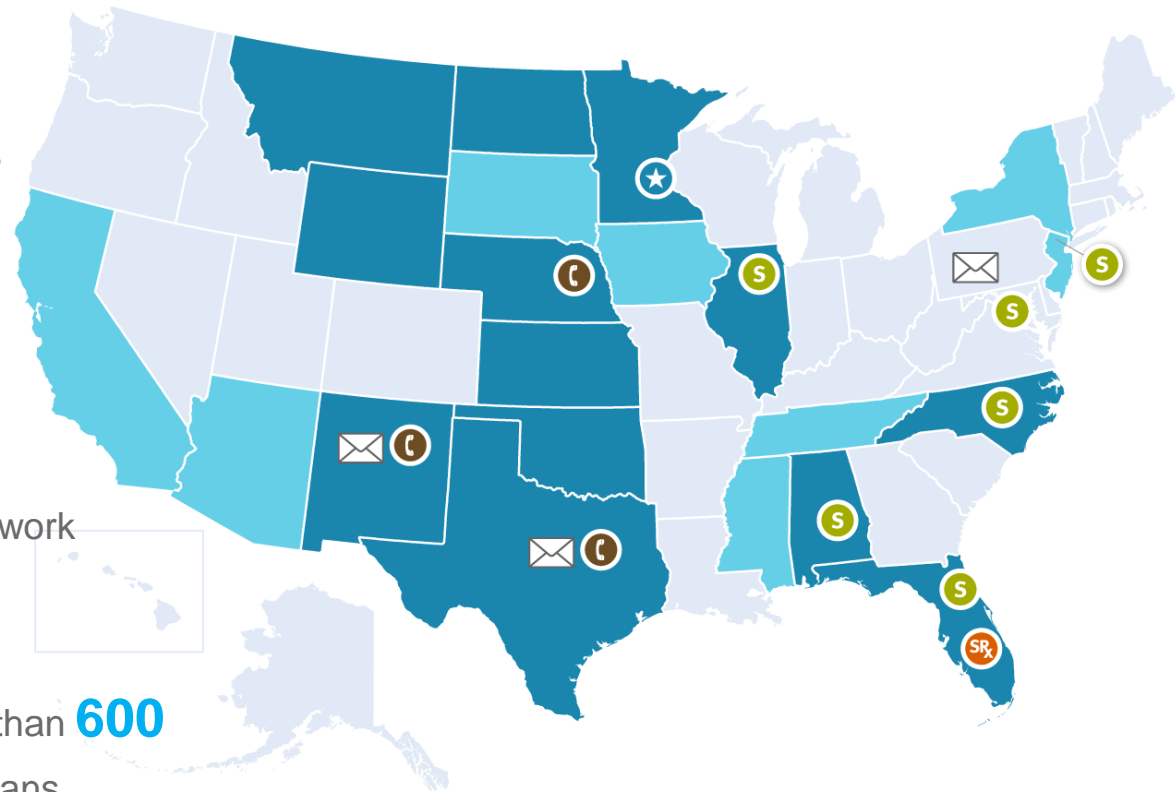


Health Care Costs Drug Trend

Tom Hoffman
Vice President, Individual Markets
Prime Therapeutics

About Prime Therapeutics

- ➔ **13** Not-For-Profit Blue Plan owners
- ➔ **23** Blue Plan clients
- ➔ **~25 million** members
- ➔ **237 million** annual claim volume
- ➔ **65,000+** retail pharmacies in network
- ➔ **7 million** prescriptions annually shipped via PrimeMail®
- ➔ **3,200** employees including more than **600** pharmacists and pharmacy technicians.



- | | | |
|--------------------|--------------------|----------------|
| Prime owner client | Headquarters | PrimeMail site |
| Prime client | Satellite office | Contact center |
| Servicing members | Specialty pharmacy | |

Last updated 04/13

Our purpose

To help people get the medicine they
need to feel better and live well

Pharmacy benefits: key piece of total health care decision

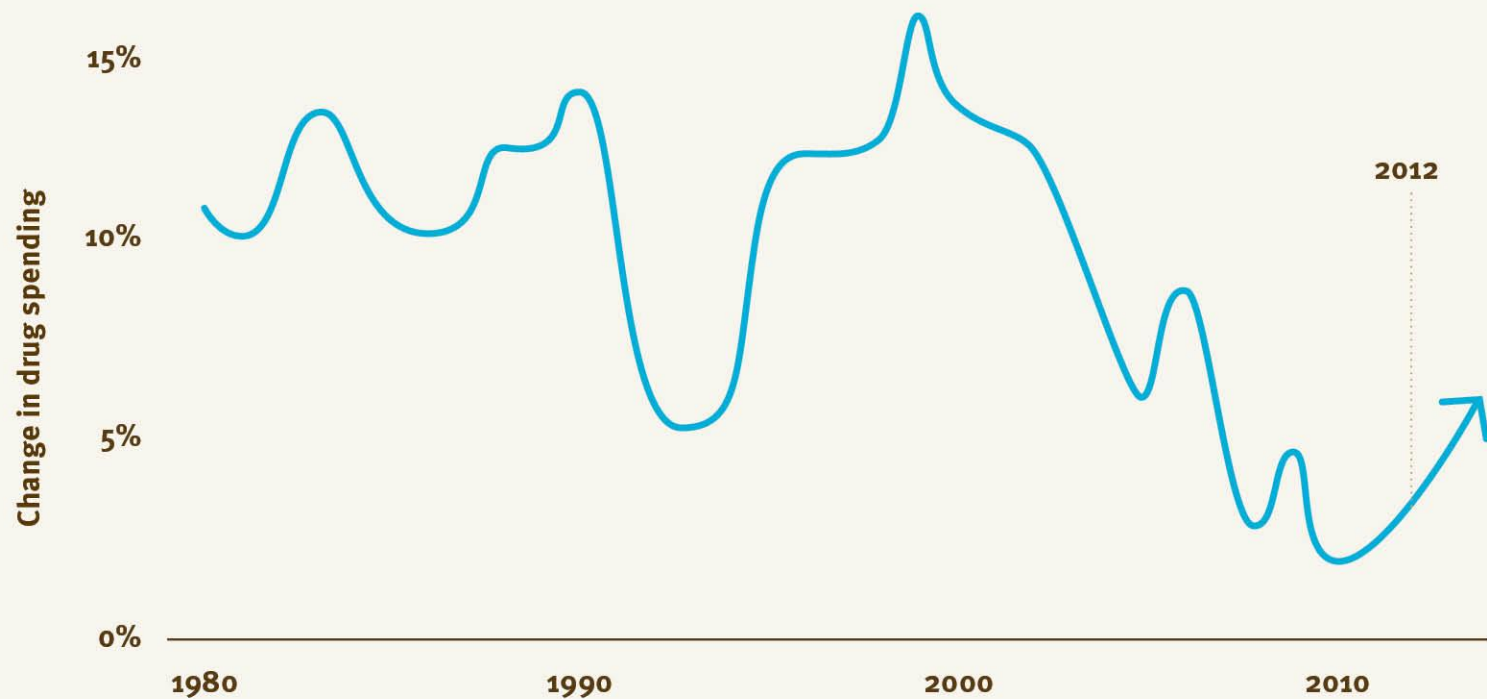
- ➔ Prescription benefit is used more than many other benefit
 - medical benefits **1.5** times a year
 - pharmacy benefits up to **11** times a year
- ➔ Consumers fill **13** prescriptions per year on average
- ➔ People's first use of the health insurance exchange may be with pharmacy

Drug spending trends

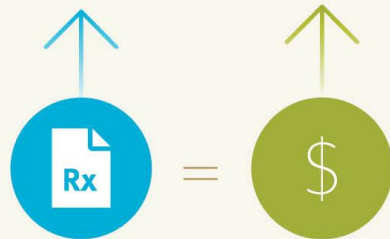


The writing on the wall: Trend is on its way back up

Drug trend has not always been low...and probably will not stay low

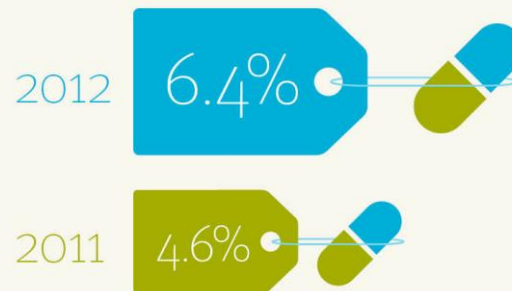


How did these factors affect drug spending in 2012?



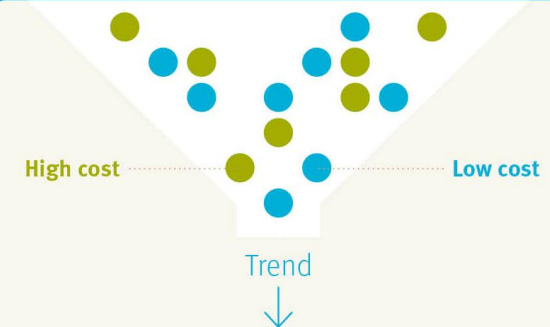
Utilization

Prescription use grew
0.7% in 2012



Inflation

Price inflation was
6.4% in 2012



Drug mix

Added generic use
offset **4.6%** of costs

Today we are on the cusp of significant change

Generic opportunity

85%



Generic drugs have helped keep trend low
but we are reaching the peak of generic opportunity

Specialty drugs are quickly altering the pharmacy landscape

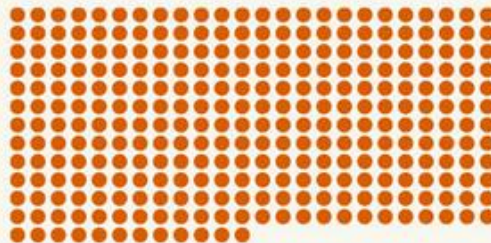
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10

specialty drugs
on the market

2012



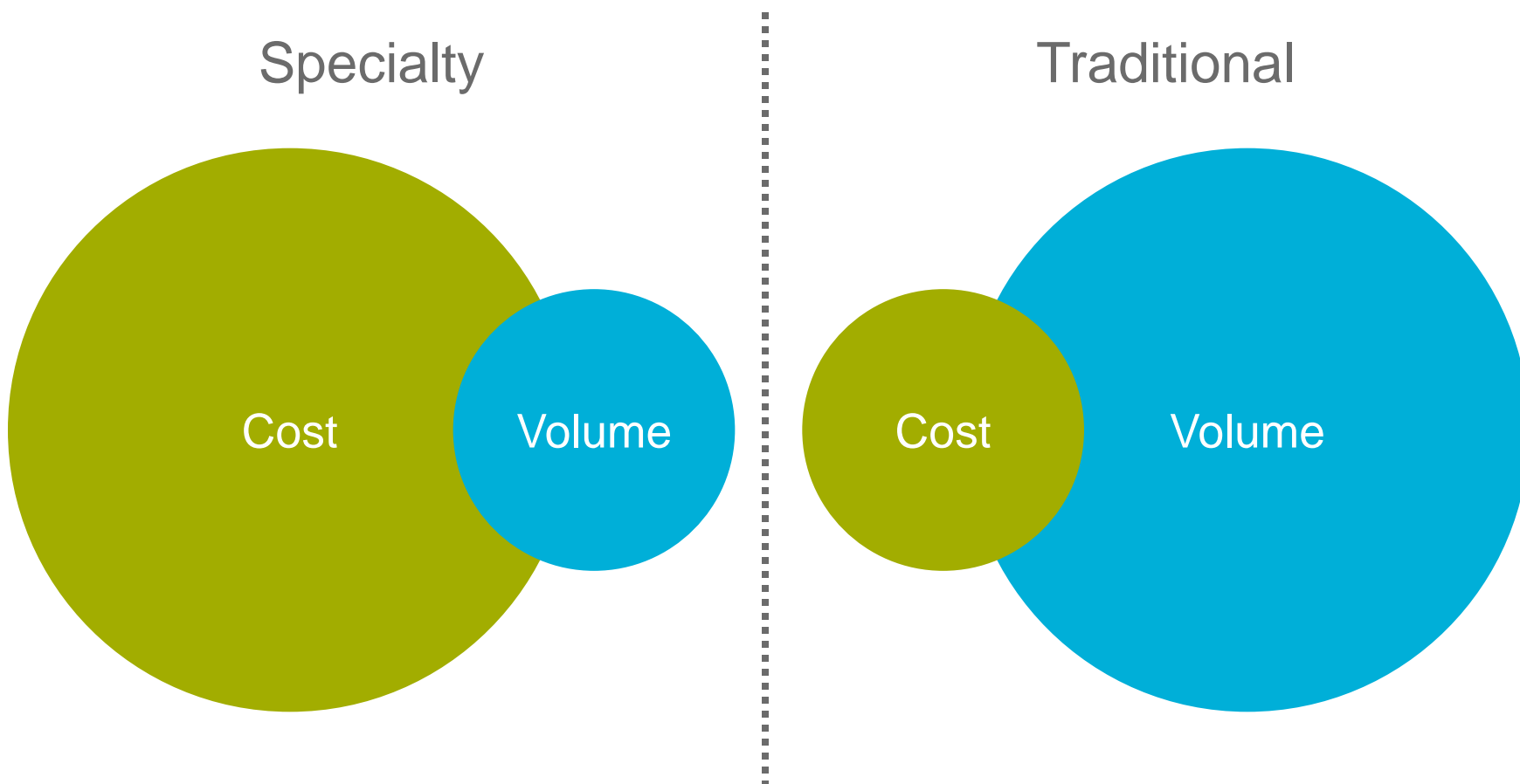
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specialty drugs
on the market



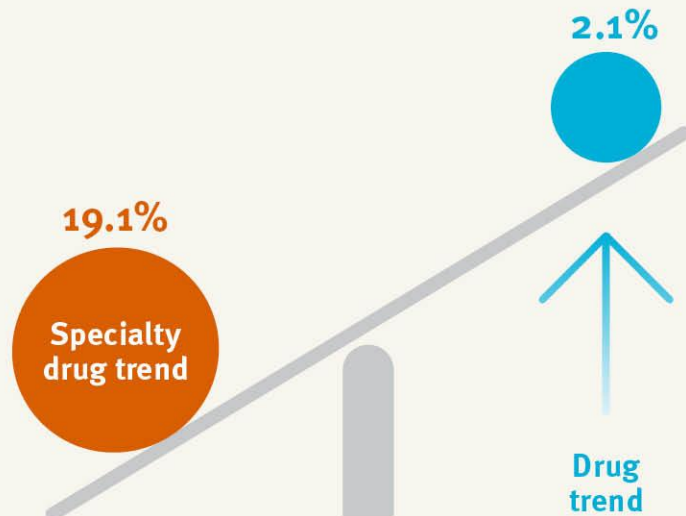
current pipeline of
drugs in development

Specialty has an outsized influence on drug spending

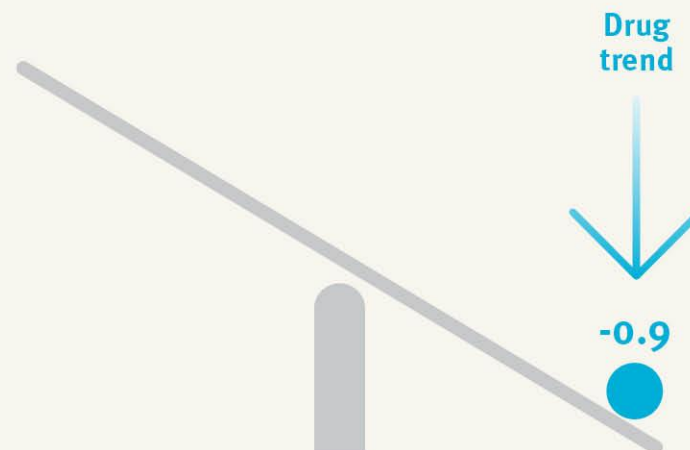


We can already see the effect of specialty on drug trend

With specialty,
Prime's drug trend is 2.1%



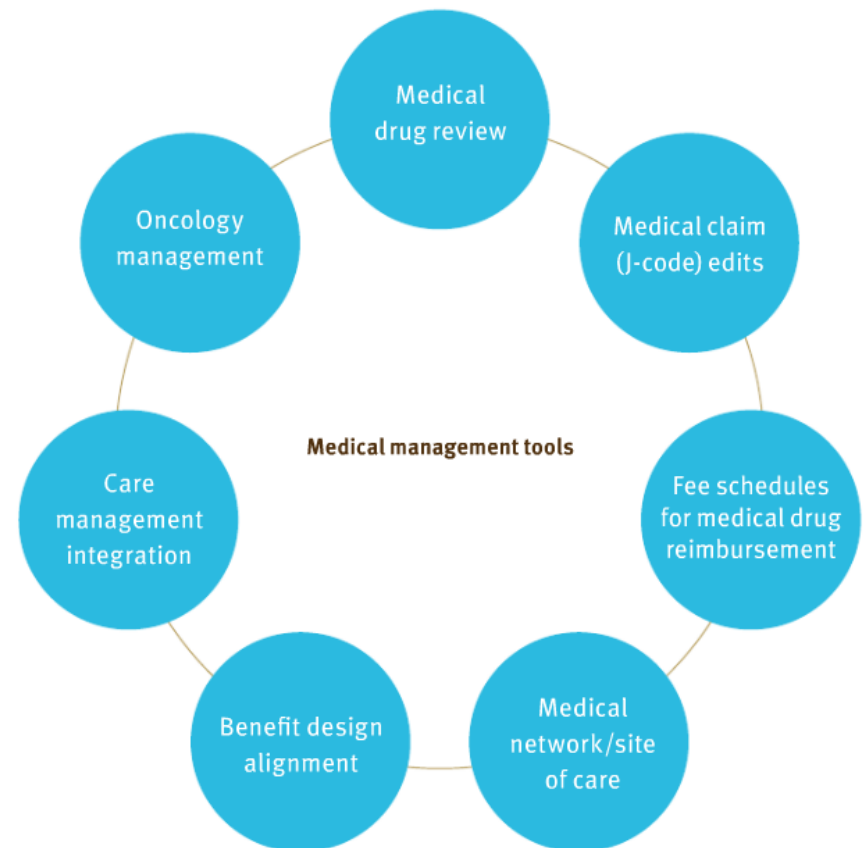
Without specialty,
Prime's drug trend would be -0.9%



What can be done? Care coordination

- ➔ A coordinated strategy reduces the risk that members or physicians will use less cost-effective options, whether specific drugs, pharmacies or sites of care.

Tools that bridge the benefit divide



What can be done? Narrow networks

- ➔ Top-performing health plans know a smaller pharmacy network offers more control over quality and costs.
- ➔ Top performers limit specialty distribution channels in order to guide members to the best outcomes.

What can be done? Promote preferred drug use

➔ Example of best practice benefit design

Tier	Traditional drugs	Member pays	Specialty drugs
1	Generics	\$5–\$10	
2	Preferred	\$35	
3	Non-preferred	\$85–\$150	Preferred
4		20% of drug's cost or \$250	Non-preferred

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