



Medicare Prescription Drug Cards: What Are They? What Are They Worth?

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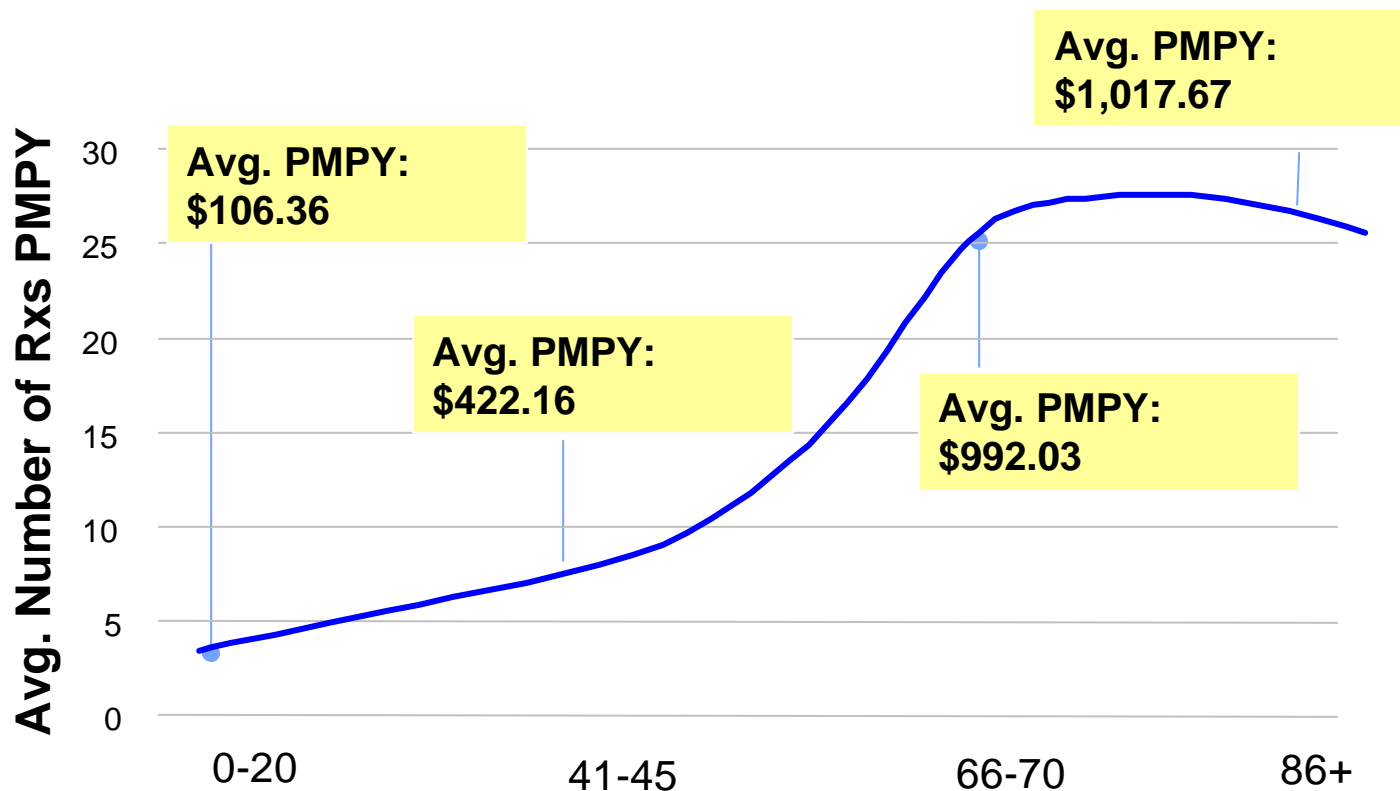


Rx Discount Cards - Overview

- Targeted to those without funded coverage who now typically pay the highest prices for drugs:
 - Seniors represent the largest block (by drug use) of uninsured and underinsured patients for drugs
 - Large block of older Americans between 55-65 without drug coverage
 - Large numbers of younger uninsured people, and some younger people with medical insurance but no drug insurance (lower utilization)



Drug Spending By Age



“For those without coverage, utilization is lower and drug mix differs slightly (more generic use)”



Rx Discount Cards - Overview

- Discount cards represent in many respects a “buying” group for those populations without drug insurance
- PBM (or other) negotiates discounts from pharmacies and/or manufacturers on behalf of participants
- Many discount programs (AdvancePCS) include concurrent drug utilization review and educational materials to the enrollee
 - Improves safe and cost-effective use of drugs
- Some provide discounts on other services such as over the counter drugs and supplies, vision, dental, and occasionally physician and hospital services



Rx Discount Cards - Overview

- Discount cards are typically distributed through:
 - Aggregators, who market these cards and their associated discounts
 - Often the PBM provides services to the aggregator
 - Sometimes the PBM is the aggregator
 - Some aggregators market these discounts as a primary product; others only to membership they have for other reasons
 - Health plans or Medigap insurers, who offer the card to their medically insured members without drug coverage
 - Some pharmacies who offer them as part of a loyalty program or otherwise
- Many discount cards come with an up-front or ongoing enrollment fee. Others are given away at no up-front cost to the participant



The Consumer Perspective

- Drug costs rising quickly:
 - Higher priced new medications and general price inflation
 - More medical conditions treatable through drugs
- Drug uninsured consumers can save on drugs two ways:
 - Work with their MD to get a cost effective therapy prescribed (instead of a high cost medication that may not be affordable)
 - Get the best price for the medication they are prescribed
 - Shop the internet (reputable sources), mail order pharmacies and retail pharmacies (high variation in prices)
 - Obtain a discount card



AdvancePCS

- Manages discount card programs for 7-8 million Americans
- Over 5 million of these are through aggregators or health plans (Advance PCS is a service provider)
- Over 2 million are through direct programs; including the recently-launched AdvancePCS Prescription Discount Card and other brands such as MatureRx
- Over 40,000 pharmacies participate in our programs



Value of Programs

➤ Discounts

- Discount levels vary by program (breadth of network, sponsor)
- Savings levels vary by comparison to where the member purchases their medication

➤ Clinical Value - varies by program

- Drug utilization reviews
- Effectiveness and breadth of education to patients and physicians



AdvancePCS Prescription Discount Card

- Savings achieved through education (to members and physicians), cost effective alternatives, and through negotiated discounts
- Actual savings achieved, measured against the pharmacies “usual and customary” price
- Discounts cited exclude drug savings from better drug use and clinical problems avoided through DUR



AdvancePCS Prescription Discount Card (cont.)

- For drugs purchased at retail, savings average over \$9.00 per script or 21%:
 - For generic drugs, average savings is over \$8.00 (over 30%)
 - For branded medications, average savings is over \$10.00 (over 15%)
 - For drugs purchased through mail order, savings against average retail “usual and customary” price is well over \$30.00 for a 90-day supply. This represents more than a 25% savings
- Compared to pharmacies “usual and customary” price, members in AdvancePCS programs have saved well over \$1000 in a year. Average is \$150 to \$200 in annual savings for active users



Rx Discount Card Issues

- Active effort to improve manufacturer support
 - Educational tools to inform physicians and patients about drug classes (similar to funded business)
 - Providing rebates to members
- Other issues



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