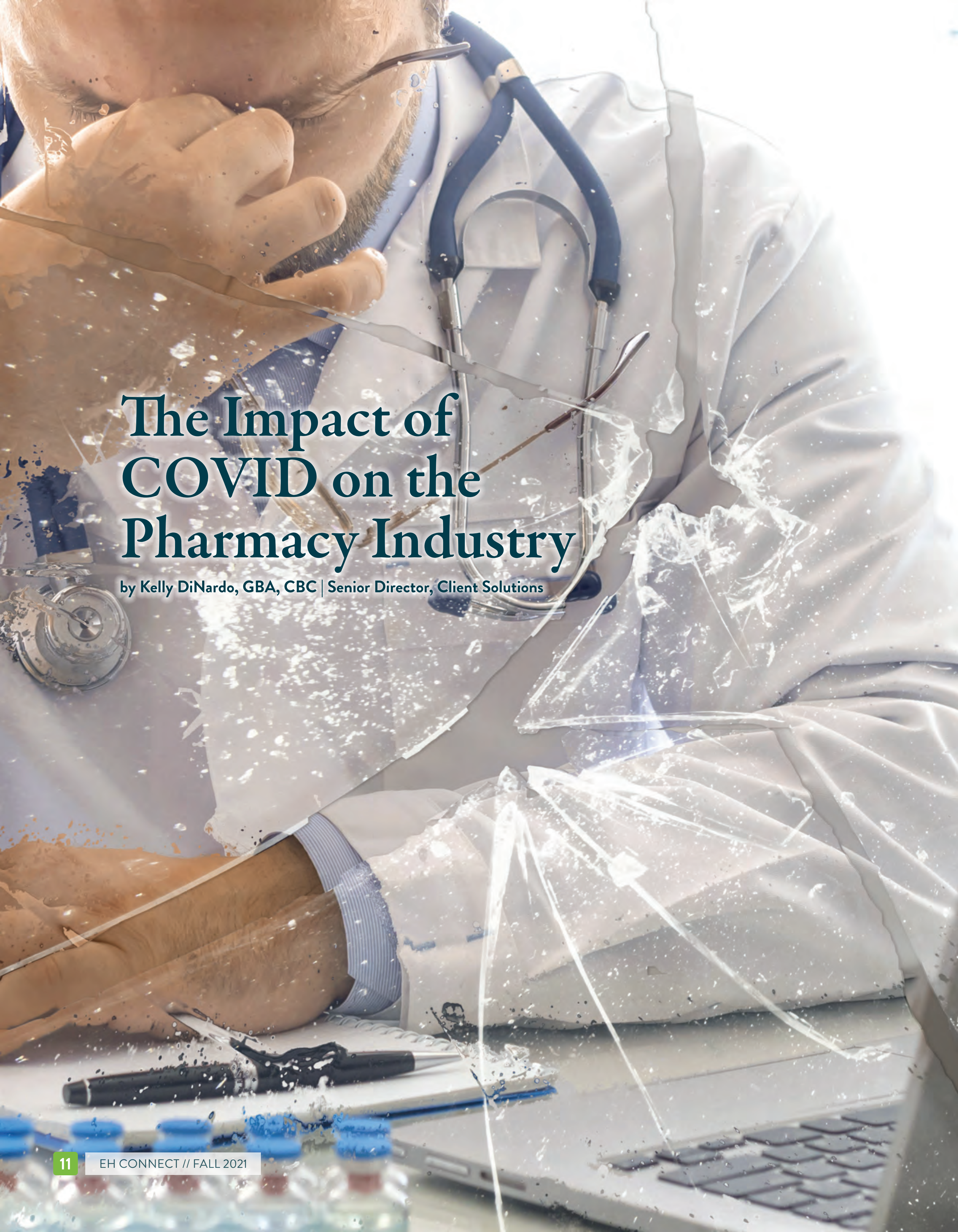

# The Impact of COVID on the Pharmacy Industry

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On March 11, 2020, the World Health Organization (WHO) declared the Coronavirus Disease (COVID-19) a global pandemic. At the time, the short-term and long-term impact COVID-19 would have on the medical and pharmacy industry was unknown. And, more than one year into the pandemic, the impact on health care systems and pharmaceutical markets was unprecedented, to say the least. The commencement of COVID-19 created unique fluctuations in pharmacy spend. The short-term impacts include change in demand, supply shortages and panic buying. Employers Health has diligently been monitoring the effects of COVID-19 and its short-term impact to our clients' pharmacy benefit plans. Below we have detailed how the pandemic has impacted pharmacy benefits, including fluctuations in spend, vaccination volume and acute treatment utilization.

Since the pandemic began, the pharmaceutical industry has struggled with the supply and demand of medications. Demand change can lead to shortages and those occurred in March 2020, when lockdowns began. Drug spend increased dramatically due to consumers stockpiling and panic-buying medications, especially for chronic diseases. A study on prescription medications in the United States indicated from March 13th-21st 2020, demand for asthma medications increased by 65% along with Type 2 diabetes medications which increased by 25%. COVID-19 resulted in an escalation in hospitalizations, pneumonia and patients being placed on ventilators, which all ultimately contributed to prescription shortages. As a result, pharmacies and other providers had to use alternative methods of treatment. Globally, regulatory authorities announced medication shortages, mostly including potential treatments for COVID-19 and pneumonia.

Wholesalers' concerns for potential disruption in drug supply triggered even more stockpiling in addition to an already escalated demand from consumers for certain over the

counter and prescription drugs. Over the counter drug purchases for calming, sleeping or mood drugs increased by 14.3%. Additionally, medications treating high cholesterol, migraines, hypertension, respiratory, anxiety, mental health and hypothyroidism also saw an increase in claims due to excess buying. To avoid medication shortages, the FDA proposed and published regulations that focused on demand optimization and rational supply. These regulations included prompt approvals for COVID-19-related treatments and compulsory licensing for potential COVID-19 treatments.

Among Employers Health clients, the midyear trend for total gross cost per member per month, not including rebates, increased 11% from 2019 to 2020. In March 2020, governments were forced to impose lockdown measures to control the spread of the virus, initiating the stockpiling period mentioned previously. In the following two months, drug spend decreased rapidly while many Americans were homebound and began to rebound in May 2020, when lockdown measures were lifted in many areas.

The COVID-19 pandemic also caused elective surgeries to be postponed and routine health care to be delayed, including scheduled vaccinations. Due to overwhelmed health care systems and the fear of contracting COVID-19, routine vaccination rates declined significantly, with the use of some vaccines declining as much as 95%. Vaccine-preventable diseases have not disappeared, and individuals of all ages need to stay current on all recommended vaccinations. The one exception to this trend occurred with flu vaccination rates, which saw over 51% of the population get their flu vaccine compared to 36% the prior year.

Since the first vaccine was invented in 1796 to protect individuals against smallpox, immunizations have had an overwhelmingly profound impact on public health. Amid COVID-19, the already scarce resources of health systems and hospitals could become even more burdened with potential outbreaks of these preventable infectious diseases. Vaccines are one of the most effective tools to reduce outbreaks of once common and devastating diseases.

The pandemic triggered several countries to negotiate with COVID-19 vaccine manufacturers to ensure prompt access to the vaccines once they were developed and approved. On December 11, 2020, the U.S. Food and Drug Administration (FDA) issued the first emergency use authorization (EUA) for the COVID-19 vaccine in individuals 16 years of age or older. The first COVID-19 vaccine to gain EUA was Pfizer-BioNTech's two-dose regimen. A week later, on December 17 the FDA granted an EUA for Moderna's COVID-19 vaccine, which also required two doses to be effective. On February 27, 2021, the FDA issued EUA for the single-dose COVID-19 vaccine manufactured by Johnson & Johnson/Janssen.

In the Employers Health BoB, a spike in vaccine claims inflated gross metrics across the board. In the second quarter of 2021, vaccines accounted for 2% of total gross cost and total gross cost per member per month (PMPM) and 8% of

total prescriptions. From Q1 2021 to Q2 2021 the gross cost PMPM for vaccines rose 292%. Since the COVID-19 vaccines are brands, the increased utilization from Q1 to Q2 2021 also caused a decrease of 6% in the Generic Dispensing Rate.[1]

COVID-19 affected health care systems and resulted in the interruption of usual care in many facilities. Social distancing and mask mandates were also effective at keeping contagious diseases other than COVID-19 at bay and contributed to a decline in pharmacy claims for treatments like cough and cold medicines, as well as antibiotics. Additionally, patients avoided hospitals and doctor visits for fear of contracting the virus. Telemedicine services expanded so patients could access remote care during the lockdown, but it was unfortunately not enough to offset the decline that took place. In-office health care appointments were at an all-time low in 2020, with 21% fewer diagnosis visits than expected which contributed to a decline in pharmaceutical expenditure. This impact persists into 2021, with projected diagnosis visits expected to be down 12% below baseline.[2] Prescription drug utilization is expected to continue to rebound now that lockdowns have been lifted.

The practice most affected by a decline in health care appointments was oncology. COVID-19's impact on cancer care has resulted in decreases and delays in diagnosing new cancers, delivering treatment and halting clinical trials. A recent study found that important tests, like lung cancer screenings, declined by more than 50% from the previous year[3] and those who delayed screenings and are diagnosed with lung cancer at a late stage could potentially have a lower five-year survival rate.[4] If this continues, cancer morbidity and mortality are likely to increase with more cancers being diagnosed at a later stage. The Centers for Medicare and Medicaid Services have classified screening as a low-priority service and suggested health care organizations consider delaying them. The service disruption reported from some centers fluctuated with some remaining fully functional and others having to close. Most of the centers reduced their usual level of care and more than half of the reduction was out of precaution. However, in many cases, disruption was due to other causes, such as an overwhelmed system, staff shortages and lack of access to medications, which we unfortunately continue to see today. Several patients had to miss or delay chemotherapy sessions. Many centers reduced in-person visits and switched to all telehealth appointments. Patients in many centers could not access care outside of their normal location if services were halted.

The effects of COVID-19 will have a substantial impact on cancer outcomes. Health care professionals continue to learn lessons from this pandemic and likely those lessons will become an integral part of the new normal of health care mitigating the negative impact on cancer outcomes. It is also imperative for cancer services to be reorganized to protect patients with cancer and cancer care should have a major component of effectively managing patients during pandemics or major crises to further avoid the gaps in care from COVID-19.

The long-term outcomes of the COVID-19 pandemic on health care systems and pharmaceutical markets are still playing out due to the several new variants that are emerging. There is high uncertainty over the future evolvement of COVID-19 and the impacts it will continue to have on pharmaceutical consumption. It is estimated, the COVID-19 vaccine spending alone will contribute $157 billion by 2025. Excluding spending on COVID-19 vaccines, global pharmaceutical spending is expected to drop $4 billion from 2020 to 2025.[5] Employers Health will remain steadfast in monitoring the effects of COVID-19 to our clients and their benefit plans and continue to provide updates with any notable changes.

## REFERENCES


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