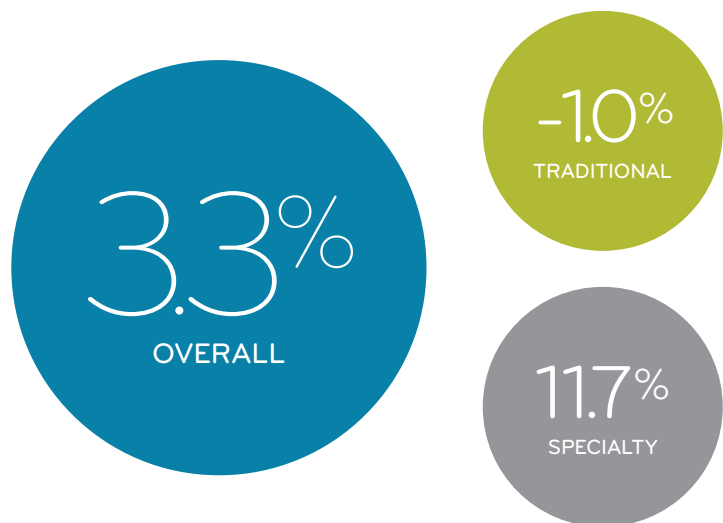


# FOCUS ON TREND COMMERCIAL

Prime Therapeutics' (Prime) commercial clients experienced a slight increase in prescription drug expenditures on the pharmacy benefit in 2018, with a trend of 3.3 percent. In a year when daily headlines focused on drug pricing concerns, Prime saw prescription unit costs increase overall. The strongest drivers of trend were specialty drugs at 11.7 percent, while traditional drugs trended down by -1.0 percent. Prime's toolbox of program offerings helped keep trend from rising further.

"Our entire organization has painstakingly worked on behalf of our clients to deliver the best value for the health care dollar. There is a microscope on our industry—by clients, employers, members, policymakers and regulators—and we remain focused on what drives to the best health outcomes for members while remaining committed to affordability and safety. We look forward to continuing to offer the valuable services our clients have come to expect from Prime, while also looking at how we can creatively address proposed reforms in our industry."

—Jon Gavras, M.D., senior vice president and chief medical officer, Prime Therapeutics



Growth in specialty drug trend far outpaced a negative traditional drug trend. The traditional medicines drug trend also overcame a slight 1.1 percent increase in utilization. Specialty drug trend was driven by a double-digit increase in utilization.

MORE THAN

**\$27 billion**

IN CLIENT SAVINGS IN 2018 AS A RESULT OF PRIME'S MANAGEMENT TOOLS

Based on internal Prime analysis

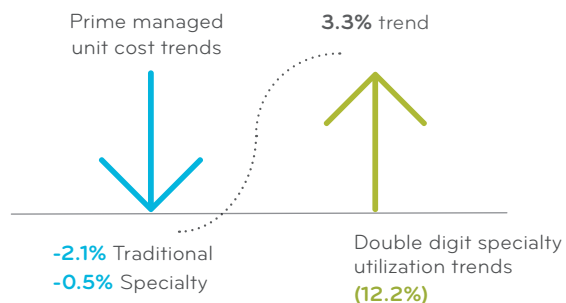
|             | Utilization (%) | Unit cost (%) | Total (%) |
|-------------|-----------------|---------------|-----------|
| OVERALL     | 1.2             | 2.1           | 3.3       |
| TRADITIONAL | 1.1             | -2.1          | -1.0      |
| SPECIALTY   | 12.2            | -0.5          | 11.7      |

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

In Prime's collaboration model with health plans, total drug management is a top priority—especially when it comes to drug utilization and trend. It allows for aligned goals to positively impact population health while improving experiences effectively.

Prime manages costs for both specialty and traditional drugs, but as specialty utilization trends stay in the double digits, the average total trend increases.

Low unit cost trends offset by high utilization trends in specialty



### TRADITIONAL SPEND

Diabetes was the most expensive traditional drug category in 2018. It saw a continued increase in utilization. However, Prime maintained single digit trend overall by selecting drugs that were the most clinically effective at the lowest net cost. HIV medicines again saw the highest trend (17 percent — down from 22 percent in 2017) among the top ten most utilized traditional drugs. This was a result of increases in both utilization and unit cost. At 15 percent, the pain category had the lowest trend among the top ten most utilized drugs. Contributing to this was, Prime's comprehensive Controlled Substance Management Program. This program has delivered on the company's decade-long leadership in addressing the controlled substance crisis.

### SPECIALTY SPEND

Autoimmune drugs rose to the leading driver of spend, outpacing diabetes for the first time. As these high cost autoimmune drugs are approved for more indications, and drugmakers increase marketing efforts, this class continues to see the highest utilization trend. The cancer (oral) category had the highest trend (23 percent) among the top-ten categories, driven by increases in both utilization and unit cost. Expenses in both categories were further driven by heavy brand use. Hepatitis C trend significantly decreased as utilization declined with fewer members remaining to be treated. Historically high rates of drug submissions for oncology and orphan conditions is expected to continue, and will contribute toward upward pressures on specialty trend.

### TOP-TEN DRUG CATEGORIES

| Drug category                | % of Spend* | Trend** |
|------------------------------|-------------|---------|
| 1. <b>Autoimmune</b>         | 16.8%       | 19.0%   |
| 2. Diabetes                  | 14.6%       | 2.4%    |
| 3. HIV                       | 6.1%        | 17.1%   |
| 4. <b>Cancer (oral)</b>      | 6.1%        | 22.7%   |
| 5. <b>Multiple sclerosis</b> | 4.5%        | -3.3%   |
| 6. Respiratory               | 4.1%        | -2.7%   |
| 7. ADHD                      | 3.6%        | -2.7%   |
| 8. Pain                      | 3.0%        | -15.3%  |
| 9. <b>Hepatitis C</b>        | 1.8%        | -49.7%  |
| 10. Anticonvulsant           | 2.5%        | 4.5%    |

\*Total expenditures before rebates, but after discounts **Bold** = Specialty  
\*\*Change in per member per month (PMPM) spend 2017 to 2018 after rebates and discounts

### TOP-TEN INDIVIDUAL DRUGS

| Drug                         | Condition  | % of Spend* |
|------------------------------|------------|-------------|
| 1. <b>Humira® Pen</b>        | Autoimmune | 6.3%        |
| 2. <b>Enbrel® SureClick®</b> | Autoimmune | 2.2%        |
| 3. <b>Stelara®</b>           | Autoimmune | 1.8%        |
| 4. Victoza®                  | Diabetes   | 1.4%        |
| 5. Genvoya®                  | HIV        | 1.4%        |
| 6. Lantus® SoloSTAR®         | Diabetes   | 1.4%        |
| 7. Vyvanse®                  | ADHD       | 1.3%        |
| 8. Novolog® Flexpen          | Diabetes   | 1.3%        |
| 9. Novolog®                  | Diabetes   | 1.2%        |
| 10. Trulicity®               | Diabetes   | 1.0%        |

All brand names are the property of their respective owners.

### PIPELINE INFLUENCE

→ A pipeline of new, expensive drugs will continue to drive upward cost pressure.

→ Out of the 59 new drugs (traditional and specialty) approved in 2018, the top 8 drugs drove overall spend by approximately 1.4 percent at an average annual cost of more than \$130,000.



#### NEW DRUG PIPELINE

**35%** average increase in price per drug for the top eight drugs (2018 vs. 2017)

**28%** increase in number of new drugs approved by the Food and Drug Administration (FDA) (2018 vs. 2017)

## PRIME INVESTS IN TOTAL DRUG MANAGEMENT THROUGH PARTNERSHIPS, PROGRAMS, TOOLS AND PRODUCT OFFERINGS

While the trend figures on previous pages focus on the pharmacy drug benefit, Prime takes a total drug management approach to managing drugs. By integrating both medical and pharmacy claims data, Prime sees approximately 25 percent of drug spend is realized on the medical benefit. Prime has the capabilities in place to execute drug management on both the pharmacy and medical benefits through a variety of measures. When this comprehensive portfolio works together, the results are powerful.

Drugs costs are currently 27 percent of total health care costs (net of rebates) for Prime's book of business, making the need for total drug management even more critical. However, the percent of costs can range from client-to-client (some are in the upper teens, while others are in the lower 30s). It's important that health plan clients know how much of their health care spend is comprised of drugs. Prime's offerings help control this spend and bring needed value to the drug supply chain.

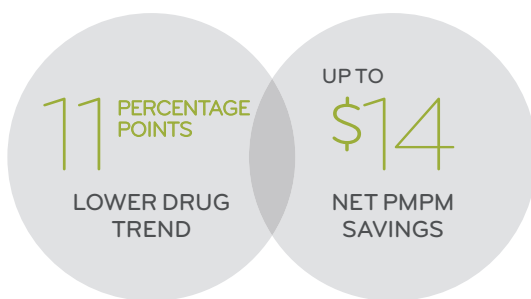


## PRICING DRUGS TO VALUE

Since 2016, Prime has been a flagship member of the Institute for Clinical and Economic Review (ICER). Their diverse membership brings together leaders from insurers, pharmacy benefit managers (PBMs), health technology assessment groups and pharmaceutical manufacturers to evaluate the clinical and economic value of prescription drugs and other medical innovations. ICER issues reports to ensure a drug's price is tied to value and specifically assesses:

- How well does the drug work?
- How much better is the drug than what is already available in the market?
- How much money could it save patients, insurers, employers, etc.?
- How much money would it cost to treat everyone who may need the new drug?

In many of ICER's analyses, high-cost drugs need price reductions to reach commonly cited thresholds for cost-effectiveness. Prime fully supports ICER's work and the need to price drugs to value to hold down costs. In fact, Prime incorporates ICER's data into its internal clinical drug evaluation process that supports the Pharmacy & Therapeutics (P&T) Committee and downstream formulary decisions.



## NETRESULTS™ FORMULARY LOWERS TOTAL COST OF CARE

Prime's NetResults formulary is an aggressive, cost management strategy built to deliver significant savings. Clients who adopted NetResults in 2018 saw a drug trend that was 11-percentage-points lower, on average, than clients using other formularies. Additionally, total savings of NetResults yielded up to \$14 net PMPM in 2018.

## REPORTING AND ANALYTICS INVESTMENTS EVOLVE

Extensive financial and analytic reporting exist to provide clients the opportunity to review their current drug spend across both medical and pharmacy benefits, while modeling future savings that might be possible with implementation of Prime's various offerings. These models help align health plans, members, doctors and manufacturers to achieve better overall health outcomes and affordability.

PRIME'S PBM PROGRAMS ARE BUILT ON A FOUNDATION OF CUSTOMER-CENTRIC INNOVATION TO BRING VALUE-ADDED AND IMPACTFUL SOLUTIONS TO COMMERCIAL CLIENTS AND THEIR MEMBERS.

|  |  |
|--|--|
| <b>UTILIZATION MANAGEMENT (UM)</b>             | Savings from UM programs, including prior authorization, step therapy and quantity limits, exceeded \$2.3 billion in 2018.<br>Prime's medical UM programs have saved health plans up to \$5.06 PMPM. And with its health plan clients, Prime developed strategies that revealed more than \$424 million in annual medical drug cost management opportunities.  |
| <b>GUIDEDHEALTH®</b>                           | Prime's GuidedHealth product promotes optimal member medication management through a variety of programs. This product produced more than \$276 million in total savings for Prime's commercial clients in 2018. Interventions are created to capitalize on the best opportunities for the highest likelihood of improved care, positive outcomes, increased safety and lower total cost of care. New in 2019, Prime will introduce GH360, an upgraded clinical analytics engine and population health database that will power GuidedHealth with even more timely and actionable data.  |
| <b>INCREMENTAL NEGOTIATED SAVINGS</b>          | Commercial clients realized nearly \$1.3 billion in incremental negotiated savings through Prime's delivery of pharmacy network savings and competitive rebates. Prime offers a highly integrated and strategic approach to network management, from contract negotiations to maximum allowable cost (MAC) negotiations. In addition, Prime offers a fully transparent rebate model, passing back negotiated manufacturer rebates to clients, unless clients request otherwise, to help offset premiums. Prime goes beyond only seeking the strongest rebate, but ultimately looks to achieve the lowest net cost for the health plan.   |
| <b>FRAUD, WASTE AND ABUSE (FWA)</b>            | Prime's best-in-class FWA efforts — inclusive of fraud investigations, audits and enhanced credentialing — generated more than \$205 million in total savings for commercial clients in 2018. This year, Prime expanded its services to become the first PBM to take an integrated medical/pharmacy data approach to finding FWA occurring among prescriber and members, in addition to pharmacies. Prime's new analytics platform offers complete integration of both pharmacy and medical drug claims, along with medical services data.   |
| <b>VALUE-BASED CONTRACTING</b>                 | As part of its value strategy, Prime is addressing rising drug costs through outcomes- and value-based programs that tie the cost of a drug to the value it provides. It aligns payers, manufacturers, members, and providers around the goal of improving health by helping to ensure drugs deliver the outcomes they promise. These efforts are focused on therapeutic areas that are making a large impact on health care spend: diabetes, multiple sclerosis, cardiovascular disease, migraine, and autoimmune with the ultimate goal of improving health outcomes and reducing total cost of care. Through integration of pharmacy and medical data, Prime is uniquely positioned to evaluate the total cost of select therapies and the impact on overall health costs for members.  |
| <b>SPECIALTY DRUG MANAGEMENT</b>               | Specialty drugs made up approximately half of the drugs approved by the FDA in 2018. However, Prime predicts specialty drugs will be 60 percent of all drug spend by 2021. Prime's comprehensive, forward-thinking strategy around specialty drug management helps evaluate all drugs, the appropriate use of those drugs, and delivery of those drugs at the right place and cost. Proactively bringing these solutions to clients allows them to get ahead of potential costs and avoid unnecessary spending. Prime's Specialty Drug Strategy Committee combines cost management programs and strategies, therapeutic class/disease expertise and actionable, client-specific medical/pharmacy analysis to promote collaboration with clients in managing specialty spend. This knowledge and partnership is packaged into programs that maximize the economic and clinical merits of drugs to deliver the most effective medicine to members. Using clinical analysis, formulary management, network management and utilization management, Prime presented \$424 million in savings opportunities for clients in 2018. |
| <b>CONTROLLED SUBSTANCE MANAGEMENT PROGRAM</b> | Prime's award-winning Controlled Substance Management Program provides a comprehensive approach to the national opioid epidemic. Using medical and pharmacy claims data, Prime analyzes and identifies opportunities to improve member care by addressing overuse and drug safety. New to the program in 2018, pharmacists added the capability to coordinate care and help members overcome controlled substance misuse and abuse. Looking forward, Prime continues to expand this program to broaden the ways it keeps members safe when prescribed controlled substances.   |

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**METHODOLOGY**

**TREND** Represents the change in 2017 vs 2018 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 2017 and 2018 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.