Rx For Rx Claims

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Presentation Overview

- Prescription Drug Benefits
  - Current Landscape and Trends
  - Rx Benefit Trend
- Cost Control Strategies
  - Plan Design
  - Coverage Rules
  - Generic Substitution
  - Clinical Programs
- Conclusions

Current challenges are requiring plan employers to rethink the pharmacy benefit

Aging of America

- By 2010, number of seniors aged 55-64 will increase by nearly 50%[1]
- Seniors spend more than 3 times what younger consumers spend on prescription drugs (more than 30 Rx's each)

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Drug spend inflation and the need to control costs

- CMS projects drug spend to increase by 6%-9% annually through 2012

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Specialty pharmaceutical growth

- Fastest growing component—expected to reach $82 billion in 2010 compared to $33B in 2006[2]

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Continued shift to generics, mail

- 60 brand-name medications with sales of nearly $49 billion scheduled to become available as generics from 2006-2011[3], , Rx volume at mail accounts for more than 17% of all U.S. Rx drug sale

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Increased focus on consumerism

- Emerging expectations of consumers' involvement in their own healthcare and the potential savings in overall healthcare spending

$↓

Personalized medicine

- Adverse drug reactions cause 100,000 deaths annually and 2 million hospitalizations.[5]
- Genetic testing expected to lower total health care costs and minimize adverse reactions

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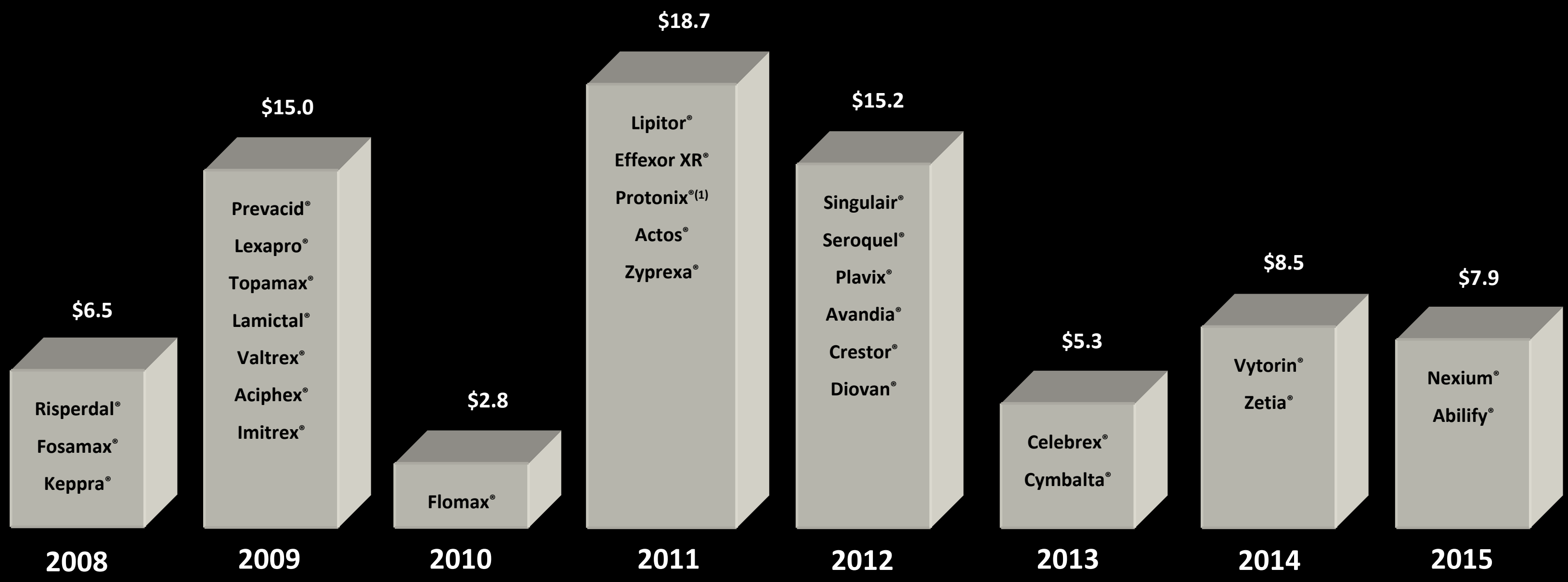
1. U.S. Census Bureau Population Projections Bureau, Release Date January 13, 2000. 2. Medco estimates. Excludes $20-$25B in oncology spend. 3. Medco estimates. 5. MayoClinic.com.

Unprecedented generic opportunities

$80 billion in Brand Drugs off-patent from 2008-2015

The Majority of Generics Coming to Market
Treat Chronic and Complex Conditions



1) 2007 early release; court rule pending

Source: U.S. Drug spend estimates are based on IMS Health data for 2006. Brand drug expirations based on expected patent expiration dates current as of January 2008. Changes may occur due to litigation, patent challenges, etc.

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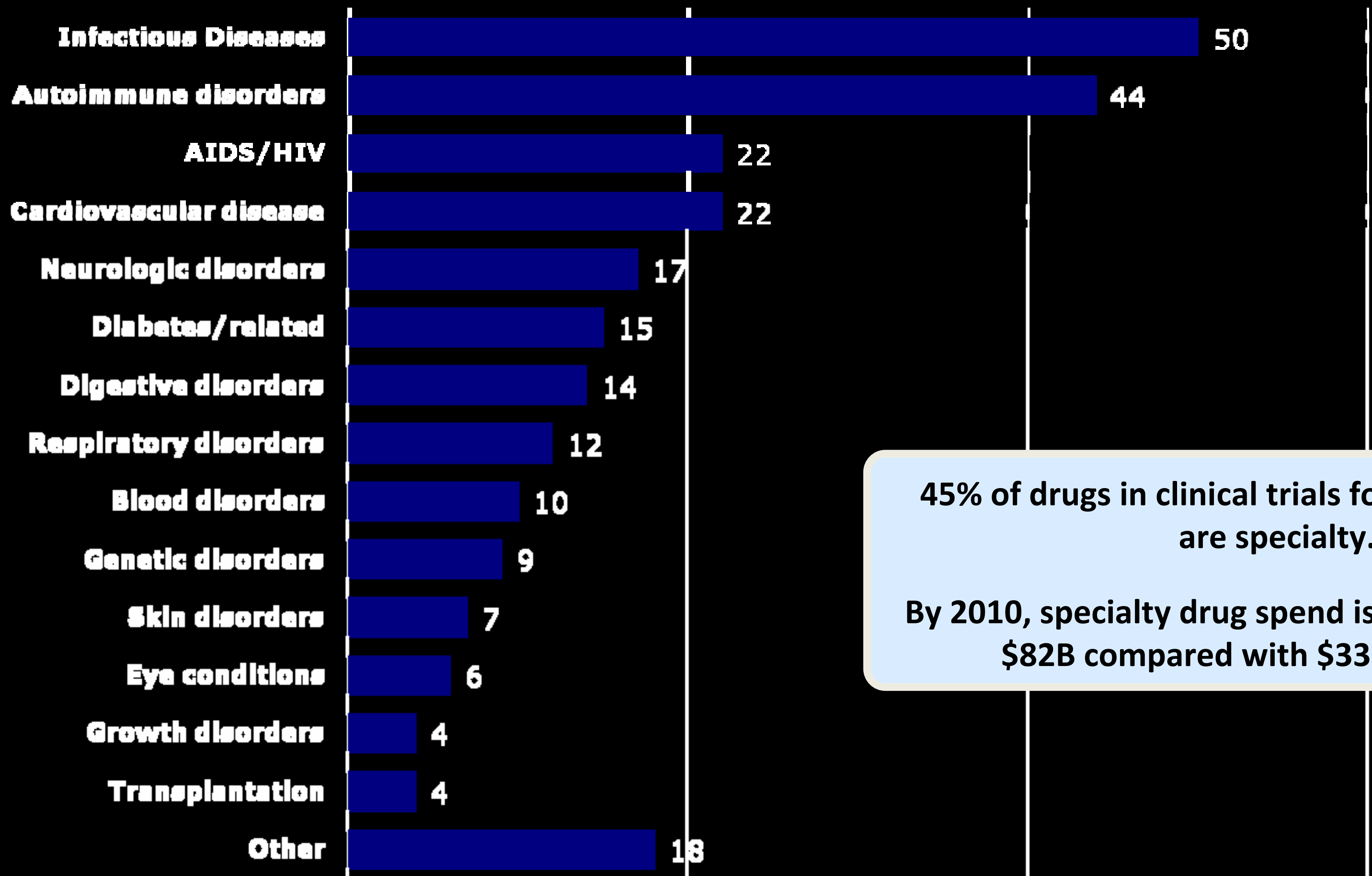
Robust specialty drug pipeline

Over 400 drugs in development*



45% of drugs in clinical trials for new indications are specialty.

By 2010, specialty drug spend is expected to reach $82B compared with $33B in 2006.**

*Source: PhRMA *2005 Survey: Medicines in Development*, Oct. 2006. Some medicines are listed in more than one category. Excludes 200 oncology drugs

**Source: Medco Estimates. Excludes $20-$25B in oncology spend.

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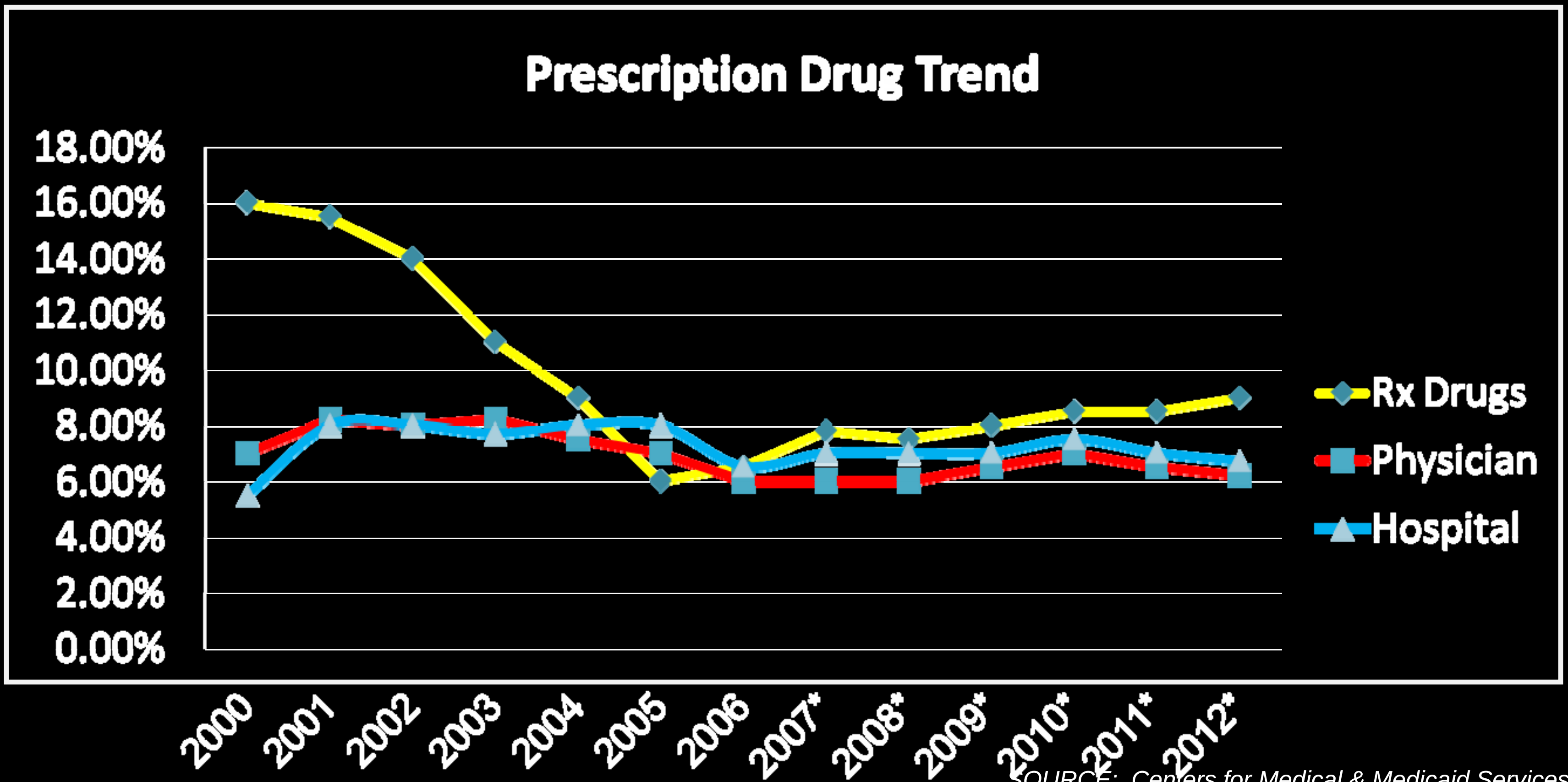
Drug Trend



SOURCE: Centers for Medical & Medicaid Services
** CMS Estimate*

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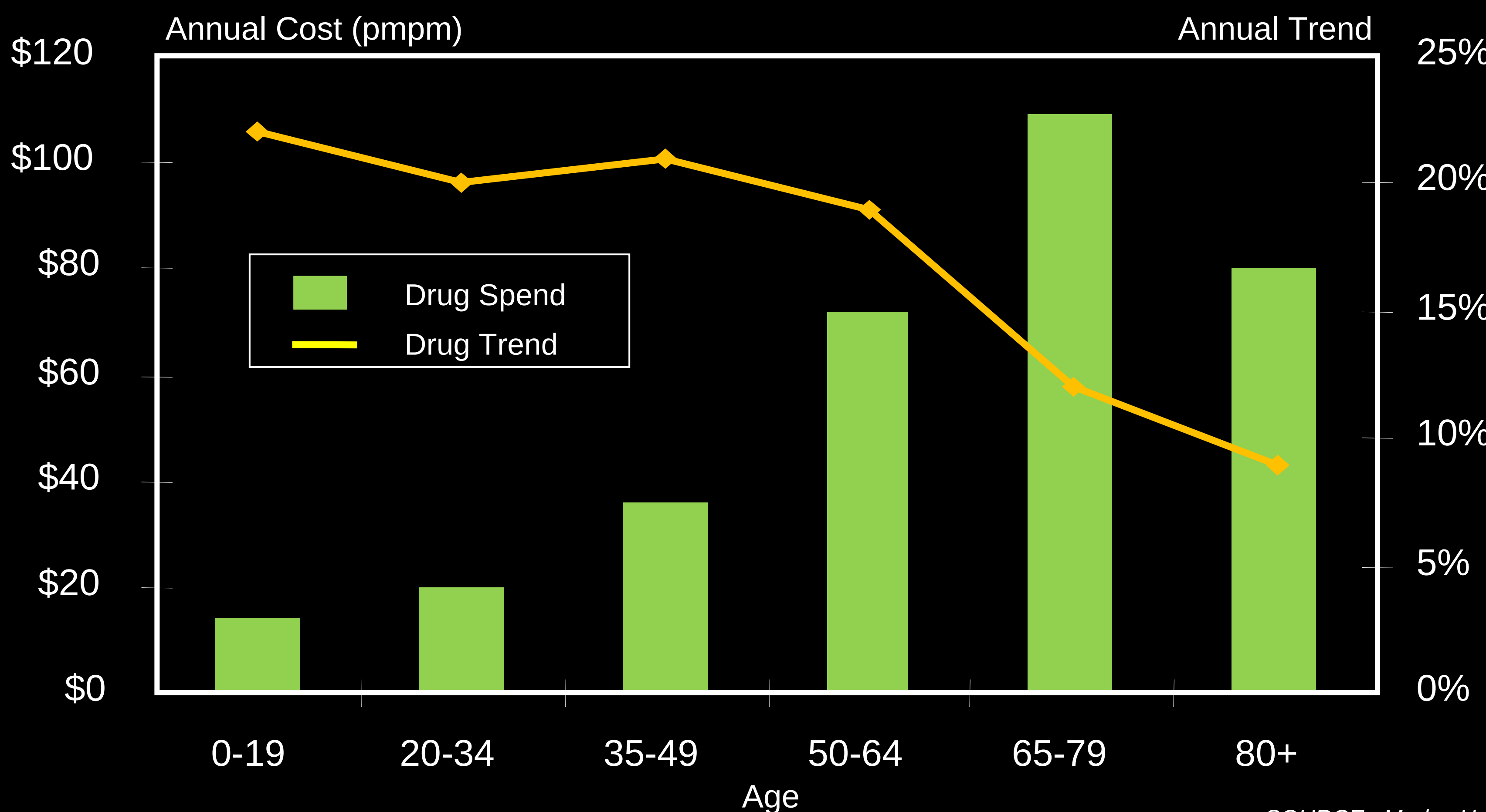
Drug Spend vs. Drug Trend



SOURCE: Medco Health

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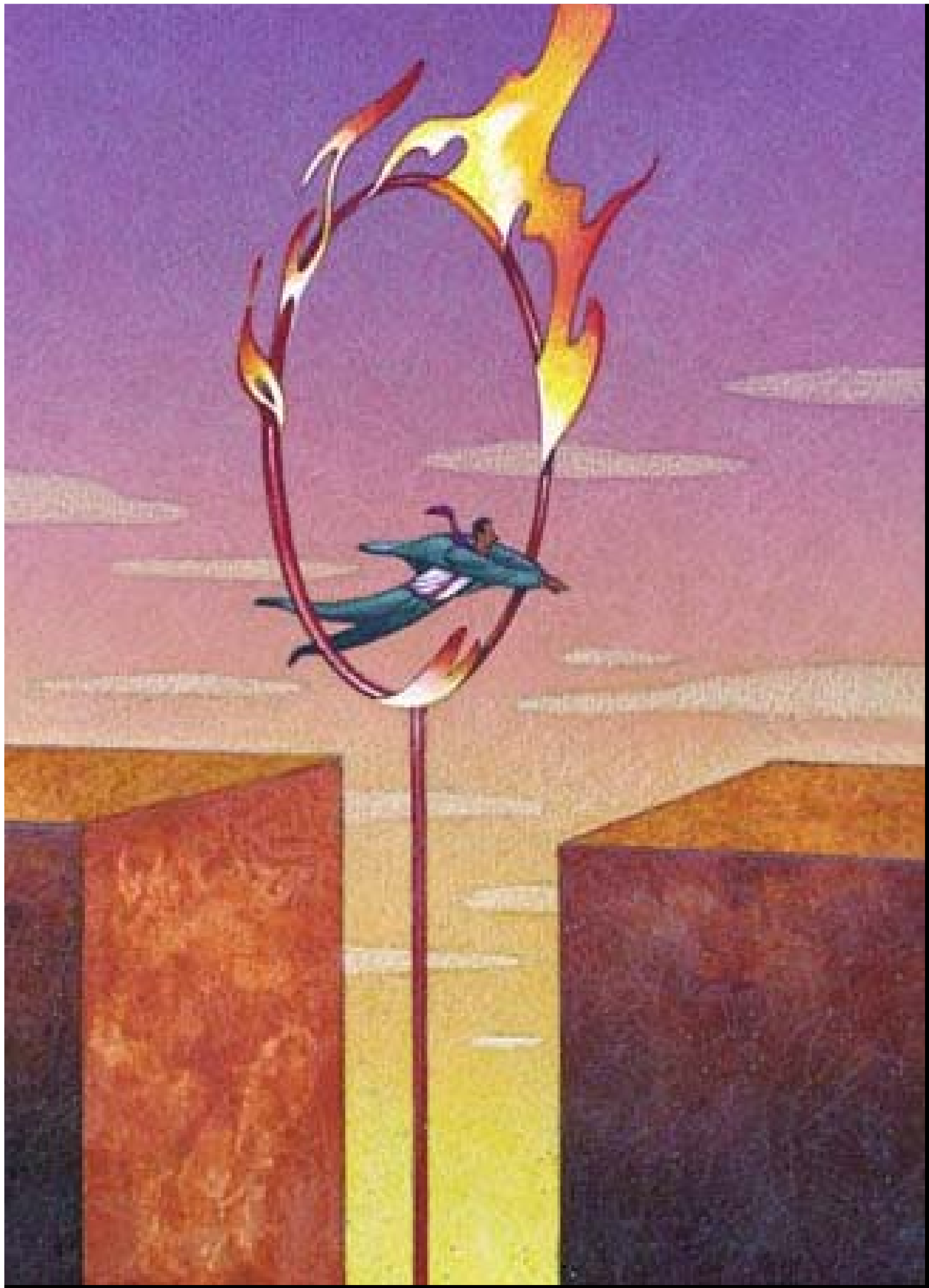

Cost Control Strategies

- Overall cost
  - Cost per unit multiplied by number of units
- Differentiate between cost and utilization
- Key in on cost not price
- Philosophy
  - Manage program as if it were insured
  - No such thing as cheap bad medicine
  - Never take the pen out of the doctors hand

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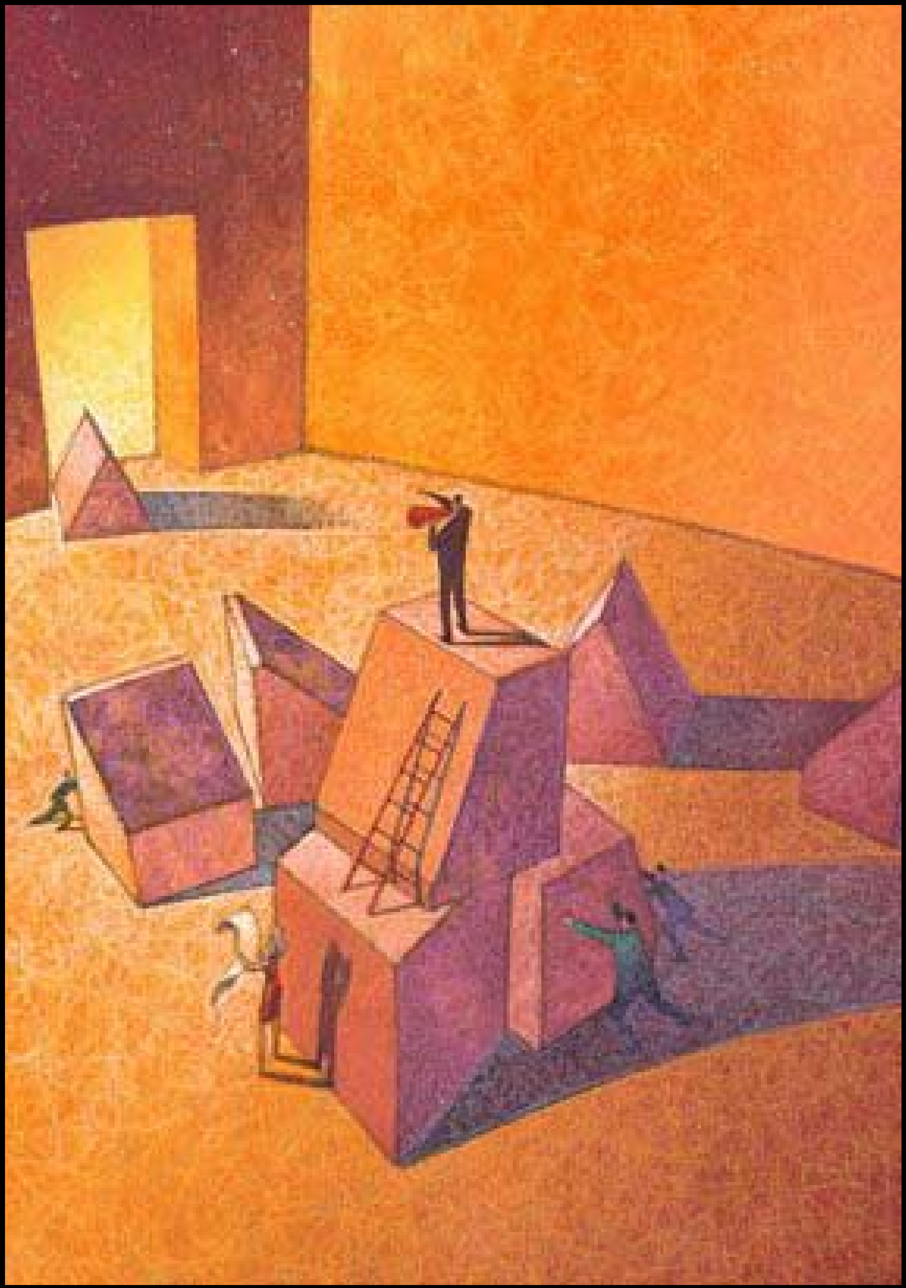
Plan Design

- Copayments
  - Incent generic usage
  - Low cost brand name products
  - What percentage should the patient pay towards the drug?
- Flat dollar vs. percentage copays
- Specialty pharmacy copayments



Coverage Rules

- Inclusions & Exclusions
  - What are the “guts” of the program?
- What is a benefit event?
  - Aspirin, vitamins – no
  - Lifestyle drugs – no/yes
  - Controllable conditions – obesity, cholesterol – maybe
  - End of life – oncology - yes

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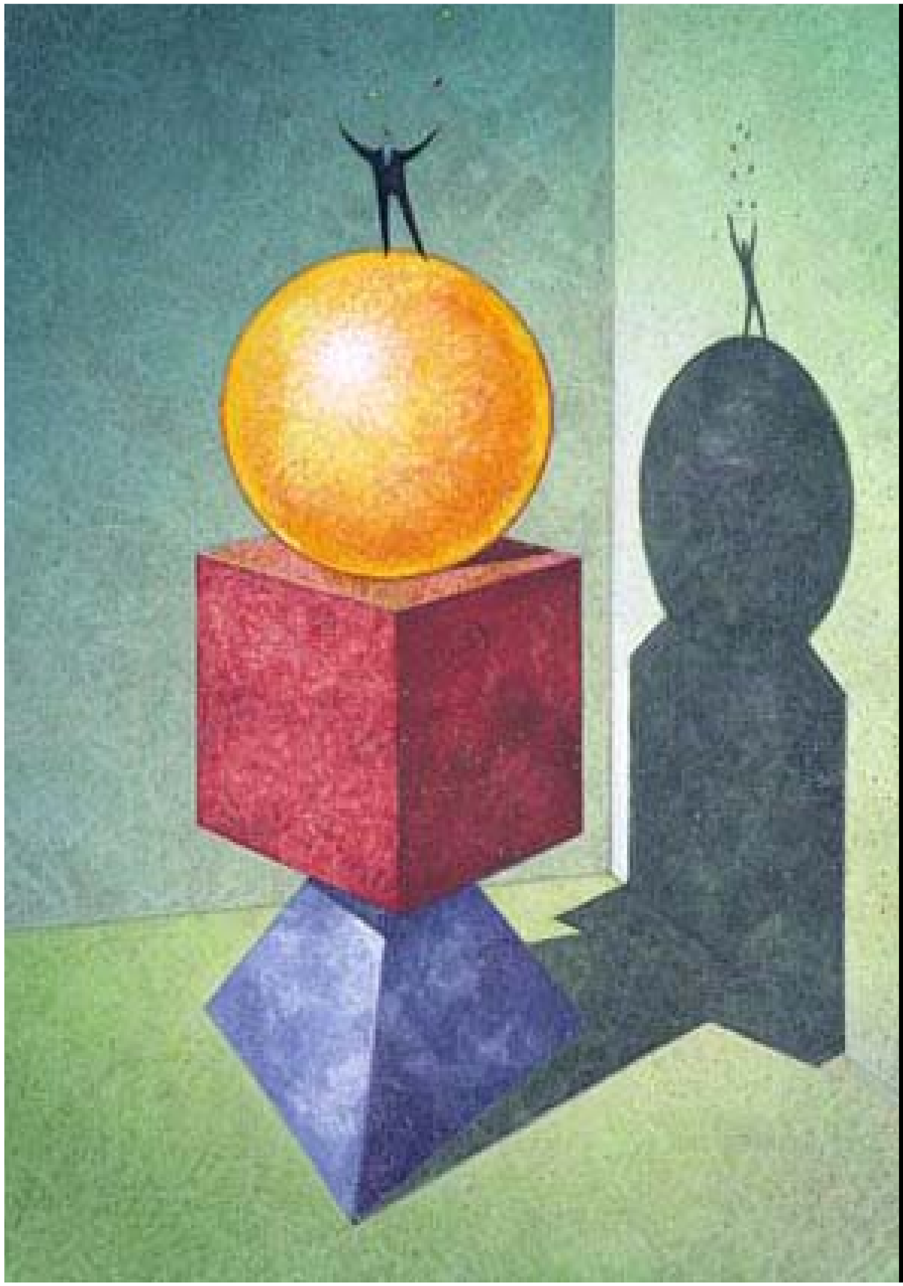

Channel Management

- Retail Pharmacy
  - Acute Medications
  - Initial Rx fill
- Mail Service
  - Maintenance Rx's
  - Center of Excellence
  - Cost Savings
    - Employer
    - Patient
- Specialty Pharmacy/Pharamsense
  - High Cost Injectables
  - Cutting edge program
  - Utilization Management
  - Adherence and Compliance are key factors

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Physician Communication

- Therapeutic Interchange
  - Target patient condition, not just the drug
  - Survey physician for diagnosis and previous treatments
  - Recommend alternatives based upon clinical information received
- Step Care Programs
- Prior Approval Criteria

Conclusions

- We can expect trend increases of up to 9% annually for the next few years
- Plan design is key to long term cost control – copayments can not go much higher
- Generics are a silver lining for the Rx benefit
- Mail service provides cost savings and enhanced quality of care
- Specialty pharmacy must be managed from a clinical perspective
- Key in on cost not price

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A**rx**cel provides expert counsel, support and consulting in the areas of Pharmacy Benefits Program Operation and Management; Strategic Analysis; and Sales and Marketing.