

focus on trend

COMMERCIAL

Prime’s commercial clients experienced an overall decrease in prescription drug expenditures in 2017 despite ongoing price inflation in some of the most expensive drug categories. Drug trend of -0.2 percent was achieved through substantial negotiated savings and increased use of powerful tools such as Prime’s NetResults™ formulary and Walgreens-anchored networks.

“Results like our 2017 drug trend require thousands of dedicated employees working tirelessly on behalf of our clients and their members. Prime stands with our clients as a fierce ally, powerfully aligned with the Blues to jointly combat unsustainable drug pricing. Our success last year in managing drug spending demonstrates the value of using both medical and pharmacy drug insights to effectively manage overall cost of care.”

—Jim DuCharme, president and CEO



More than
\$2.7 billion

in client savings in 2017 as a result of Prime’s management tools

Based on internal Prime analysis

Specialty utilization growth was more than three times greater than traditional medicine and helped fuel double-digit specialty trend. Negative drug trend for traditional medicines was fueled by a nearly 9 percent reduction in unit cost. Specialty medicines saw unit costs increase by nearly 3 percent.

	Utilization (%)	Unit cost (%)	Total (%)
Overall	3.2	-3.4	-0.2
Traditional	3.2	-8.9	-5.7
Specialty	10.3	2.7	13.0

Trend analyses in this report were prepared and reviewed by Prime’s actuarial team.

Powerful upward forces in drug costs remain

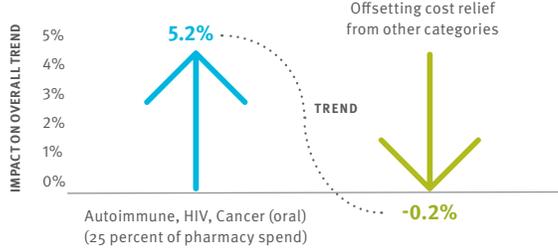
Double-digit trends continue in the most expensive categories

Drug Category	% of spend	Trend	Unit Cost
Autoimmune	14.0%	23.1%	\$4,785
HIV	5.6%	22.0%	\$1,814
Cancer (oral)	5.3%	19.3%	\$8,594

25 percent of pharmacy spend

Traditional spend Diabetes drugs retained first place among the most expensive drug categories in 2017. They saw ongoing increases in utilization, but Prime kept trend to single digits thanks to substantial negotiated savings. HIV medicines saw the highest trend (22 percent) among traditional drugs in the top ten, reflecting substantial increases in both unit cost and utilization. At -15 percent, pain medicine had the lowest trend among traditional drugs in the top ten. These results complement a 16 percent decrease in opioid claims over the past five years for Prime's commercial book of business. Today, Prime's Controlled Substance Management Program combines multiple tools into a comprehensive approach to help address the national opioid epidemic.

High-cost categories exert upward pressure on overall trend



Specialty spend The autoimmune category continued to be the primary driver of spend among specialty drugs. It had the highest trend (23 percent) among the top-ten categories, fueled by significant increases in both utilization and unit cost. The cancer (oral) category saw a similar pattern. Expenditures in both categories were further driven by heavy brand use. Hepatitis C trend continued to level off in 2017 as utilization declined as more people having been treated. The rapid pace of drug submissions for orphan conditions and oncology indications is expected to continue and will help maintain upward pressures in specialty trend.

Top-ten drug categories

Drug category	% of Spend*	Trend**
1. Diabetes	14.1%	2.2%
2. Autoimmune	14.0%	23.1%
3. HIV	5.6%	22.0%
4. Cancer (oral)	5.3%	19.3%
5. Multiple Sclerosis	4.8%	1.7%
6. Respiratory	4.0%	-7.0%
7. ADHD	3.8%	-6.4%
8. Pain	3.6%	-14.6%
9. Hepatitis C	3.1%	-22.3%
10. Anticonvulsant	2.5%	9.3%

*Total expenditures before rebates and inclusive of discounts **Bold = Specialty**
 **Change in PMPM spend 2016 to 2017 after rebates and discounts

Top-ten individual drugs

Drug	Condition	% of Spend*
1. Humira® Pen	Autoimmune	5.4%
2. Enbrel® Sureclick®	Autoimmune	2.3%
3. Harvoni®	Hepatitis C	2.2%
4. Lantus® SoloSTAR®	Diabetes	1.4%
5. Victoza®	Diabetes	1.3%
6. Vyvanse®	ADHD	1.3%
7. Stelara®	Autoimmune	1.3%
8. Novolog® Flexpen	Diabetes	1.3%
9. Novolog®	Diabetes	1.2%
10. Genvoya®	HIV	1.1%

All brand names are the property of their respective owners.

A pipeline of new, expensive drugs is driving upward cost pressure

Out of 46 new drugs (traditional and specialty) in 2017, 8 drugs drove overall trend by approximately 1 percent at an average annual cost of approximately **\$96,000**.

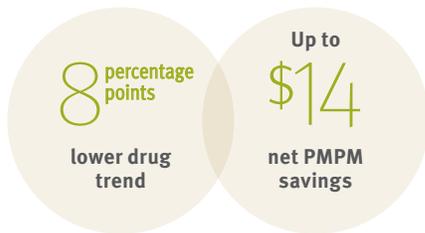
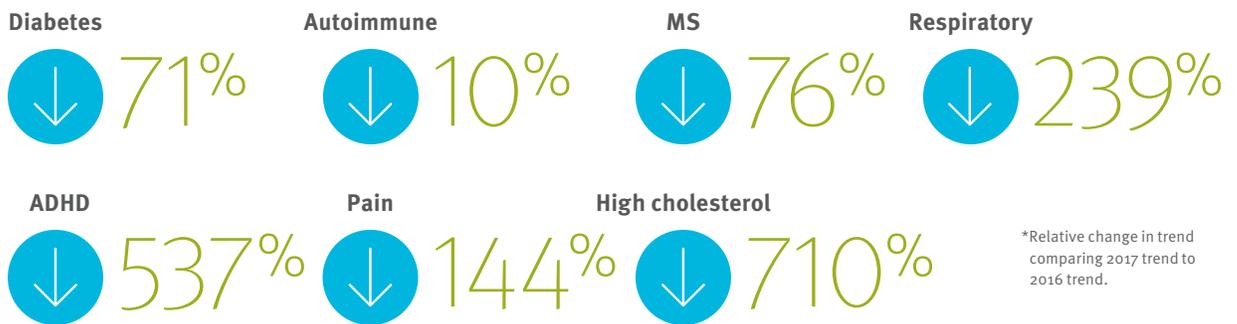


NEW DRUG PIPELINE

Based on internal Prime analysis

success stories

In 2017 Prime’s commercial clients saw significant trend reductions* in multiple categories. Increased use of Prime’s PBM tools and substantial negotiated savings helped drive these reductions.



NetResults™ formulary

Drug trend for clients who adopted Prime’s NetResults formulary in 2017 was 8 percentage points lower on average compared to clients not using this approach.

Total savings for lives covered by NetResults have ranged from \$10 – \$14 net PMPM in 2017.

Incremental negotiated savings

In 2017 commercial clients benefited from more than \$1.6 billion in incremental negotiated savings through Prime’s delivery of competitive rebates and pharmacy MAC pricing plus network savings fueled by client adoption of Walgreens-anchored networks.



Other value delivered

\$2 billion

Utilization Management savings, including prior authorization, step therapy and quantity limit programs, exceeded \$2 billion in total savings in 2017.

\$225 million

Prime’s GuidedHealth® analyses to address gaps in care and adherence generated more than \$225 million in total savings for our commercial clients.

\$123 million

Prime’s fraud, waste and abuse (FWA) efforts have generated more than \$154 million in total savings with \$123 million from actions taken on pharmacies due to noncompliance and denied network enrollments. Future enhancements to our FWA capabilities include advanced analytics leveraging integrated medical and pharmacy claims plus comprehensive investigations and client consultation that address **both** member and prescriber FWA.

Based on internal Prime analysis

Prime's PBM toolbox continues to grow and will create even greater impact in the year ahead.

Best in Care™ Our Best in Care disease-specific programs help manage costly chronic conditions and provide robust, comprehensive support through specially trained pharmacists, online resources and focused clinical programs. Prime offers Best in Care programs for autoimmune conditions, diabetes, high cholesterol, hepatitis C* and multiple sclerosis*. Programs for additional conditions are in development. These programs capitalize on our unique insights into how medical and pharmacy benefits can work together to strengthen outcomes and reduce costs.

*Anticipated late February 2018

CareCentered Contracting™ One way Prime is addressing rising drug costs is through CareCentered Contracting, an Outcomes and Value based program that ties the cost of a drug to how well it works. It aligns payers, manufacturers, members, and providers around the goal of improving health by helping to ensure drugs deliver the outcomes that they promise.

Prime has been a leader in outcomes-based and value-based strategies, establishing its first CareCentered Contracting agreement in 2010. This program continues to grow and addresses healthcare challenges such as adherence and total cost of care. CareCentered Contracting is focused on therapeutic areas making a large impact on healthcare spend: diabetes, multiple sclerosis, high cholesterol, and autoimmune.

CareCentered Contracting is supported through member educational efforts, targeted communications and channel management, with the ultimate goal of slowing disease progression and reducing total cost of care. Prime is uniquely positioned to evaluate the combined cost of pharmacy and medical on select therapies and the impact on overall health costs for the members we serve.

Patient-Centered Specialty Drug Management

With specialty drugs now exceeding fifty percent of total drug spend, Prime takes a holistic approach to effectively manage specialty costs. Our transparent model and ability to look across medical and pharmacy data differentiates Prime from other PBMs.

For example, our Integrated MedRx Opportunity Analytics package, in combination with Prime's team of dedicated therapy-specific pharmacists, leverages plan-specific data to bring forward actionable insights and generate meaningful savings. To help offset rising specialty costs in the medical benefit, our Reimbursement Solutions offering identifies savings opportunities in the physician office setting based on competitive drug reimbursement rates. Our Site of Care program focuses on shifting high-cost infusion patients from hospital outpatient facilities to lower cost sites such as home infusion, infusion centers or doctor's office. Prime's Medical Claim Edits capability is an evidence-based library of drug-specific rules and criteria that are designed to identify medical claims that are out of line with expected cost, quantity and clinical use. We're also analyzing new treatments that are challenging the status quo, like CAR-T cell and gene therapies.

Controlled Substance Management Program

Prime's Controlled Substance Management Program provides a multi-layered response to the national opioid epidemic. Using pharmacy and medical data to identify misuse and abuse, it combines our industry-validated controlled substance score with multiple programs. New predictive modeling in development will allow us to identify high-risk members even sooner.

Over the past five years Prime's industry-leading work around controlled substances helped contribute to a 71 percent decrease in commercial members identified as high-risk outliers,** 16 percent fewer opioid claims and reduced health care costs of at least \$1,500 PMPY.

**Members without cancer and a 6-month average morphine equivalent dose of 90mg or more who receive opioid prescriptions at more than three pharmacies AND from more than three prescribers OR more than five prescribers regardless of pharmacy total.

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METHODOLOGY

Trend Represents change for 2016 vs 2017 for Prime's commercial book of business (which includes Health Insurance Marketplace populations) for Total Costs (plan + member PMPM) inclusive of network discounts + tax + dispensing fees minus total rebates. Calculations include plans with 12 months of 2016 and 2017 data. Trend analyses in this report were prepared and reviewed by Prime's actuarial team.

Utilization Rate of change per member based on 30-day equivalent prescriptions.

Unit cost Rate of change in costs due to inflation and mix inclusive of discounts and rebates.