

Pharmacy Initiatives Address Future Pharmacy Trends

Prescription drugs are the fastest growing component of health care costs and now account for at least 10 percent of all health care spending in the U.S — about \$189 billion in 2004.

Today recent trend reports show that pharmacy benefit costs are moderating, but are projected to increase in 2008 and 2009 because of fewer generic drug releases and higher spending on specialty drugs. According to the FDA and other sources, more than 80 percent of drug trends over the next few years (i.e., cost increases) will be driven by drugs in the cardiovascular, central nervous system, gastrointestinal and endocrine/diabetes categories¹.

These drug categories have had very high usage and, with a number of promising, yet high-cost drugs on the horizon for the next 12 to 24 months, employers could see pharmacy costs pushed even higher due to member demand generated by heavy marketing from drug manufacturers.

Managing new drugs once they are introduced into the market is just one area the Blues' new pharmacy initiatives addresses. Others include appropriate use, over-use and prescribing regimens.

Enhanced Initiatives Deliver Cost Savings

Last year the Blues processed more than 35 million prescription drug claims totaling more than \$2.5 billion¹— a figure that would be much higher without our concerted, ongoing cost-management efforts. For example, since the introductions of our “Unadvertised Brand” campaign to promote the safety and effectiveness of generic drugs, Blues members:

- Have increased their use of generics from 37.7 percent of total prescriptions to more than 52 percent
- Have saved an estimated \$45 million in out-of-pocket costs, due to lower copayments

On July 1, 2007, BCBSM will implement several new initiatives that will transition them into the role of a pharmacy benefit manager, enhancing their ability to deliver a clinically sound, well-administered and cost-effective pharmacy product.

BCBSM expects these new initiatives to save our customers and members more than \$70 million during the first year and more than \$235 million over the first three years.

¹ This total represents Blue Cross Blue Shield of Michigan's book of business.

Highlights of the Pharmacy Initiatives

Consistent with industry standards and used by many pharmacy benefit managers, these initiatives enhance BCBSM's current prescription drug plan and are designed to help you manage rising costs while delivering a level of safety and quality members expect from BCBSM.

Here's an overview of these pharmacy initiatives:

May 2008 Enhancements

Initiative	Targeted Drugs	What it means to members	
Exclude Off-Label Coverage – Requires medical necessity for drugs prescribed for uses other than those approved by the Food and Drug Administration.	Oxandrolone Oxymetholone Nandrolone	If a member's physician prescribes a drug for which they are not intended, such as growth hormones for anti-aging purposes, then the member's physician must call BCBSM to provide evidence of medical necessity for the prescription: <ul style="list-style-type: none"> • If evidence of medical necessity is not approved, the member is responsible for the cost of the prescription. 	
Brand to Alternate Generic Interchange – Encourages the replacement of brand-name drugs with less costly generic alternatives.	Beconase® AQ Veramyst® Actonel® Boniva® Prilosec® 40 Coreg CR®	The first time a member has a prescription filled and the drug is part of this initiative, BCBSM will contact the member's physician encouraging the prescribing of a less-costly generic alternative. If the physician chooses to switch the member to a generic alternative, BCBSM will contact the member and the physician will provide the member with a new prescription.	
Generic Copay Waiver – One month copay waiver offered when members switch to the generic equivalent of a multisource brand drug or single-source brand drug.	Lamisil® Toprol® XL Kytril® Protonix® Norvasc® Fosamax® Flonase®	The first time a member has a prescription filled and the drug is part of this initiative, BCBSM will contact the member encouraging them to discuss with his or her physician or pharmacist less-costly generic equivalents or generic alternatives. If the member chooses to switch to a generic equivalent or generic alternative, then the member's first prescription is free because BCBSM will waive the copay: <ul style="list-style-type: none"> • For generic equivalents the member can ask the pharmacist for the generic equivalent. • If the member switches to a generic alternative, the physician must provide the member with a new prescription. 	
Quantity Limits – Aligns dispensing of targeted drugs in quantities consistent with Food and Drug Administration approved labeling for the drugs.	Mevacor® Altoprev® Zocor® Pravachol® Lescol® Crestor® Lipitor® Zetia® Caduet® Vytorin® Clarinex® Clarinex D® Xyzal® Allegra D® (12 hr and 24 hr)	Seroquel® XR Invega® Singulair® Accolate® Zyflo® Ambien® Ambien® CR Lunesta® Rozerem® Sonata® Prosom® Dalmane® Doral® Restoril® Halcion®	The first time a member has a prescription filled and the drug is part of this initiative, the pharmacist will only fill the prescription for the quantity limit approved for the drug. For quantities greater than the recommended amount, the member's physician must call BCBSM and provide evidence of medical necessity: <ul style="list-style-type: none"> • If evidence of medical necessity is not approved, the pharmacist will only fill the prescription to the quantity limit approved for the drug.

Initiative	How the Initiative Works	Process
<p>Member Education Therapeutic Interchange – A member-directed initiative that educates members about generic drugs and over-the-counter equivalents of expensive brand-name drugs</p> <p>Important: The physician must write a prescription in order for BCBSM to cover the OTC drug and have the member pay a generic copay.</p> <p>Added value:</p> <ul style="list-style-type: none"> • Lower out-of-pocket copays for members • Reduced benefit costs for groups • Members educated about generics and OTC alternatives to expensive brand-name drugs 	<ul style="list-style-type: none"> • When a drug is part of this initiative, BCBSM encourages members to switch to a lower-cost alternative or OTC medicine by offering an incentive to cover their first month's generic copay when they switch. • BCBSM is targeting expensive brand-name drugs that have lower-cost generics, OTC alternatives or other brand-name drugs with the same effectiveness. • The first drug BCBSM is targeting is Nexium®: <ul style="list-style-type: none"> – BCBSM has about 100,000 members using Nexium. – Nexium accounts for 37 percent of BCBSM's book of business, totaling \$82 million in 2006. – A month's supply of Nexium is \$140, while Prilosec OTC is \$24 and the alternative generic, Omeprazole, is \$38. • A member can fill the initial prescription of the brand-name drug up to a 90-day supply: – After the 90-day supply, the member's physician must provide evidence of medical necessity for the brand-name drug to be covered. 	<ul style="list-style-type: none"> • BCBSM will contact both the member and physician encouraging the member to switch to an OTC or generic alternative • The OTC or generic alternative has the same effectiveness of the higher-cost drug and members benefit from lower copays. • If a member agrees to switch, ASC groups will incur the cost of the copay waiver; BCBSM will absorb the cost for underwritten groups: <ul style="list-style-type: none"> – Average book-of-business cost for an ASC group to cover the one-month generic copay is \$7 per prescription. • Cost savings for the targeted drug Nexium when the member switches to: <ul style="list-style-type: none"> – Prilosec OTC: \$116, per month or \$1,392 annually per prescription. – Generic alternative Omeprazole: \$102 per month or \$1,224 annually per prescription. • We expect this initiative to save \$31.5 million in the first year. <p>Impact to Members</p> <ul style="list-style-type: none"> • The first time a member fills a prescription for a target drug, BCBSM sends a letter to both the member and physician encouraging the member to switch to an OTC or generic alternative. • The member can continue receiving the higher brand drug for up to 90 days. • If the member switches, the first prescription is free (copay waived). • After 90 days, the member's physician must provide evidence of medical necessity for the brand-name drug to be covered. Otherwise, the member pays the full cost of the brand-name drug

Highlights of the Pharmacy Initiatives (continued)

Initiative	How the Initiative Works	Process
<p>Dose Optimization – A physician-directed initiative encouraging a dosing regimen of once per day, instead of smaller doses throughout the day.</p> <p>Added value:</p> <ul style="list-style-type: none"> • Improved patient compliance leading to better medical outcomes • Reduced benefit costs to groups 	<ul style="list-style-type: none"> • When a drug is part of this initiative, BCBSM works with the member's physician to switch the member to a single daily dose strength of the same drug. • Initial targeted drug classes are proton pump inhibitors (heartburn/GERD), statins (cholesterol- lowering), ARB inhibitors (high blood pressure) and antidepressants. • A member can fill and continue taking the initial prescription of the brand-name drug up to a 90-day supply. 	<ul style="list-style-type: none"> • BCBSM contacts the physician encouraging the physician to switch the member to a once-daily dosage regimen. No communication is sent to the member unless the physician authorizes a change. • Members receive the same drug, but at a lower cost, once-daily dosage regimen. • Examples of the cost savings this initiative will generate: <ul style="list-style-type: none"> Prescription: 30-day supply of Crestor® <ul style="list-style-type: none"> – 10mg, 2 times a day, 30-day supply: \$200 – 20mg, 1 time a day, 30-day supply: \$80 Savings: \$120 per month, \$1,440 annually per prescription • The Blues expect this initiative to save customers \$1.8 million in the first year with a projected savings of \$5.9 million after three years. <p>Impact to Members</p> <ul style="list-style-type: none"> • The first time a member has a prescription filled for a target drug, BCBSM sends a letter to the member's physician encouraging the physician to switch the member to a once-daily dosage of the same drug. • The member can continue receiving the multiple daily dose for up to a 90-day supply.
<p>Brand to Alternate Generic Interchange – A physician-directed initiative that encourages the replacement of brand-name drugs with less costly generic alternatives.</p> <p>Added value:</p> <ul style="list-style-type: none"> • Lower out-of-pocket copays for members • Reduced benefit costs for groups • Members educated about generic alternatives to more expensive brand-name drugs 	<ul style="list-style-type: none"> • When a drug is part of this initiative, BCBSM works with the member's physician to encourage a less costly generic alternative that is as equally effective as the brand-name drug. • This is a voluntary initiative and the member can switch back to the brand-name drug. • A copay waiver is not offered with this initiative. • Initial targeted drug classes are proton pump inhibitors (heartburn/GERD), statins (cholesterol- lowering), ARB inhibitors (high blood pressure) and antidepressants. 	<ul style="list-style-type: none"> • BCBSM will contact the physician encouraging the physician to switch the member. No communication is sent to the member unless the physician authorizes a change. • An example of the savings this initiative will generate: <ul style="list-style-type: none"> – Cost of Prevacid®: \$112 per month – Cost of generic Omeprazole: \$38 Savings for the group: \$74 per month or \$888 annually per prescription Savings for the member — \$10/\$40 copay: \$30, or \$360 annually • The Blues expect this initiative to save \$5.7 million in the first year with a projected savings of \$18.5 million after three years. <p>Impact to Members</p> <ul style="list-style-type: none"> • The first time a member has a prescription filled for a target drug, BCBSM sends a letter to the member's physician encouraging the physician to switch the member to a less costly generic alternative. • The member will only receive a letter if the physician agrees to change the prescription. • This is a voluntary initiative in which members do not need medical necessity to remain on the brand-name drug and can choose to switch back to the brand-name drugs at any time.

Highlights of the Pharmacy Initiatives (continued)

Initiative	How the Initiative Works	Process														
<p>Generic Copay Waiver – A one-month copay waiver offered when members switch to the generic equivalent of a multi-source brand drug or single-source brand drug</p> <p>Added value:</p> <ul style="list-style-type: none"> • Lower out-of-pocket copays for members • Members learn about alternative generics to expensive brand-name drugs • Reduced benefit costs for groups 	<ul style="list-style-type: none"> • This initiative targets multi-source brand drugs that have a generic equivalent already on the market and encourages members to switch to the generic by offering a copay waiver on a one-month supply of the generic drug. • The initiative also targets single-source brand drugs that do not have a generic, but have a therapeutic equivalent. (For example, Lipitor does not have a generic equivalent, but there are therapeutic equivalents.) <p>Note: Because this is a change in a prescription drug, members must get a new prescription for the therapeutic equivalent, and then the member's copay will be waived for a one-month supply.</p>	<ul style="list-style-type: none"> • BCBSM will contact the member to encourage him or her to switch to the OTC or generic equivalent. • Members receive prescriptions with the same effectiveness of the higher-cost drug and benefit from lower copays. • If the member agrees to switch, ASC groups will incur the cost of the copay waiver; BCBSM will absorb the cost for underwritten groups. <ul style="list-style-type: none"> – Average book of business cost to the group for a one-month copay is \$7 for generic retail, per prescription. • An example of the savings this initiative will generate: <ul style="list-style-type: none"> – Cost of Lipitor: \$110 per month or \$1,320 annually per prescription – Cost of generic alternative Simvastatin: \$6 per month or \$72 annually <p>Saving to the group: \$104 per month or \$1,248 annually per prescription</p> <ul style="list-style-type: none"> • The Blues expect this initiative to save \$5.2 million in the first year with a projected savings of \$16.7 million after three years. <p>Impact to Members</p> <ul style="list-style-type: none"> • The first time a member has a prescription filled for a target drug, BCBSM sends a letter to the member encouraging him or her to switch to a generic alternative. • If a member switches, the first prescription is free because the copay is waived. 														
<p>Brand to Brand Therapeutic Interchange – A physician-directed initiative designed to encourage the replacement of targeted high-cost drugs with lower-cost branded drugs equal in strength and efficiency</p> <p>Added value:</p> <ul style="list-style-type: none"> • Members educated about equivalent lower-cost brand drugs • Reduced benefit costs for groups • Lower out-of-pocket costs for members with percent copays 	<ul style="list-style-type: none"> • This initiative targets high-cost brand drugs that have many lower-cost therapeutic equivalents within a therapeutic class (e.g., antidepressants). • Targeted drugs under consideration for this initiative include: <table border="0" data-bbox="451 1472 841 1711"> <tr> <td><i>Higher-cost drug</i></td> <td><i>Lower-cost drug</i></td> </tr> <tr> <td>Axert®</td> <td>Zomig®</td> </tr> <tr> <td colspan="2">(migraine headaches)</td> </tr> <tr> <td>Avapro®</td> <td>Benicar®</td> </tr> <tr> <td colspan="2">(high blood pressure)</td> </tr> <tr> <td>Teveten®</td> <td>Benicar®</td> </tr> <tr> <td colspan="2">(high blood pressure)</td> </tr> </table> <ul style="list-style-type: none"> • A copay waiver is not offered with this initiative. 	<i>Higher-cost drug</i>	<i>Lower-cost drug</i>	Axert®	Zomig®	(migraine headaches)		Avapro®	Benicar®	(high blood pressure)		Teveten®	Benicar®	(high blood pressure)		<ul style="list-style-type: none"> • BCBSM will contact the physician encouraging the physician to switch the member. No communication will go out to the member unless the physician agrees to authorize the change. • Members receive prescriptions with the same effectiveness and benefit from lower copays. • The Blues expect this initiative to save \$12 million in the first year with a projected savings of \$39 million after three years. <p>Impact to Members</p> <ul style="list-style-type: none"> • The first time a member has a prescription filled for a target drug, BCBSM sends a letter to the member's physician encouraging the physician to switch the member to a less costly brand within the therapeutic class. • The member will only receive a letter if the physician agrees to change the prescription.
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<p>Quantity Limits – Initiative that aligns dispensing of targeted drugs in quantities consistent with FDA-approved labeling for the drugs</p> <p>Added value:</p> <ul style="list-style-type: none"> • Ensures patient is using medication appropriately • Reinforces appropriate use and recommended guidelines 	<ul style="list-style-type: none"> • This initiative targets drugs in the following therapeutic drug classes: <ul style="list-style-type: none"> • Topical estrogen <ul style="list-style-type: none"> – Erectile dysfunction drugs – Anti-migraine drugs – Osteoporosis drugs – Testosterone replacement drugs • Initiative limits quantities of prescription drugs to the manufacturer recommended dosing guidelines. • Quantity limits will be a predetermined number of doses per 34-day or 90-day supply. • A member can fill the initial prescription of the targeted drug up to a 90-day supply: <ul style="list-style-type: none"> – After 90 days, the member’s physician must provide evidence of medical necessity for a quantity higher than the recommended amount. 	<ul style="list-style-type: none"> • BCBSM notifies the pharmacist at the time the drug is dispensed that only the quantity limit will be covered. • This initiative reinforces quantity limitations currently in place (e.g., Viagra) and targets other drugs that may be over-used. • An example of the savings this initiative will generate: <ul style="list-style-type: none"> – Recommended dispensing limit for Viagra: 10 tablets at a cost of \$100 – Prescription written for 20 tablets at a cost of \$200 • Savings for the group: \$100 per month or \$1,200 per prescription. • The Blues expect this initiative to save \$10 million in the first year with a projected savings of \$21.5 million after three years. <p>Impact to Members</p> <ul style="list-style-type: none"> • When the member goes to have the prescription filled, it will be filled only up to the quantity limit. • For quantities greater than the quantity limit, the member must have medical necessity. <ul style="list-style-type: none"> – If there is no medical necessity, the prescription will be covered up to the quantity limit, and the patient is responsible for the cost of the additional drug quantities.
<p>Exclude Off-Label Coverage – Initiative that requires medical necessity for drugs prescribed for uses other than those approved by the FDA</p> <p>Added value:</p> <ul style="list-style-type: none"> • Ensures patient is using medication appropriately and safely • Reinforces appropriate use and recommended FDA guidelines • Saves groups benefit costs 	<ul style="list-style-type: none"> • This initiative targets drugs that are prescribed for uses for which they are not intended, such as growth hormone drugs for anti-aging purposes. • Most targeted drugs are those that are high-cost specialty drugs, also known as “injectables.” These drugs are a rapidly emerging and costly category of biological drugs. • Specific physicians or specialties may be exempt from the need to prove medical necessity (e.g., pediatric endocrinologists for growth hormone). • Most prescriptions for this are specialty drugs that will be filled through Option Care. 	<ul style="list-style-type: none"> • BCBSM notifies the pharmacist at the time the drug is dispensed. • The Blues expect this initiative to save \$7.4 million in the first year with a projected cost savings of \$24 million after three years. <p>Impact to Members</p> <ul style="list-style-type: none"> • If the prescription is for a purpose other than what is recommended by the FDA, the member will be responsible for the cost of the prescription.

Highlights of the Pharmacy Initiatives (continued)

Initiative	How the Initiative Works	Process
<p>High Utilization Management & Polypharmacy – A physician-directed initiative to identify and monitor potential misuses and excessive use of prescription drugs</p> <p>Added value:</p> <ul style="list-style-type: none"> • Ensures patient is using medication appropriately and safely • Prevents adverse drug reactions by alerting a patient's physician of dangerous situations 	<ul style="list-style-type: none"> • This initiative targets situations where a patient is taking multiple medications that can become dangerous when: <ul style="list-style-type: none"> – Multiple prescribers are involved – One medication affects another drug – Patient borrows or hoards medications • Under this initiative, the Blues will also concentrate on: <ul style="list-style-type: none"> – Potential misuses and excessive use of prescription drugs by poorly coordinated care – Narcotic fraud and abuse 	<ul style="list-style-type: none"> • When a patient meets the following criteria, BCBSM will send a letter to the patient's primary care physician or the last physician to write a prescription: <ul style="list-style-type: none"> – The patient has been prescribed more than 10 chronic medications. – The patient sees three or more physicians within a three-month period. <p>The member will not be notified.</p> <ul style="list-style-type: none"> • The Blues expect this initiative to save \$15 million in the first year with a projected cost savings of \$48.5 million after three years. <p>Impact to Members</p> <ul style="list-style-type: none"> • This is quality initiative that will be transparent to the member unless his or her physician recommends a change.
<p>Expanding Aggressive Maximum Allowable Cost – An initiative that expands BCBSM's MAC list</p> <p>Added value:</p> <p>Benefit cost saving to the groups</p>	<ul style="list-style-type: none"> • This program expands our existing MAC pricing list. 	<ul style="list-style-type: none"> • The Blues expect this initiative to save \$13 million in the first year. <p>Impact to Members</p> <ul style="list-style-type: none"> • This is transparent to members except if they choose a brand-name drug, in which case they would be responsible for the difference between the MAC drug and the brand-name drug.