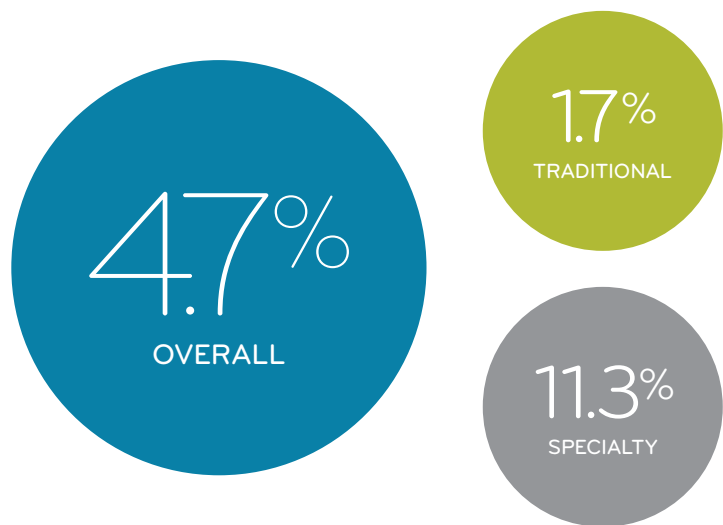


FOCUS ON TREND (MEDICARE PART D)

Prime's Medicare Part D clients saw a modest overall increase in pharmacy drug trend in 2018 thanks to Prime's close management of both medical and pharmacy prescription drugs. Traditional drug trend saw a slight increase but remained low, while utilization of specialty drugs were the primary driver of the overall trend increase. Specialty medicines continued to put increased pressure on drug spending. Prime continues to leverage savings opportunities for both traditional and specialty drugs to mitigate rising client costs.

"Prime's Medicare Program delivers high quality and great value to our clients and their members. The regulated nature of the Medicare segment often allows us to implement new and innovative offerings in this population. Prime's partnership with our clients drives us to evaluate programs differently and approach solutions in a uniquely collaborative manner."

— **Rachel Nelson, vice president and general manager, federal programs, Prime Therapeutics**



IN 2018 PRIME'S MEDICARE PART D CLIENTS EXPERIENCED SAVINGS OF APPROXIMATELY

\$531 million

AS A RESULT OF PRIME'S MANAGEMENT TOOLS AND PROGRAMS.

Based on internal Prime analysis

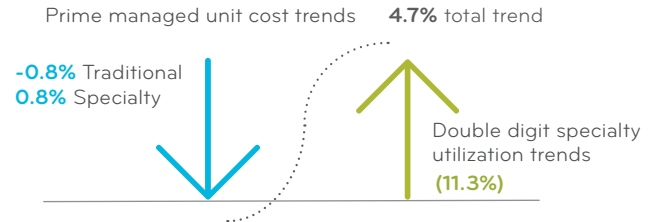
Traditional and specialty drug utilization increases, plus a total unit cost increase, resulted in an overall trend increase of 4.7 percent.

	Utilization (%)	Unit cost (%)	Total (%)
OVERALL	2.5	2.2	4.7
TRADITIONAL	2.5	-0.8	1.7
SPECIALTY	10.5	0.8	11.3

TREND DRIVERS

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

Low unit cost trends offset by high utilization trends in specialty



TRADITIONAL SPEND

Diabetes, again, topped the overall drug spend category in 2018, with half of the top-ten individual drugs (by percent of spend) coming from this category. While utilization increased, Prime's pharmacy benefit manager (PBM) tools kept diabetes trend to 1.6 percent. Anticoagulant drugs remained the highest trend among the top-ten categories, supported by guidelines that recommended use of higher cost branded medications over generics for members with atrial fibrillation. In contrast, the high cholesterol category experienced a negative trend of -23.2 percent, driven by the continued move from brand to generic drugs. The negative trend in the pain category reflects the work of Prime's Controlled Substance Management Program, which combines multiple tools into a multi-layered approach to help address the national opioid epidemic.

SPECIALTY SPEND

Cancer (oral) drugs took the top spot in spending again for specialty drugs and saw a significant increase in trend—from 3.3 percent in 2017 to 19.4 percent in 2018. The introduction of new products to treat cancer, combined with new drug indications, a unit cost increase of 8 percent, and a lack of available rebates all contributed to the trend increase in this category. The autoimmune category had the highest trend among specialty drugs with 22.1 percent. Autoimmune drug utilization grew 17 percent year-over-year, contributing to the increased spend. The multiple sclerosis category entered the top-ten list relative to spending, but produced both a trend and a utilization decrease of -7 percent. Finally, of note, hepatitis C drugs fell out of the top-ten list for spend in 2018.

TOP-TEN DRUG CATEGORIES

Drug category	% of Spend ¹	Trend ²
1. Diabetes	16.0%	1.6%
2. Cancer (oral)	12.8%	19.4%
3. Anticoagulant	7.6%	26.3%
4. Respiratory	7.4%	0.3%
5. Autoimmune	4.3%	22.1%
6. High blood pressure	4.2%	-0.4%
7. Anticonvulsant	3.4%	7.8%
8. Multiple sclerosis	3.3%	-7.1%
9. Pain	2.8%	-11.6%
10. High cholesterol	2.4%	-23.2%

¹Total expenditures before rebates, but after discounts **Bold** = Specialty
²Change in per member per month (PMPM) spend 2017 to 2018 after rebates and discounts

TOP-TEN INDIVIDUAL DRUGS

Drug	Condition	% of Spend ¹
1. Eliquis [®]	Anticoagulant	4.0%
2. Revlimid[®]	Cancer (oral)	3.3%
3. Lantus [®] SoloSTAR [®]	Diabetes	2.8%
4. Xarelto [®]	Anticoagulant	2.5%
5. Humalog [®] KwikPen [®]	Diabetes	1.8%
6. Lyrica [®]	Anticonvulsant	1.7%
7. Januvia [®]	Diabetes	1.7%
8. Advair Diskus [®]	Respiratory	1.4%
9. Imbruvica[®]	Cancer (oral)	1.4%
10. Victoza [®]	Diabetes	1.4%

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 7 drugs drove overall spend by approximately 1.1 percent at an average annual cost of more than \$147,000.

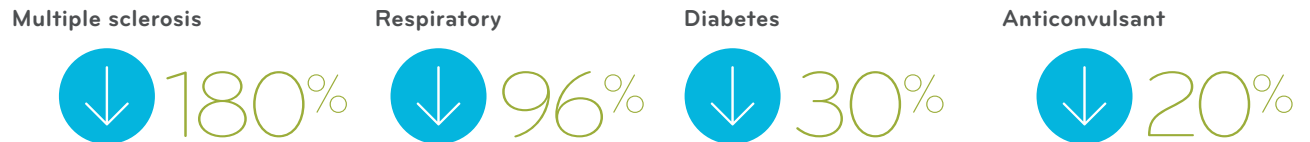


29% average increase in price per drug for the top seven drugs (2018 vs. 2017)

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

Based on internal Prime analysis

Prime’s Medicare clients experienced noteworthy trend reductions in the following drug categories from 2017 to 2018. The implementation of various products, programs and services contributed to these declines.



*Relative change in trend comparing 2017 to 2018 trend.

FRAUD, WASTE AND ABUSE (FWA)

Prime’s best-in-class FWA efforts—inclusive of fraud investigations, audits and enhanced credentialing—generated more than \$53 million in total savings for Medicare Part D clients in 2018. This year, Prime expanded its services to become the first PBM to use 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.



NEGOTIATED SAVINGS

Prime secured \$183 million in total incremental negotiated savings for Medicare clients in 2018. These savings were driven by Prime’s negotiation of competitive rebates, pharmacy negotiated discounts, maximum allowable cost (MAC) pricing via preferred networks, and other network management options.

GUIDEDHEALTH®

Prime’s GuidedHealth product promotes optimal member medication management through a variety of programs. This product produced more than \$201 million in total savings for Prime’s Medicare clients in 2018. Interventions are created to capitalize on the best opportunities for positive results, including improved quality, increased safety and lower total cost of care. For example, within GuidedHealth’s “Opportunity Message” via electronic medical records (EMR), prescribers are empowered with user-friendly, timely and targeted information to help improve adherence and decrease high-risk medication for patients. New in 2019, Prime will introduce GH360, a newly upgraded clinical analytics engine and population health database that will power GuidedHealth with even more timely and actionable data.



PRIME'S ROBUST PBM PROGRAMS EQUATE TO VALUE FOR MEDICARE PART D CLIENTS.

SPECIALTY
DRUG
MANAGEMENT

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 the right drugs, the appropriate use of those drugs, delivery of those drugs at the right place, and appropriate 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 Medicare members.

FORMULARY
INNOVATION

Prime offers four different formulary options to the Medicare segment that vary in coverage levels. As Prime continues to innovate and meet the changing needs of this population, Prime introduced its broadest formulary option which covers all multi-source brands as required by the Centers for Medicare & Medicaid Services (CMS), even when a generic is available. By offering full coverage at the expense of cost savings, this option mitigates disruption for new members.

REBATE
SAVINGS

To drive lower trend for clients, Prime's trade relations team delivered a menu of tactics to increase manufacturer rebates that resulted in a reduction in net plan liability and helped control premiums for Prime's Medicare members. In the diabetes category, newly approved products in the long-acting insulin class provided significant leverage for Prime to negotiate a large enhancement on formulary brands in the diabetes category. The respiratory category also provided significant rebates and price protections for targeted products.

ADHERENCE
MANAGEMENT

To most effectively help clients achieve their highest Star Rating and help members realize positive health outcomes, Prime deploys multiple efforts focused on improving adherence. Predictive modeling enables actionable ways to manage member nonadherence, both proactively and reactively, through pharmacist to member outreach. Additionally, in Prime's Stars formulary benefit program, reducing the member cost share for generic drugs to treat hypertension, cholesterol and diabetes, members saw improved adherence of 1.4 percentage points overall¹. Prime also found when members receive a communication about a missed refill through the GuidedHealth®—Smart Adherence program, either by phone or by mail, medication refills increased 1.5 percentage points and showed an 8 percent higher refill rate². With EMR messaging, prescribers also contribute to adherence management by identifying high-risk members and acting quickly to better provide information to patients and ultimately achieve better health outcomes. These initiatives not only contribute to higher Star Ratings and improved health outcomes, but increasing adherence can also reduce health care costs.³

ENHANCED
MEMBER
ENGAGEMENT
AND
EXPERIENCE

New in 2018, Prime's GuidedHealth program introduced GuidedHealth Care—Smart Adherence, which uses Prime's proprietary analytical model to predict a member's likelihood of adherence. This smart data helps identify which members might benefit from helpful communication reminders. Clients who use predictive modeling to prioritize members needing outreach help those members become and stay current with their medications. One high-value intervention is Prime's integrated pharmacist case management for specific disease states. These pharmacists work side-by-side with members to manage multiple drugs for complex conditions and boost adherence, thereby realizing savings for members and plans, and helping improve clients' Star Ratings.

Medicare members can now save time and a trip to the pharmacy by syncing most maintenance prescriptions to refill on the same schedule. Additionally, health plan representatives are stationed in-store during Medicare's open enrollment period to help answer member questions and assist with selecting the right benefit plans.

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. For example, pharmacists have 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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1. <https://www.primetherapeutics.com/content/dam/corporate/Documents/Newsroom/Pressreleases/2018/document-pqaposter-genericadherence.pdf>
2. <https://www.primetherapeutics.com/content/dam/corporate/Documents/Newsroom/Pressreleases/2018/document-pqaposter-missedrefill.pdf>
3. Iuga, A, McGuire, M. Adherence and health care costs. Risk Management and Health Policy. 2014; 7:35-44.

METHODOLOGY

TREND Represents the change in 2017 vs 2018 for Prime's Medicare Part D book of business for Total Costs (plan + member PMPM) inclusive of network discounts + concessions + 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.