which prescriptions they choose to fill
- **Unit cost** — what each medication costs, which can be impacted by inflation, network rates, rebates and which medications members use

Overall Total-Net-Cost PMPM Trend = Utilization Trend + Unit Cost Trend

KEY OBSERVATIONS

	2021	2021 Trend	Trend Components	
			Utilization	Unit Cost
Total-Net-Cost PMPM	\$84.37	1.5%	1.3%	0.2%
Non-Specialty	\$44.35	-0.9%	1.3%	-2.2%
Specialty	\$40.02	4.3%	9.1%	-4.8%

Total trend and components are based on weighted averages.

Net drug PMPM spend for our commercial clients increased by only 1.5% in 2021.

Plan sponsors saw their non-specialty drug spend decrease by 0.9% in 2021 despite an increase in utilization of 1.3% and manufacturer inflation of close to 4.6% on branded products. Navitus was able to offset these increases in spend through our 100% pass-through, lowest-net-cost approach to spend management, which resulted in a decrease of 2.2% in unit-cost trend for our clients.

Additionally, nearly half of overall drug spend was driven by specialty medications even though they represent less than 1% of utilization. Specialty spend increased by 4.3%, driven by a 9.1% increase in utilization of high-cost specialty products with expanded indications of use. By preferring lower-net-cost options, including significant new generic releases, and ensuring proper use of high-cost medications, Navitus was able to lower the unit-cost trend by 4.8% and ultimately keep specialty trend to 4.3%, which is the lowest it has been in recent years.

Thanks to our efforts in controlling costs, drug unit cost was up just 0.2% in 2021 compared to a 7.0% increase in the Consumer Price Index.⁴

⁴ Consumer Price Index: 2021 in review. U.S. Bureau of Labor Statistics. Published January 14, 2022. Accessed May 4, 2022. www.bls.gov/opub/ted/2022/consumer-price-index-2021-in-review.htm.

What's to Come

Looking ahead, pharmaceutical manufacturers continue to focus pipeline efforts on specialty medications, including those used to treat rare diseases. Utilization of specialty medications is expected to continue growing, and we project that specialty drug spend will surpass non-specialty drug spend in 2022. Increased use of specialty drugs is being driven by the approval of new drugs and expanded indications. In fact, 4 out of 5 new drug approvals in 2021 were specialty medications.

Top 5 Specialty Categories

While unit cost for the top-five specialty categories was down overall, utilization was up 9.1%, driving overall PMPM cost trend. In fact, just five specialty drug categories accounted for **over half** of total Navitus client specialty spend in 2021.

Specialty Drug Category	Net Cost PMPM	Utilization Trend	Unit Cost Trend	Overall Trend
Targeted Immunomodulators	\$19.25	9.8%	-3.5%	6.3%
Oncology Agents	\$6.15	4.3%	3.5%	7.8%
Multiple Sclerosis Agents	\$2.60	-5.3%	-25.0%	-30.3%
Respiratory Agents	\$2.44	7.5%	5.4%	12.9%
Dermatology Agents	\$1.48	45.7%	-5.0%	40.7%
Total	\$40.02	9.1%	-4.8%	4.3%

>50% of claims in the multiple sclerosis class are now for generic products, by far the highest in the specialty space.

Specialty Drivers: Key Insights

A few important insights to note:

- Immunomodulators:** Targeted immunomodulators (TIMs) represented almost 25% of overall pharmacy spend for Navitus clients, and are used to treat conditions such as rheumatoid arthritis, plaque psoriasis, psoriatic arthritis, ulcerative colitis and Crohn's disease. Taken on its own, Humira® (adalimumab) would be the no. 2 specialty category (with an \$8.85 PMPM cost). Of note, adalimumab biosimilars are expected in 2023, which may drastically impact costs in this category.

Navitus was able to reduce spend in this class by an impressive 42% for our plan sponsors. Through rebate enhancements and targeted formulary changes such as moving utilization from Cosentyx® (secukinumab) to Taltz® (ixekizumab), we achieved a reduction in unit cost in the TIMs category.

- Multiple Sclerosis:** Medication costs in this category significantly decreased over the last year with the release of dimethyl fumarate, a generic version of Tecfidera®. Significant savings were seen in 2021 due to drug price reductions in this category and a high conversion rate of members to the generic product. To further promote use of the low-cost generic option, our formulary management committee elected to exclude Vumerity® (diroximel fumarate), a brand product, because it offered little clinical benefit over generic dimethyl fumarate.

- **Cystic Fibrosis:** Advances in the treatment of cystic fibrosis led to increased use of Trikafta® (elexacaftor/tezacaftor/ivacaftor), which accounted for 75% of spend in this category. With no real competition, this will continue to be a significant driver of cost.
- **Dermatology:** Dupixent® (dupilumab) is currently the only medication in this category and is used for a number of indications, including nasal polyps, treatment-resistant asthma and atopic dermatitis. Expanded indications and direct-to-consumer advertising increased demand, resulting in the highest increase in overall PMPM cost of 2021.

Top 5 Non-Specialty Categories

Five non-specialty categories accounted for an estimated 50% of non-specialty PMPM cost for Navitus clients in 2021.

Non-Specialty Drug Category	Net Cost PMPM	Utilization Trend	Unit Cost Trend	Overall Trend
Diabetic Agents	\$11.53	3.2%	2.0%	5.2%
Antiviral Agents (primarily HIV/Influenza)	\$3.50	-5.2%	-12.1%	-17.3%
Asthma Agents	\$2.52	-7.2%	-1.3%	-8.5%
ADHD Agents	\$2.17	9.6%	-9.9%	-0.3%
Blood Thinners	\$2.12	4.6%	10.3%	14.9%
Total	\$44.35	1.3%	-2.2%	-0.9%

Non-Specialty Drivers: Key Insights

- **Diabetic Agents:** Insulin is no longer the main driving force in the cost of diabetes care. Thanks to competition and pricing, insulin costs were down more than 10% in 2021. However, newer products for the treatment of type 2 diabetes continued to gain market share. Glucagon-like peptide 1 (GLP-1) receptor agonists (e.g. Ozempic® (semaglutide), Victoza® (liraglutide) and Trulicity® (dulaglutide)) and sodium-glucose cotransporter-2 (SGLT2) inhibitors (e.g. Jardiance® (empagliflozin) and Farxiga® (dapagliflozin)) have seen utilization growth of 30% and 20%, respectively.
- **Antivirals:** Downward trends were seen in this category from both a utilization and a cost perspective. A key factor in decreased utilization was the lack of flu season in early 2021. The driving force from a cost perspective was the introduction of generic Truvada® (emtricitabine/tenofovir disoproxil fumarate) in late 2020 for treatment and prevention of HIV. The resulting cost savings were seen in 2021.
- **Blood Thinners:** Utilization has shifted away from generic warfarin over the last few years to newer branded agents Eliquis® (apixaban) and Xarelto® (rivaroxaban) that present safety and monitoring advantages.

Noteworthy

- **Migraine:** Growth in utilization and cost in this category was driven by newer branded agents for both the prevention and treatment of migraines.
- **Metformin:** remains the most prescribed medication for the treatment of diabetes. While utilization of metformin is double that of all GLP-1 receptor agonists and SGLT2 inhibitors combined, these newer therapies account for 40 times more cost and are driving the PMPM cost trend in this category.
- **HIV preventive therapy Descovy®:** (emtricitabine/tenofovir alafenamide) costs 10 times more than Truvada® (emtricitabine/tenofovir disoproxil fumarate). By preferring generic Truvada, plans are able to provide preventive treatment for more members at significantly less cost.

VALUE DRIVERS AND INNOVATIONS



OUR BUSINESS IS PERSONAL

Lowering the cost of prescription drugs is essential to ensuring access and affordability. Traditional PBM practices may create unnecessary costs at almost every step of administering the pharmacy benefit. Fundamentally, Navitus does not benefit when drug prices go up, so we are incentivized to act on behalf of, and in the best interest of, our clients and their members.

Navitus continues to present an industry alternative to traditional PBMs. Our fully transparent, pass-through model ensures plan sponsors are billed only for the net cost of medications and that 100% of all discounts and rebates received are passed directly to clients.

We believe that partnering and aligning with our clients enable us to focus on doing the right thing. Our goal is to achieve greater affordability and accessibility for both plan sponsors and health care consumers alike.

Navitus and Costco: Focused on Delivering More Value

Navitus and Costco share a mission to provide value and deliver the lowest net cost, and both strive for an unmatched reputation of service excellence.

As an example, Navitus found that for the 40 most utilized drugs (including 10 brands and 30 generics), **Costco's retail pharmacy had the lowest cost 80% of the time** (compared with the top six other retail pharmacies). Even in the remaining 20% of cases, Costco's price was within 1-2% of the lowest cost.⁵

Additionally, the Navitus-Costco partnership enables us to offer a **Costco preferred solution** to help plan sponsors deliver more value to their members — providing them access to **Costco pharmacy services** as well as **hearing, optical** and **immunization**.⁶

“ Our pass-through model delivers the lowest cost for medications while **improving clinical outcomes for patients**. Navitus is literally **removing cost from the pharmacy supply chain, not shifting it**. It is the right work to do and aligns with our goal – **first and foremost – to help human beings access the medications they need**.

— Diana Gibson Pace, Chief Growth Officer, Navitus Health Solutions

Lumicera: Specialty Medications With an Eye on Rising Costs

Plan sponsors want to manage the costs of specialty medications while ensuring members receive the best possible care. Because there wasn't a specialty pharmacy that could deliver on both, Navitus built its own full-service specialty pharmacy: Lumicera Health Services.

One way Lumicera is successfully bending the cost curve is by discovering efficiencies and reducing markup on specialty drugs. Thanks to its cost-plus pricing model, Lumicera's patient management fee (PMF) and shipping costs as a percentage of total costs have, as a whole, declined every year for the past three years.

Medical Pharmacy Solutions

Specialty medications that are administered by a provider, typically via injection or infusion, are usually covered under the medical benefit rather than the pharmacy benefit. What's often not discussed is that medications processed under the medical benefit can cost significantly more than those processed under the pharmacy benefit thanks to variable reimbursement methodologies that allow the potential for inflated costs. Navitus has observed plan sponsors paying far in excess of the average wholesale price (AWP).

⁵ Navitus internal data.

⁶ Where appropriate to benefit plan design.

Our lowest-net-cost approach to utilization management is proven and can be applied to all specialty spend — including medical specialty. Navitus can help plan sponsors control their overall specialty spend, improve care and reduce costs.

Our robust Medical Pharmacy Solutions include several key tools to better manage plan spend, helping clients achieve savings of approximately 30% to 50%.

Moving from the medical benefit to the pharmacy benefit for specialty medications can lead to big cost savings. In fact, one Navitus client saved **\$1 million** by moving just one member from medical to pharmacy for specialty medications.

Copay Assistance: Helping Members Afford Their Medications

Over the last five years, the cost of brand-name medications (both specialty and non-specialty) continued to increase. They now account for 87% of plan medication costs but only 15% of their prescriptions.⁷ Copay assistance programs can help offset these price increases for members. However, navigating these programs can be complicated.

As part of Navitus' lowest-net-cost philosophy, we have developed plan design solutions to help both plan sponsors and members maximize their benefit.

Improving Member Experience

Members face challenges along their **health care journey** that can lead to disruption and poor health outcomes. That's why Navitus is committed to delivering an exceptional experience to build member trust and help them successfully **navigate the challenges on their path** to better health.

Navitus supports members by:

Reducing member disruption by identifying where disconnects happen and developing solutions to deliver the right support at the right time with personalized programs that help members achieve their health goals.

Providing personalized support for chronic conditions with digital health solutions that reduce gaps in care for at-risk or non-adherent members.

Meeting members where they are, on demand and on their platform(s) of choice. This includes phone, email and text⁸, as well as the Navitus mobile app, member website and 24/7 customer care.

Improving Chronic Conditions With Population Health Strategies

To effectively improve health outcomes and manage costs, both plan sponsors and members need solutions that specifically address their most common concerns with ongoing support and management.

Navitus offers several solutions, including:

Pharmacoadherence: Identifies opportunities for medication adherence and provides education and information to encourage it.

In 2021, 44% of members improved their maintenance medication adherence post intervention.

Diabetes Care Optimization: Supports members with type 2 diabetes to improve health outcomes and lower costs through case management and member assistance.

Digital Therapeutics: Offers a digital experience to engage members with personalized, real-time feedback and education.

Opioid Management: Offers a comprehensive suite of solutions to promote effective pain management while encouraging appropriate utilization.

⁷ Based on analysis of Navitus internal data.

⁸ Availability varies by program, client, and compliance and regulatory requirements.

LOOKING AHEAD



WHAT TO EXPECT IN 2022 AND BEYOND

At Navitus, everything we do is with a focus on making prescription drugs affordable and helping people live their lives to the fullest. That's why we are steadfast in monitoring drug trends so that we can be proactive on behalf of our clients and members. Here are some topics to consider in the coming year(s).

COVID-19 Vaccines

As we move out of the pandemic phase, COVID-19 will remain with us — and vaccination will continue to be recommended for certain populations. COVID-19 vaccines are unlikely to see the high utilization of previous years in the future but will likely become an annual expenditure with higher unit costs as government subsidies end.

Specialty

Continued growth is expected in the specialty space, primarily due to increases in utilization of targeted immunomodulators and dermatology medications.

In the targeted immunomodulator space, shifts in utilization to newer agents, as well as expansions in indications and

patient populations will lead to continued increases in spend through 2022. Biosimilar launches for Humira® (adalimumab) and Stelara® (ustekinumab) in 2023 will offer some savings potential moving forward.

Dermatology is expected to become a top-five specialty class next year due to continued increases in the use of Dupixent® (dupilumab) and additional products approved in this space.

Non-Specialty

Continued growth is anticipated in GLP-1 receptor agonists for treatment of diabetes as well as potential additional competition in existing and new generics for asthma treatment.

Increased spend in HIV drugs is anticipated due to drug price increases. Meanwhile, the introduction of a bimonthly injection could replace existing oral medications, potentially shifting some pharmacy costs to medical.

Lastly, we expect to see a continued rise in utilization and spend for migraine medications.

IT'S PERSONAL TO US

At Navitus, we know that access to affordable prescription drugs can be **life changing — and lifesaving**. Every trend we monitor, every number we analyze, is personal to us — because people are more than ID numbers. Ultimately, we're on a mission to make a difference and to demonstrate what can happen when your PBM is aligned with your interests.

Methodology

Drug trend is measured by comparing the total-net-cost per member per month (PMPM) cost for 2021 and 2020. Total net cost is the discounted ingredient cost plus dispensing fee and tax, minus rebates and discounts, and includes both plan-paid and member-paid (copay) portions. Specialty drugs are included in our calculations. PMPM drug cost trend consists of two components: utilization and cost. Utilization trend measures the change in total days of therapy. PMPM cost trend measures change in unit costs as a result of network discounts and rebate discounts, inflation and drug mix. Clients included in the overall analysis must have been with Navitus in both 2020 and 2021 and are limited to Navitus' commercial book of business. Exclusions from analysis include lifestyle medications (cosmetics, erectile dysfunction, weight loss, infertility), medically administered products and COVID-19 vaccines.