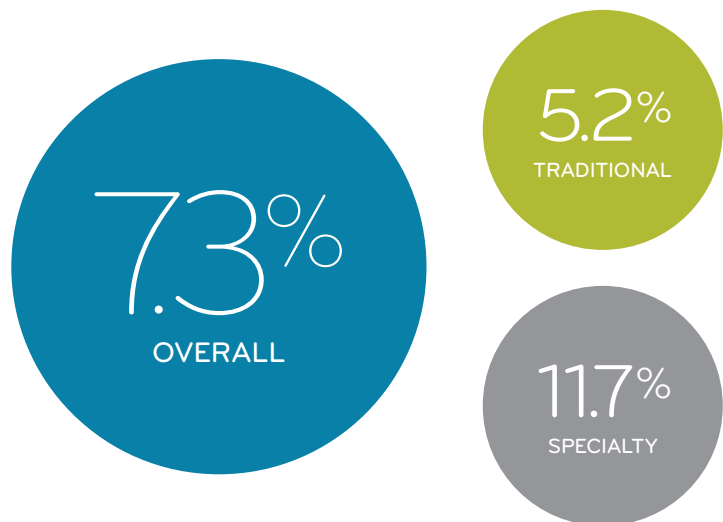PRIME THERAPEUTICS®

FOCUS ON TREND [MEDICAID]

Prime's Medicaid clients experienced an overall increase in prescription drug expenditures on the pharmacy benefit in 2018 as a result of enrollment growth among higher-risk populations, increased utilization and unit cost escalation across many of the highest spend drug categories. Despite these increases, Prime moderated the impact in several categories through successful negotiation of savings and strategic formulary design. Additionally, achieving a low unit cost continues to position Prime as a leader in the industry.

"2018 was a year of growth for Prime's Medicaid book of business as we crossed the 1 million member mark. While we were energized by that growth, there were also a number of market events that directly affected the states we serve and negatively impacted our trend. The unique challenges this segment possesses drives us to work even more collaboratively with our clients on behalf of their members to bring innovative solutions that best address the changing environment."

— **Rob Behler, vice president and general manager, Medicaid markets, Prime Therapeutics**

7.3% OVERALL

5.2% TRADITIONAL

11.7% SPECIALTY

Trend in 2018 saw significant increases in utilization for both specialty and traditional drugs, which were offset by minimal to negative increases in cost. Prime's focused efforts on low unit costs come as a result of negotiations with manufacturers and effective management tools. An 11.9 percent increase in specialty drug utilization was the largest driver of specialty and overall drug trend. Traditional drug utilization also increased by 5.1 percent which helped drive trend in that category to 5.2 percent. Higher utilization was held in check through minimal changes in unit costs with traditional drug costs increasing 0.1 percent, while specialty drug costs declined -0.2 percent.

IN 2018, PRIME'S AVERAGE MEDICAID PRICE PER SCRIPT WAS

14% lower

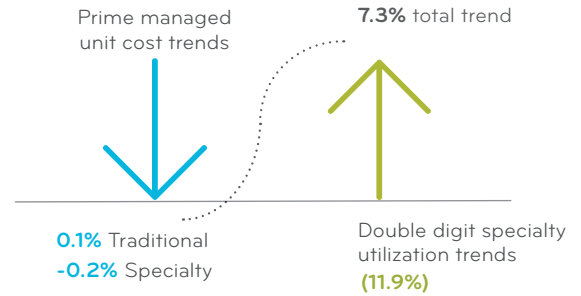### THAN THE NATIONAL AVERAGE FOR MANAGED CARE ORGANIZATIONS

Source: Internal Prime analysis and available Medicaid Managed Care comparison data retrieved from Medicaid.gov state drug utilization database. Data through Q3 2018.

	Utilization (%)	Unit cost (%)	Total (%)
OVERALL	5.1	2.2	7.3
TRADITIONAL	5.1	0.1	5.2
SPECIALTY	11.9	-0.2	11.7

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

TREND DRIVERS

In Prime's Medicaid model, total drug management is a top priority—especially when it comes to drug utilization and trend. It allows for alignment of goals to impact population health while improving clinical outcomes and lowering costs.

Low unit cost trends offset by high utilization trends in specialty

Prime managed unit cost trends

7.3% total trend

0.1% Traditional
-0.2% Specialty

Double digit specialty utilization trends
(11.9%)

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

TRADITIONAL SPEND

Diabetes again accounted for the majority of traditional medication spend for Prime's Medicaid clients at 14.6 percent. This, coupled with an increase in utilization at 7.8 percent, resulted in a 4.9 percent trend increase. Anticonvulsant drugs surpassed HIV as the traditional category with the highest trend at 13.1 percent. This was driven by a utilization increase of 12.5 percent plus its broader addition to formulary due to state regulation labeling it as a protected class. HIV drugs saw an 11.1 percent trend in 2018. The respiratory and ADHD categories both exhibited a negative trend, but also saw an increase in utilization.

SPECIALTY SPEND

Autoimmune and cancer (oral) drugs produced the greatest specialty drug spend in 2018. Both conditions saw double-digit increases in utilization, plus increases in unit cost. A full pipeline, including many high-cost drugs intended as second and third line treatments, will likely sustain spending increases for these two categories. Spending for hepatitis C drugs decreased again in 2018 as a result of a strategic formulary management approach with health plan clients and a decline in utilization as the numbers of members requiring treatment decreases.

TOP-TEN DRUG CATEGORIES

Drug category	% of Spend*	Trend**
1. Diabetes	14.6%	4.9%
2. **Autoimmune**	11.2%	28.6%
3. HIV	8.7%	11.1%
4. Respiratory	7.1%	-6.1%
5. **Cancer (oral)**	4.3%	23.4%
6. ADHD	3.9%	-6.9%
7. **Hepatitis C**	3.6%	-38.9%
8. Pain	3.4%	4.0%
9. Anticonvulsant	3.3%	13.1%
10. **Multiple sclerosis**	2.7%	0.4%

*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. **Humira Pen®**	Autoimmune	4.9%
2. Basaglar® KwikPen	Diabetes	3.4%
3. **Mavyret™**	Hepatitis C	2.7%
4. Genvoya®	HIV	2.5%
5. Ventolin® HFA	Respiratory	2.0%
6. Suboxone®	Pain	1.9%
7. Contour® Next blood glucose test strips	Diabetes	1.7%
8. Victoza®	Diabetes	1.6%
9. Novolog® Flexpen	Diabetes	1.6%
10. **Enbrel® SureClick®**	Autoimmune	1.5%

All brand names are the property of their respective owners.

SUCCESS STORIES

Prime's Medicaid clients experienced negative trends in multiple drug categories in 2018. Increased use of Prime's suite of pharmacy benefit management (PBM) tools and negotiated savings helped realize positive results.

Hepatitis C
↓ 38.9%

ADHD
↓ 6.9%

Respiratory
↓ 6.1%

MORE THAN
ONE
million
MEMBERS

MEMBERSHIP GROWTH MILESTONE

Prime now proudly serves more than 1 million Medicaid members, representing the diverse populations receiving heath care through Medicaid. Prime's highly integrated and consultative model has not only helped retain current Medicaid clients, but it has contributed to Prime's growth — nearly 350 percent since 2014 — by supporting clients' ability to gain new Medicaid business.

MEDICAID-SPECIFIC MAC LISTS AND GENERICS-BASED FORMULARIES DELIVER VALUE

Diligent management of Maximum Allowable Cost (MAC) rates generated more than **$22 million in savings** for Medicaid clients in 2018. In addition, the generic use rate (GUR) among Prime's Medicaid clients increased to 87.8 percent, up from 87.1 in 2017.

FOCUSED NETWORKS HELP CONTROL COST

Prime's Medicaid clients benefitted from more than **$3 million in incremental network savings** in 2018. Prime offers a highly integrated and strategic approach to network management from contract negotiations and MAC negotiations to complete fraud, waste and abuse prevention. Prime's network management approach promotes access and affordability for clients and members. Prime's networks specifically designed for individual states balances affordability and pharmacy access and plays a critical role in helping to control costs. Networks and their pharmacies are valued as vital links in the drug supply chain, helping to provide safety, quality and cost control.

UTILIZATION MANAGEMENT PROMOTES APPROPRIATE USE

Savings from prior authorization, step therapy and quantity limit programs to help promote appropriate use of medicines **exceeded $234 million** in 2018.

MEDICAL COST AVOIDANCE HELPS REDUCE OVERALL HEALTH SPENDING

In 2018, clients utilizing Prime's GuidedHealth® product saw medical cost avoidance **savings estimated at more than $20 million.** Savings is realized by addressing gaps in care, adherence, safety and overuse of medications.

FRAUD, WASTE AND ABUSE (FWA)

Prime's best-in-class FWA efforts — inclusive of fraud investigations, audits and enhanced credentialing — generated more than **$9.3 million in total savings** for Medicaid clients in 2018. Also in 2018, Prime expanded its services to become the first PBM to address an integrated medical/pharmacy data approach for 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.

POWERFUL TOOLS

PRIME PROVIDES THE HIGHEST QUALITY SERVICE AND PROGRAMS, AND DEDICATES RESOURCES COMPANY-WIDE TO SUPPORT MEDICAID CLIENTS.

MARKET-LEADING MEDICAID RESOURCES

Experts from cross-functional teams throughout Prime consult with clients on market trends and needs, and are led by a management team with more than 50 years of combined Medicaid experience. Clients have access to skilled Medicaid account staff who are knowledgeable about their specific performance and market trends, clinical pharmacy and specialty staff who advise them on all aspects of total drug management and unprecedented regulatory oversight by teams who understand that each state environment is unique. Together with each client's strategic vision, Prime collaborates to control costs, improve outcomes and provide a positive member experience for the states' most vulnerable members.

MONITORING THE CHANGING ENVIRONMENT

Medicaid's regulatory changes bring new requirements that may change clients' obligations. Prime's regulatory monitoring program and clinical program managers (CPMs) are critical and dedicate resources and expertise for each client's unique needs. Prime's regulatory monitoring process tracks proposed legislation and follows it through its final implementation to help ensure Prime is working with its clients to understand and prepare for any changes. CPMs proactively work with clients on pharmacy strategy and how formulary and clinical services can maximize impact, while supporting compliance with state requirements. Additionally, CPMs help create comprehensive, client-specific strategies to achieve drug trend management goals.

FLEXIBLE AND ALIGNED BENEFIT DESIGN

To support clients' plan coverage and cost containment goals, Prime's experts offer and design nimble benefit structures and system edits. Prime also continuously reviews benefits, making updates to improve outcomes and costs.

INCREMENTAL NEGOTIATED SAVINGS

In some of the most expensive categories—diabetes and respiratory—Prime's trade relations team recommends formulary design approaches to maximize low cost, high efficacy products. Prime goes beyond looking for the strongest rebate, to ultimately achieve the lowest net cost for the health plan. Because of the trade relations team's work, Prime was able to minimize disruption for clients and members.

COMPREHENSIVE FORMULARY APPROACH

Prime offers Medicaid-specific formulary development consultation for clients through the National Medicaid Business Committee. A complete set of formulary management services is also available to clients, including formulary development and maintenance, client-specific modeling and analysis, pipeline monitoring and reporting.

CATEGORY FOCUS HELPS ENSURE APPROPRIATENESS

GuidedHealth offers programming to help members who are diagnosed with specific disease states. For example, the Gaps in Care program encourages prescribing medication to members whose diagnosis suggests they would benefit from trying an effective and appropriate medication when there is no record of treatment. Prime works with Medicaid plans to identify members using high volumes of insulin who could benefit from plan case management. By pulling multiple, coordinated levers across Prime—including formulary management, utilization management, trade negotiations and others—trend in the high-cost diabetes category continued to decrease in the Medicaid population.

MANAGING THE NATIONWIDE OPIOID EPIDEMIC

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. Looking forward, Prime continues to expand this program to broaden the ways it keeps members safe when prescribed controlled substances.

METHODOLOGY

TREND Represents the change in 2017 vs 2018 for Prime's Medicaid book of business for Total Costs (plan + member PMPM) inclusive of network discounts + tax + dispensing fees minus total supplemental rebates. Calculations include Medicaid populations with 12 months of 2017 and 2018 data. Geographic and population weighting was applied to book of business calculations using the 2018 state-by-state population proportions. 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.