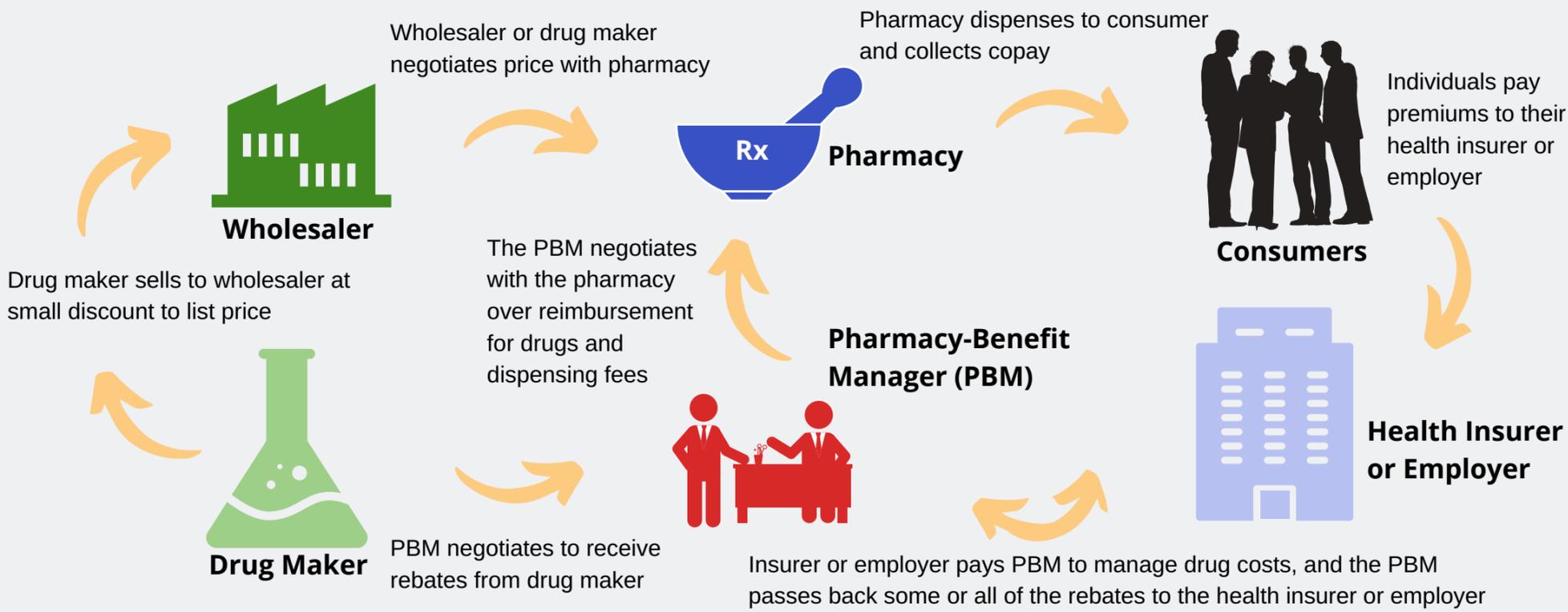




# Diabetes Prescription Drug Supply Chain



## The Complex Supply and Finance Chain for Prescription Drugs



Sources: Avalere Health, The Wall Street Journal

## What does lack of transparency in the Diabetes Drug Supply Chain mean for consumers?

- When diabetes drugs are excluded from formularies, an additional burden is placed on consumers and their providers to find suitable replacement drugs

- Out-of-pocket expenses for consumers differ depending on the type of insurance and the type of insulin prescribed. Uninsured consumers often pay all or most of the list price



**Consumers**

- Drug cost uncertainty for consumers can create a dangerous condition where patients are non-compliant with provider recommended insulin dosing

- Consumer health can be negatively impacted by drug formulary changes and exclusions

(over)



## Pharmacy-Benefit Manager

- Discounts and rebates that are negotiated by PBMs and drug manufacturers are often considered proprietary and are not transparent

- PBMs often provide utilization management services to their clients and ultimately decide which drugs on their formularies are given utilization management

- Rebates typically influence formulary placement. PBMs often exclude insulin from their formularies given low drug manufacturer rebates



## Drug Maker

- Analog insulins are expensive and widely prescribed, but may be no more effective than human insulin for some individuals with diabetes

- Certain regulations can inhibit the development of biosimilar insulins, which reduces overall marketplace competitiveness

- Evergreening, a patent extension strategy, can prevent drugmakers from producing competitors to existing and widely prescribed diabetes drugs



## Wholesaler

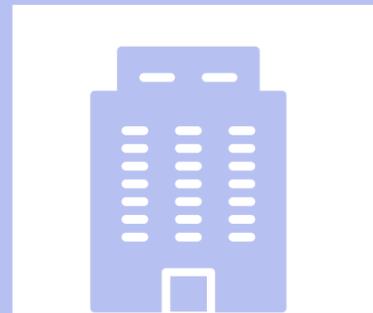
- Wholesalers typically benefit when the list price of insulin and other diabetes drugs increases, because they may receive a handling fee from the drugmaker that is based on a percentage of the list price



## Pharmacy

- As diabetes drug list prices increase, pharmacies tend to generate higher profits due to higher discounts and other dispensing fees

- Discounts and fees negotiated between pharmacies and PBMs are often not transparent. These negotiations impact the overall price consumers pay for life saving diabetes drugs



## Health Insurer

- High deductible or coinsurance insurance plans can mean high out-of-pocket costs for many individuals with diabetes