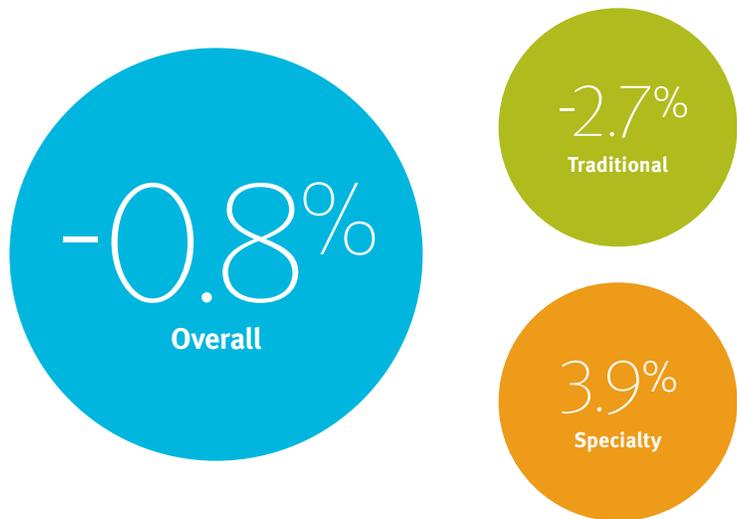


focus on trend (MEDICARE PART D)

In 2017, Prime’s Medicare Part D clients experienced overall negative drug trend of -0.8 percent, with preferred networks playing a major role in drug savings. Trend for traditional medicines remained in negative territory last year, driven in part by unit cost reductions for high cholesterol drugs. While specialty medicines continued to exert upward force on drug spending, specialty trend for 2017 saw a 54% reduction compared to 2016, supported by trend reductions in high-spend areas.

“Prime’s ability to incorporate regulatory, plan, regional and member perspectives allows us to deliver exceptional value to our Medicare Part D clients and their members. We understand that the highly competitive and regulated Medicare market requires tools that are continuously evolving to meet the needs of today and tomorrow. We are proud to offer our Medicare Part D clients powerful solutions that help them achieve their goals.”

— Rachel Nelson, vice president and general manager, federal programs



In 2017 Prime’s Medicare Part D clients experienced savings of approximately

\$600 million as a result of Prime’s management tools and other programs.

Based on internal Prime analysis

A nearly 4 percent reduction in unit cost helped keep traditional trend negative for Medicare Part D clients in 2017. Specialty trend dropped to just under 4 percent (compared to 8.5 percent in 2016), driven by utilization and unit cost increases of approximately 2 percent each .

	Utilization (%)	Unit cost (%)	Total (%)
Overall	1.1	-1.9	-0.8
Traditional	1.1	-3.8	-2.7
Specialty	2.0	1.9	3.9

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

Top-ten drug categories

Drug category	% of Spend*	Trend**
1. Diabetes	15.7%	2.3%
2. Cancer (oral)	11.5%	3.3%
3. Respiratory	7.1%	8.1%
4. Anticoagulant	6.3%	24.4%
5. High Blood Pressure	4.3%	-3.8%
6. Multiple Sclerosis	3.8%	8.9%
7. High Cholesterol	3.8%	-36.8%
8. Autoimmune	3.7%	15.9%
9. Pain	3.4%	-12.2%
10. Anticonvulsant	3.4%	9.7%

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

Traditional spend In 2017 diabetes remained the top overall drug spend category. Despite increasing utilization and new brand-name products, Prime’s PBM tools drove a reduction in unit cost and kept diabetes trend to 2.3 percent. The anticoagulant category had the highest trend among the top-ten, driven by a drastic shift to higher cost branded medications which might have been influenced by heavy brand advertising. Rising costs for anticoagulants were offset by the high cholesterol category, which experienced negative trend of approximately -37 percent. A dramatic shift from Crestor® to its generic counterpart, rosuvastatin, fueled significant savings. Negative trend in the pain category reflects Prime’s ongoing work to manage opioids through our Controlled Substance Management Program.

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

Out of 46 new drugs (traditional and specialty) in 2017, 10 drugs drove overall trend by nearly 1 percent at an average annual cost of approximately **\$114,000**.



Top-ten individual drugs

Drug name	Drug category	% of Spend**
1. Eliquis®	Anticoagulant	2.9%
2. Revlimid®	Cancer (oral)	2.8%
3. Lantus® SoloSTAR®	Diabetes	2.7%
4. Xarelto®	Anticoagulant	2.1%
5. Januvia®	Diabetes	1.8%
6. Humalog® Kwikpen®	Diabetes	1.8%
7. Lyrica®	Anticonvulsant	1.7%
8. Harvoni®	Hepatitis C	1.6%
9. Advair® Diskus®	Respiratory	1.5%
10. Spiriva® Handihaler®	Respiratory	1.3%

All brand names are the property of their respective owners.

Specialty spend The cancer (oral) category retained the top spot among specialty drugs but had a significant reduction in trend — from 19.2 percent in 2016 to 3.3 percent in 2017. The introduction of generic imatinib played a considerable role in these savings. Autoimmune drugs, another category with heavy brand advertising, had the highest trend among specialty drugs in the top-ten at nearly 16 percent. A double-digit increase in unit cost and plus five percent utilization growth pushed autoimmune trend upward. Hepatitis C therapies saw lower utilization, illustrated by Harvoni’s drop from number three in the 2016 top-ten drug list to number eight in 2017. However, as hepatitis C costs subsided, multiple sclerosis trend rose from 3.1 percent in 2016 to 8.9 percent in 2017.

Generic utilization among Prime’s Medicare Part D clients exceeded 90% in 2017, yielding an estimated savings of more \$100 million for our clients and their members.

Success stories

Prime's Medicare clients experienced trend reductions* in the following disease categories in 2017. Many successes contributed to these reductions and other savings.

Cancer (oral)



High cholesterol



Autoimmune



*Relative change in trend comparing 2017 trend to 2016.

Negotiated savings Medicare clients benefited from \$242 million in incremental negotiated savings in 2017. These savings include Prime's delivery of competitive rebates and pharmacy Maximum Allowable Cost (MAC) pricing, network savings fueled by preferred networks and other network management initiatives.

\$242M
savings

\$181M
savings

Utilization management Savings from prior authorization, step therapy and quantity limit programs to help promote appropriate use of medicines exceeded \$181 million in 2017.

Medical cost avoidance and adherence Prime's GuidedHealth® analyses which address gaps in care and adherence generated more than \$135 million of total savings through medical cost avoidance and improved adherence in 2017.

\$135M
savings

\$50M
savings

Fraud, Waste and Abuse (FWA) Prime's diligent FWA efforts, such as fraud investigations, audits and enhanced credentialing, generated more than \$50 million in total savings for Medicare Part D clients. 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.

Prime's expanding PBM toolbox will further strengthen our value for Medicare Part D clients.

Ongoing network innovation

Prime's preferred networks have delivered significant savings for Prime's Medicare Part D clients. Over the past several years, Prime has implemented Quality Based Networks (QBN) programs in both Medicare Advantage drug plans and Medicare prescription drug plans. Use of these networks has been associated with improved adherence for members taking diabetes, high blood pressure and high cholesterol medicines.* QBNs also delivered improved scores for Statin Use in Persons with Diabetes (SUPD) and High Risk Medication (HRM) measures. All these metrics are tied to, or correlated with, CMS Stars measures. Prime will be expanding the use of QBNs to build on the positive outcomes these programs generate.

*Compared to non-QBN networks

Controlled Substance Management Program

Prime's Controlled Substance Management Program provides a multi-layered response to the national opioid epidemic. Using data to identify misuse, it combines our industry-validated controlled substance score with multiple programs. The results: a comprehensive toolset for prescribers and pharmacists to address potential misuse and poor member outcomes. New predictive modeling in development will allow us to identify high-risk members even sooner.

Patient-centered specialty drug management

As specialty drugs continue to drive trend, Prime's disciplined approach helps to lower it. Our approach begins with clinicians who are dedicated to specific drug categories and focused on connecting the critical dots for high-cost conditions. This combination of targeted and holistic perspectives fuels new insights and more productive member engagement. For example, Prime is developing new processes to detect gaps in care and prioritize intervention opportunities. Building on our GuidedHealth® platform, we will soon launch a pharmacist-driven program to identify high-cost specialty members. The resulting engagement will improve both member care and cost control. All efforts will leverage Prime's decades of experience for a highly coordinated approach to member health.

Forward-looking research and analytics

Today, Prime is leading the industry in analyzing new treatments that challenge the definition of medicine. These revolutionary options include CAR-T cell and gene therapies that offer new hope and new cures. Our unique, data-driven insights give our clients a powerful advantage as we work together to anticipate tomorrow's drivers of drug spend.

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METHODOLOGY

Trend Represents change for 2016 vs 2017 for Prime's Medicare Part D book of business for Total Costs (plan + member PMPM) inclusive of network discounts + concessions + 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.