Welcome!

U.S. Payer Sentiment Study Part 2: IRA, Biosimilars, Gene Therapy & Copay Programs
Objectives driven by YOUR pressing payer questions!

We asked Sermo clients to submit questions for our second installment of the "U.S. Payer Sentiment Series," resulting in a core set of themes.

- What are the biggest challenges facing payers today?
- What are the roadblocks to assessing the value and benefit of gene therapies?
- How are biosimilars being handled today and into the future?
- What are perceptions of copay support programs?
- What is the role of copay maximizer programs?
In this survey, “Payer” refers to a Pharmacy Director or Medical Director from a large health plan or pharmacy benefit management company (PBM)

**Agile quantitative survey design**
- 15-minute, largely closed-ended survey conducted March-April 2023
- n=30 Pharmacy Directors, Medical Directors, and Chief Medical Officers
- Online and mobile data collection
- Broad mix of plan types
- Sample represents close to 200 million total lives covered across diverse lines of business

**Sentiment tracking**
A mix of new questions this wave, as well as a subset of identical questions from our 2022 survey, enabling us to track sentiment changes over time
We recruited largely from National Plans, Integrated Delivery Networks, and PBMs.
Payers were screened to ensure we targeted only executives influential in making medical and pharmaceutical products available to patients within their plan.

**Influence on Coverage Decisions**

- Involved in Plan Coverage Decisions: 100%
- Voting member of Pharmacy & Therapeutics Committee (P&T): 90%

**Mix of Business Lines**

- Private / Commercial: 42%
- Medicare: 31%
- Medicaid: 17%
- ACO: 10%
PART 1

Payer Challenges & the Inflation Reduction Act (IRA)
Payers are more hyper-focused on affordability and cost-containment being the single biggest challenge

Payer concern related to providers demanding increased reimbursement and the long-term impacts of COVID have subsided since last year

<table>
<thead>
<tr>
<th>Most Pressing Payer Issues</th>
<th>Q2 2023</th>
<th>Q3 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affordability and cost-containment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The economy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Providers demanding increased reimbursement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expansion of biosimilars</td>
<td></td>
<td></td>
</tr>
<tr>
<td>COVID &amp; the long-term impact</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expansion of individualized medicine</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expansion of evidence-based medicine</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Q: Which of the following topics represent the most pressing issues facing US Payers today?
Payer familiarity with the IRA has improved but remains in the moderate range

Some IRA provisions relevant to the healthcare and payer landscape:

• Federal government to negotiate drug prices in disease areas of greatest spend
• Drug companies will pay rebates if prices rise faster than inflation
• Annual cap placed on out-of-pocket spending for Medicare Part D patients ($2,000)
• Monthly OOP caps on insulins at $35 for people with Medicare
• Eliminate cost sharing for adult vaccines

Q: How familiar are you with the Inflation Reduction Act?

% Very/Extremely Familiar with the IRA

- October 2022: 43%
- April 2023: 53%

Source: KFF, 2023
Payer excitement about the IRA remains low due to perceived limits on what plans will cover

There are too many unknowns to say with certainty what impact the Act will have: 71% agree in Q2 2023, 70% in Q3 2022.

The impact of the Act is not well understood: 68% agree in Q2 2023, 67% in Q3 2022.

The Act is going to limit what plans are willing to cover: 70% agree in Q2 2023, 70% in Q3 2022.

The Act is going to limit what manufacturers can charge for their drugs: 67% agree in Q2 2023, 57% in Q3 2022.

The Act is likely to result in fewer drugs on formulary: 54% agree in Q2 2023, 50% in Q3 2022.

The impact of the Act is clearer for existing products than it is for new drug launches in the future: 53% agree in Q2 2023, 39% in Q3 2022.

The Act will impact only Medicare lives (i.e., no impact on commercial lives): 25% agree in Q2 2023, 20% in Q3 2022.

There is a lot of excitement in the payer community for the Act: 21% agree in Q2 2022, 23% in Q3 2022.

Q: Please use the scale to indicate the extent to which you agree or disagree with each of the following statements related to the Inflation Reduction Act.
Client Questions:
- How do Payers define “curative”?
- What’s the role of cost-sharing for potential cures that can be extremely expensive?
- What kind of data do payers expect to see to establish durability?
- Others
Overall, payers want to see an average of 6 years of data before determining whether a gene therapy is curative.

Directionally longer durability data are required for life-threatening conditions than for non-life-threatening conditions.

Approximately how many years of data would you want to see before determining that a gene therapy is truly curative?

- General: 5.97
- Breast cancer: 6.2
- Atopic dermatitis: 4.73

Q: Approximately how many years of data would you want to see before determining that a gene therapy is truly curative?
Gene therapy is a critical issue for payers. Wide-spread belief that the true cost of care is difficult to know at the time gene therapies are approved and that the definition of “curative” varies by condition

<table>
<thead>
<tr>
<th>Perception</th>
<th>% Agree</th>
<th>% Neutral</th>
<th>% Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>The true cost of care is difficult to know at the time a gene therapy is approved</td>
<td>93%</td>
<td>6%</td>
<td>7%</td>
</tr>
<tr>
<td>The definition of “curative” varies by condition</td>
<td>87%</td>
<td>13%</td>
<td>10%</td>
</tr>
<tr>
<td>How we deal with gene therapy is one of the most important issues we face in 2023</td>
<td>77%</td>
<td>13%</td>
<td>10%</td>
</tr>
<tr>
<td>It is extremely difficult to assess the value of gene therapies</td>
<td>73%</td>
<td>10%</td>
<td>17%</td>
</tr>
<tr>
<td>When it comes to gene therapy, the long-term total cost of care is often higher than initially believed</td>
<td>70%</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td>Gene therapy poses a significant challenge to value-based contracting</td>
<td>60%</td>
<td>27%</td>
<td>13%</td>
</tr>
<tr>
<td>We are inclined to take a wait-and-see approach to cover gene therapy</td>
<td>60%</td>
<td>27%</td>
<td>13%</td>
</tr>
<tr>
<td>As an insurer, I am extremely enthusiastic about the prospects of gene therapy</td>
<td>47%</td>
<td>26%</td>
<td>27%</td>
</tr>
<tr>
<td>Most gene therapies turn out to be less durable than initially described</td>
<td>30%</td>
<td>47%</td>
<td>23%</td>
</tr>
</tbody>
</table>

Q: Please use the scale to indicate the extent to which you agree or disagree with each of the following statements related to gene therapy.
More than 3 out of 4 Payers think that gene therapy cost sharing is a significant challenge that needs solving; cost of the therapy itself is perceived as the biggest issue in assessing the value of gene therapies.

Which of the following best describes your position on cost sharing for gene therapies?

- Cost-sharing is a significant challenge in gene therapy that we need to figure out: 77%
- Cost-sharing is not much of a consideration when it comes to gene therapy: 23%

In your opinion, what is the single biggest issue facing insurers when assessing the value of a gene therapy?

- Cost of gene therapy itself: 46%
- Total cost of patient care over time: 26%
- The established durability of gene therapy’s effect: 23%
- Unknown side effects: 3%
Client Questions:
• How are payers handling and planning to handle Humira biosimilars?
• Will first-mover biosimilars be covered or will payers wait for competition to drive prices down before covering?
• How will payers require biosimilars to differentiate from other biosimilars?
Payers believe that how Humira biosimilars are treated will dictate the future of the biosimilar market

% Agree/Disagree with the Following Statements on Biosimilars

How insurers handle Humira biosimilars is going to dictate how the biosimilars market is handled for many years to come

- Agree: 67%
- Neutral: 20%
- Disagree: 13%

Most insurers are going to wait for competition to enter the market later this summer before covering Humira biosimilars

- Agree: 64%
- Neutral: 13%
- Disagree: 23%

It is critical that biosimilars differentiate themselves from competitors if they expect favorable coverage

- Agree: 47%
- Neutral: 23%
- Disagree: 30%

Q: Using the scale below, please indicate the extent to which you agree or disagree with each of the following statements related to biosimilars.
Cost and clinically-demonstrated interchangeability are the top differentiators Payers seek for biosimilars

Best Ways for Biosimilars to Differentiate from Other Biosimilars

<table>
<thead>
<tr>
<th>Differentiation Factor</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>97%</td>
</tr>
<tr>
<td>Clinically-demonstrated interchangeability with the original biosimilar</td>
<td>80%</td>
</tr>
<tr>
<td>Administration setting (e.g., HCP-administered vs. self-administered at home)</td>
<td>37%</td>
</tr>
<tr>
<td>Administration method (e.g., auto-injector vs. pre-filled syringe)</td>
<td>30%</td>
</tr>
<tr>
<td>Formulation (e.g., citrate-free)</td>
<td>13%</td>
</tr>
<tr>
<td>Other</td>
<td>3%</td>
</tr>
</tbody>
</table>

Q: What are the best ways for a biosimilar to differentiate itself from other biosimilars?
PART 4

Copay Assistance Programs and Cost-Sharing

• What concerns, if any, do payers have about copay support programs?
• What’s the future of copay maximizer/optimizer programs
**Copay Support Programs vs. Copay Accumulators and Maximizers**

**Copay Support Programs**

Financial assistance provided by pharmaceutical or medical device manufacturers to help patients cover their out-of-pocket costs, such as copayments or coinsurance, for their prescribed medications or devices.

The manufacturer typically offers copay cards or vouchers that can be presented at the pharmacy to lower the patient’s out-of-pocket expenses.

**Copay Accumulator & Copay Maximizer Programs**

Copay Accumulators and Maximizers are strategies used by insurance companies and PBMs to promote cost-sharing between patients and insurers.

Specifically, these programs exclude copay assistance provided by manufacturers from counting toward the patient’s contribution to cost-sharing (i.e., their out-of-pocket maximum).

Source: IQVIA, 2022
Payers do not like aggressive copay assistance programs because they are perceived as leading patients to discontinue therapy when the copay benefit runs out.

<table>
<thead>
<tr>
<th>% Agree/Disagree with the Following Statements on Copay Programs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Copay assistance programs often lead to people going off therapy when copay assistance runs out</td>
</tr>
<tr>
<td>Agree</td>
</tr>
<tr>
<td>90%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Copay maximizer programs are critical to cost-sharing initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
</tr>
<tr>
<td>53%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Copay maximizer programs will soon be legislated out of existence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
</tr>
<tr>
<td>37%</td>
</tr>
</tbody>
</table>

Q: Please use the scale below to indicate the extent to which you agree or disagree with each of the following statements related to copay programs.
**Study summary**

**Biosimilars**
- Humira biosimilars are paving the way for future biosimilars
- Most payers anticipating waiting for biosimilar competition before covering
- Biosimilars need to be prepared to compete – Cost and data on interchangeability are critical

**Gene Therapy**
- Payers say it’s hard to know true cost of care at the time gene therapies are approved – need long-term data
- Payers want to see an average of 6+ years of durability data to consider a gene therapy curative (varies by Dx)
- The price of therapy and the struggle to get cost-sharing worked out are among the biggest anticipated challenges

**Inflation Reduction Act**
- Familiarity with the IRA is up, but only slightly
- Still too many unknowns to be certain of the Act’s full impact
- Payers are less concerned today about the economy and COVID than they were in October 2022

**Copay Accumulator and Maximizer Programs**
- Payers do not like aggressive copay assistance programs because they are perceived as leading patients to discontinue therapy when the copay benefit runs out
- Payers believe Copay Accumulator/Maximizers are a critical part of optimizing cost-sharing objectives, but the future of these programs remains unclear
Thank you

To learn how Sermo can support your Payer and HCP insights goals, email us at business@sermo.com