OptumRx: Driving Smarter Connections

www.consultant.uhc.com
Driving results through individual health ownership

- INFORMATION that motivates
- INTEGRATION that simplifies
- INNOVATION that empowers

- Personalized experience
- Health plan design & cost sharing
- Network design & transparency

- Simpler member experience
- Better outcomes
- Lower costs

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Today’s Session: OptumRx: Driving Smarter Connections

Bruce Mead
Senior Vice President
Client Relations and Growth
OptumRx

Nick Rogers
Director, PDL and Network Strategies
UnitedHealthcare Pharmacy
The new OptumRx

1. The New OptumRx
   - Introduction and Corporate Update
   - Health Care Connected

2. Key Industry Trends
   - Coupons
   - Specialty Medications
   - Compounds

3. PDL Decision Making Process

4. Management Programs

5. 1/1/16 Prescription Drug List Changes
The New OptumRx – Corporate Update
Driving better results for the system

**UnitedHealth Group®**
Operating two distinct, independent business units

**Health Benefits**

*UnitedHealthcare®*
*Helping people live healthier lives*
Providing health care coverage and benefits services

**Health Services**

*Optum™*
*Helping to make the health system work better for everyone*
Providing information and technology-enabled health services
Connecting two industry leaders together

New OptumRx brings together **Strengths**

OptumRx

Medical synchronization

Information capabilities

Catamaran

Technology leadership

Flexible service offering

Delivering value to clients and members through enhanced services and cost trend management.
The new OptumRx

- More than 65 million members
- Over 1 billion pharmacy claims
- $74 billion total pharmacy spend
- Combined workforce of 10k+ employees
- Top 3 PBM in the industry

Markets We Serve

- Employers
- Health Plans
- Government Agencies
- Hospitals & Health Systems
- Medicare and Medicaid
- Labor & Trust
- TPAs
- PBMs
- Workers’ Compensation
- Public Sector
Health Care Connected

Experience smarter health care
Synchronization goes well beyond integration

<table>
<thead>
<tr>
<th>Traditional Integration</th>
<th>OptumRx Synchronization</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SYSTEM</strong></td>
<td><strong>SYSTEM</strong></td>
</tr>
<tr>
<td>No Connections</td>
<td>ONE System with 360° total health view of each member (Medical, Rx, lab, wellness)</td>
</tr>
<tr>
<td><strong>DATA VELOCITY</strong></td>
<td><strong>DATA VELOCITY</strong></td>
</tr>
<tr>
<td>Monthly Rx Claims Feed</td>
<td>Real-time Rx data fuels faster engagement – 63% of health &amp; savings opportunities driven by Rx data</td>
</tr>
<tr>
<td><strong>TOUCHPOINTS</strong></td>
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<tr>
<td>Not connected – leads to member frustration and missed opportunities</td>
<td>360 Alert System across customer service, nurses, mail service, web and mobile synchronizes engagement</td>
</tr>
<tr>
<td></td>
<td>Up to 30 days faster engagement on health and savings opportunities</td>
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</table>
Synchronization: Delivering unmatched value

**Connected Value**
- Care Management, Wellness, Behavioral Program Connections
- Advanced Nurse Advisor
- Pharmacist Consults
- 360° Alert System
- Connected Medical, Pharmacy, Specialty

**Core PBM Value**
- PDL Management
- Clinical Programs
- Utilization Management
- Exclusions
- Specialty Pharmacy
- Home Delivery
- Adherence Programs
- Drug Cost Management
- Claims Processing
- Network

**Incremental 20-25%** savings compared to total pharmacy spend*

**Only OptumRx provides additional Synchronized Value:**
- Connecting consumers to care programs
- Reducing gaps in care
- Leveraging data velocity and tools

**Future value** driven from continued investment in Synchronization capabilities.

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*Estimated $12-15 pmpm medical savings with full complement of Optum/UHC services

$12-$15 pmpm medical savings is equivalent to 20-25% pharmacy savings
Specialty medication management – the 5 “Ps”

1. Patient
Comprehensive Care and Management – empathy training, specialty consults, BriovaLive!, patient adherence

2. Prescriber
Clinical and Utilization Management – evidence based clinical programs, value based contracting

3. Place of Service
Drive to Lowest Cost Site of Service – coverage based on cost and clinical needs

4. Pharmaceutical Manufacturer
Price & Contract Innovation – episode payments, drug fee schedules, preferred products, price protection, exclude at launch

5. Payers
Reporting & Analytics – custom, client-specific trends and insights, visibility to both sides of the benefit

Consider all factors before deciding the most appropriate benefit coverage.
Building the future today: BriovaLive™

Video consult capability provides education with a personalized touch.

BriovaLive™
Video Consult Checklist

- Review medications & supplies
- Injection training
- Storing procedures
- Side effects
- Assemble device (if needed)
- Drug interactions
- Questions
- Support & reassurance
Key Industry Trends
Dynamics impacting cost

Specialty Drugs
Specialty drug predicted to represent 50% of overall drug costs by 2018

Patent Expiration
$90-$100B over 2014-2015 generate “me too” drugs with no clinical value

Direct to Consumer
Billions in consumer advertising drive brand preference

Compound Drugs
The #1 driver of trend in 2013 with little evidence that spend is effective or safe.

Copay Coupons
An estimated 100-125 million prescriptions use copay coupons each year.

Aggressive market trends require management to maintain affordability.

Key industry trends – Coupons

- Coupons will increase drug spending by $32B in the next 10 years.\(^1\)
- 75% of members on a Tier 3 drug are using a copay coupon.\(^2\)
- Coupon use is expected to rise to 500 million prescriptions/ year by 2021.\(^3\)

Key industry trends – Abilify example

In anticipation of a generic launch, the manufacturer of the brand dramatically increased the cost of the product.

**Generic launched April 2015**

Coupon Program launched to make Abilify more attractive to the members. The **majority of the cost is the responsibility of the plan sponsor.**

UnitedHealthcare removed coverage of the brand Abilify 8/1 to **reduce costs of the product by up to 45%.**
We are reaching a turning point…

50% Projected Specialty Pharmacy spend by 2018.

The generic wave is over.

Formulary Journal. Specialty drugs will account for 50% of all drug costs by 2018. Jun 1, 2013.
Key industry trends – Specialty

**PBS NEWSHOUR**
Small group of specialty drugs could make up half of total pharmacy spending by 2018
BY RUTH TAM  October 20, 2014 at 11:33 AM EST

**THE WALL STREET JOURNAL**
Prescription Drug Spending Will Reach $1.3 Trillion – That's Trillion – By 2018
By ED SILVERMAN

**Bloomberg BNA**
New Specialty Drug Puts Spotlight on Costs, Impact on U.S. Health-Care System
July 16
By Bronwyn Mixter

**The New York Times**
Prices Soaring for Specialty Drugs, Researchers Find
By KATIE THOMAS  APRIL 15, 2014
Drug utilization and cost

On average\(^1\), specialty medications represent **1-2% of utilization & 35% of plan costs.**

The dynamics of drug spend have changed:

- Rapidly growing specialty market
- Blockbuster patents have expired, generic use is peaking

<table>
<thead>
<tr>
<th>Average Retail Cost per Rx(^2)</th>
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<tbody>
<tr>
<td><strong>Generics</strong></td>
</tr>
<tr>
<td><strong>Brands</strong></td>
</tr>
<tr>
<td><strong>Specialty(^3)</strong></td>
</tr>
</tbody>
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1. UnitedHealthcare ASO book average, YTD September 2014. Does not include drugs dispensed through the medical benefit. Client-specific experience will vary. 2. UnitedHealthcare ASO book average, YTD September 2014. 3. Average ingredient cost can have wide variation based on drug mix within a specific population.
Key industry trends – Specialty

Comprehensive specialty management across pharmacy and medical benefits

- **Contracting Innovation**
  - Episode payments, drug fee schedules, preferred products, price protection

- **Clinical and Utilization Management**
  - Similar, novel clinical programs to pharmacy ensuring clinically appropriate coverage

- **Drive to Lowest Cost Site of Service**
  - Coverage based on cost and clinical needs

- **Comprehensive Care and Management**
  - Quality and appropriate care at the lowest cost

Consider all factors before deciding the most appropriate benefit coverage.
How compounding works

Customized medicines are formulated with a prescription when a patient cannot be treated with a standard, commercially available FDA-approved medication.

Examples:
• If a patient is allergic to the dye used in a pill
• Elderly patients or children can’t swallow tablets—so a liquid form is needed

Why the popularity now?
• Large profit potential for compounding pharmacies by combining multiple ingredients and pricing the final product at a premium
• Compound pharmacies are marketing to physicians across the country—well beyond their service areas

What is Pharmacy Compounding?

Pharmacy compounding
is a practice in which a pharmacist combines, mixes, or alters ingredients in response to a prescription to create a medication tailored to the medical needs of an individual patient.
Targeting military families & retirees

In April 2015, a compound drug marketer set up a food truck outside Fort Sam Houston, TX.

- Tricare beneficiaries were promised free lunch for signing up for medications
- Materials distributed at the site claimed the products were “For Military Only, Approved by Tricare” and directed beneficiaries to a website to log on and order medications

In addition to soliciting on military bases, hospitals and commissaries, representatives are also seeking opportunities on Craigslist.
Strategies to manage compounds

Eliminating concerns about member safety, drug efficacy and potential waste of significant healthcare resources

⇒ Bulk compound medications review and exclusion process

⇒ Notification/prior authorization implemented for compound medications

⇒ Excluded select non-FDA approved bulk chemicals used in compounds

⇒ Evaluating participation of compounding pharmacies in our network

⇒ Targeted outreach to high prescribers of compounds – peer to peer and written communication
PDL Decision Making Process
The Advantage PDL advantage

Creating a path to motivate employee **health ownership.**

### Any Drug, Any Tier
- **Brands in Tier 1** where no generics available
- Based on total health value

### Responsive
- Ability to make changes due to market events

### Member Focus
- Synchronized experience and decision support: Advocate4Me, Health4Me, myuhc.com

### A full suite of pharmacy benefit programs** to help members make better decisions and find the right balance for your benefit.**

#### Member Benefit
- Price Protection
- Down Tier
- New Coverage
- Refill and Save

#### Minimal Member Impact
- Exclude at Launch
- Supply Limits
- Notification/Prior Authorization
- Step Therapy

#### Member Guidance
- Up-Tier
- Benefit Design
- Select Designated Pharmacy
- Strategic Exclusion

Savings estimate based on 1/1/14 and 7/1/14 PDL and pharmacy benefit coverage changes.
PDL decision making process

We take a comprehensive approach to determine a drug’s value, including impact to overall healthcare costs and outcomes, to determine it’s tier placement and management requirements.
Management Programs
## Management programs

In addition to Tier placement, multiple tools are available to maintain pharmacy affordability

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
</table>
| **N** | Notification/ Prior Authorization/ Medical Necessity  
Member’s physician must provide additional information in order to determine benefit coverage. |
| **SL** | Supply Limits  
Largest quantity of medication covered per copayment or in a defined period of time. |
| **DSP** | Designated Specialty Program  
Specialty medications need to be filled at a designated specialty pharmacy for network coverage. |
| **E** | Exclusions  
Drugs may be excluded from coverage or subject to prior authorization and/or trial/failure of another medication(s). |
| **SDP** | Select Designated Pharmacy  
Must use a lower cost medication at retail or transfer the designated medication to the mail service pharmacy for network coverage. |
| **MC** | Multiple Copay  
More than one month’s worth of medication included in package so additional copay applies. |
| **ST** | Step Therapy  
Members must try a lower-cost medication before a higher-cost medication will be covered. |
| **RS** | Refill and Save  
Members can save money on their copayment when they refill prescriptions on time as prescribed. |
Exclusions remove unnecessary cost

### Better Analytics

<table>
<thead>
<tr>
<th>Proton Pump Inhibitors</th>
<th>Treximet®</th>
</tr>
</thead>
<tbody>
<tr>
<td>$250 vs $40¹</td>
<td>$650 vs $20¹</td>
</tr>
<tr>
<td>Crowded class with multiple tier 1 generic and OTC options  (including OTC Nexium)</td>
<td>Combines two less expensive medications - generic Imitrex (Tier 1) and OTC Aleve</td>
</tr>
</tbody>
</table>

**Exclude at Launch Program:** Excludes high-cost medications upon launch with no member disruption

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1. Source: Walgreens.com comparing brand Nexium vs. OTC and Treximet vs. generic Imitrex and OTC Aleve.  
2. Estimated savings for exclusions and tiering differences of the Advantage PDL compared to a more traditional PDL approach without exclusions.
Connections drive insight and management

Better Analytics

Connected Data

Largest integrated database across benefits for total health insights.
- Pharmacy data
- Medical data
- Lab data
- Behavioral data

Connected Expertise

Leadership across UHG align on strategies for better cost and care

PDL Management Committee:
Chief Medical Officers and executive leaders from across UHG carefully consider and vote on all pharmacy benefit decisions.

Pharmacy benefit decisions based on Total Health Care Value

Total Health Care Value = Clinical Value + Drug Cost + Medical Cost + Work Impact
1/1/16 Change Highlights
Key changes

Diabetes (Meters/Test Strips): Test strips are therapeutically equivalent when used with the associated meter. Selecting one brand of meters/strips to cover decreases costs in the category while still maintaining access to products for self-testing blood glucose.

Diabetes (Oral Medications): The cost of diabetes medications has been steadily increasing and vary dramatically, with costs ranging from less than $10 to $4,900 for metformin products.

Gout: In the past, lower-cost colchicine products were available in non-FDA approved “generic” formulations. Once the FDA began requiring formal approval, the cost of colchicine products increased significantly. Additional manufacturers coming to market have increased competition, allowing us to leverage an exclusion strategy.

Other Noteworthy Changes

• A generic form of Xeloda, used to treat cancer, is available; however the cost of the generic remains high. By excluding the generic, we were able to negotiate better pricing on brand Xeloda, which will be available in Tier 1.

• Copaxone, a specialty medication used to treat multiple sclerosis, recently became available as a generic, Glatopa. Since the price point for Glatopa remains high, we were able to negotiate better pricing for brand Copaxone. The generic for Copaxone, Glatopa, remains excluded resulting in increased savings and minimal member disruption.

1. Based on UnitedHealthcare utilization data. 2. Based on Costco unit pricing.
Diabetes

The estimated annual total cost of diabetes in the U.S. is $245 billion. Average medical expenditures among people with diabetes were 2.3 times higher than people without diabetes.¹

Excluding high-cost medications with the same active ingredient helps manage diabetes costs.

Metformin is the active ingredient for these medications.

<table>
<thead>
<tr>
<th>Cost per script</th>
<th>metformin (generic Glucophage) Tier 1</th>
<th>metformin ER (generic Glucophage XR) Tier 1</th>
<th>metformin ER (generic Fortamet)</th>
<th>Fortamet</th>
<th>Glumetza</th>
</tr>
</thead>
<tbody>
<tr>
<td>$&lt;10</td>
<td>$&lt;10</td>
<td>$350</td>
<td>$2,100</td>
<td>$4,900</td>
<td></td>
</tr>
</tbody>
</table>

An evaluation of UnitedHealthcare utilization revealed that 98% of UnitedHealthcare members taking metformin are using Tier 1 products.

Diabetes – Meters and test strips

Test strips are therapeutically equivalent when used with the associated meter. Selecting one preferred product allows for better cost management.

OneTouch diabetic meters and test strips are the market leader with 60% utilization.

Members can obtain a covered OneTouch meter through a Free Meter Program with no out-of-pocket cost.

Members utilizing a product that communicates directly with an insulin pump will be allowed to continue with their current product through an exception process.
Gout

A new product with the same active ingredient, colchicine, used to treat gout allows us to leverage our exclusion strategy to drive down costs within the category.

Other Decisions

STEP

Uloric
Members must first try: allopurinol (generic Zyloprim)
Driving results through individual health ownership

INFORMATION that motivates

INTEGRATION that simplifies

INNOVATION that empowers

Personalized experience

Health plan design & cost sharing

Network design & transparency

Population health & productivity

Simpler member experience

Better outcomes

Lower costs

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