

Vision 2020: Chaos or Calm?

FEBRUARY 13, 2020



Several Healthcare Topics Will Be at the Forefront in 2020

Mapping System Transformation

Health Care Beyond Medicine

- Expanding Medicare Advantage Scope and Coverage
- Addressing Unmet Social Needs to Better Drive Health

Plotting the Path

Financing the Next Level of Health Care Innovation

- Reforming Medicare Drug Programs
- Funding the Pipeline with Novel Solutions
- Growing Partnerships with Outcomes-Based Contracts

Paving the Road Ahead

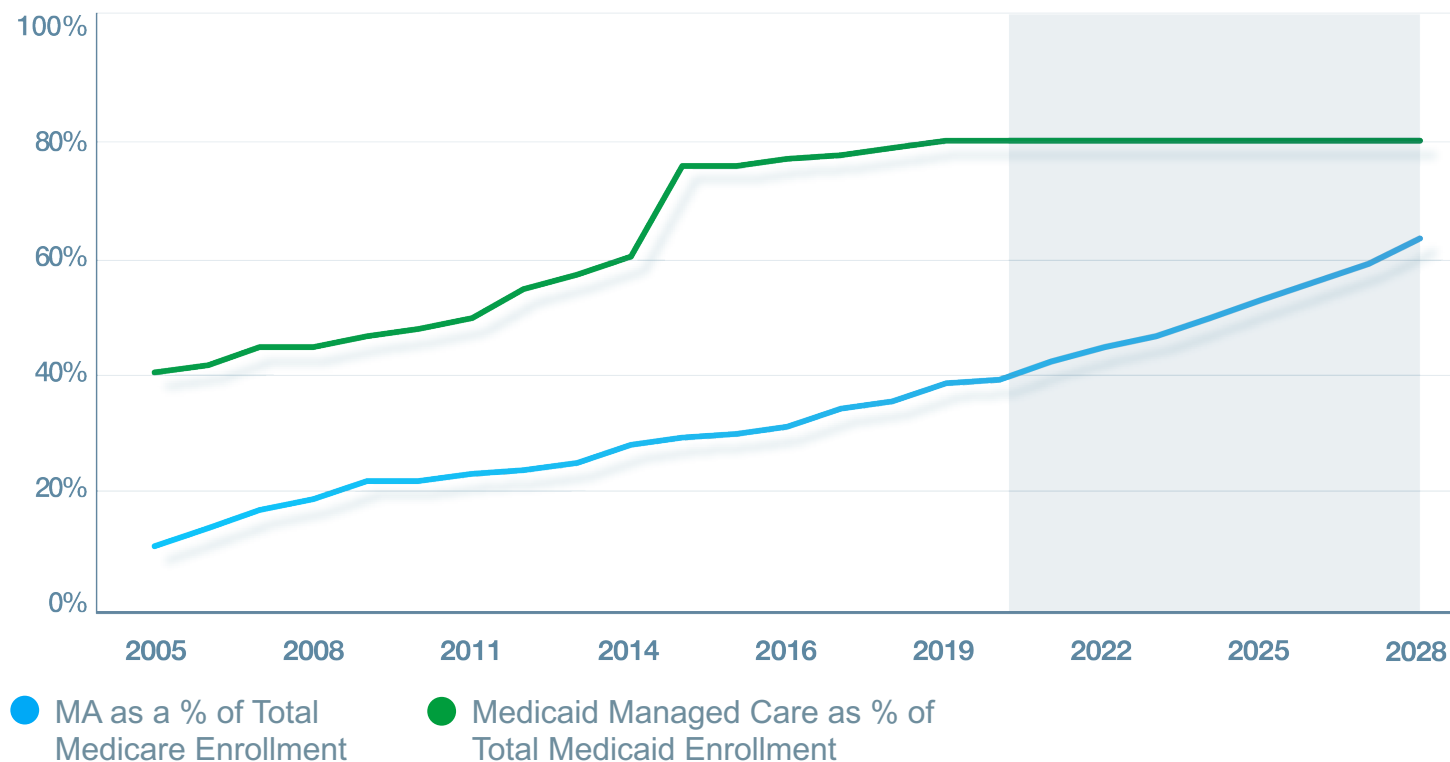
The Future of Coverage

- Moving Beyond the Medicare-for-All Debate
- Influencing Medicaid's Future



Managed Care Is Becoming the Dominant Form of Public Coverage

Managed Care as Percent of Medicare and Medicaid Enrollment, 2005-2028 /



MA: Medicare Advantage

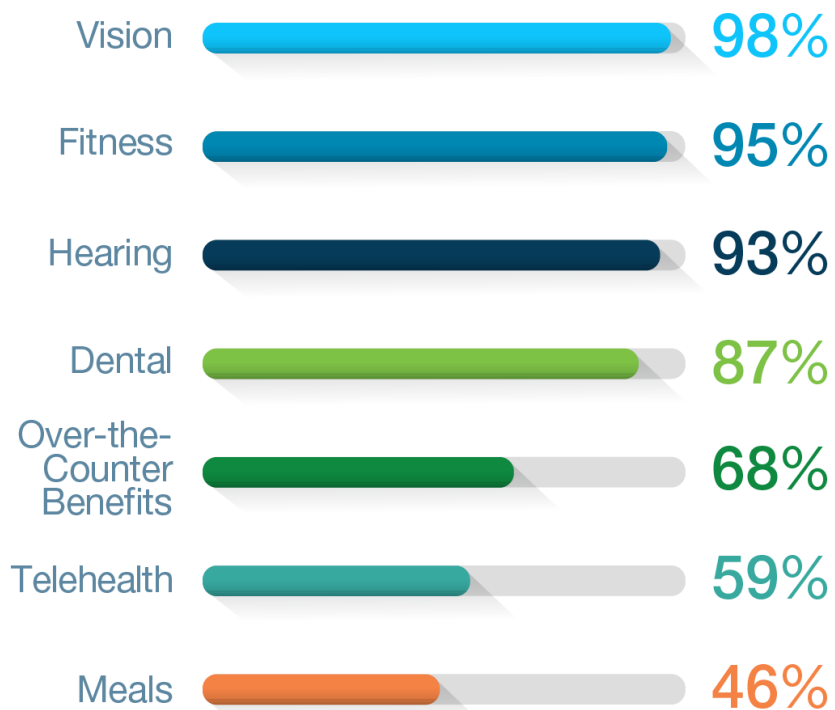
The MA program continues to shape how seniors and individuals with disabilities access care, and the program is poised for more expansion – both in enrollment and in the scope of benefits plans will offer



Payers Are Aware of the Impact of Unmet Social Needs on Health and Are Adapting

MA Plans Continue to Increase Their Supplemental Benefit offerings in 2020

Percent of Plans



MA: Medicare Advantage

Part of the appeal for MA is the growing array of supplemental benefits MA plans offer, including vision, fitness, hearing, and dental benefits and an increasing number of plans include meals, transportation, acupuncture, and over-the-counter benefits



On Drug Pricing, Recent Policy Proposals Demonstrate Areas of Alignment

Policy Proposal	House	Senate	Admin
Medicare Negotiation	✓		
Part D Inflation-Based Rebate	✓	✓	
Part D Benefit Redesign	✓	✓	
Part D Beneficiary OOP Reforms	✓	✓	
Medicaid Rebate AMP Cap Elimination		✓	
Medicaid PBM Spread Pricing Reform	✓	✓	
Allowance for Medicaid Value-Based Arrangements		✓	
Manufacturer Transparency Measures	✓	✓	
Drug Importation		✓	✓
International Price Referencing	✓		✓

ASP: Average Sales Price; AMP: Average Manufacturer Price;
OOP: Out-of-Pocket



Conversations on Failed Legislative Initiatives Will Carry Over into 2020

High Priority Level	Part D Reform	Largely negative impact to manufacturers, specialty pharmacies, PBMs, pharma services
	Transparency Initiatives	Limited impact, potential slight negative impact to hospitals, pharma services, providers
Low Priority Level	Surprise Billing	Negative impact to providers who frequently bill out of network, emergency providers, anesthesiologists, radiologists, contract adjudication services
	Coverage Reform	Limited reform potential positive for providers, manufacturers, others Wholesale reform largely negative across sectors

While media attention is likely to be focused on Medicare for All and other electoral politics, smaller initiatives may advance as “must pass” legislation progresses.



PBM: Pharmacy Benefit Manager

The Cell and Gene Therapy Market Is Growing Rapidly

800+

Currently active INDs on file for cell and gene therapies

50

Newly-hired FDA clinical reviewers to the Cell and Gene Therapy group

20

Companies with over 8 gene therapies in the active clinical pipeline

11

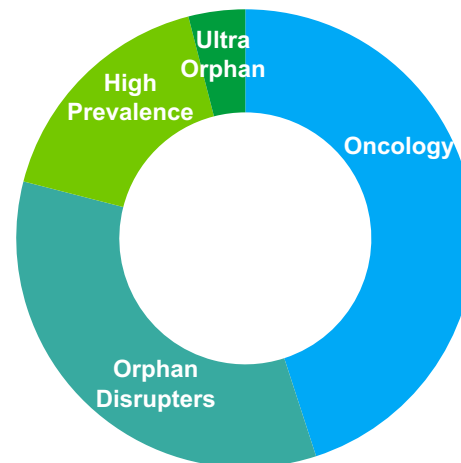
Expected FDA approvals for gene therapies by 2021

Source: MIT NEWDIGS

*Breakdown by gene therapy disease category based on an estimated 39 product approvals

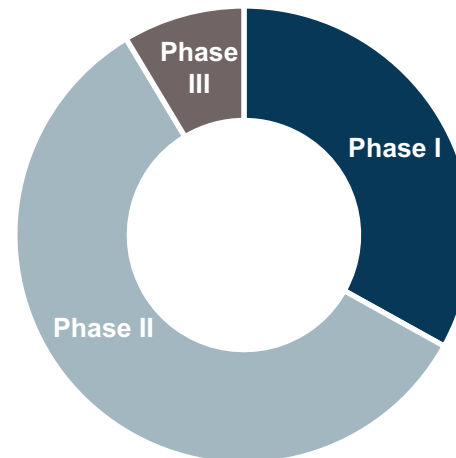
IND: Investigational New Drug; FDA: US Food and Drug Administration

U.S. Gene Therapy Approvals Expected Through End of 2022



Almost 50% of expected gene therapy approvals are for oncology drugs and almost 60% of gene therapy drugs in the pipeline are in phase II

U.S. Gene Therapy Pipeline by Clinical Trial Stage



Stakeholders Are Exploring Various Models to Respond to New Therapies

+800

Investigational New Drug (IND)
Applications for Cell-Based or Gene
Therapy on File with the FDA

\$600M+

Venture Capital Investment in
Gene Therapies Since 2014

FDA: US Food and Drug Administration



Benefit Design and Coverage Models

- Multiple-Year Insurance
- Outcomes-Based Contracts
- Health Currency Portability
- Value-Based Insurance Design



Plan Risk- Economics Models

- Reinsurance "Stop-Loss"
- Drug Mortgage/Annuity
- Plan-Level Amortization



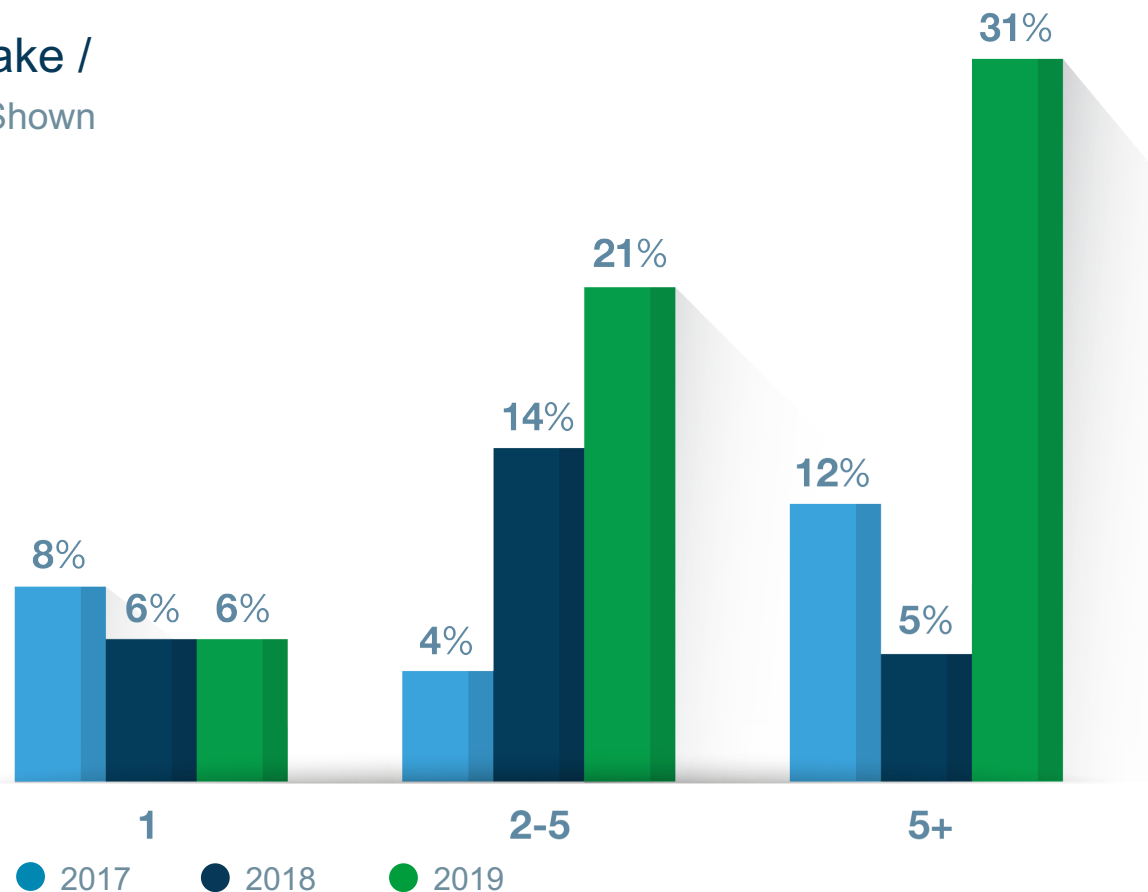
"New Age" Models

- Drug Subscription
"Netflix Model"
- Manufacturer as Provider
- Value-Based Administrator



Nearly 60% of Payers Have an OBC; Many Are Negotiating Entry into OBCs

OBC Uptake /
All Players Shown



OBC: Outcomes Based Contract

59%

of payers have an
OBC in place

63%

of payers with OBCs
are considering
additional contracts



Affordability & Uninsurance Are Driving 2020 Election Healthcare Convos

Growing Exposure to Out-of-Pocket Costs /

+36%

Increase in average annual deductible in employer market, over last 5 years

29%

Americans reporting not taking drugs as prescribed due to cost

44%

Americans reporting receiving a surprise out-of-network medical bill

The Kaiser Family Foundation. Employer Health Benefits 2019 Annual Survey. [Link](#)
KFF Health Tracking Poll – February 2019: Prescription Drugs. [Link](#)
Families USA and Perry Udem poll, October 2019. [Link](#)
CBO. May 2019. Federal Subsidies for Health Insurance Coverage for People Under Age 65: 2019 to 2029. [Link](#).

Significant Remaining Uninsured Population /

◀ **30M**

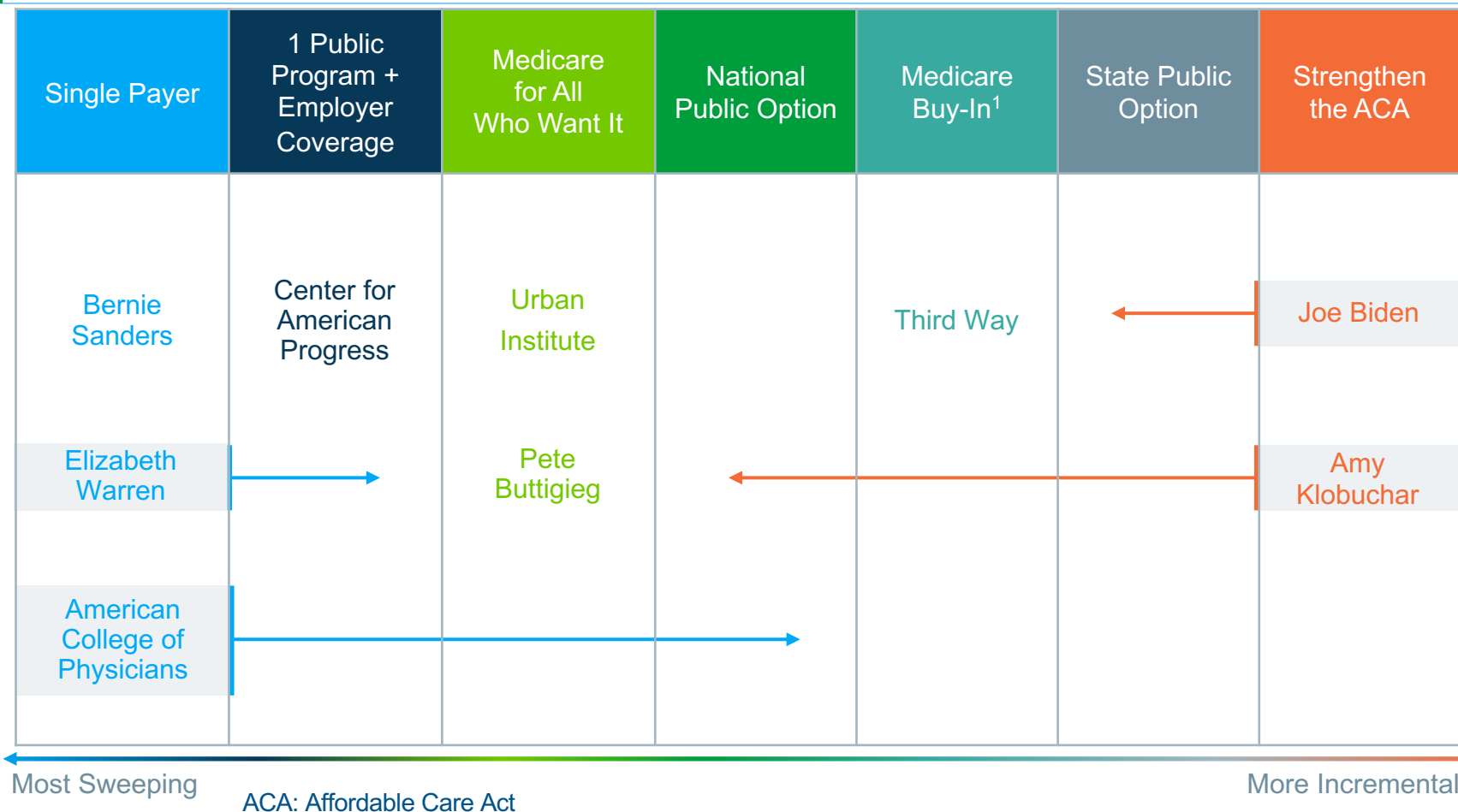
Individuals remain uninsured in the US

◀ **50%**

Are either currently eligible for Medicaid/exchange subsidies, or could be eligible under Medicaid expansion



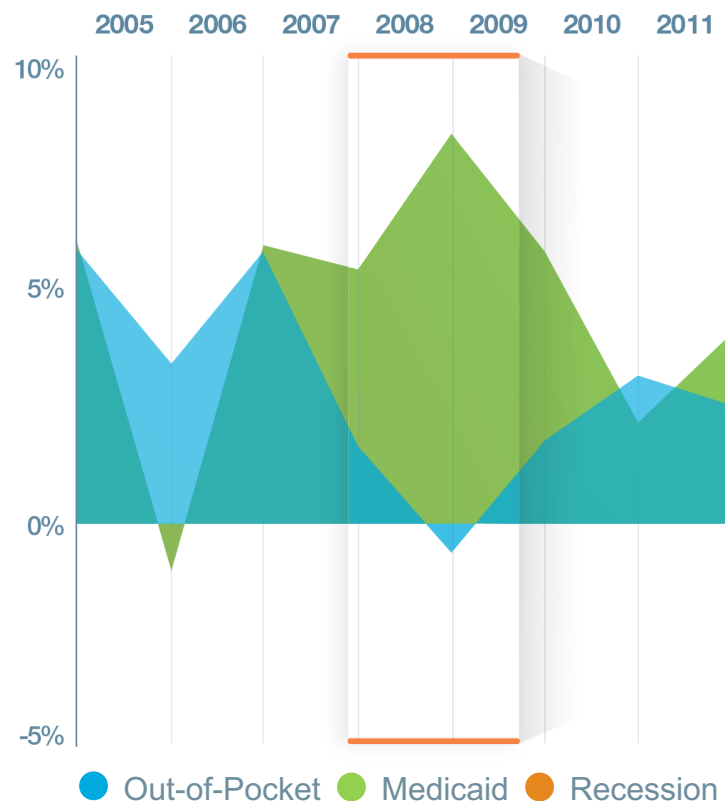
Proposals Across the Spectrum Are Focusing on Ways to Address Coverage



Predicted Economic Downturn Plus Policy Changes Will Affect Medicaid

National Health Expenditures, Percentage Growth /

In a recession, Medicaid grows while out-of-pocket spending falls.



Medicaid Expansion and
Non-Traditional Populations

Medicaid Eligibility and
Work Requirements

Value-Based Payment
Models

Capped Funding
Proposals and Guidance

Chaos or Calm? Perhaps a Bit of Both



Thank you!

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