Session 55 PD, Winning Pharmacy Benefit Strategies

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SOA Antitrust Disclaimer
SOA Presentation Disclaimer
We led the way in 2016 drug trend

- **2.5%**
  - Commercial

- **-0.7%**
  - Medicare

- **6.9%**
  - Medicaid

$2.6 billion savings across all market segments*

*Primarily represents incremental savings.

First key point: Savings benefit members

1.3% Members saw small out-of-pocket increases
30% Nearly a third of employer groups saw drug trend fall

Commercial trend*

2.5% Trend | Commercial

1.9% Utilization

0.6% Unit cost

Industry leading trend

* Trend represents change for 2016 vs. 2015 for Prime’s commercial book of business (includes Health Insurance Marketplace population) for total costs (plan + member per member per month); includes network discounts + rebates + dispensing fees less total rebates.

Medicare Part D trend*

-0.7% Trend | Medicare Part D

-0.7% Utilization

0% Unit cost

Network and formulary design held prices in check

* Trend represents change for 2016 vs. 2015 for Prime’s Medicare Part D book of business for total costs (plan + member per member per month); includes network discounts + rebates + dispensing fees less total rebates.

Medicaid trend*

6.9% Trend | Medicaid

-0.6% Utilization

7.5% Unit cost

19% lower than national Medicaid average

Represents change for 2016 vs 2015 for Prime’s Medicaid book of business for total costs (plan + member PMPM) inclusive of network discounts + tax + dispensing fees minus total supplemental rebates. Calculations included plans with 12 months of data for 2015 and 2016. Geographic weighting was applied to book of business calculations using the 2016 state-by-state population proportions.

Second key point: Specialty draws attention, but keep an eye on traditional drugs

<table>
<thead>
<tr>
<th>Segment</th>
<th>Traditional trend</th>
<th>Specialty trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial</td>
<td>-1.7%</td>
<td>13.7%</td>
</tr>
<tr>
<td>Medicare</td>
<td>-4.6%</td>
<td>8.5%</td>
</tr>
<tr>
<td>Medicaid</td>
<td>1.0%</td>
<td>23.3%</td>
</tr>
</tbody>
</table>

Source: Prime Therapeutics internal analysis.
Different markets have different trend drivers

<table>
<thead>
<tr>
<th>Commercial</th>
<th>Medicare</th>
<th>Medicaid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diabetes</td>
<td>Diabetes</td>
<td>Diabetes</td>
</tr>
<tr>
<td>Autoimmune</td>
<td>Cancer (oral)</td>
<td>HIV</td>
</tr>
<tr>
<td>Multiple sclerosis</td>
<td>Respiratory</td>
<td>ADHD</td>
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<tr>
<td>Pain</td>
<td>High blood pressure</td>
<td>Pain</td>
</tr>
<tr>
<td>ADHD</td>
<td>Pain</td>
<td>Respiratory</td>
</tr>
<tr>
<td>Hepatitis C</td>
<td>Autoimmune</td>
<td>Anticonvulsant</td>
</tr>
<tr>
<td>High cholesterol</td>
<td>Anticonvulsant</td>
<td>Cancer (oral)</td>
</tr>
</tbody>
</table>

Third key point: Multiple factors influence trend

- People
- Products
- Price
- Programs
- Policies

Multiple tools
Third key point: Multiple tools to manage trend

- Formulary design
- Network options
- Trade relations
- Specialty management
- Clinical and quality programs
- Integrated reporting and analytics
- Fraud, waste and abuse prevention
Fourth key point: Difficult choices balance cost and convenience but not at the expense of safety and effectiveness