

focus on trend

MEDICAID

Despite rapidly increasing costs in some of the most expensive drug categories, Prime’s Medicaid clients experienced an overall decrease in prescription drug expenditures in 2017. Drug trend of -5.4 percent was fueled by increased use of Prime’s PBM tools, proactive collaboration on population management, and substantial negotiated savings. Decreasing utilization of hepatitis C drugs drove trend further into negative territory.

“Prime’s Medicaid pharmacy management approach gives our clients a powerful advantage as they strive to balance outcomes and affordability. Our 2017 drug trend illustrates the positive results that can be achieved when collaboration is a top priority. We stand with our clients as they navigate today’s evolving Medicaid environment.”

— Rob Behler, vice president and general manager, Medicaid markets



In 2017 Prime's average Medicaid price per script was

14% lower than the national average for Managed Care Organizations.

Source: Internal Prime analysis and available Medicaid Managed Care comparison data retrieved from Medicaid.gov state drug utilization database.

Specialty trend for Medicaid clients entered negative territory in 2017, driven by significant reductions in unit cost plus lower utilization growth — 75 percent less than in 2016. Decreasing utilization of hepatitis C drugs played a significant role. Though much lower than last year, the increase in specialty utilization still outpaced traditional utilization growth by 3 to 1.

	Utilization (%)	Unit cost (%)	Total (%)
Overall	0.8	-6.2	-5.4
Traditional	0.8	-7.8	-7.0
Specialty	2.9	-4.7	-1.8

Powerful upward forces in drug costs remain

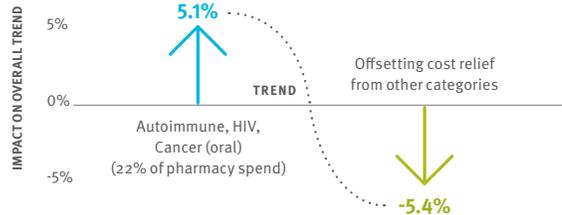
Double-digit trends continue in the most expensive categories

Drug Category	% of spend	Trend	Unit Cost
Autoimmune	9.9%	24.9%	\$4,922
HIV	8.3%	19.0%	\$1,706
Cancer (oral)	3.7%	24.6%	\$7,575

22 percent of pharmacy spend

Traditional spend Diabetes spending for Prime’s Medicaid clients decreased by nearly 4 percent due to use of Prime’s cost-saving recommendations (see next page for details). This occurred in the midst of increasing utilization and the ongoing introduction of new, brand-name products. The HIV category exerted the most upward pressure on trend among traditional drugs, with double-digit trend nearing 20 percent. Negative trend in the ADHD and anticonvulsant categories was fueled by double-digit decreases in unit cost for each. Negative trend in the pain category reflects Prime’s ongoing work to manage opioids through our Controlled Substance Management Program.

High-cost categories exert upward pressure on overall trend



Specialty spend The autoimmune and cancer (oral) categories exerted the greatest upward pressure on specialty spending in 2017. Each saw significant increases in utilization plus rising unit cost. A robust pipeline, including many high-cost drugs intended to serve as second and third line treatments, will likely sustain spending increases for these conditions. In contrast, spending for hepatitis C decreased dramatically, driven by a collaborative formulary strategy with our clients and a major decrease in utilization. Prime continues to actively seek out clinically and economically effective hepatitis C therapies even as the treatable population declines.

Top-ten drug categories

Drug category	% of Spend*	Trend**
1. Diabetes	15.1%	-3.7%
2. Autoimmune	9.9%	24.9%
3. HIV	8.3%	19.0%
4. Respiratory	8.0%	-12.0%
5. Hepatitis C	6.8%	-39.2%
6. ADHD	4.7%	-17.8%
7. Cancer (oral)	3.7%	24.6%
8. Pain	3.7%	-9.8%
9. Multiple sclerosis	3.0%	-3.1%
10. Anticonvulsant	2.7%	-14.1%

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

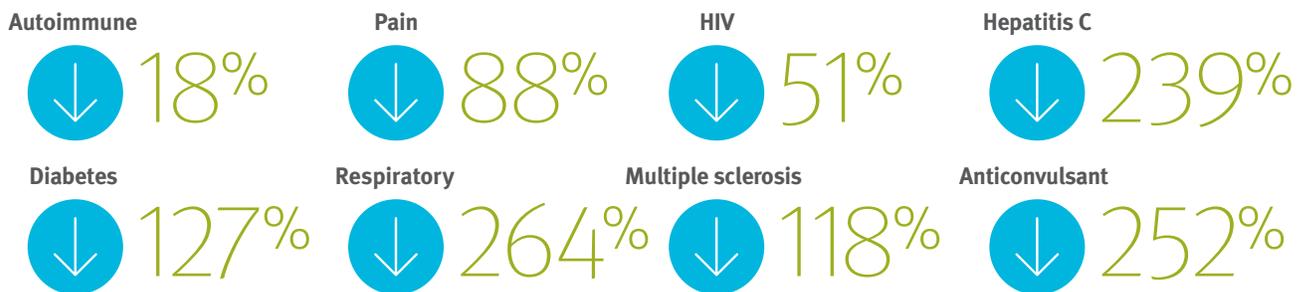
Top-ten individual drugs

Drug name	Drug category	% of Spend*
1. Humira® Pen	Autoimmune	4.3%
2. Basaglar®	Diabetes	3.1%
3. Zepatier®	Hepatitis C	2.6%
4. Epclusa®	Hepatitis C	2.5%
5. Ventolin®	Respiratory	2.0%
6. Novolog® Flexpen	Diabetes	1.9%
7. Genvoya®	HIV	1.7%
8. Suboxone®	Pain	1.7%
9. Enbrel® Sureclick®	Autoimmune	1.6%
10. Test strips (multiple brands)	Diabetes	1.6%

All brand names are the property of their respective owners.

Success stories

Prime's Medicaid clients experienced significant trend reductions* in multiple drug categories in 2017. Increased use of Prime's PBM tools, proactive collaboration on population management and substantial negotiated savings helped fuel positive results.



*Relative change in trend comparing 2017 trend to 2016.

Collaboration fuels savings Prime's collaborative approach drove our trend bending success in the high-cost diabetes category in 2017. Prime helped our Medicaid plans lower costs by adjusting formularies, removing more expensive options. We also worked together to identify a lower quantity threshold for insulin. It did not impact patient care but helped reduce waste. Prime is also working with our Medicaid plans to identify members using high volumes of insulin who could benefit from plan case management.

Medicaid-specific MAC lists and generics-based formularies deliver value Diligent management of MAC rates generated more than \$18.5 million in savings for Medicaid clients in 2017. In addition, the generic use rate (GUR) among Prime's Medicaid clients was 87.1 percent last year. This is up from 85.9 percent in 2016.

Utilization management (UM) helps promote appropriate use and cost control UM savings associated with prior authorization, step therapy and quantity limit programs grew to \$115 million in 2017.

Medical cost avoidance helps reduce overall health spending Prime's GuidedHealth® analyses generate savings by addressing gaps in care, adherence, safety and overuse of drugs. Nearly \$17 million in estimated medical cost avoidance was achieved in 2017.

Focused networks help control cost and boost confidence In 2017 Prime's Medicaid clients benefitted from more than \$22 million in incremental network savings compared to the prior year. Focused networks that balance both access and affordability have played a significant role. In 2017 Prime helped Medicaid clients institute networks designed for individual states and border counties. Prime's collaboration with Walgreens has strengthened our ability to deliver excellent access and convenience for plan members.

Fraud, Waste, and Abuse (FWA) Savings Prime's FWA efforts have generated more than \$7 million in total savings for Medicaid clients through efforts such as fraud investigations and pharmacy audits. 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.



In 2017 Prime delivered Medicaid value of approximately \$180 million from these efforts.

Based on internal Prime analysis

Prime stands apart from other PBMs on the quality of our Medicaid services and the dedicated support we provide.

Dedicated resources	Prime leverages the strength of dedicated Medicaid resources across every function, including account directors, program general management, clinical program management, benefits and claims operations, compliance, product and trade relations. Prime’s account directors partner with clients to understand objectives and foster strategic alignment. They consult with clients on market trends and needs as well as cost control and savings opportunities.
Flexible and aligned benefit design	Because of the resources Prime dedicates to each client, we offer Medicaid plans a variety of benefit structures and system edits to support their coverage and cost containment goals. Our expert consultation helps clients select the right benefit design to achieve their goals. Prime also continuously reviews the benefit, making changes designed to optimize outcomes and costs. And clients have ongoing access to monitoring tools to check their progress.
Comprehensive formulary approach	Prime provides a complete set of formulary management services, including formulary development and maintenance, client-specific modeling and analysis, pipeline monitoring and reporting. Prime offers Medicaid-specific help with formulary development through our National Medicaid Business Committee.
Proactive clinical engagement	In the heavily regulated Medicaid sector, clinical teams can be limited in their ability to positively contribute to plan objectives. Prime’s clinical program managers (CPMs) are dedicated to specific clients; they offer expertise in each program’s unique requirements. CPMs proactively consult on pharmacy strategy, formulary and clinical services to maximize impact while supporting compliance with state requirements. In addition, our CPMs engage proactively to create comprehensive, client-specific strategies to achieve drug trend management goals.
Strategic network management	Networks and their pharmacies are critical links in the drug chain, helping deliver safety, quality and cost control. Prime offers a highly strategic, integrated approach to network management. It covers MAC negotiations to rigorous fraud, waste, and abuse prevention to comprehensive help desk services to cost saving programs such as narrow networks (including specialty networks in the near future) — all with an eye to promoting access and affordability.
Industry leadership	<p>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. The results: a comprehensive toolset for prescribers and pharmacists to address potential abuse and poor member outcomes. New predictive modeling in development will allow us to identify high-risk members even sooner.</p> <p>Today Prime is also leading our industry in analyzing new treatments that are challenging the very definition of medicine. These revolutionary options include CAR-T cell and gene therapies that offer new hope and new cures.</p>