

Driving Best-in-Class Results
with Proactive Pharmacy Care

TrendsRx[®]

REPORT
2009

Trend
Generics
Pharmacy Choice
Specialty Pharmacy
Adherence
Forecasts
Proactive Pharmacy Care



CVS
CAREMARK

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REPORT 2009

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CVS Caremark Book of Business (BOB) gross trend is the percentage change in gross drug spend year over year. It measures the components of gross cost change in price, drug mix and utilization over the previous year. Gross trend reflects total prescription cost, including both plan participant and payer portions. Trend is reported on a per member per month (PMPM) basis. Unless otherwise specified, all 2008 trend calculations are based on a trend cohort group. The trend cohort group includes: funded clients with mail and retail claims; maintains average eligibility +/- 15 percent year over year; excludes Medicare Part D plans. Unless otherwise specified, gross trend includes specialty pharmaceuticals.

See the report for specific methodology associated with each Best-in-Class (BIC) metric analysis.

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Affordability and Value — Our Common Cause

Challenging times often bring greater clarity of purpose. That's especially true in today's economy. In a recent survey¹ among our pharmacy benefit clients, nearly three out of four cited **reducing health care costs** as their prime measure of pharmacy benefit management success. What's more, two out of three prioritized **plan participant behavior change** as the way to reach that goal, clearly moving away from the cost-shifting strategies of the past.

In this market, optimal benefit performance is more crucial than ever. **Maintaining affordability** is key for both plan sponsors and plan participants, and realizing health care cost reduction depends upon achieving full value from the pharmacy investment. In fact, the Centers for Medicare and Medicaid have **cited slower growth of drug spending** as the prime factor in slower-than-expected growth in national health care spend. In this *TrendsRx Report* as always, we provide key Book of Business (BOB) performance metrics from 2008. This year, we are also sharing with you Best-in-Class (BIC) metrics and case studies from some of our top-performing clients. The case studies show the results that can be achieved by taking a **proactive, multi-faceted approach** with a focused goal. Of course, every plan's situation is unique. Factors such as population demographics, geographic variations, member health and plan goals have a profound impact on performance. But, we believe that with careful analysis, innovation, and the right resources, every plan's performance can be improved to achieve their own Best-in-Class.



Our analysis indicates that by employing multiple management strategies tailored to your plan and population, potential reduction of up to 20 percent of pharmacy spend is possible.

Reducing Cost, Improving Health

We're helping clients — some of whom you'll read about in the pages ahead — achieve Best-in-Class performance with **Proactive Pharmacy Care**. We introduced Proactive Pharmacy Care in 2008, and its key initiatives are now integrated into our core services and implemented across our organization. The clients profiled in this report are using progressive plan designs, targeted clinical management, preferred pharmacies and comprehensive specialty management to engage their plan participants in the behaviors that can reduce cost, improve health and save lives. In terms of pharmacy spend, cost reduction for these clients ranged from 4 to 13 percent.

Figure 1

Your Best-in-Class Opportunity: A Multi-faceted Approach to Achieve Affordability and Value

Plan Participant Behavior Change Opportunity	Potential Cost Reduction*
Accelerate the move to generics and preferred brands	Up to 4%
Use the lowest cost pharmacy channel	Up to 4%
Help prevent waste and inappropriate utilization of specialty drugs	Up to 2%
Expand utilization of over-the-counter (OTC) generics	Up to 1%
Reduce acute care costs	Up to 4%
Identify and reduce cost and health risks earlier	Up to 5%
Total Potential Cost Reduction	Up to 20%*

*As a percentage of pharmacy spend

Projections based on CVS Caremark data. Individual results will vary based on plan design, formulary status, demographic characteristics and other factors. Client-specific modeling available upon request.



Proactive Pharmacy Care is the **earlier, easier, more effective approach** to engaging plan participants in the behaviors plan sponsors want and need. We have brought together people and processes throughout our organization to help all plan participants — regardless of delivery channel — choose lower-cost drugs, stay adherent to their maintenance medications and take better care of their health.

Key to the effort is our **Consumer Engagement Engine (CEE)**, proprietary technology that will allow us to identify and communicate plan-participant-specific savings and health opportunities early enough to make a real difference. The Consumer Engagement Engine will prioritize those opportunities by the value of the outcome and the consumer's response history and communication preferences so that **timely, high-value messages** can be delivered to the plan participant at appropriate touchpoints.

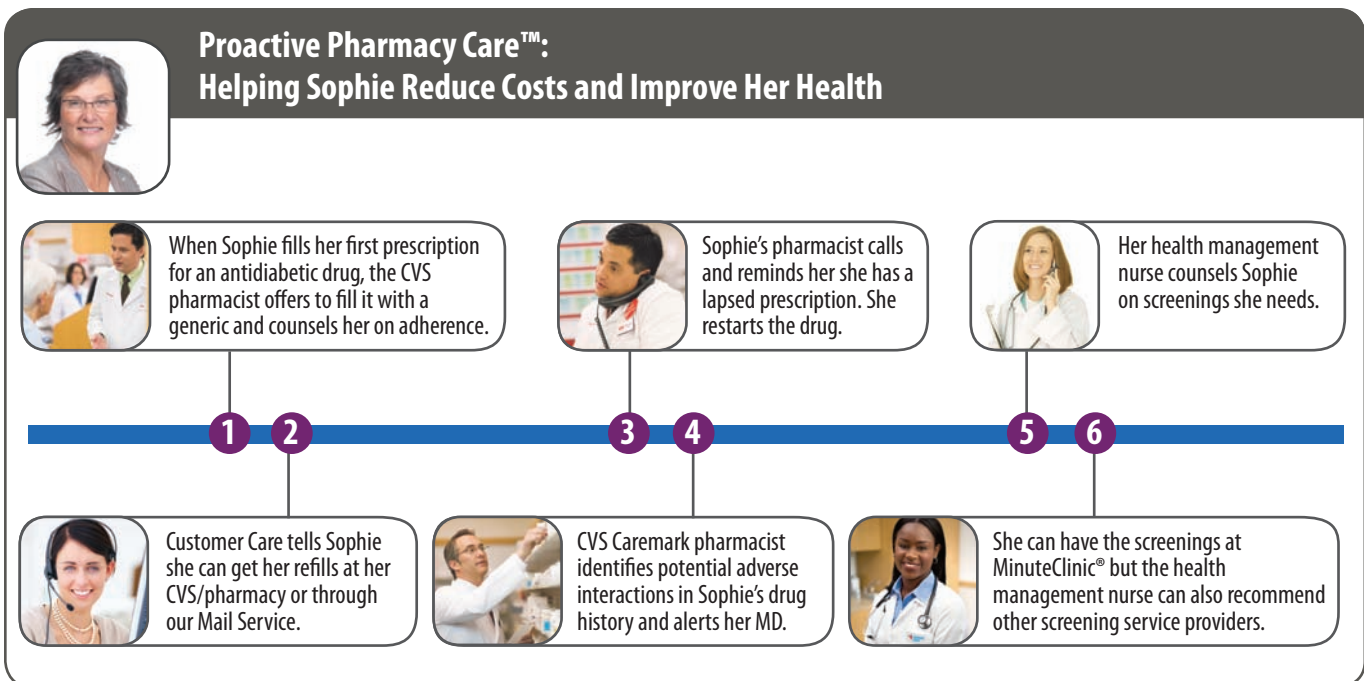
It's a Team Effort

Top performance has always required a team effort. We're ready to work with you to define what Best-in-Class performance means for your organization, and we will show you **every cost-reduction opportunity** and how to act on it. Then, with Proactive Pharmacy Care, our pharmacists, Customer Care representatives, Specialty Pharmacy CareTeams and more will work to help engage your plan participants in meeting your goals. You'll see the results possible in the pages that follow. We look forward to helping your organization achieve your best performance and maintain affordability and value.



Engagement can reduce costs: A 10 percent improvement in diabetes adherence can save ~\$2,000 in annual health care costs.²

Figure 2



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2008 GROSS TREND PMPM	3.0% EMPLOYER
BEST-IN-CLASS	2.1% HEALTH PLAN
BOOK OF BUSINESS	3.9%

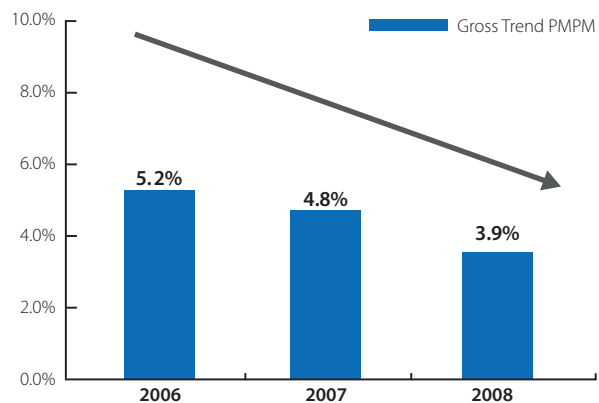
Trend Overview

The CVS Caremark Book of Business pharmacy trend declined once again from 4.8 percent PMPM in 2007 to 3.9 percent PMPM in 2008. Excluding specialty drugs, 2008 BOB gross trend was 2.8 percent.

While the generic dispensing rate (GDR) continues to increase as more generics come on the market, the decrease in trend is also related to **slower growth in utilization**. Excluding the Medicare Part D population, utilization trend decreased from 3.1 percent in 2007 to 0.8 percent in 2008. Likely causes for the slower utilization growth included the economy and the availability of over-the-counter alternatives in key therapeutic classes such as antihistamines and ulcer drugs. Safety concerns also impact utilization growth as drugs in some classes — antidepressants, antidiabetics, antiseizure medications — have received black box warnings and others have been linked to serious side effects.

Figure 3

2008 BOB Gross Trend: Lower Utilization, Lower Trend



Note: Trend calculations are based on the CVS Caremark Book of Business trend cohort group. The 2008 trend cohort consists of funded clients with stable membership (+/- 15%) from January 1, 2008 through December 31, 2008. CVS Caremark trend calculations do not include Medicare Part D plans. Excludes Puerto Rico, the Virgin Islands and Guam.

Source: CVS Caremark Industry Analytics, February 2009.



Slower utilization growth was not universal, however. There was and is strong growth at both ends of the age spectrum. **Medicare Part D utilization trend** was 4.1 percent. Overall utilization among those under the age of 18 is also on the increase, especially in maintenance categories such as diabetes drugs, cholesterol-lowering statins and antidepressants. Much of this growth is related to increasing levels of pediatric obesity. Specialty utilization continued to outpace that of non-specialty drugs. See pages 10-11 for more on therapeutic class performance and page 14 for more on specialty trend.

The Best-in-Class trend metric is the calendar year (CY) 2008 BOB Gross Cost PMPM trend adjusted to GPI-2 class GDR performance of clients within +/- 0.5% of the 2007 BOB GDR and whose 2008 GDR improvement exceeded the BOB; and adjusted for managing appropriate utilization in seven lifestyle or potential misuse classes.

At 4.1 percent, the **primary driver of drug trend** in 2008 was price, largely driven by single-source brands—drugs with no generic alternatives. Generics continued to decline in price, with greater declines as periods of exclusivity expire and competition among generics increases.

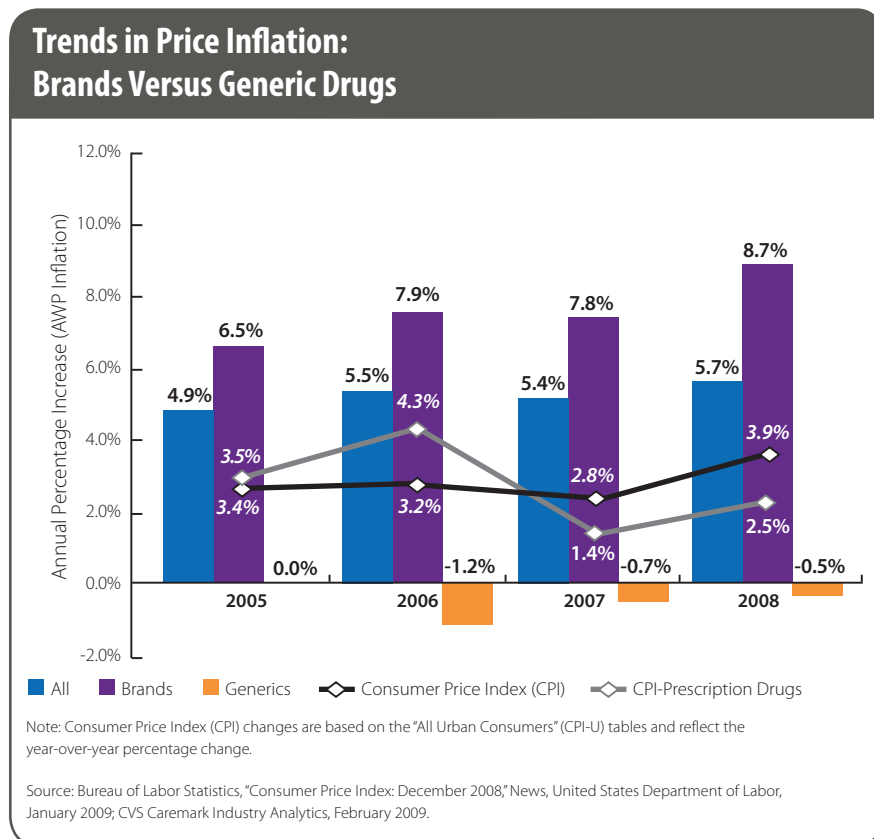
GDR increased throughout 2008, reaching 66.3 percent in December and averaging 65.1 percent for the calendar year, as compared to 60.3 percent for 2007. Increasing GDR in key classes such as ulcer drugs (proton pump inhibitors or PPIs), statins and selective serotonin reuptake inhibitor (SSRI) antidepressants especially helped to lower overall drug trend. Due to strong GDR, drug mix—at -1.0 percent—slowed trend significantly in 2008.

TREND DRIVERS PMPM	
BOOK OF BUSINESS	
DRUG MIX:	-1.0%
UTILIZATION:	0.8%
PRICE:	4.1%

Best-in-Class Trend Performance

Best-in-Class performers recognize that while lower prescription trend and higher GDR are generally positive, declining utilization could impact future health care costs. Therefore, they implement plan designs that help plan participants stay adherent to preventative and maintenance therapies and guide the choice of lower-cost drugs in those classes. See page 6 for an example.

Figure 4



CASE STUDY | Clinical Management Lowers Trend, Reduces Cost, Maintains Adherence

Client Need

A national manufacturer with more than 240,000 lives needed to reduce pharmacy costs using an approach agreeable to both management and labor. The client also needed to keep up adherence for preventative and maintenance medications.

Our Solution

We analyzed the client's data using predictive analytics and found that **Utilization Management** programs presented significant opportunities to lower trend. The client adopted a plan design that implemented a combination of Step Therapy, Prior Authorization, Dose Optimization and Quantity Limits according to evidence-based medicine across key drug classes, as well as **Adherence to Drug Therapy** programs.

Results

Our programs enabled the client to maintain plan participant adherence levels for essential medications while reducing utilization of non-essential, higher-cost drugs. The client also realized:

- **\$60 million in savings** equal to 13 percent of the annual client's pharmacy net spend
- Considerable decrease in gross trend per member per year (PMPY)
- Increased GDR and GSR and mail pharmacy penetration
- Decreased plan participant cost share

Figure 5

Key Performance Metrics	Before	After
Gross Trend PMPY	19.2%	-6.2%
Generic Dispensing Rate (GDR)	55.1%	61.5%
Generic Substitution Rate (GSR)	97.4%	98.4%
Mail Pharmacy Penetration (%Rxs)	46.5%	47.1%
Plan Participant Cost Share	7.6%	6.7%

Source: CVS Caremark Analytic Consulting Services, 2008.

Our clinical management programs helped one client save \$60 million — equal to 13 percent of annual net pharmacy spend.

2008 GENERIC DISPENSING RATE	68.2% EMPLOYER
BEST-IN-CLASS	73.4% HEALTH PLAN
BOOK OF BUSINESS	65.1%

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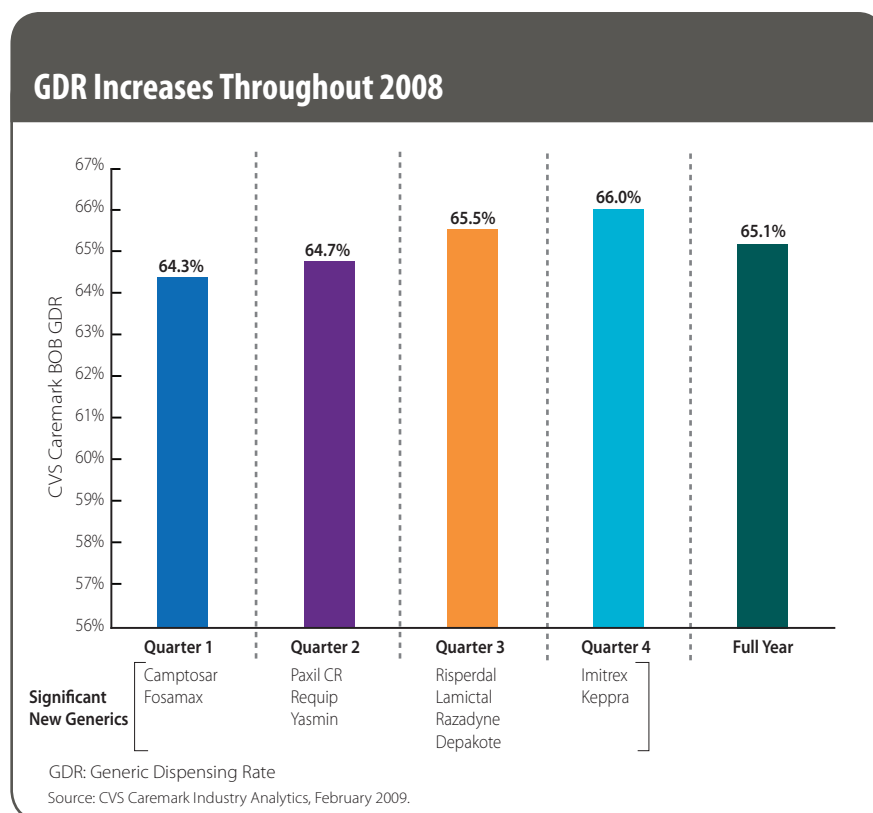
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Generics

In the CVS Caremark Book of Business, the generic dispensing rate rose steadily throughout 2008. **Key generic launches** included osteoporosis drug Fosamax, the atypical antipsychotic Risperdal, and anticonvulsants Lamictal and Depakote, as well as additional forms of antidepressants Paxil and Wellbutrin and the PPI Prilosec. One factor that moderated the generic impact on trend: Generic utilization decreased for asthma inhalers due to declining availability of albuterol generics as those with ozone-harmful propellents are phased out per an FDA mandate.

Figure 6



Rule of thumb: 1 percent increase in GDR = ~1 percent decrease in pharmacy spend.

The Best-in-Class metric is CY2008 BOB utilization adjusted to the GPI-2 class performance of the top 10 percent of ranked clients for this metric. BIC clients must have more than 50,000 annual claims. Mail-only and retail-only clients were excluded from the analysis.



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GENERIC DISPENSING RATE FORECAST

BOOK OF BUSINESS

2009: 66%-70%

2010: 67%-71%

2011: 68%-72%

Source: CVS Caremark Industry Analytics, March 2009.

Best-in-Class Insights: Proactive Generic Strategies

There are now generics available in nearly every high-spend therapeutic class. Best-in-Class performers maximize these opportunities, whether they choose to encourage only the use of **direct generic substitutes** such as simvastatin for Zocor or include **indirect generic alternatives** — e.g., simvastatin for Vytorin — as part of their plan design. They utilize our analytics and modeling tools to project plan and plan participant impact of alternative approaches.

Best-in-Class Practices for Increased Generic Utilization

- Proactive consumer engagement improves results and lowers the risk of disruption. For the best results, provide personalized actionable information at a range of touchpoints — online, in mailings, through Customer Care and face-to-face at the pharmacy counter.
- In tiered formularies, set the spread between the generic copay and the brand copay so that it is wide enough to drive the choice of generics over brands.
- In three-tier designs, make sure that the second-tier brand copay is 2 to 3 times that of the generic copay.
- If using coinsurance, implement a 20-percent spread between the second and third tiers.
- Mandatory Generics/Dispense as Written (DAW) designs can increase GDR by 1 to 1.5 percent. In these plans, participants who choose a brand that has a generic alternative are required to pay the brand copay plus the difference between the cost of the generic and the cost of the multi-source brand.
- For a highly focused approach, use a generic copay incentive for targeted drugs. Charge a zero-dollar copay for a specific number of fills if the plan participant changes to the generic within a specified time period.



CASE STUDY | Influencing Participant Behavior to Reduce Costs

Client Need

A large manufacturer with 150,000 lives wanted to reduce drug spend with a plan designed to drive generics and low cost pharmacy choice.

Our Solution

We helped the client move from a traditional two-tier plan design to a progressive three-tier Generous Generics design:

- **Tier 1:** All generics: 10 percent retail coinsurance, \$0 mail copay
- **Tier 2:** 20 percent coinsurance (with maximums) for therapeutic categories with no significant generic availability
- **Tier 3:** 50 percent coinsurance for all other brand drug categories
- 10 percent penalty for not shifting to mail after second refill

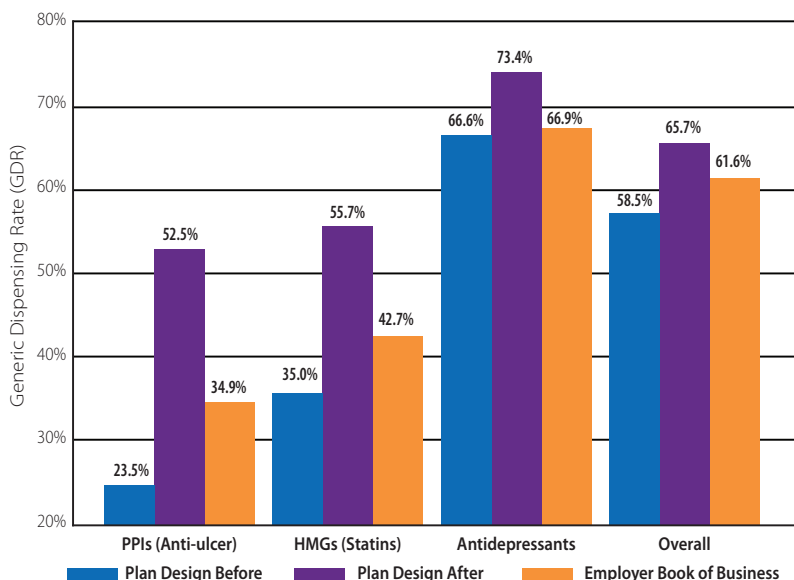
Results

- \$3.9 million annualized gross savings
- 4.3 percent annualized drug spend reduction
- GDR outperformed the Employer Book of Business (see Figure 7)
- Overall GDR increased from 58.5 percent to 65.7 percent
- Mail utilization increased from 32.0 percent to 34.3 percent

Our client achieved \$3.9M gross savings by using education and incentives to change plan participant behavior.

Figure 7

Progressive Plan Design Helped our Client Outperform the Employer Book of Business



Note: For clients currently using a 3-tier copay design, this plan design will have rebate impacts because both preferred and non-preferred drugs will be placed in the same tier (tier 2). Client-specific modeling available upon request.

Source: CVS Caremark Analytic Consulting Services, 2008.

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Figure 8

2008 Top Ten Therapeutic Categories Account for More than 50% BOB Spend

	Therapeutic Class	% BOB Spend	Gross Trend	Utilization Trend
1	Antihyperlipidemics (cholesterol-lowering drugs)	9.7%	0.4%	2.9%
2	Ulcer drugs	7.3%	3.8%	3.2%
3	Antidiabetics	6.0%	1.0%	1.1%
4	Antidepressants	5.8%	10.3%	2.2%
5	Antiasthmatics, Bronchodilators	5.5%	6.6%	-0.6%
6	Antihypertensives	5.3%	3.3%	2.2%
7	Analgesics, Anti-inflammatory	4.1%	10.8%	-0.4%
8	Anticonvulsants	3.7%	13.5%	8.1%
9	Analgesics, Opioid	3.0%	8.3%	6.7%
10	Endocrine and Metabolic Agents, misc.	3.0%	-2.9%	-3.0%
	% Total Gross Spend	53.4%		

GDR	Comments
36.8%	Recent research reaffirming clinical value of statins could increase utilization significantly. Generic for best-selling Lipitor now expected Q4 2011.
44.5%	Class utilization continues to grow. OTC and generic availability (Prevacid, Q4 2009) likely to increase in 2009 and will help to moderate trend. New proton pump inhibitor, Kapidex, approved early 2009.
64.1%	Population of diagnosed diabetics is growing by roughly 1M a year. ³ The FDA now requires cardiovascular safety data for new antidiabetic submissions; this may slow development of new drugs in the category.
54.3%	Generics dominate among selective serotonin reuptake inhibitors (SSRIs), but utilization of selective serotonin and norepinephrine reuptake inhibitors (SNRIs) is growing. Pristiq, a new SNRI was approved in 2008. Cymbalta, also an SNRI, received new indication for fibromyalgia.
18.3%	GDR decreased due to FDA ban on sales of chlorofluorocarbon (CFC)-driven inhalers. Emerging safety concerns may affect category-leader Singulair in coming months. The FDA recently backed the use of combination products (Advair, Symbicort) for certain asthma patients.
61.9%	A diverse class with a variety of drug types — calcium channel blockers, angiotensin receptor blockers (ARBs), etc. Most hypertension patients receive multi-layer therapy; use of combination products is a growth driver.
79.6%	Class includes Celebrex and generics like ibuprofen as well as specialty drugs for rheumatoid arthritis, which are largely driving category growth.
54.9%	Generic for Lamictal, released mid 2008, bumped up GDR. Topamax is expected to go off patent in 2009. Utilization growth in class is directly related to breadth of indications for these drugs and their frequent off-label use. Sabril, expected to launch in 2009, may be the first drug approved for infantile spasms.
93.7%	Class growth is related to aging population and increasing incidence and treatment of chronic pain conditions.
34.7%	GDR jumped due to release of generic for Fosamax early in 2008.

In 2011, it's expected that brand drugs with U.S. sales of over \$20B will go generic, including:

- Lipitor
- Advair Diskus
- Zyprexa
- Actos

Information related to prospective drug launches is subject to change without notice due to events in the market, litigation, FDA delays and other circumstances beyond our control. This information should not be solely relied upon for decision-making purposes.

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With Maintenance Choice™, clients enjoy lower costs and consistent performance in key metrics at mail and at CVS/pharmacies.

2008 MAIL MAINTENANCE DAYS SUPPLY*	84.7% EMPLOYER
BEST-IN-CLASS	35.1% HEALTH PLAN
BOOK OF BUSINESS	30.8%

Pharmacy Choice

Using the **lowest cost pharmacy** helps make prescriptions more affordable for plans and participants. Best-in-Class pharmacy care also increases generic dispensing and formulary compliance, supports adherence and other clinical goals, and optimizes overall use of the benefit.

Many of our clients are now realizing Best-in-Class cost reduction and clinical outcomes through our **Maintenance Choice™** offering. With Maintenance Choice, plan participants can obtain a 90-day supply of their maintenance medications through the CVS Caremark Mail Service Pharmacy or at one of the 6,800 CVS/pharmacy retail locations. The choice is theirs. Whichever channel they choose, their copay and the plan's cost are the same. Maintenance Choice provides participants with the added benefit of face-to-face pharmacist consultation. Figure 9 illustrates how plan participants chose to have their maintenance prescriptions filled after Maintenance Choice was implemented with one plan. Figure 10 indexes key metrics across the two delivery channels based on 2008 Maintenance Choice performance.

Figure 9

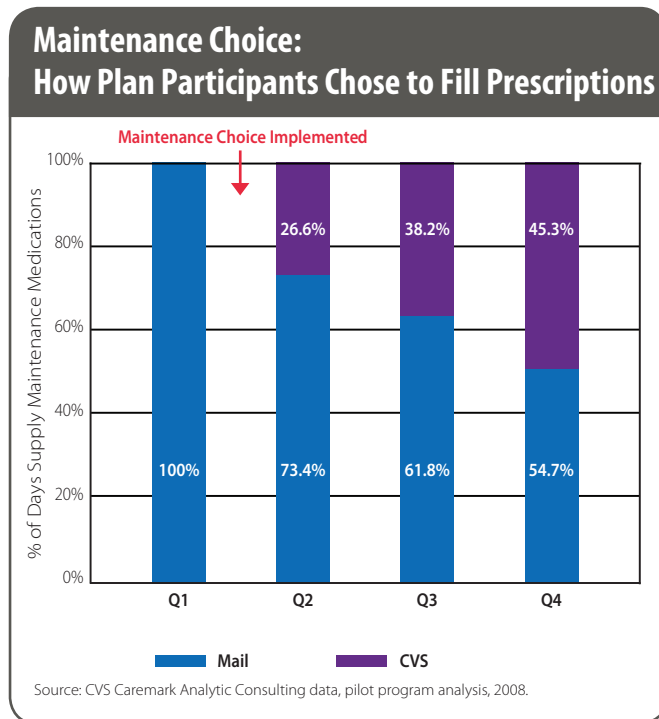
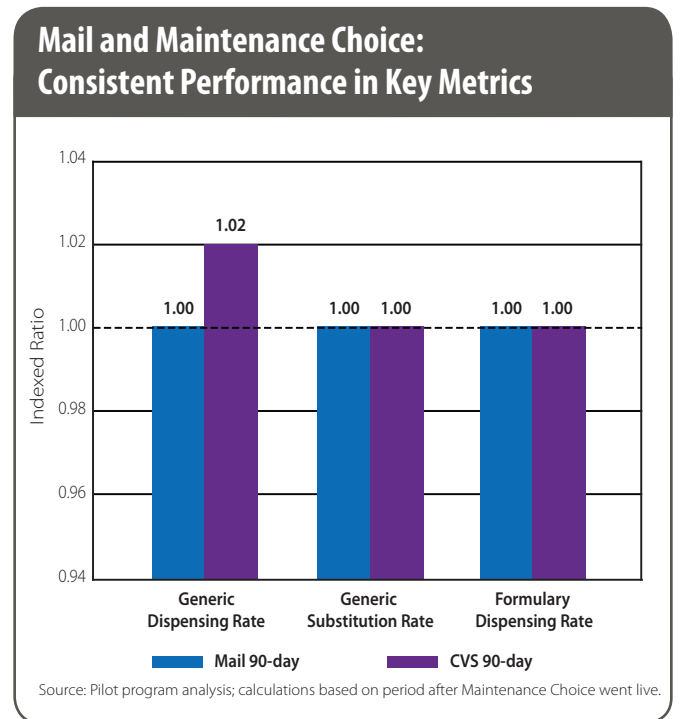


Figure 10



The Maintenance Choice program is available to self-funded employer clients that are subject to ERISA and insurers that provide administrative services only (ASO) to ERISA plans and assume no insurance risk. Insured health plans, employers with city, state or government employees; and non-ERISA plans need Legal approval prior to offering the Maintenance Choice program.

*Excludes specialty pharmaceuticals

The Best-in-Class metric is CY2008 BOB utilization adjusted to the GPI-2 class performance of the top 10 percent of ranked clients for this metric. BIC clients must have more than 50,000 annual claims. Mail-only and retail-only clients were excluded from the analysis.

SAVINGS PROJECTION

Maintenance Choice and Plan Design

Client Need

A 150,000-life client in the communications industry wanted to reduce prescription drug spend in 2009.

Our Solution

With approximately 70 percent of plan participants living less than five miles from a CVS/pharmacy location, the client decided to implement Maintenance Choice.

The new plan design enabled the client to drive the utilization and savings of mail service while providing the added benefit of personal choice between CVS/pharmacy or mail service. The client's new plan will:

- **Lower drug spend** while allowing participants to choose between CVS/pharmacy or mail service for maintenance drugs
- Offer **three-tier copays** in which the Maintenance Choice copay (for a three-month supply) is two times the retail copay (for a one-month supply)
- **Incentivize lowest-cost pharmacy choice** (mail or CVS/pharmacy) by charging a mail copay (twice the retail copay) after two 30-day fills at non-preferred retail pharmacies

Projected Results

- **Projected gross savings \$4.2 million** — approximately 5 percent of the client's annual gross pharmacy costs
- Prior to implementation, 20 percent of the client's days' supply was going through mail
- We project that 70 percent of the client's days' supply will go through preferred pharmacies with Maintenance Choice

The client implemented Maintenance Choice on January 1, 2009.

Projected annual savings for this organization: \$4.2 million, approximately 5 percent of gross pharmacy costs.



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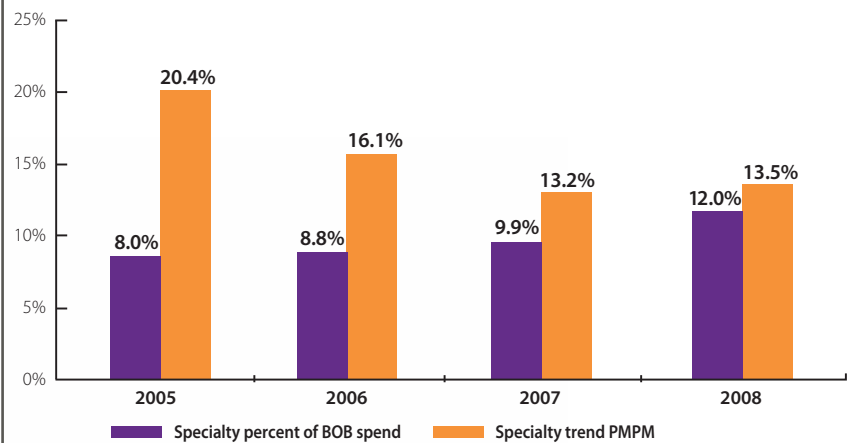
2008 SPECIALTY GROSS TREND PMPM BEST-IN-CLASS	9.3%
BOOK OF BUSINESS	13.5%

Specialty Pharmacy

At 13.5 percent, Specialty Pharmacy trend continued to outpace non-specialty trend. As a percentage of BOB spend, specialty spend grew to 12 percent. While the economy and slower FDA approvals helped slow growth, many plans are taking a more proactive approach to specialty management, curbing inappropriate utilization and waste. Genetic testing to evaluate a patient's potential response to therapy (pharmacogenomic testing) is being used more frequently to help ensure appropriate utilization. All these measures help to assure optimal return on the investment for these costly pharmaceuticals.

Figure 11

Specialty Pharmacy: Trend Held in Check as Spend Grows



Source: CVS Caremark Industry Analytics, February 2009.



The Best-in-Class specialty gross trend metric represents the top 25 percent of ranked clients in the overall Book of Business (including employers and health plans). BIC specialty trend clients have more than 1,000 annual specialty claims.

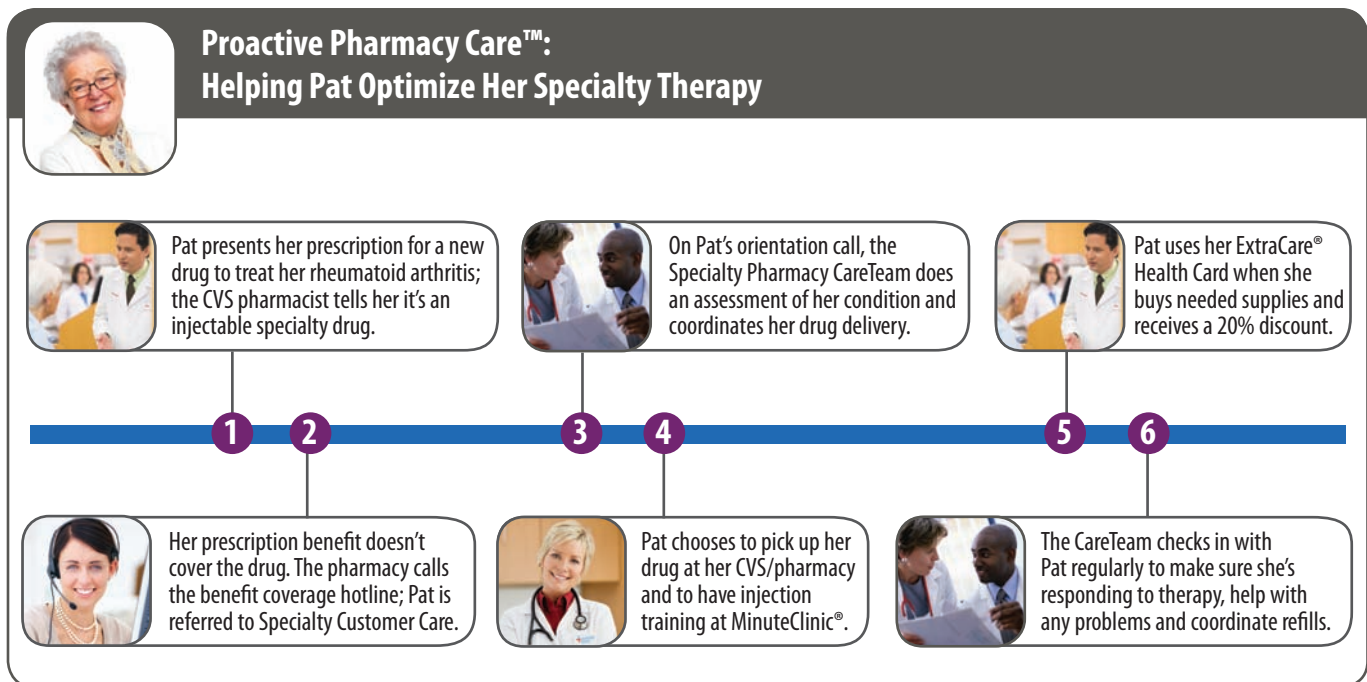
Best-in-Class Specialty Management

Exclusive use of our network: Our Joint Commission-accredited specialty pharmacies, Specialty Pick Up at CVS/pharmacy and CarePlus retail pharmacies provide convenience and choice for specialty patients. **Single-source management** provides the plan an opportunity for more rigorous control of every specialty prescription.*

Comprehensive specialty management: We have integrated our Guideline Management program into the core services provided to clients who opt for exclusive use of our specialty network. **Specialty Guideline Management** follows evidence-based guidelines and is designed to identify potential problems early enough for effective intervention. It includes proactive outbound calls to assess therapy response. It helps prevent inappropriate utilization, improve adherence and reduce waste. It also integrates the use of pharmacogenomic testing to help ensure appropriate utilization. Comprehensive reporting and analytics helps to identify potential cost avoidance opportunities for our clients.

Engage patients with dedicated support: Each specialty patient has the support of a **CareTeam** throughout the duration of therapy. The CareTeam is pharmacist-led, and all team members have condition-specific training and experience. They proactively anticipate needs and concerns, provide ongoing condition assessment and coordinate care and drug delivery. Potential benefit: Improved outcomes; optimization of benefit investment and greater patient satisfaction.

Figure 12



*Excluding oncology drugs

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Adherence

Adherence is one of the **clearest demonstrations of engagement**. When people start, continue and complete therapy as prescribed, they are engaged in highly cost-effective health care and their overall cost of care is lower. At the same time, adherence does present challenges. Statistics ⁴ on consumers who use maintenance medications show:

- One out of three drops off therapy before the first refill.
- One in two drops off before the end of the first year.
- Only one in four remains adherent long term.

Reasons for non-adherence range from lack of understanding — people often don't know why or for how long they are supposed to take their prescribed medications — to cost concerns to side effects to simple forgetfulness. For some people, a refill reminder may be sufficient. Others may need counseling on how to manage side effects or on the availability of a more affordable alternative therapy. High-risk plan participants taking multiple medications prescribed by more than one provider face additional challenges.

Our Best-in-Class Approach to Adherence

Targeted first-fill counseling for plan participants: Plan participants starting select maintenance medications are counseled at CVS/pharmacies about the importance of adherence and provided help with the most likely root causes of non-adherence.

Result: 15 percent reduction in therapy drop-offs.⁵

Targeted Adherence Outreach: We use consistent messaging at key times through multiple channels, including interactive voice response (IVR) and Web refill reminders, automated prescription renewals, pick-up prompts, local CVS pharmacist calls to potentially non-adherent participants and personalized letters to plan participants and prescribers should therapy drop-off occur. **Result: 35 percent** of plan participants choose to restart therapy.⁶

Proactive physician outreach: Outreach includes face-to-face consultation with top-prescribing physicians to influence prescribing habits and improve awareness. Our clinical managers send timely alerts to physicians about high-risk plan participants with suggestions for improving medication therapy and care. **Result: 48 percent** improvement in osteoporosis medication adherence and bone density testing.⁷

Intensive medication counseling for high-risk plan participants: Personalized counseling from a pharmacist by telephone including a full review of prescription and nonprescription medications under use. **Result: Up to \$142** health care cost avoidance per patient.⁸

PROGRAM RESULTS | Adherence Program Improves Overall Adherence

Five clients (total of 263,000 eligible plan participants) implemented the Enhanced Adherence to Drug Therapy Program for five chronic conditions. More than 30,000 plan participants enrolled. The program included targeted first-fill counseling, targeted adherence outreach and proactive physician outreach (see page 16).

Results were evaluated over a 10-month study period and compared to a 10-month pre-enrollment period and against a 100,000 participant control group matched on age, gender and risk status. In both Figures below, program impact is compared to the control group.

Figure 13

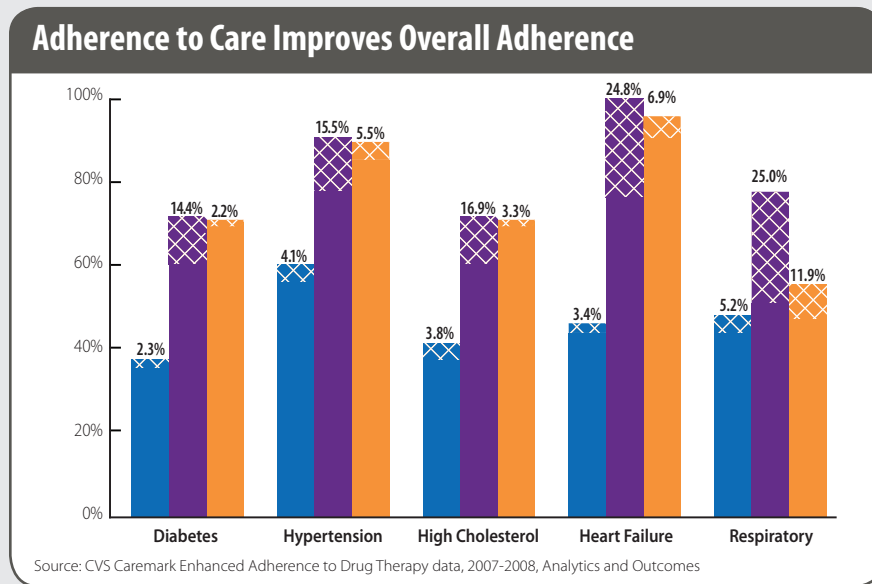
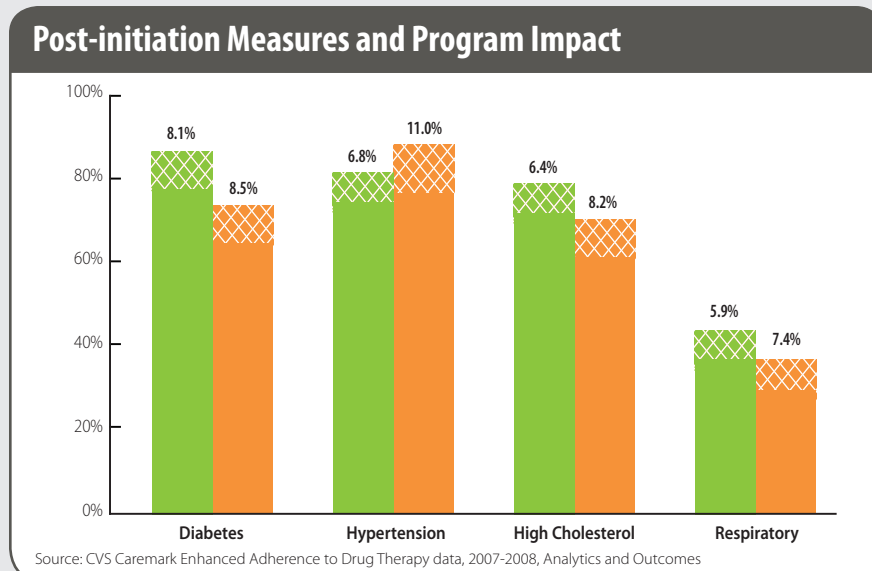


Figure 14



With our adherence programs, 88 percent of heart failure patients maintained optimal prescription adherence, compared to a norm of less than 50 percent.⁹

Among Enrollees Already on Therapy

- An additional 2.3 to 5.2 percent of enrollees moved from suboptimal to optimal adherence
- An additional 14.4 to 25.0 percent of participants maintained optimal adherence — ≥ 80 percent Medication Possession Ratio (MPR)
- Overall MPR improved by an additional 2.2 to 11.9 percent
- Program Impact

Among Enrollees New to Therapy

- First-Fill Persistency Rate improved; 5.9 to 8.1 percent fewer discontinuations after first fill
- Overall MPR improved by an additional 7.4 to 11.0 percent
- Program Impact

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Future Trend Drivers

The Centers for Medicare and Medicaid have cited slowing drug trend as a major factor in the slower-than-expected growth of national health care spend. Effective pharmacy benefit management techniques, especially those helping people take advantage of the rapidly-increasing availability of generics, assisted that slowdown.

Nonetheless, drug spend will continue to grow even if at a slower rate. Key growth factors include the **aging** of our population and the national epidemics of **obesity and diabetes**. These conditions are soaring even among children, leading to a rapid rise in pediatric prescription utilization, especially for cardiovascular-related conditions. The escalating prevalence of these conditions underscores the need for consumer engagement both in lifestyle and adherence to therapy. Without behavior change, these conditions are extremely difficult to control.

Additional factors spurring drug trend include:

- A robust specialty pipeline
- Earlier diagnosis and more aggressive treatment guidelines, including earlier treatment for conditions such as hypertension, dementia and diabetes
- Direct-to-consumer advertising

Factors restraining drug trend

- A slowing economy which has decreased overall utilization and increased preference for generics
- Increased availability of generics
- FDA safety reform and consumer safety concerns
- Lackluster non-specialty brand drug pipeline
- Careful utilization and formulary management
- Consumer price transparency



CVS Caremark Book of Business Trend Forecasts

Our analytics consultants expect relatively consistent growth in drug spending over the next two years. The forecasts below presume stable populations and consistent plan designs. However, experience shows that Best-in-Class performers in our Book of Business are proactive about trend management. They rely on our analytic team to model changes and adjustments and provide guidance on responding to and making the most of market events. Review the case studies in this report for examples showing how a more progressive approach tailored to a plan's situation can drive results.

As noted earlier, in this market many of our clients see the value of pharmacy care extending beyond prescription trend management. With a focus on lowering overall care costs, they are looking to us to support appropriate utilization of preventive therapies that will help lessen hospitalizations and slow the progression of disease. And, knowing that better adherence means increased prescription utilization, they want us to help people make cost-effective drug choices as well as other behavioral changes that will help improve outcomes—providing both affordability and value. Proactive Pharmacy Care was developed to help our clients achieve these goals now and in the years ahead.

Proactive Pharmacy Care—engaging plan participants to help you lower trend through:

- Progressive Plan Design
- Clinical Management
- Lowest-cost Pharmacies
- Specialty Management

Figure 15

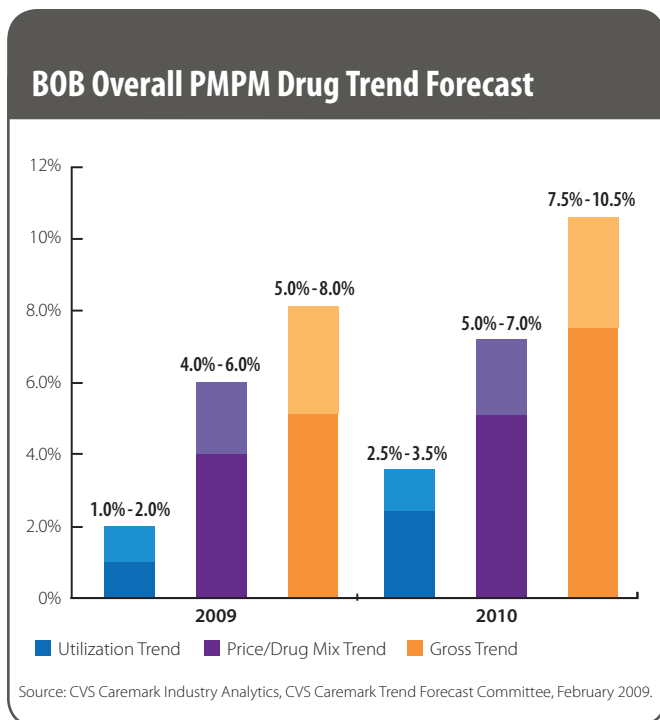
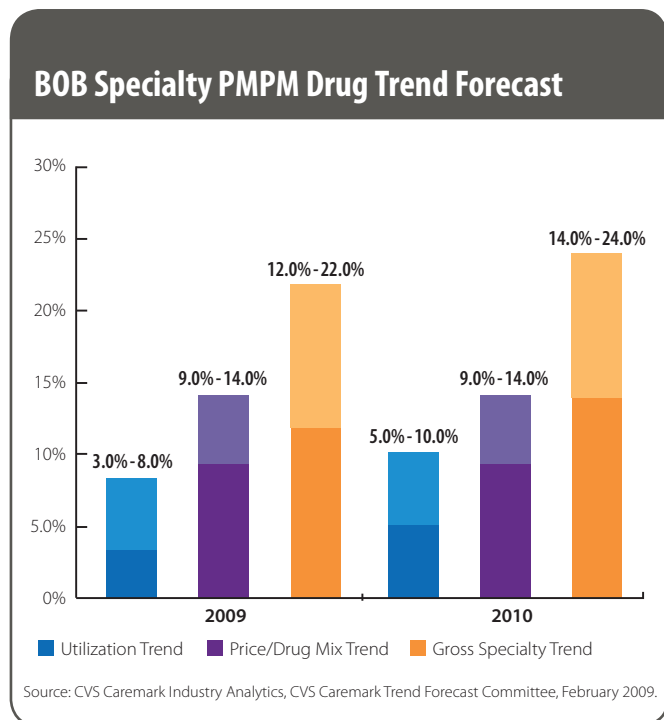


Figure 16



Forecasts based on the CVS Caremark Book of Business represent future overall underlying secular gross drug trend; that is, the PMPM gross cost increase that would prevail if no plan design or demographic changes occur. BOB overall trend forecasts include specialty pharmaceuticals. Specialty forecasts include the Universal Specialty Drug List. This analysis is an estimate for informational purposes only. These estimates do not represent an existing or future contractual guarantee provided by CVS Caremark. This information is subject to change and will not represent any specific offer or return on investment in the future.

Trend

Generics

Therapeutic Classes

Pharmacy Choice

Specialty Pharmacy

Adherence

Forecasts

Proactive Pharmacy Care

Proactive Pharmacy Care: Engagement is Your Path to Best-in-Class Results

Industry leaders agree that optimal savings and health outcomes depend upon engagement—the right information at the point of care at the right time. CVS Caremark is working throughout our organization to maximize engagement opportunities through Proactive Pharmacy Care and our Consumer Engagement Engine.

The Consumer Engagement Engine (CEE) is a unique and proprietary business rules engine that prioritizes interventions delivering timely, coordinated, patient-specific cost savings and health improvement opportunities to plan participants and/or their providers at every touchpoint.

CVS Caremark has more touchpoints and engagement opportunities than any other health care provider with our retail, mail service and Specialty pharmacies; Customer Care; MinuteClinic® and Web capabilities. Through Proactive Pharmacy Care we engage your participants face-to-face, by mail or phone, via e-mail or text, online, or directly with the prescriber through iScribe®. In short, our investment in our innovative Consumer Engagement Engine technology will give us an unprecedented ability to implement your health care strategy at every point of care—earlier, more easily, and in more effective ways.

Maintaining benefit affordability and value in today's economy demands nothing less than Best-in-Class results. We look forward to working with you to determine how Proactive Pharmacy Care can help you achieve Best-in-Class results too.

Figure 17

Comprehensive Participant Engagement—Operationalized Identifies Potential Savings and Health Improvement Opportunities for Plan Participants

We Know:

- Your plan participants
- Their demographics and drug histories
- Their prescribers
- Their plan design
- Their health and purchasing behavior



We Engage:

- At the right time
- Per participant preferences
- Coordinated across CVS Caremark
 - Face-to-face
 - By mail
 - By phone
 - By e-mail, text, online
 - Via MDs with iScribe®

Evidence-Based Foundation

Figure 18

Proactive Pharmacy Care: Helping Plan Participants Make Cost-Effective Pharmacy and Health Choices



CVS Caremark Mail Service Pharmacy



Caremark.com, CVS.com



Specialty Pharmacy Mail/Retail



Customer Care



CVS/pharmacy Retail



MinuteClinic®



Health Management Services

References

¹ CVS Caremark Benefit Planning Survey, 2008

² CVS Caremark Analytics and Outcomes analysis, 2008. References available upon request

³ "Executive Summary," *Economic Costs of Diabetes in U.S. in 2007*, American Diabetes Association, March 2008

⁴ Caremark data combined with third-party references, including the United States Census, Centers for Medicare and Medicaid Services, ICMS, the World Health Organization (WHO), among others

⁵ CVS First-Fill Counseling data, 2007-2008

⁶ CVS Caremark Adherence Outreach data, 2007-2008

⁷ CVS Caremark Book of Business; 4,000 health plan members in targeted comparison

⁸ High Risk Drug Therapy Counseling pilot, 2008

⁹ CVS Caremark Adherence to Care data, 2007-2008. Analytics and Outcomes



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