Dean FOODS

Carving Out Specialty Pharmacy and Using Biosimilars to Control Specialty Spend

VIVIO

Dean Foods

Dean Foods is a leading food and beverage company and the largest processor and direct-to-store distributor of fresh fluid milk and other dairy and dairy case products in the United States. Headquartered in Dallas, Texas, the company has approximately 15,000 employees. Dean Foods has more than 50 national, regional and local dairy brands as well as private labels.

Taking a Bull by the Horns

In recent years, Dean Foods has been besieged by surging healthcare costs, with specialty drugs being a key cost driver. Not having expert knowledge about specialty drugs, the company, in some cases, had been unknowingly paying for the inappropriate utilization of these types of products. Rather than hoping its participation in a pharmacy benefit collective would throttle its rapidly increasing specialty spend, Dean Foods took the bull by the horns and chose to better manage and achieve higher value from this healthcare category.

Finding a Better Way to Manage Specialty Drugs

Mike Adams, VP of Benefits & HR Systems at Dean Foods, has been leading the quest for specialty drug accountability. A few years back, Mr. Adams realized the tipping point had been reached when specialty drugs, used by 2% of plan members, accounted for one third of the company's overall drug spend. As a former director in a large consultant's pharmacy benefit consulting practice, he knew better than most the inherent conflict of interest pharmacy benefit managers (PBMs) have. In his view, it is difficult for them to put their customers' interests ahead of their own, because "the more money my company spends on specialty, the more money the PBM makes."

The catalyst for change occurred in mid-2018 when a benefits consultant suggested the VIVIO solution. Mr. Adams seized the opportunity and carved out all specialty drugs from both Dean Foods' PBM and carrier. On January 1, 2019, VIVIO began managing all specialty drug therapies on both the pharmacy and medical benefits.

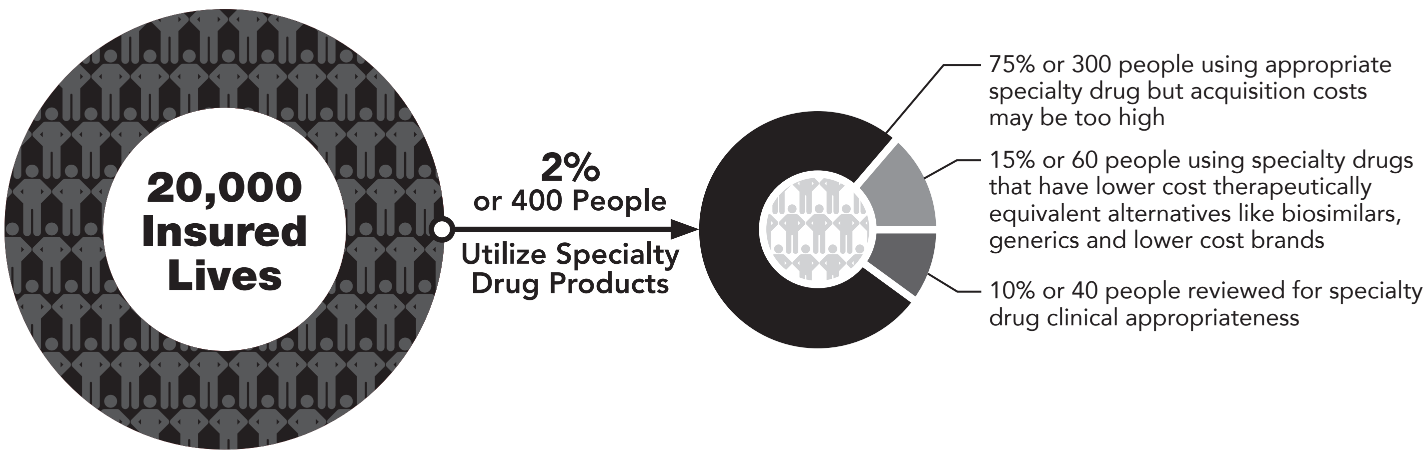
"The more money my company spends on specialty products, the more money the PBM makes."

— **Mike Adams,**
Dean Foods VP of Benefits & HR Systems

VIVIO

VIVIO is a specialty drug management company focused on improving healthcare outcomes and lowering costs using specialty drug data, patient-specific clinical data, and ongoing outcomes data coupled with better and completely transparent supply chain management procedures. The company uses proprietary data analytics to offer the best clinical solution to each patient while significantly lowering overall costs for the plan sponsor. In the vast majority of cases, VIVIO's program preserves or improves both the member and physician experience. Also, program implementation and maintenance are streamlined and easy for the employer.

When a self-insured employer contracts with VIVIO, all specialty drugs are carved out from PBMs, carriers and third-party administrators (TPAs). For a typical insured population of 20,000 lives with an average specialty utilization rate of 2%, VIVIO expects to actively manage 400 plan members at any given time. The diagram below illustrates these dynamics.



75% of Specialty: Appropriate Drug — But Wrong Price

Across VIVIO's book of business, typically 75% of specialty drug usage is appropriate, but employers pay too much. Here, VIVIO focuses on managing the byzantine supply chain, ferreting out lowest cost drug suppliers, passing through 100% of rebates to customers, and capturing all manufacturer discount opportunities, all with no member disruption.

15% of Specialty: Switch to Therapeutic Equivalents that Cost Less

Typically, 15% of prescribed specialty drugs have lower cost therapeutic equivalent alternatives such as biosimilars, generics and less costly branded drugs. In most cases, VIVIO switches the prescribed drug to the lowest net cost therapeutic equivalent.

10% of Specialty: Review for Clinical Appropriateness

Given the health and budget implications of specialty drugs, VIVIO's professional staff works with physicians and patients to ensure these medications are appropriate and contributing to the best possible health outcomes.

Overcoming Obstacles to Biosimilar Adoption

Some in the employer community consider biosimilars a battle to avoid. VIVIO's experience with biosimilar conversions contradicts this perception.

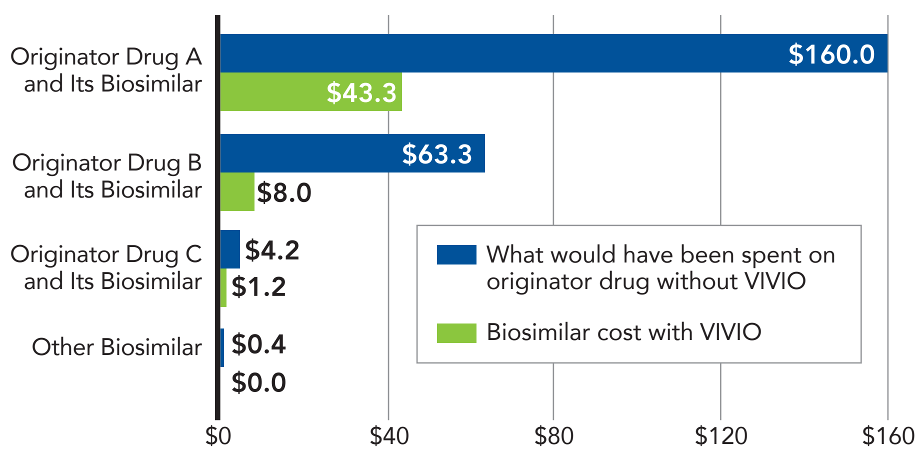
- **PBM and carrier roadblocks:** Employers' existing PBM and carrier contracts may result in severe financial penalties if biosimilars are utilized and sometimes are even blocked outright. When specialty therapies are carved out to a company like VIVIO, which is totally independent from all PBMs and health plans, there are no biosimilar roadblocks. When therapeutically equivalent and appropriate for a patient, originator biologic therapies are converted to biosimilars.
- **Targeted population:** While the financial impact of biosimilars is large, the target population is currently small and easily identified. This target population will continue to grow as the number of available biosimilars increases.
- **Employee disruption:** A few employees switched to biosimilars may complain to their employer or the specialty therapy manager, but the majority accept the change without pushback. Those who complain get respectful explanations, complete with clinical and cost savings information.
- **Provider resistance:** VIVIO has found that most physicians accept biosimilar conversions. When physicians disagree, they receive clinical evidence for the determination. If they request a peer-to-peer discussion, it will be granted, and this usually is where the disagreement ends. Regardless, Dean Foods' policy requires switches to therapeutically equivalent biosimilars from originator specialty products when clinically appropriate. No exceptions.

***The take-away** for employers contemplating a biosimilar conversion protocol is that it is not as disruptive and divisive as perceived, or as reported and forecast by some industry analysts.*

Biosimilar Program Cost Savings

Dean Foods' 2019 cost savings achieved by converting originally prescribed 'originator' biologic specialty drugs to therapeutically equivalent biosimilars are tabulated in the chart to the right.

Dean Foods Biosimilars Cost Savings in 2019
(Thousands of Dollars)



Without VIVIO, Dean Foods would have spent $227,500 in 2019 on a market basket of three originator biologic drugs (Drugs A, B, and C). Instead, the company actually spent $52,900 on four biosimilars. Subtracting the biosimilar cost from the originator product cost, Dean Foods achieved $174,600 cost savings, or 77%.

Conversion to therapeutically equivalent biosimilars yielded a 77% cost savings over originator products.

Overall Dean Foods Cost Savings

Conversions to biosimilars were just one of the specialty drug savings components achieved by Dean Foods in 2019. Total company savings is presented in the table to the right.

As seen in table to the right, Dean Foods' bottom line $4.35 million NET program savings was achieved through VIVIO-provided clinical value and supply chain savings programs.

Initial Supply Chain Savings	
Projected Dean Foods specialty drug spend in 2019 without VIVIO	$8.798 M
Actual Dean Foods specialty drug spend in 2019 with VIVIO program	$5.569 M
VIVIO supply chain savings: • Lowest cost suppliers • 100% pass-through of rebates • Manufacturer discount programs	$3.229 M
Additional Clinical Savings	
VIVIO clinical savings (avoided therapy costs) achieved through: • Brand to biosimilar switches • Brand to generic switches • Brand to lower cost therapeutic alternatives • Discontinuation of experimental drugs	$1.667 M
Overall Savings	
Total Dean Foods GROSS savings	**$4.896 M**
NET Dean Foods program savings	**$4.350 M**

SUMMARY

Dean Foods' use of VIVIO to wrestle down its specialty drug spend leads to two conclusions:

- **Specialty drug carve-out is an action item employers should seriously consider.** By most estimates, specialty drugs currently account for approximately half of large employers' overall drug spend. This proportion will likely only continue to increase as the product pipeline of biopharmas is widely reported to be heavily weighted toward specialty drug products. Negotiating better PBM and carrier contracts only chips away at the margins of the specialty drug cost problem. Dean Foods carved out specialty to VIVIO because the company's model uses clinical and drug cost data to drive better outcomes, both clinical and financial. A specialty drug carve-out should be seriously considered by any large employer that wants to achieve better value from their specialty drug program.
- **Biosimilars pivotal role in managing specialty pharmacy spend is all but inevitable.** Notwithstanding their slow take-off in the U.S. market, biosimilars in some therapeutic areas are already competing well against originator biologic drugs. Falling legal barriers and market forces will act to convert more of the current originator products to biosimilars. Scanning the horizon, there are awaiting biosimilars for some of today's biggest blockbuster originator biologics, e.g., anti-inflammatory products. Employers wanting to capture value from current biosimilar conversions and position themselves for even greater biosimilars savings in the future should get ahead of the curve and use the demonstrated results of Dean Foods and VIVIO as a road map.

Funding for this report provided by Pfizer Inc.

The independent viewpoints expressed in this report are neither those of Pfizer, nor are they endorsed by Pfizer.