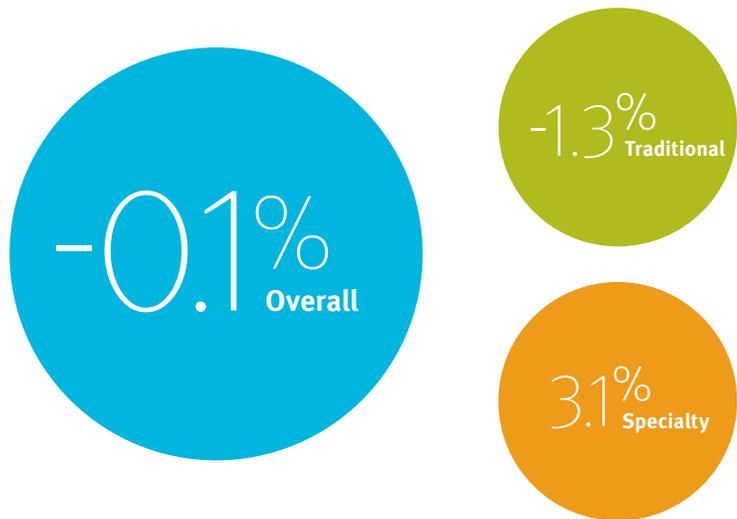PRIME
THERAPEUTICS®

focus on trend (MEDICARE PART D)

In the first half of 2017 Prime continued to drive down drug trend in the midst of powerful upward forces on prescription drug costs. **Prime's Medicare Part D clients experienced overall negative drug trend of -0.1 percent in Q1 and Q2 of 2017.**[1] Preferred networks played a major role in drug savings for Medicare D clients. Traditional trend remained in negative territory in the first half of 2017. Specialty trend was reduced by more than 50 percent, fueled in great part by lower utilization of hepatitis C drugs.

"Regulated markets like Medicare are constantly evolving and changing. Prime is working to meet the challenges of today and tomorrow with powerful tools aligned with our clients' needs. Our integrated approach to health care—one that incorporates regulatory, plan, regional, and member perspectives—helps us identify opportunities and execute solutions that make a real difference."

—**Rachel Nelson, vice president and general manager, Medicare markets**

-0.1% **Overall**

-1.3% **Traditional**

3.1% **Specialty**

In the first half of 2017 Prime's Medicare Part D clients experienced savings of approximately

$**387** million

Based on internal Prime analysis

as a result of Prime's management tools and other programs.

Relatively flat utilization plus a nearly 2 percent reduction in unit cost kept traditional trend negative for Medicare Part D clients in the first half of 2017. Specialty trend dropped to approximately 3 percent, supported by a limited increase in unit cost of only 1.4 percent.

	Unit cost (%)	Utilization (%)	Total (%)
Overall	-0.7	0.6	-0.1
Traditional	-1.9	0.6	-1.3
Specialty	1.4	1.7	3.1

1 Compared to the first half of 2016.

trend drivers

Top ten drug categories

Drug category	% of Spend*	Trend**
1. Diabetes	15.6%	2.2%
2. **Cancer (oral)**	11.4%	1.0%
3. Respiratory	7.2%	6.3%
4. Anticoagulant	6.2%	25.9%
5. High blood pressure	4.2%	0.2%
6. High cholesterol	4.2%	-35.8%
7. **Multiple sclerosis**	3.9%	11.4%
8. **Autoimmune**	3.5%	19.8%
9. Pain	3.5%	-11.9%
10. Anticonvulsant	3.3%	9.5%

*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. **Revlimid®**	Cancer (oral)	2.8%
2. Eliquis®	Anticoagulant	2.7%
3. Lantus® SoloSTAR®	Diabetes	2.6%
4. Xarelto®	Anticoagulant	2.2%
5. Januvia®	Diabetes	1.9%
6. Lyrica®	Anticonvulsant	1.7%
7. Advair Diskus®	Respiratory	1.7%
8. Humalog® KwikPen®	Diabetes	1.7%
9. **Harvoni®**	Hepatitis C	1.7%
10. Spiriva® HandiHaler®	Respiratory	1.4%

All brand names are the property of their respective owner.

Key drivers

Traditional spend Diabetes remains the top overall drug category for spend. Despite increasing utilization and new brand-name products, Prime's PBM tools drove a reduction in net unit cost and kept diabetes trend to just over 2 percent. High trend for anticoagulants was driven by a drastic shift to higher cost branded medications, perhaps influenced by heavy brand advertising. In contrast, the high cholesterol category experienced negative net trend of approximately -36 percent. This was due in great part to a dramatic shift from Crestor® to its generic counterpart, rosuvastatin. Negative trend in the pain category reflects Prime's ongoing work to manage opioids, including our recently announced Controlled Substance Management Program.

Specialty spend The cancer (oral) category retained the top spot among specialty drugs but had a significant reduction in trend — from 27.4 percent in the first half of 2016 to 1.0 percent in the first half of 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. A 14 percent rise in unit cost and 6 percent utilization growth pushed autoimmune trend upward. Lower utilization of hepatitis C therapies is illustrated by Harvoni's drop from number three in the 2016 top ten drug list to number nine in the first half of 2017. As hepatitis C costs subside, however, multiple sclerosis trend is rising, driven primarily by unit cost increases.

2017 High-cost drug pipeline

Prime closely tracks new drugs, particularly those that might significantly impact drug spend. The table below lists the drugs on Prime's pipeline watchlist and others to which Prime is paying close attention in 2017.

Drug brand (generic)	Condition	FDA approved*
Ocrevus™ (ocrelizumab)	MS	✓
Dupixent® (dupilumab)	Atopic dermatitis	✓
Radicava™ (edaravone)	ALS	✓
Ingrezza™ (valbenazine)	Tardive dyskinesia	✓
Translarna™ (ataluren)	Duchenne muscular dystrophy	
Emflaza™ (deflazacort)	Duchenne muscular dystrophy	✓
Zejula™ (niraparib)	Ovarian cancer	✓
Kymriah™ (tisagenlecleucel) [genetically modified CAR-T cells]	Leukemia	✓
axicabtagene ciloleucel (KTE-C19) [genetically modified CAR-T cells]	Lymphoma	
Luxturna™ (voretigene neparvovec) [gene therapy]	Inherited retinal disease	
RoxyBond™ (oxycodone tablets) [Abuse deterrent formulation for immediate release opioid]	Severe pain	✓

*As of 9/22/2017   Not all drugs may be relevant to all lines of business. All brand names are the property of their respective owner.

success stories

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

Autoimmune

↓3%

Cancer (oral)

↓96%

High cholesterol

↓317%

*Relative change in net trend comparing 2017 mid-year trend to mid-year trend for 2016.

Negotiated savings
Medicare clients have benefited from $224 million in year-to-date incremental negotiated savings. These include Prime's delivery of competitive rebates and pharmacy MAC pricing, network savings fueled by preferred networks and other network management initiatives.

$224M
savings

$75M
savings

Utilization management
Estimated** savings from prior authorization, step therapy and quantity limit programs to help promote appropriate use exceed $75 million in the first half of 2017.

**Based on actual savings for 1Q2017 and projected savings for 2Q2017.

Medical cost avoidance and adherence
Prime's GuidedHealth® alerts which address gaps in care and adherence have generated $70 million of total savings through medical cost avoidance and improved adherence in Q1 and Q2 of 2017.

$70M
savings

$18M
savings

Fraud, Waste and Abuse (FWA)
Prime's diligent FWA efforts such as fraud investigations, audits and enhanced credentialing have generated more than $18 million in total savings year-to-date for Medicare Part D clients.

powerful tools

Our expanding PBM toolbox will further strengthen Prime's 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

In July 2017 Prime announced an initiative that combines existing controlled substance programs with new offerings to create a multi-layered response to the national opioid epidemic. Prime's Controlled Substance Management Program uses pharmacy and medical data to identify misuse and abuse. It combines our industry-validated controlled substance score with proven programs. The result: a comprehensive toolset for prescribers and pharmacists to address potential abuse and poor member outcomes. In 2018, new predictive modeling will allow us to identify high-risk members even sooner.

Patient-centered specialty 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 in health plan integration for a highly coordinated approach to member health.

Forward-looking research and analytics

In 2013, Prime was the first PBM to predict that specialty drugs would exceed 50 percent of all drug spend by 2018. This forecast remains on target.

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 deep health plan connections and unique data-driven insights give our clients a powerful advantage as they work to anticipate tomorrow's drivers of drug spend.

METHODOLOGY

Trend Represents change for Q1&Q2 2016 vs Q1&Q2 2017 for Prime's Medicare Part D book of business for Total Costs (plan + member PMPM) inclusive of network discounts + tax + dispensing fees minus total rebates. Calculations include plans with 12 months of 2016 data and 6 months of 2017 data.

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.