

US Healthcare PBM Executives September 2014 SURVEY

Survey completed October 6th, 2014. We interviewed Benefit Manager Executives at various sized firms across the country, and within various sectors. We asked about their current Pharmacy Benefits Manager, if they would potentially change their provider in the next RFP process, and reasons behind that potential decision, among other topics.

 SURVEY DISTRIBUTION

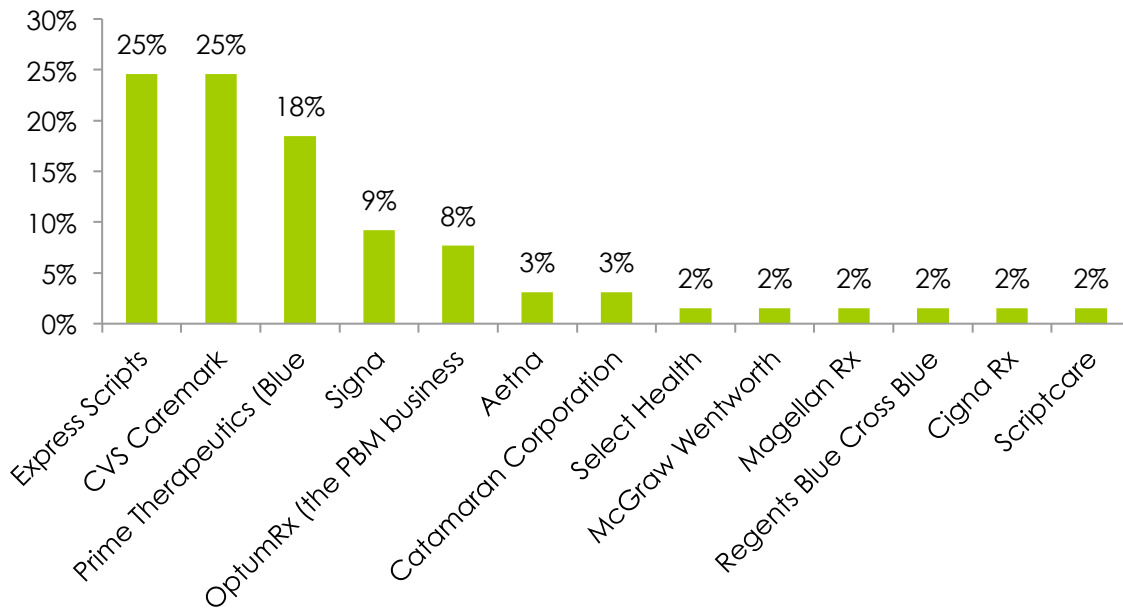
No. of responses

There were a total of 66 surveys completed across the country.

Size	Count	Percent	Employee Count
Small	21	32%	< 399
Medium	24	36%	400 - 999
Large	19	29%	1,000 - 9,999
Jumbo	2	3%	> 10,000
Total	66	100%	

Sector	Count	Percent
Industrials	17	26%
Consumer	9	14%
Healthcare	8	12%
Service	6	9%
Energy	6	9%
Media	5	8%
Finance	5	8%
Real Estate	4	6%
Non-profit	2	3%
Education	2	3%
Government	2	3%
Total	66	100%

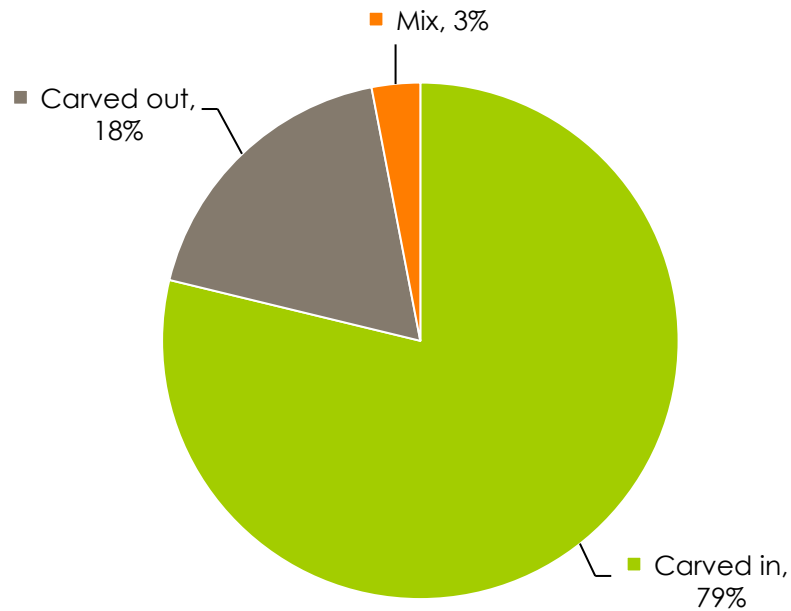
QUESTION 1

Who is your current PBM provider?


	Count	Percentage
Express Scripts	16	25%
CVS Caremark	16	25%
Prime Therapeutics (Blue Cross Blue Shield)	12	18%
Signa	6	9%
OptumRx (the PBM business unit of UnitedHealth Group)	5	8%
Aetna	2	3%
Catamaran Corporation	2	3%
Select Health	1	2%
McGraw Wentworth	1	2%
Magellan Rx	1	2%
Regents Blue Cross Blue Shield	1	2%
Cigna Rx	1	2%
Scriptcare	1	2%
Total	65	100%

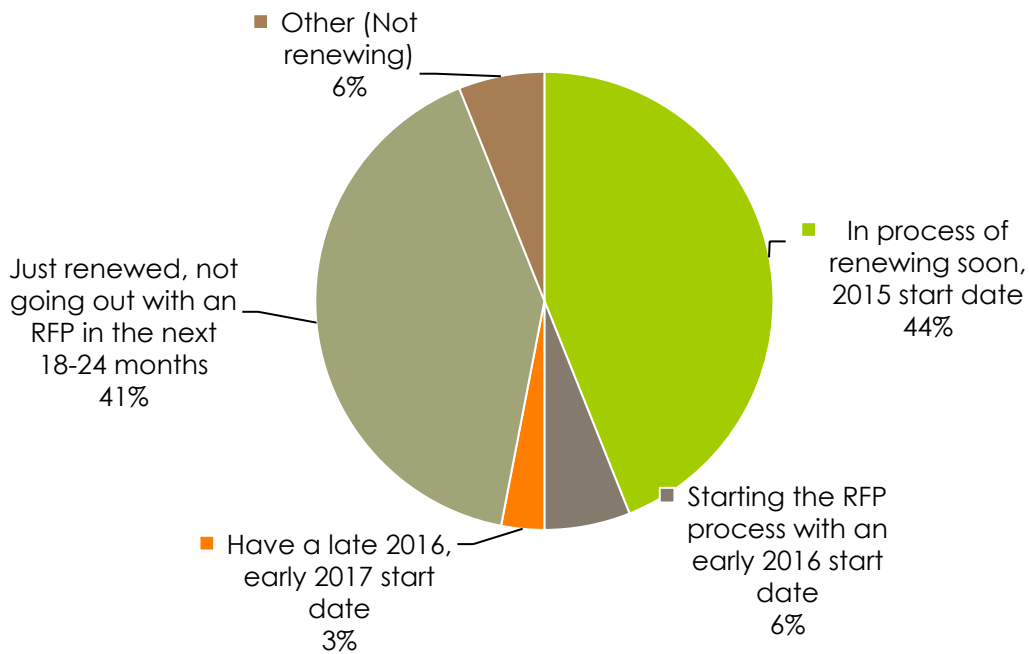
QUESTION 2

Is your pharmacy benefit carved out or carved in?



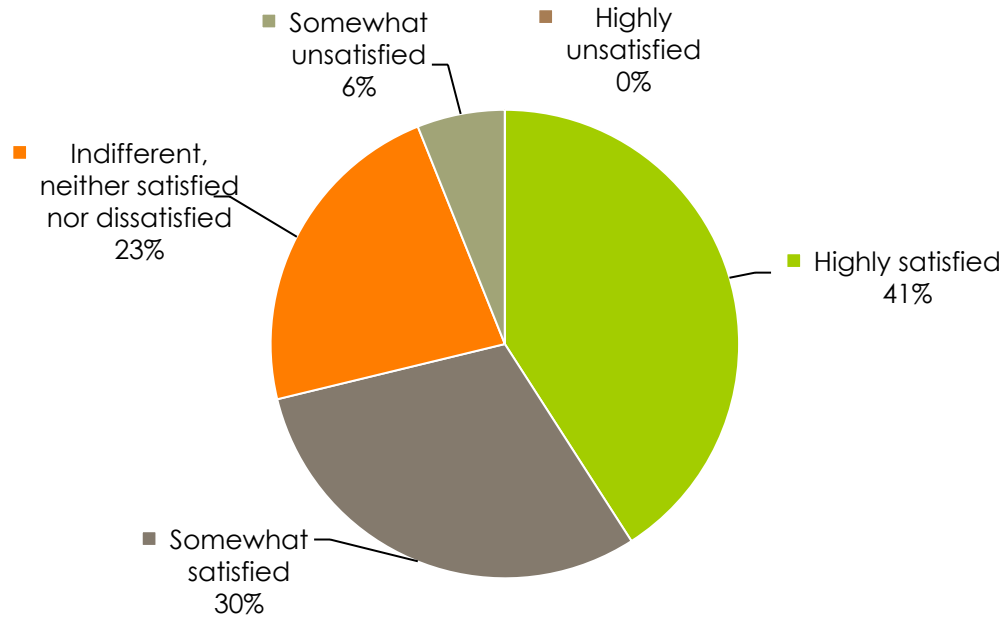
	Count	Percentage
Carved in	52	79%
Carved out	12	18%
Mix	2	3%
Total	66	100%

QUESTION 3

Where are you in terms of your contract renewal with your current PBM?


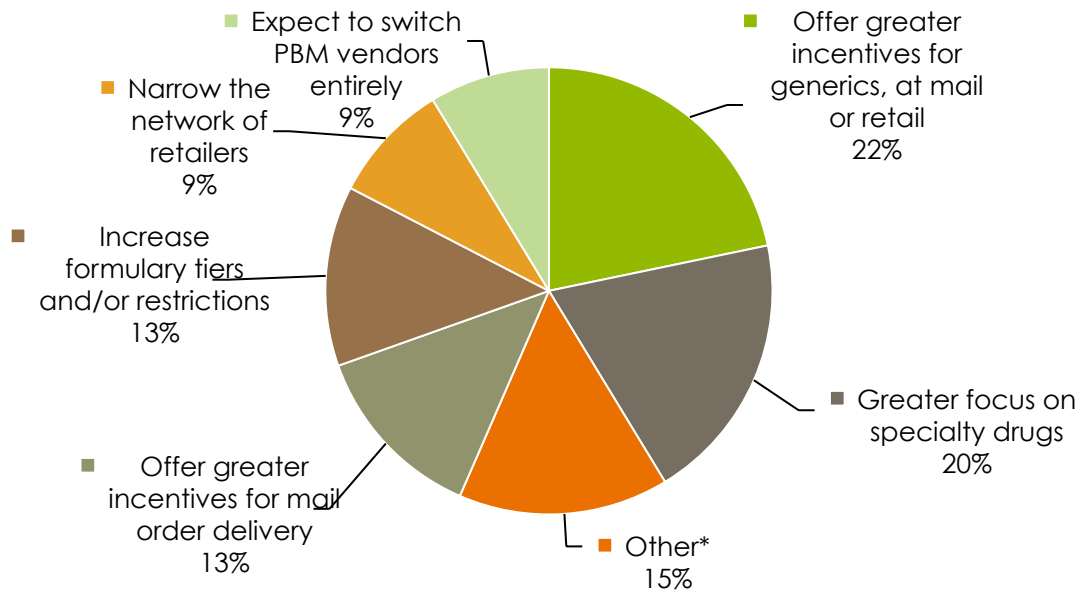
	Count	Percentage
In process of renewing this year for early 2015 start date	22	24%
Starting the RFP process for mid 2015 start date	4	4%
Not starting the RFP process this year, but will be going out for RFP in 2015	12	13%
Just renewed, not going out with an RFP in the next 18-24 months	34	37%
Not renewing	19	21%
Total	91	100%

QUESTION 4

How satisfied are you with your current PBM?


	Count	Percentage
Highly satisfied	27	41%
Somewhat satisfied	20	30%
Indifferent, neither satisfied nor dissatisfied	15	23%
Somewhat unsatisfied	4	6%
Highly unsatisfied	0	0%
Total	66	100%

QUESTION 5

What changes are you considering/will you consider to make in your company's drug benefit design in your next RFP process?


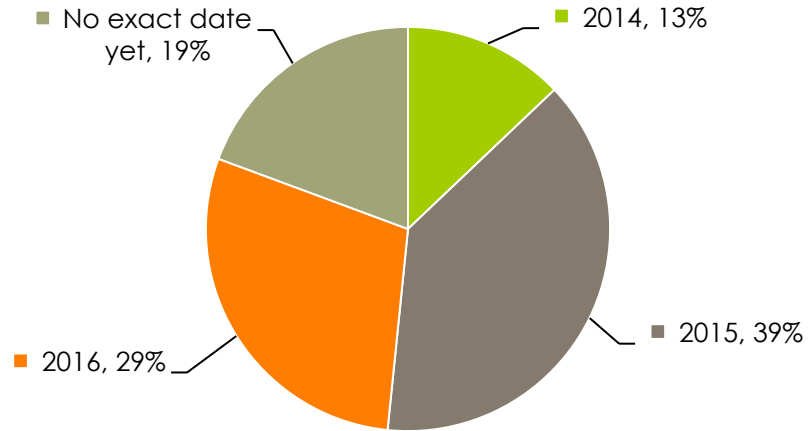
Other:

- Add more genetic screening requirements
- We're leaning toward an HSA and a 3 tier co-pay
- We're looking at a lower deductible.
- We would want employees to get the same discounts at brick and mortar stores, like CVS. People just don't want drug mailed and thrown on their doorstep.
- Out of pocket allowance 100%
- adding MEC coverage (Minimum Eligibility Coverage)
- Get 90 day supply at mail order rates at local pharmacy

	Count	Percentage
Offer greater incentives for generics, at mail or retail	10	22%
Greater focus on specialty drugs	9	20%
Other*	7	15%
Offer greater incentives for mail order delivery	6	13%
Increase formulary tiers and/or restrictions	6	13%
Narrow the network of retailers	4	9%
Expect to switch PBM vendors entirely	4	9%
Total	46	100%

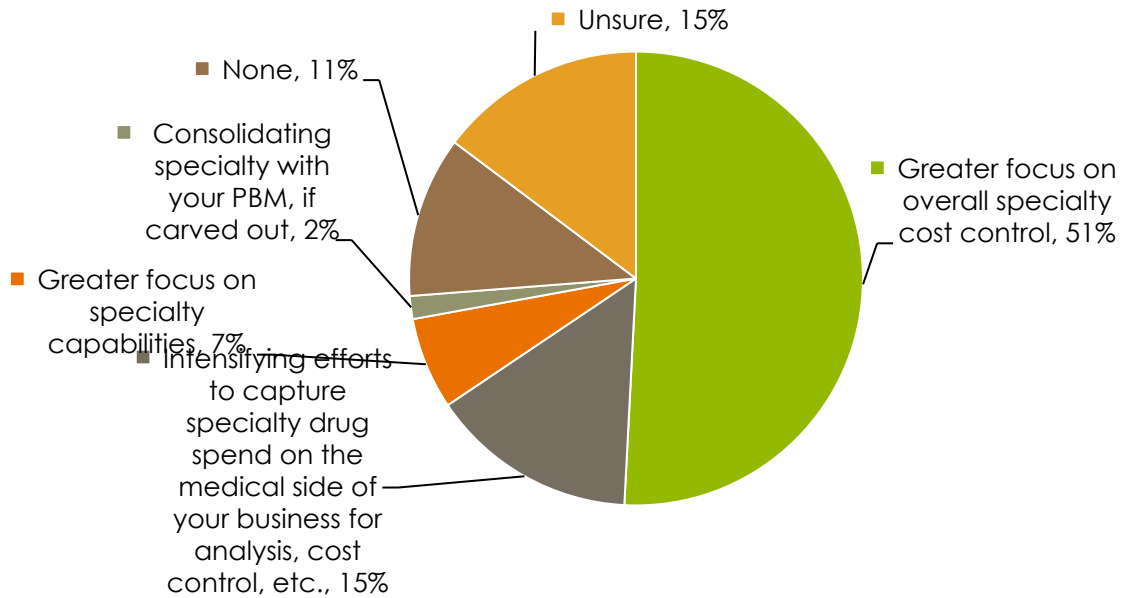
QUESTION 6

When would the timing of this change potentially take place?



	Count	Percentage
2014	4	13%
2015	12	39%
2016	9	29%
No exact date yet	6	19%
Total	31	100%

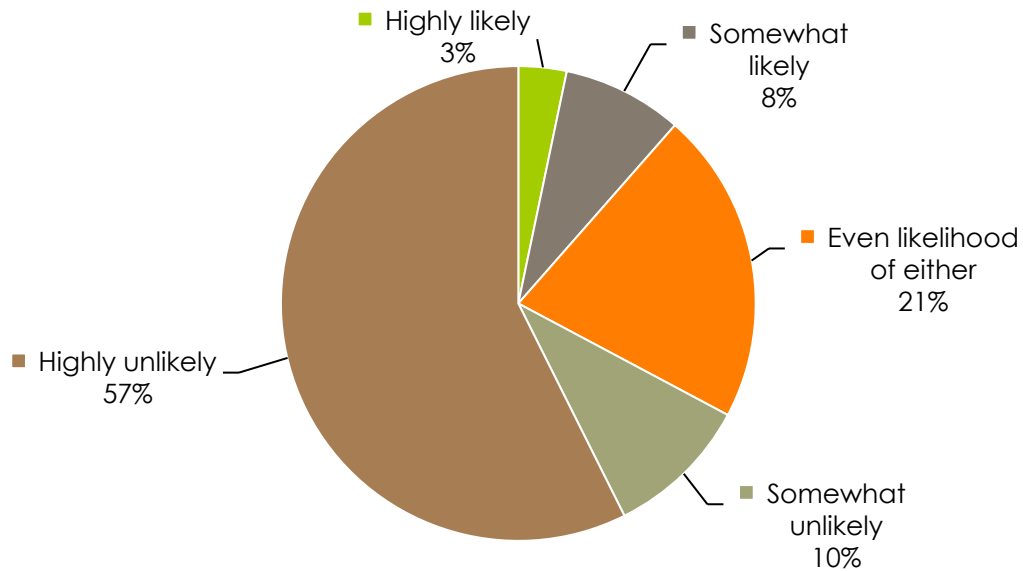
QUESTION 7

Within which specialty, during your next RFP process, is your top priority?


	Count	Percentage
Greater focus on overall specialty cost control	31	51%
Intensifying efforts to capture specialty drug spend on the medical side of your business for analysis, cost control, etc.	9	15%
Greater focus on specialty capabilities	4	7%
Consolidating specialty with your PBM, if carved out	1	2%
None	7	11%
Unsure	9	15%
Total	61	100%

QUESTION 8

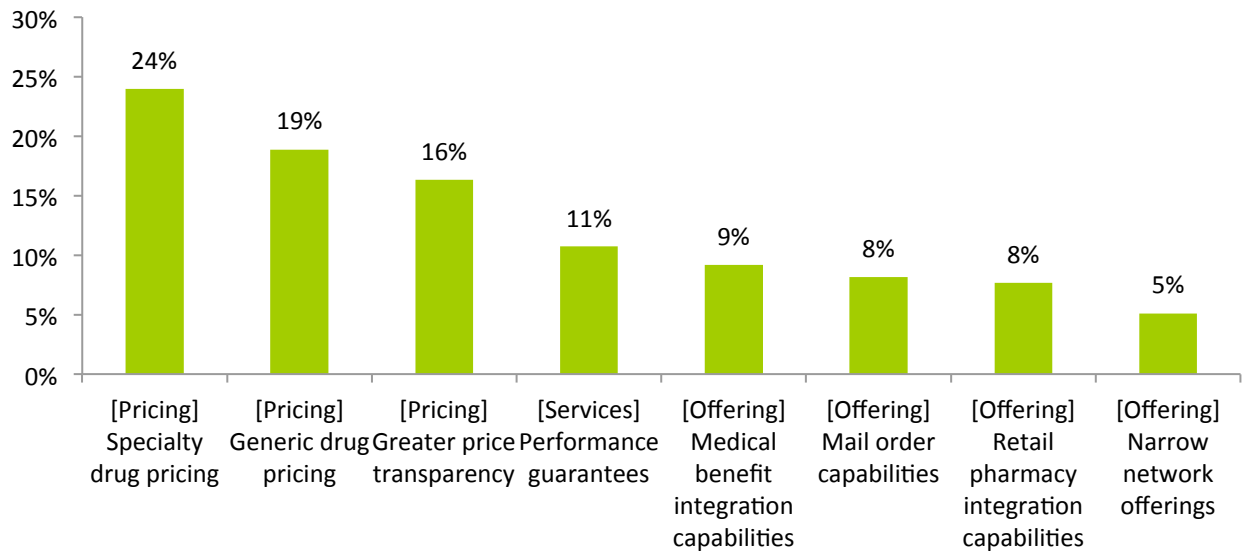
In your next PBM RFP cycle, how likely are you to carve in or carve out your PBM (if already carved in - then how likely to carve out; if carved out - then how likely to carve in?)



	Count	Percentage
Highly likely	2	3%
Somewhat likely	5	8%
Even likelihood of either	13	21%
Somewhat unlikely	6	10%
Highly unlikely	35	57%
Total	61	100%

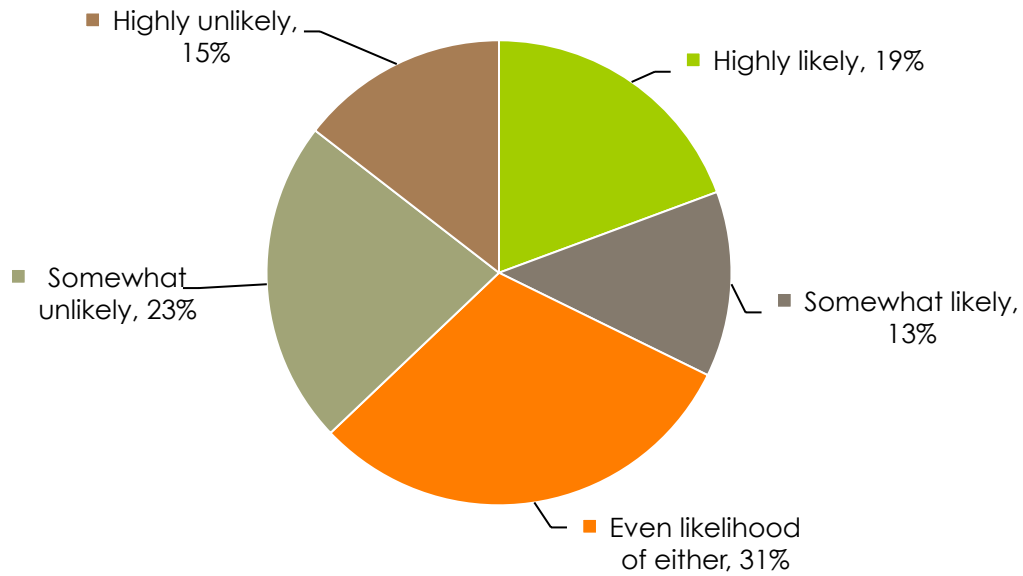
QUESTION 9

In your next RFP to PBMs, which areas will you weigh more heavily than previously?



	Count	Percentage
[Pricing] Specialty drug pricing	47	24%
[Pricing] Generic drug pricing	37	19%
[Pricing] Greater price transparency	32	16%
[Services] Performance guarantees	21	11%
[Offering] Medical benefit integration capabilities	18	9%
[Offering] Mail order capabilities	16	8%
[Offering] Retail pharmacy integration capabilities	15	8%
[Offering] Narrow network offerings	10	5%
Total	196	100%

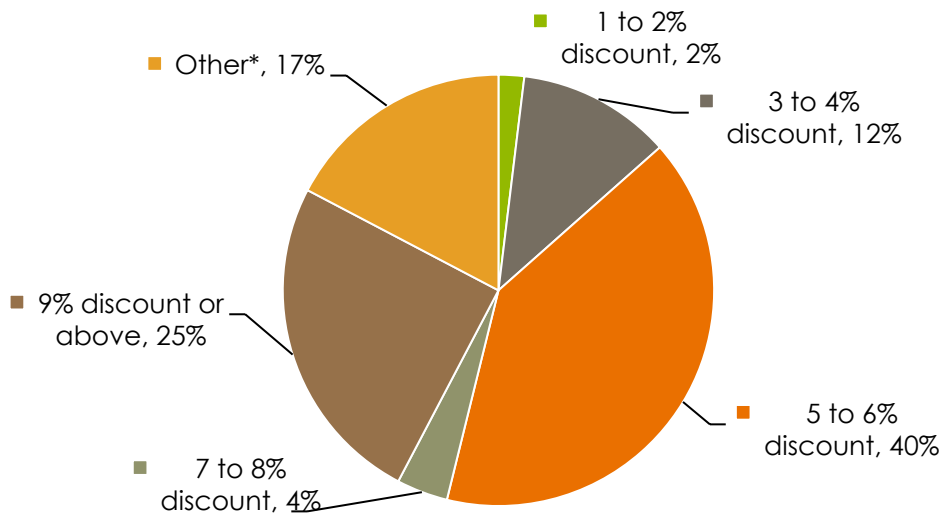
QUESTION 10

How likely are you to switch PBMs in the next 3-4 years?


	Count	Percentage
Highly likely	12	19%
Somewhat likely	8	13%
Even likelihood of either	19	31%
Somewhat unlikely	14	23%
Highly unlikely	9	15%
Total	69	100%

QUESTION 11

All else equal, how much of an overall pricing discount would likely lead your company to switch to a new PBM vendor?



	Count	Percentage
1-2% discount	1	2%
3-4% discount	6	12%
5-6% discount	21	40%
7-8% discount	2	4%
9%+ discount	13	25%
Other*	9	17%
Total	52	100%

*Other:

- We would have to consult with our broker who knows these discounts better than we do.
- I would have to have other numbers because it really depends on the whole package.
- would need to do some research
- It would depend. If we carved out, for example, the prices would have to offset the cost of doing that.
- none of those impact coz it has to be integrated with our medical plan
- don't know; not just prescription, also medical
- None. This is not a factor because we have a good rate right now.
- This is not too relevant for us. We want to keep the plan similar, but we don't want to get something out of hand.
- they don't apply to us, discounts will not likely lead us to a new vendor

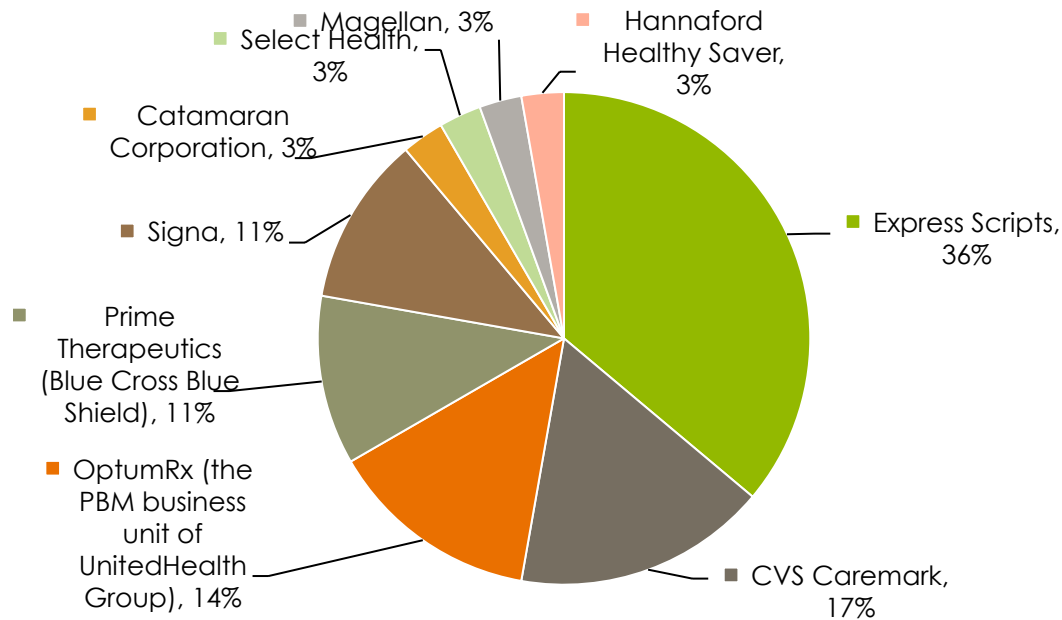
QUESTION 12

How are you planning on dealing with rising specialty drug costs?**Comments:**

- We have added a tier for specialty drugs. The co-pay or co-insurance will increase for the employees.
- Managing specialty drugs
- Mostly we tend try to get people to go with generics. We're offering less of a copay for generics. Also, wellness education and maintenance is important.
- Shift cost sharing to employees.
- We encourage people to do generics.
- It will have to be something that has a stop loss for an overall claim. Somebody should come up with a product--there should be a product where you can't have an employee bear a burden that is life changing. All employees can't bear the cost for one person or a few.
- We added a new tier, now subject to out of pocket maximum
- We rely on Blue Cross and their plan designs to work with doctors and patients, and with what other options are available and less costly.
- We would promote generic over specialty drugs to our employees. We would try to create incentives for that.
- Next year, we've planned to increase employees' co-payments. We also want to educate our employees on generics.
- Increasing premiums.
- I'm not sure, but I think education would be the first. As in generics.
- This is more my opinion, but I would not cover specialty drugs at all. Pharmacy companies need to be more realistic on cost. With these specialty drugs, sometimes there is only one company, and some of these drugs cost thousands of dollars per month. One company has it all tied up.
- We're exploring different cost sharing structures.
- Continuing education and the design of the plan around that.
- I don't know if you're familiar with Goodwill, but the employees make \$9.00 per hour. So I'm looking at an extra drug benefit like Healthy Saver. It's four dollars for 30 days or \$9.99 for 90 days. They change drugs quarterly. Well they don't change everything quarterly, but a lot they do.
- Look at all plans
- Continue to monitor costs and see where there are cost advantages.
- Require employees to purchase specialty drugs through the Specialty Drug Program
- Cost sharing more towards employees
- annual review of Costs
- Our design is such that we will have the employee deductible met. We have a high deductible. We'll still be paying the 100% after that.
- The cost control measure and clinical management program.
- Manage Pharmacy contract with new purveyor
- Education is big – the education on generics. Also education on lifestyle changes.
- We eliminate them if we have them offered in our plan. We are introducing advance utilization management package and it's called advantage plus that what we are doing for 2015

- We just had to deal with it like any other company's do. We have a HRA (health reimbursement acct) which is a company reimbursement program which we share the cost. The other one is HSA(health savings acct) an IRS authorize pre tax payment, every employee gets bank of a maximum \$600 per annum for dental and medical and we can contribute pre tax as well for up to \$2800.
- Just trying to educate for lower cost alternatives. Using step therapy when it is not disruptive and makes sense.
- outreach to members
- We don't have a lot of specialty drug use. We monitor it, but there's not much restriction. If we do anything, it's education.
- Making sure they really are specialty drugs--that they are unique. If they are unique enough to be needed, then they need to be available. For instance, hepatitis c--all of the sudden--has more than one drug, but do all those drugs need to be in your formulary?
- Education on wellness. Second might then be how to shop for prescriptions and work with your doctor.
- At this time our specialty drug costs have been minimal.
- Look at co payment different structures, would pass it to employees for the cost.
- It depends on what other drugs are available to mitigate cost. We follow direction of Signa and how much some of the other drugs will be. And how it will impact our population.
- Trying to move to generics if you can. Otherwise, it's paying out of pocket.
- We have low pharmacy costs, so it is not really a focus. Our health insurance company manages this with their specialty drug lists.
- We have built some things in: narrow provider sourcing and managed care.
- I'd have to give that some thought. Specialty drugs are not at the top of our list.
- we have move them to a different plan tier at this point in time, 20% up to maximum dollar amount we are putting the cost to be carried by the employee's. we are also monitoring this every year, right now we don't see a lot of employee using specialty drugs
- We focus on generics. We communicate the benefits of this a few times a year to our employees
- Education. And our employees use generics.
- We have a list of specialty drugs. We got rid of the out of pocket max of \$1500 come January 1st.
- With a change of the PBM. And we're self-funded and keep a close eye on that. We also work in different states; we have to consider the rising costs in other states and how drugs are discounted in [for example] Wyoming.
- Education for generics.
- We are limited. There are only two major players in Hawaii, and they decide these things.

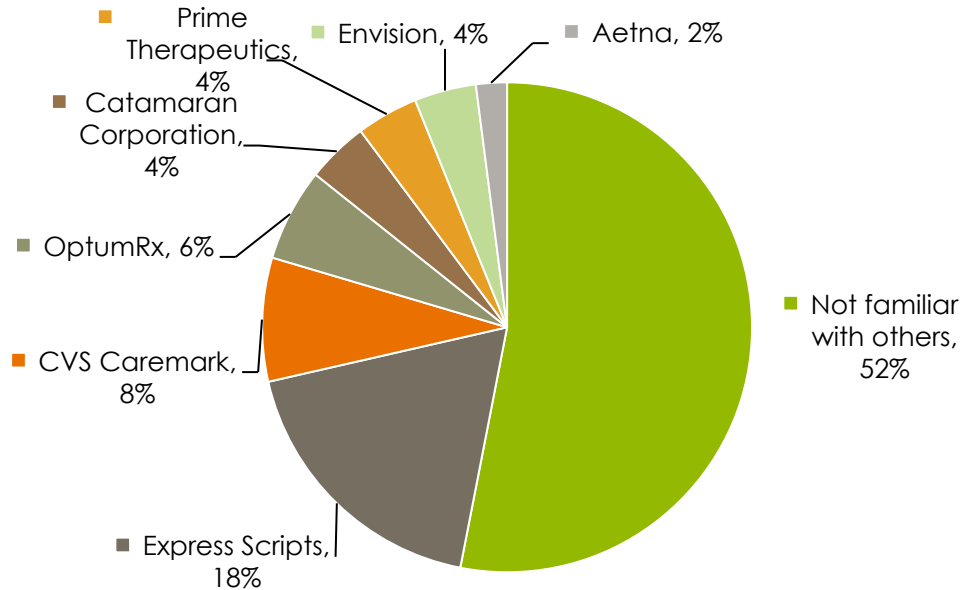
QUESTION 13

Which PBM do you think will meet this need most effectively?


	Count	Percentage
Express Scripts	13	36%
CVS Caremark	6	17%
OptumRx (the PBM business unit of UnitedHealth Group)	5	14%
Prime Therapeutics (Blue Cross Blue Shield)	4	11%
Signa	4	11%
Catamaran Corporation	1	3%
Select Health	1	3%
Magellan	1	3%
Hannaford Healthy Saver	1	3%
Total	36	100%

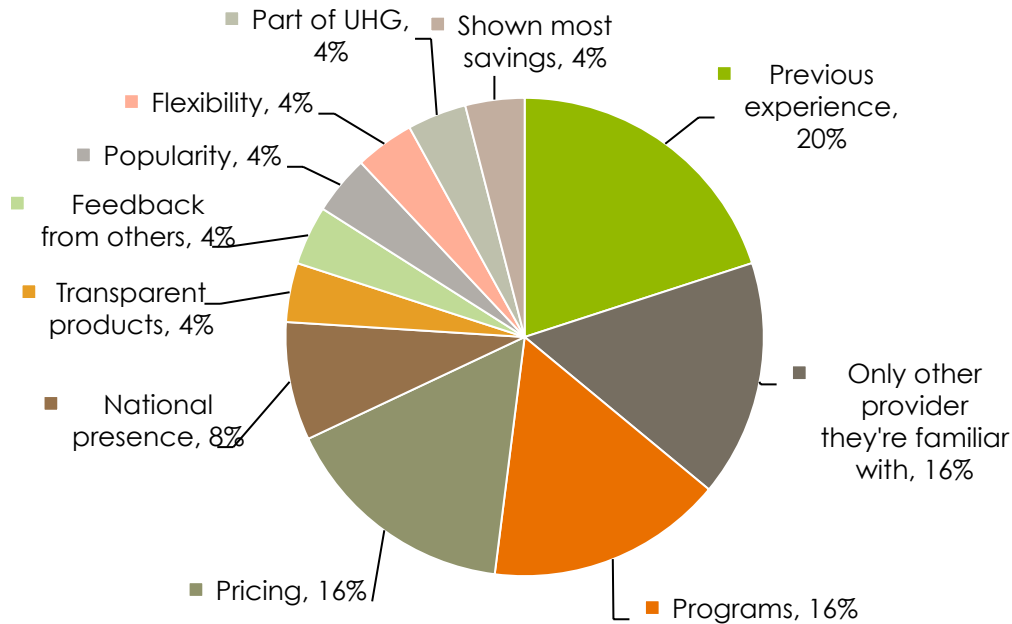
QUESTION 14

Besides your current PBM, which other vendor's value proposition appeals most to the direction your organization is headed?



	Count	Percentage
Express Scripts	9	18%
CVS Caremark	4	8%
OptumRx (the PBM business unit of UnitedHealth Group)	3	6%
Catamaran Corporation	2	4%
Prime Therapeutics (Blue Cross Blue Shield)	2	4%
Envision	2	4%
Aetna	1	2%
Costco	1	2%
Not familiar with others	26	52%
Total	49	100%

QUESTION 15

Why?


	Count	Percentage
Previous experience	5	20%
Only other provider they're familiar with	4	16%
Programs	4	16%
Pricing	4	16%
National presence	2	8%
Transparent products	1	4%
Feedback from others	1	4%
Popularity	1	4%
Flexibility	1	4%
Part of UHG	1	4%
Shown most savings	1	4%
Total	25	100%

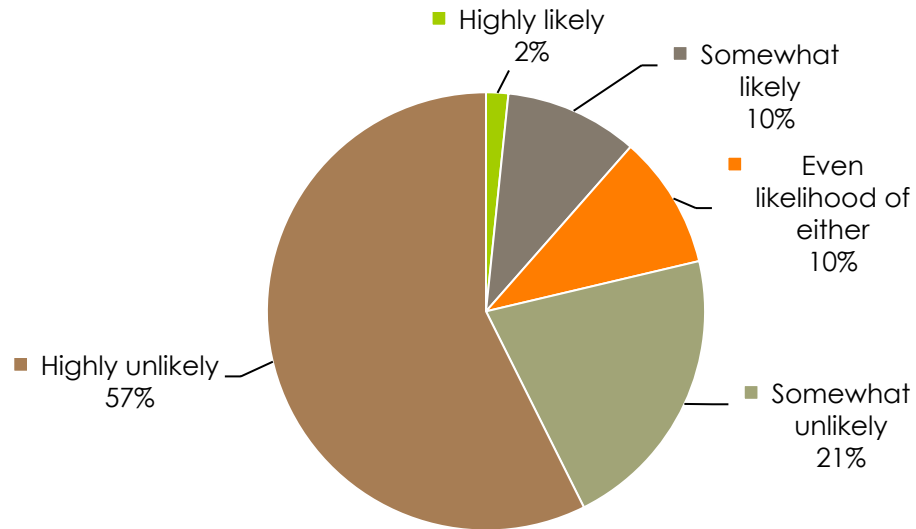
Additional comments:

- *We need to work with carriers with a national presence. The ones with the capacity customize. It's also for comfort level.*
- *Their pricing and programs.*
- *I would pick them based on others' good experience.*
- *Because of our geographic location in West Virginia. We had CVS before, and I don't think I've heard of those other companies.*
- *Probably CVS by default because they're the most well known.*
- *our parent company have a relationship with them*

- *We might consider CVS Caremark because of the ability to pick up Rx at retail for cost of mail order. Unsure of what else these PBMs might offer.*
- *I just believed that they have more transparent products, better markets and clinical management program.*
- *They might be more flexible and maybe cater to our business more.*
- *Express only because I know CVS and am familiar with Express, but not familiar with others.*
- *Probably because we had them before.*
- *they offer better program and watch out our cost*
- *Used them in past*
- *Would need to learn more about the others. We had Express last time, and I would not go with them again.*
- *They are not outsourced but a part of UHG. They show the most savings than any other group based on independent studies.*
- *Price transparency and medical plan integration*
- *It's the more or most familiar.*
- *It's because I am familiar with Blue Cross. We also switched from Express.*
- *right now blue cross, CIGNA seems promising but it will cost us more and 99% we are sticking with blue cross with the overall cost, the discounts they give us and base from our brokers they are the best deal.*
- *From my experience it would be Optum.*
- *Not really familiar with anybody else because Montana is very limited in their offerings. We had Express last time*

QUESTION 16

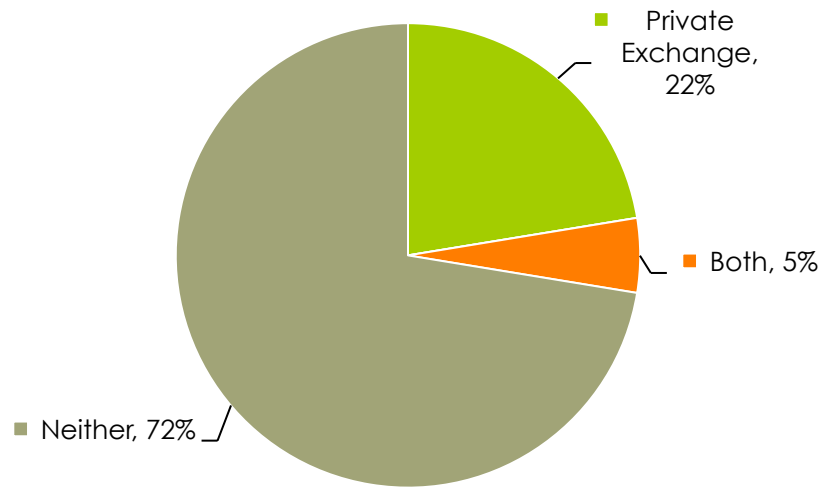
How seriously are you considering moving your current employees to a private or public exchange in the next 2-4 years (could be current employees and/or retirees)?



	Count	Percentage
Highly likely	1	2%
Somewhat likely	6	10%
Even likelihood of either	6	10%
Somewhat unlikely	13	21%
Highly unlikely	35	57%
Total	61	100%

QUESTION 17

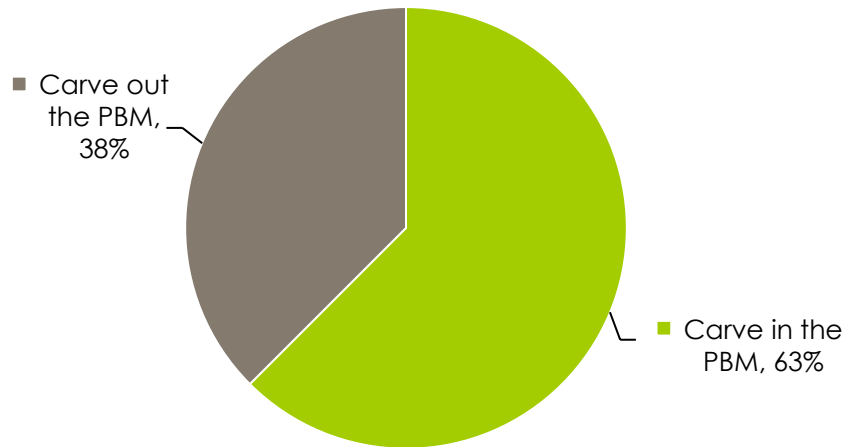
Are you considering public or private exchanges, or both?



	Count	Percentage
Private Exchange	13	22%
Public Exchange	0	0%
Both	3	5%
Neither	42	72%
Total	58	100%

QUESTION 18

**If considering private exchanges, would you carve in or carve out the PBM?
(if you already use a private exchange, please mark whichever choice is
consistent with what your company has now)**



	Count	Percentage
Carve in the PBM	10	63%
Carve out the PBM	6	38%
Total	16	100%