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Prime Therapeutics Drug Trend Insights Reports One of the Lowest Drug Spending Increases in the Industry

Pharmacy costs increase just 2.9 percent for Prime clients

SAINT PAUL, MINN., Aug 24, 2011 — Even as the costs of brand-name prescription drugs and commercial health care rose sharply in 2010, pharmacy spending at Prime Therapeutics (Prime) and its health plan partners rose just 2.9 percent, one of the smallest increases in the pharmacy benefit management (PBM) industry, according to the company's *2011 Drug Trend Insights* report released today.

Prime executives attributed the performance to several factors: industry-leading management of high-cost specialty drugs, which are used to treat complex and chronic conditions; success in encouraging greater use of lower-cost generic medications among members; negotiating improved discounts with drug manufacturers and retail pharmacies; and effective outreach to boost members' adherence to regimens of clinically proven, cost-effective medication. Improved drug adherence is a key strategy for better management of chronic illness, leading to less time in the hospital and lower overall costs for treating such conditions as high cholesterol, diabetes, high blood pressure, and depression.

"For the eighth year in a row we've achieved single-digit trend, and our results are among the best in the industry," said Eric Elliott, Prime's president and chief executive officer. "This year's report provides great validation of our integrated approach and philosophy of transparency. Our tight integration with our health plan owners enables us to focus on improving an individual's total health and saving them money, while ensuring the most appropriate pharmaceutical drug spend."

Prime's core pharmacy spending trend analysis measures average drug payments per member per month. The 2.9 percent overall rise in 2010 compares with industry-reported drug price increases of 6.9 percent and commercial health care cost increases of 8 percent. Nearly half of Prime's trend was driven by specialty drugs. Specialty drug spending grew 12.6 percent and accounted for 13.1 percent of Prime's pharmacy spending; traditional-drug spending rose only 1.6 percent.

Strong Specialty Results Help Improve Member Care While Keeping Costs in Check

A key factor in Prime's overall drug trend was its ability to successfully manage specialty costs in 2010. Specialty pharmacy is a fast-growing category of typically high-cost drugs that are often injected or infused and are prescribed for rare or complex conditions such as multiple sclerosis, hepatitis C, cancer and rheumatoid arthritis. Prime was able to achieve one of its lowest specialty trends in recent years and significantly lower than its large competitors.

Typically, some specialty drugs are paid under the medical benefit while others are paid under the pharmacy benefit. Because of Prime's integrated approach, it is able to partner with its health plans to provide member services for all specialty medications, including: member communications to ensure they understand their treatment, outreach calls to

members and prescribers, and carefully designed benefit plans that make use of such tools as preferred drug lists and limits to off-label use, which improves safety and reduces costs.

“Our integrated approach, high-touch service and our deep clinical understanding of these treatments allowed us to keep specialty costs as low as possible for our members and plan sponsors last year,” Elliott said. “As use of specialty medications increases, we are well-positioned to help patients and plan sponsors manage these drug costs effectively because we’re able to look at the ‘big picture’ of each patient’s health care. There aren’t generic options yet in specialty, so we have to be really diligent to ensure we provide members with effective treatments while keeping costs as affordable as possible.”

Among the other highlights noted in the report:

- Use of prescription drugs rose 1.6 percent, as Prime members filled an average of 12 prescriptions per year. For “focus drugs” used to treat the most common ailments such as high blood pressure and diabetes, drug use rose even faster, at 2.6 percent. While this change could indicate some degree of over prescription, it likely reflects the positive increase in medication adherence, suggesting more people are taking their medicine consistently.
- The rate of generic drug use continued its annual rise, by December 2010 reaching 70.9 percent of all prescribed drugs taken by Prime members — and exceeding 80 percent in many groups. Every 1 percent increase in the generic rate has the potential to deliver savings of 2 percent or more. Prime was able to increase its generic fill rate through benefit structures focused on making generics the most attractive option and member service that makes it as easy as possible for patients to move to a generic.
- Net ingredient costs per prescription for Prime’s Medicare Part D members were nearly \$20 less than in the commercial business, as a result of a highly structured, generics-centric formulary that focused on using the lowest-cost drugs. Strong incentives pushed the Medicare generic rate to 77.7 percent, up three points from the year before. As a result pharmacy spending per member per month for the Medicare program rose only 1.8 percent in 2010.
- Among disease categories, diabetes was the strongest trend driver, with both use and unit costs rising, adding 45 cents per member per month to costs. Second was arthritis and skin, adding 38 cents.
- The greatest areas of cost reduction included growth in use of generic gastrointestinal medications, which cut 43 cents per member per month in spending. Reduced prices, utilization and increased use of generic seizure drugs cut 28 cents and lower costs for pain drugs cut 20 cents from per member per month costs.
- The fastest-rising costs were for oral drugs to treat cancer (up 18.7 percent), multiple sclerosis (up 15.7 percent) and attention deficit hyperactive disorder (ADHD, up 14.9 percent).
- Drugs to treat high blood pressure accounted for the largest single share of prescriptions, 16.9 percent, which was more than double the number two condition, high cholesterol, with 8.2 percent. But treating high cholesterol cost more — 8 percent of the total versus 6.4 percent for high blood pressure.

2011 Drug Trend Insights is Prime's annual report on the factors that influence prescription drug spending, along with a review of its efforts to control cost increases while improving health care quality. A full copy of the report is available at www.primetherapeutics.com/newsroom.

Prime Therapeutics is a pharmacy benefit management company dedicated to providing innovative, clinically-based, cost-effective pharmacy solutions for clients and members. Providing pharmacy benefit services nationwide to approximately 17 million covered lives, its client base includes Blue Cross and Blue Shield Plans, employer and union groups, and third-party administrators. Headquartered in St. Paul, Minn., Prime Therapeutics is collectively owned by 12 Blue Cross and Blue Shield Plans, subsidiaries or affiliates of those Plans. Learn more at www.primetherapeutics.com.

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