

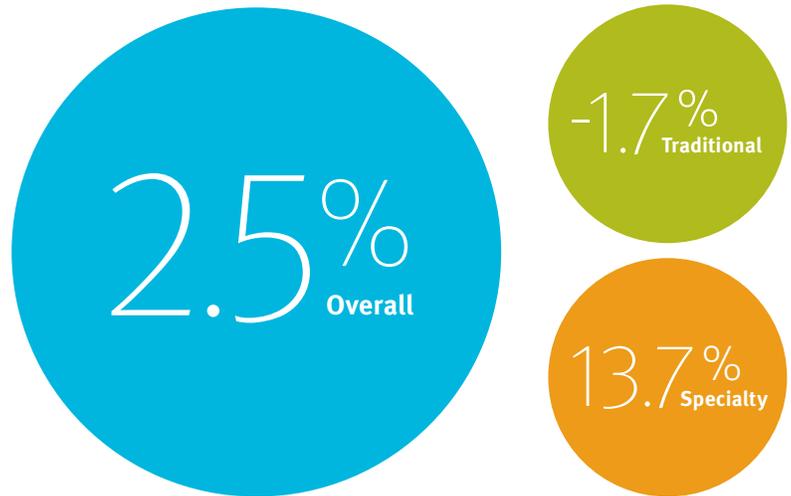
focus on trend

COMMERCIAL

In 2016, Prime’s commercial clients saw a mere **2.5 percent** increase in overall drug costs. Prime achieved this industry-leading trend in the midst of 4.8 percent drug price inflation (more than twice the general inflation rate) and a utilization increase of nearly 2 percent.

“We are relentless in helping our members find the right drugs for their condition, assuring their continued adherence to that regimen, and finding the most affordable cost. Every day we will aggressively negotiate the best price for our plan sponsors and members.”

— Jim DuCharme, President and CEO



\$2.3 billion Total client savings in 2016

as a result of Prime’s management tools

Based on Prime internal analysis

While specialty drug expenditures grew 13.7 percent, these increases were offset by a 1.7 percent decrease in spending on traditional drugs.

	Unit cost (%)	Utilization (%)	Total (%)
Overall	0.6	1.9	2.5
Traditional	-3.6	1.9	-1.7
Specialty	5.6	8.1	13.7

- ✓ More than 30% of groups in Prime’s commercial book of business had negative trend in 2016.
- ✓ Prime also succeeded in controlling drug costs for members. Member expenditures on drugs rose only 1.3% in 2016.

Top ten drug categories

Drug Category	% of Spend*	Trend**
1. Diabetes	13.0%	7.5%
2. Autoimmune	11.9%	25.8%
3. Multiple sclerosis	4.7%	7.0%
4. HIV	4.7%	22.9%
5. Cancer (oral)	4.6%	19.3%
6. Pain	4.3%	-6.0%
7. ADHD	4.0%	-1.0%
8. Respiratory	3.8%	5.0%
9. Hepatitis C	3.6%	-25.6%
10. High cholesterol	3.4%	-5.5%

*Total expenditures before rebates and inclusive of discounts
 **Change in PMPM spend 2015 to 2016 after rebates and discounts

Key drivers

Traditional spend

Diabetes was the number one drug category overall in 2016, comprising 13 percent of total pharmacy benefit spend. Diabetes spending increased 18 percent before rebates, driven by a 6 percent increase in utilization and average price increases of 11 percent on drugs in this category.

Specialty spend

Biologic anti-inflammatory treatments led spending among specialty categories, comprising 12 percent of total expenditures and 40 percent of specialty expenditures in 2016. Autoimmune PMPM costs have more than doubled since 2012, driven largely by annual utilization growth of 10 percent and average brand price increases of 18–20 percent. Hepatitis C remains a top spend category in specialty, but costs decreased nearly \$1 PMPM, largely due to a 22.5 percent reduction in utilization.

Use of PBM tools

As drug costs continued to climb, Prime's clients applied management strategies in areas such as networks, formulary design, and drug management programs. In 2016 Prime negotiated lower rates and dispensing fees with pharmacies and aggressive discounts and rebates with manufacturers. We also increased generic utilization from 83.1 to 84.7 percent and lowered the average cost per generic prescription by 5 percent. Finally, we announced a groundbreaking alliance with Walgreens that promises to deliver additional cost savings for Prime's members and clients.

Top ten individual drugs

Drug	Condition	% of Spend*
1. Humira Pen	Autoimmune	4.6%
2. Harvoni	Hepatitis C	2.6%
3. Enbrel Sureclick	Autoimmune	2.1%
4. Lantus Solostar	Diabetes	1.4%
5. Copaxone	Multiple sclerosis	1.2%
6. Vyvanse	ADHD	1.2%
7. Novolog Flexpen	Diabetes	1.1%
8. Victoza	Diabetes	1.1%
9. Crestor	High cholesterol	1.1%
10. Tecfidera	Multiple sclerosis	1.0%

New drugs (approved in 2016)

Prime is closely managing the following potential trend drivers via utilization management (UM) and/or medical policy:

Drug	Condition
1. Zepatier (grazoprevir/elbasvir)	Hepatitis C
2. Epclusa (sofosbuvir/velpatasvir)	Hepatitis C
3. Taltz (ixekizumab)	Plaque psoriasis
4. Nuplazid (pimavanserin)	Parkinson's disease psychosis
5. Ocaliva (Obeticholic acid)	Liver disease
6. Exondys-51 (eteplirsen)	Duchenne muscular dystrophy

Top high-cost pipeline drugs (for 2017)*

Drug	Potential cost impact**
1. Ocrevus™ (ocrelizumab)	\$0.08 – \$0.39 PMPM
2. Dupixent® (dupilumab)	\$0.08 – \$2.00 PMPM
3. Radicava™ (edaravone)	\$0.08 – \$0.39 PMPM
4. Ingrezza™ (valbenazine)	\$0.08 – \$0.39 PMPM
5. niraparib	\$0.08 – \$0.39 PMPM
6. Pharmaceutical grade L-glutamine (PGLG)	\$0.08 – \$0.39 PMPM

*Many orphan drugs also coming to market at greater than \$300,000 annually should also be carefully monitored.

**Estimates include impact on pharmacy and medical benefit.

All brand names are the property of their respective owner.

success stories

Bend the trend: 2016 top success stories

We achieved net trend reductions in multiple categories, including the top two categories driving overall spend (diabetes and autoimmune). This was achieved using aggressive management strategies to mitigate trend forces such as formulary, rebates, network discounts and price protection. Prime is able to offer our clients price protection on greater than 90 percent of the sales of rebated products.

Category	Relative annual change in net trend	Management strategy(s)
Diabetes	↓ 60% reduction	Formulary, rebates and UM initiatives
Autoimmune	↓ 24% reduction	Rebates, UM and network discounts
Hepatitis C	↓ 660% reduction	Extension of 2015 savings and reduced utilization
Cancer (oral)	↓ 37% reduction	Rebates and network discounts
HIV	↓ 45% reduction	Network management, formulary and UM initiatives
Pain	↓ 215% reduction	Network discounts, rebates, UM and clinical programs to ensure safe and effective use

These success stories alone generated more than

a half-billion dollars in savings for our clients

Other value delivered to our clients in 2016

Prime is unique in that we are able to help clients manage more than just pharmacy benefit spend. We help clients address drug spend on the medical side and avoid unnecessary medical costs through integrated specialty management programs, adherence support and GuidedHealth® alerts. We also provide significant value through areas such as fraud, waste, and abuse prevention and active management of the patent cliff.

\$226 million

Savings (actual) in medical cost avoidance through GuidedHealth alerts to address gaps in care and adherence support

\$185 million

Savings (actual) from Prime's fraud, waste, and abuse reduction efforts such as fraud investigations, audits and enhanced credentialing

\$75 million

Savings (actual) due to Prime's patent cliff management strategies

\$64 million

Incremental medical-side savings through medical drug reviews and reimbursement solutions (helps clients set reimbursements for drugs on the medical benefit)

Prime continually evaluates, strengthens and innovates our PBM toolbox to meet the needs of our clients.

✔ **Innovative formulary design** As generic savings peak, Prime's clients can take advantage of the latest thinking in formulary design. This includes 6-tier structures, substantial rebates, and the assertive use of exclusions. For example, Prime's NetResults™ formulary offers significant savings from highly competitive discounts on the right mix of drugs. **Savings opportunity: Up to \$6 PMPM.**

✔ **Unparalleled network options** Prime offers clients a continuum of network options to help optimize the balance between cost and choice. Our latest network innovation is our unique, industry-changing alliance with Walgreens. The Prime/Walgreens alliance will yield exceptional pricing and also offer members a differentiated pharmacy experience to drive both network adoption and member satisfaction. **100 percent adoption of Walgreens preferred networks across Prime's commercial book of business could save clients \$1 billion per year. Estimated PMPM savings = \$5.20.**

✔ **Pioneering medical/pharmacy integration** Prime was created by leading health plans. As a result we've been integrating medical and pharmacy data for decades. We also learned long ago that insight requires more than just huge volumes of data and processing power. It also requires a rare combination of medical and business acumen. This perspective powers products like Prime's reimbursement solutions that help clients optimize fee schedules for drugs that flow through medical benefit. **Last year, reimbursement solutions alone generated \$45 million in incremental savings for Prime's clients.**

✔ **Aggressive specialty management** Prime tackles the challenge of specialty drug costs with both clients and members in mind. For example, we offer the only site of care program that is truly agnostic and member-centric; we consider out-of-pocket cost implications, member preference and plan savings opportunities to find the most affordable facility that offers the best care for our members. In addition, Prime's oncology management program will combine new and proven approaches to reduce the variability in cost and quality of cancer treatments. From treatment decisions to treatment delivery, we leverage a broad spectrum of powerful tools to reduce drug cost and total cost of care, while improving health outcomes. Prime's deep connectivity with our health plan clients also creates a unique analytical vantage point. This allows us to combine medical claims, pharmacy claims, and clinical data to assess the disease holistically.

✔ **Active management of the patent cliff** As the patents for brand drugs expire, the first generic to market is usually exclusive to one manufacturer for approximately six months and often costs nearly as much as the brand drug. By maximizing brand rebates and not covering exclusive generics, members temporarily remain on brand drugs until more affordable generics are available. This ensures the lowest overall cost for plans when brand drugs lose patent. **2017 savings projected to exceed \$75 million.**

✔ **Agile Fraud Waste and Abuse (FWA) solutions** With health care fraud schemes becoming more complex and sophisticated, clients need robust targeted solutions. Prime's FWA strategy leverages integrated solutions that keep potentially problematic pharmacies from entering our networks, customize benefit designs to mitigate fraud trends, and swiftly and aggressively act when potential fraud is detected. Our suite of FWA services aligns with our goal to promptly shift focus to those activities that maximize the financial and/or compliance benefit to our clients.

Prime Therapeutics LLC

800.858.0723

1305 Corporate Center Drive, Eagan, MN 55121

PrimeTherapeutics.com

6437-A © Prime Therapeutics LLC 03/17

METHODOLOGY

Trend Represents change for 2016 vs 2015 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.

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.

Total client savings Primarily represents incremental savings.