Agenda

- PBM Industry Insights
- Managing Drug Trend
- Biologic Formulary Management
- Biosimilar Adoption
- Implications for Pharmacists
CVS Retail Pharmacy
7,400 stores, 5 million served daily
69M households with ExtraCare® card

Specialty Pharmacy
700K specialty patients
2.7M+ scripts annually
Access through 7,400 CVS retail, 12 mail service pharmacies

Mail Service Pharmacy
2 mail service pharmacies
50M+ scripts annually

CVS Caremark PBM
2,000 clients, 63M members,
including 6M Med D, 8M Medicaid
35M web visits in 2012

MinuteClinic®
650 clinics, 14M patients served,
affiliated with 20 major health systems

Clinical Innovation
Accordant Health Services
Genetic Benefit Management
Pharmacy Advisor®
Behavior Change Research

Fortune 18 company: resources and capital investments
to better engage client members and manage costs
Specialty Spend Expected to Double by 2016

By 2016, eight of the top 10 drugs could be specialty drugs.

1. CVS Caremark BOB Data, CMS, IMS Health Report, US Census Bureau, Reuters, Credit Suisse, Buck Consultants, Health Affairs and National Health Spending Projections.
2. Kaiser Commission on Medicaid and the Uninsured; Kaiser Family Foundation; September 2011
Innovative management strategies are needed to achieve optimal value from specialty investments.


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## Price, Mix and Utilization: Primary Drivers of Drug Trend

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<th>Price</th>
<th>Drug Mix</th>
<th>Utilization</th>
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<tbody>
<tr>
<td><strong>Price</strong></td>
<td>Overall cost of drug including what the client and member pay</td>
<td>Proportion of brand and generic drugs being dispensed</td>
<td>Intensity of drug use; approval of new drugs or indications</td>
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<tr>
<td><strong>Influencers</strong></td>
<td>Inflation, Source of drug, Lack of product competition, Site of service</td>
<td>Generics, Formulary, Pharmaceutical marketing, New agents</td>
<td>Changes in treatment guidelines, Demographic and/or economic changes</td>
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Specialty Pharmacists and Infusion Nurses Improve Access, Outcomes

Expert CareTeams specializing in specific therapy classes
Pharmacists are better able to support members because they understand their challenges

Physician outreach to help members start and stay on therapy
Provide alerts on adverse side effects or have dropped therapy

Personalized ongoing, high-touch member outreach
Educate members on condition and therapy; frequently assess adherence and effectiveness

High quality home infusion nursing care
National in-home and ambulatory nursing access and care coordination. Supports initiatives to move patients to the most cost effective site of care

Specialty pharmacy patients are 36% more likely to remain on therapy.¹

Formulary Strategy Guiding Principles

• **Maintain clinical integrity**
  - Target classes with sufficient generic availability, brands that are clinically interchangeable; evaluate specialty classes with similarity between chemical entities
  - Safeguards in place for members requiring medical necessity exceptions; fewer than 2% of claims for removed products required a medical necessity exception* 

• **Secure competitive pricing for clients**
  - Continually assess marketplace to identify opportunities for plan sponsors and members to save money through lower cost alternatives

• **Educate and engage members**
  - Ensure members have access to the drugs they need to stay healthy and the resources necessary to support transition

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Support clients’ goals to reduce trend while providing comprehensive coverage for members

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*After 2013 formulary changes were implemented*
Formulary Can Enhance Plan Design and Help Mitigate Trend Increase

- Effective formulary strategy can help address specific influencers associated with two key trend drivers:

  **Drug Mix**
  Ensure members are utilizing more cost-effective medications

  **Drug Price**
  Help improve negotiations with manufacturers for better terms

\[ \text{LOWER NET COST} = \text{Drug Mix} + \text{Drug Price} \]

2013 average savings per transitioned prescription:
Plan – $42.72; Members – $24.32
## Utilizing Specialty Preferred Drug Plan Design

| Preferred Drug List | • Follows traditional three-tier benefit design  
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<th>• Plan members incur higher copay on non-preferred drugs</th>
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| Step Therapy        | • Preferred drug use required prior to non-preferred drug  
|                     | • Real-time, evidence-based protocols and claims history for approval  
|                     | • 24 month look-back period  
|                     | • Clinical exceptions considered and reviewed  
|                     | • Grandfathering is recommended for most therapies |
| Closed Formulary    | • Prescribed drug must be in the formulary for members to receive coverage  
|                     | • Clinical exceptions considered and reviewed |

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Encourage clinically appropriate prescribing at the lowest net cost without sacrificing clinical outcomes
Initially, biosimilars are expected to have a 10 to 20 percent discount compared to the reference brand.

*Based on 2011 IMS sales data
Factors Impacting Biosimilar Adoption

- Biosimilar price differential
- Interchangeability
- Client benefit design:
  - Benefit coverage (pharmacy versus medical)
  - Member cost share differentials
  - Application of step therapy and restrictive formularies
- Physician acceptance behaviors
- Ease and effectiveness of payor conversion programs
Implications for Pharmacist Education

- Specialty Pharmacy market requirements and dynamics
- Unique regulatory requirements (i.e. REMS)
- Disease and therapy-specific education
- Complex drug regimens (i.e. specialty and non-specialty)
- Adherence management and outcomes improvement
- Drug waste management
- Prior authorization (PA) use and effectiveness
- Coordination of care (i.e. pharmacy and case management)

Additional education is required to prepare pharmacists for the biologic and biosimilar challenges
PBM Summary

• Biologics have become the priority agenda for managing drug trend
• Biosimilars represent hope for payors as a means to mitigate trend through reduced cost
• Traditional management strategies can be leveraged to capture value
• Today’s formulary approaches are being refined to maximize value from future Biosimilar approvals
• Additional pharmacist education is needed to prepare them for the world of biologics and their biosimilars