

Pharmacy Benefit Update

Jan. 1, 2017 Prescription Drug List & Benefit Plan Updates

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Managing Market Trends

Dynamics of Trend



Drug Price Inflation

The leading contributor to trend is price inflation, which manufacturers have **kept in double-digits for specialty and non-specialty brands** over the past 4 years.

Although **competitive dynamics** differ between traditional and specialty drugs, price increases drive trend in both categories.



Specialty Medications

Specialty medications continue to be one of the **most significant factors of trend**, driven by inflation, increased utilization, and new drugs to the market.

Today, specialty spend accounts for about 35% of all Rx spend and **projected to increase to 50% in just 2 years¹**



Patient Expirations

2016 will bring generics for **blockbusters in the cardiovascular category**, as well as **four major HIV drugs**.

\$90-\$100B in patent expirations over the next 2 years,² but mostly tied to complex specialty medications



Direct to Consumer (DTC)

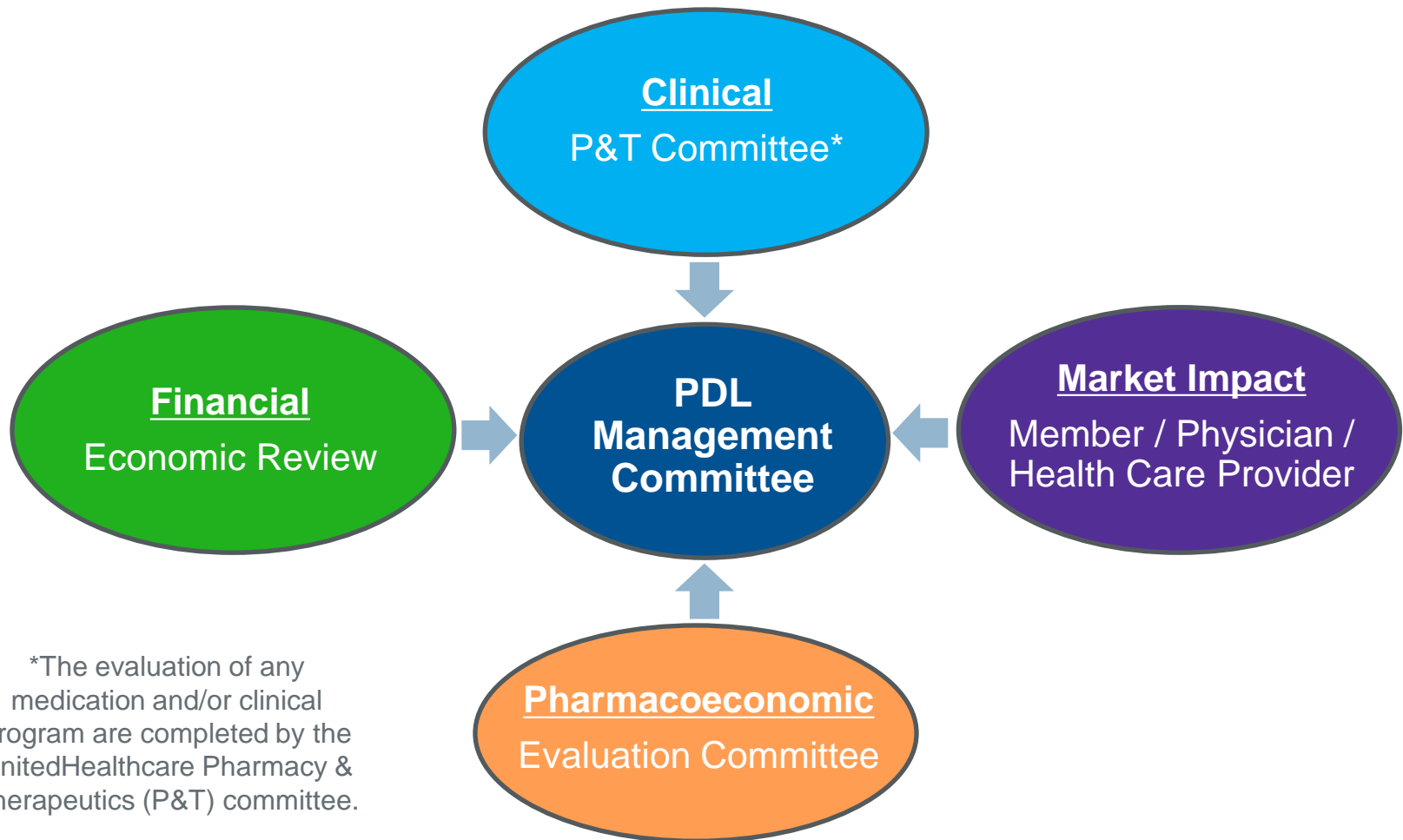
Pharma advertising spend **increased 30% in the past 2 years³** and reached **\$5.2B in 2015³**, with the highest expenditure being **TV commercials which average 80 per hour, 24 hours per day.⁵**

28% of the population report asking their doctor about a drug they saw advertised and 12% say their doctor prescribed it.⁶

1. American Journal of Managed Care, "The Growing Costs of Specialty Pharmacy—Is This Sustainable?", Feb 8, 2013. 2. FiercePharma Special Report: Top 10 Drug Patent Losses in 2014. 3. Fierce Pharma, "Pharma's ad spend vaults to \$4.5B, with big spender Pfizer leading the way", March 25, 2015. 4. http://www.statnews.com/2016/03/09/drug-industry-advertising/?_hscenc=p2ANqtz-87cNVYRk6p3PGVebudsIjeq0oql11L8Zox0Xnfr_N68_O5VI_A0gQg1uUMkr11rpuL5i2YawlN1UnxdLone4AbsEwFg&_hsmi=27090452 5. NPR.org, "Selling Sickness: How Drug Ads Changed Health Care". 6. Kaiser Family Foundation, "Prescription Drug Costs Remain Atop the Public's National Health Care Agenda, Well Ahead of Affordable Care Act Revisions and Repeal", October 28, 2015.

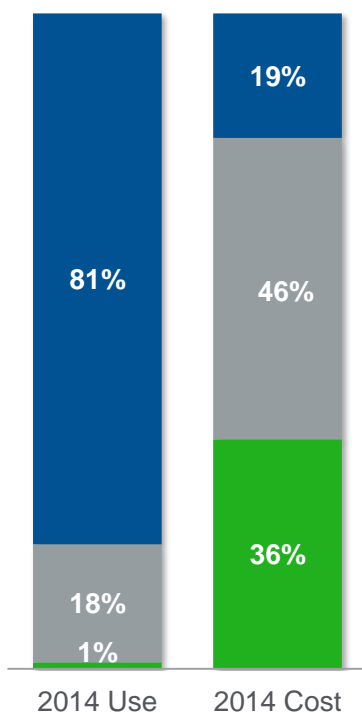
PDL Decision Making Process

We take a comprehensive approach to determine a drug's value, including impact to overall healthcare costs and outcomes.



Specialty Drug Utilization and Cost

On average¹, specialty medications represent **1-2% of utilization and 36%⁴+ of plan costs.**



The dynamics of drug spend have changed:

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

Average Retail Cost per Rx²

| | |
|------------------------|----------------------|
| Generics | \$25 |
| Brands | \$251 |
| Specialty ³ | \$3,235 ⁵ |

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 2015. 3. Average ingredient cost can have wide variation based on drug mix within a specific population. 4 Gross cost PMPM based on BOB. 5. Q1-Q2, 2016 BOB.

Advantage & Traditional PDL Decision Summary for 1.1.2017

Key Changes

Diabetes:

- UnitedHealthcare will be one of the market leaders in the long-acting insulin space due to the speed to act on a market event – the launch of a follow-on biologic for Lantus.
- **Basaglar will be covered on Tier 1**, Lantus will move from Tier 3 to excluded, and Levemir will move from Tier 1 to Tier 2.

Specialty:

- **Hemophilia:** Based on the **expanded number of products available** to treat Hemophilia that contain the same active ingredient, we are able to lower overall costs.
 - Three products currently excluded from the benefit will be covered in Tier 2
 - One product moves from Tier 2 to benefit exclusion
 - Several products have no change in coverage
- **Multiple Sclerosis:** By leveraging our utilization management capabilities we are able to lower overall costs, while **providing broader access** to these medications. Plegriid will have new benefit coverage, and Aubagio and Gilenya will no longer require Step Therapy.

Pain Management:

- **Aggressive drug marketing of opioids** to physicians has fueled over prescribing.
- The high utilization of OxyContin has generated criticism including written warnings from FDA for misleading advertisements¹.
- Utilization Management programs are being revised to **align with Centers for Disease Control and Prevention (CDC)** recommendations.
- Two medications will be excluded from coverage including Butrans and Oxycontin. Xtampza ER will have new benefit coverage in Tier 3.

1. U.S. Food and Drug Administration: Warning Letters: 2003.

Other Noteworthy Changes:

- **Neutropenia:** Neupogen will be excluded in favor of Zarxio, the Neupogen biosimilar
- **Prescription Emollients:** Implementing exclusions for several prescription products given availability of OTC moisturizers such as Aquaphor
- **Oral Contraceptives – Reversing brand over generic strategy:** Several generic options move to Tier 1 and equivalent branded products move to Tier 3

January 1, 2017 Decision Summary



| Decisions | | UnitedHealthcare PDL | |
|--------------|---|----------------------|-------------|
| | | Advantage | Traditional |
| 2 ▶ 1 | Down-Tiers | 4 | 4 |
| 2 ▶ 3 | Up-Tiers (3-tier plans) | 8 | 11 |
| 3 ▶ 4 | Up-tiers (4-tier plans) | 17 | 12 |
| 3 | New Tier Placements (previously excluded from coverage) | 3 | 3 |
| X | Strategic Exclusions ¹ | 8 | 8 |
| X | Continued Exclusions (previously excluded at launch) | 10 | 10 |
| X | Bulk Ingredient Exclusions | 9 | 9 |
| SL | New / Revised Supply Limits ¹ | 10 | 10 |
| MN | Medical Necessity ¹ | 8 | 8 |
| STEP | Step Therapy ¹ | 2 | 2 |
| N | Notification ¹ | 0 | 0 |

¹ Applies to customers who implement Exclusions, Step Therapy, Medical Necessity, Notification or Supply Limits.

Diabetes

Market leading insulin therapy will have new coverage on Tier 1.

22 million
people had diabetes in
2014¹

\$245 billion
Annual cost of
diabetes expenditures
in US²



X Lantus



1 Basaglar

Members currently paying a Tier 3 copay for Lantus will be able to receive Basaglar, with the same active ingredient, in Tier 1.

Basaglar and Lantus contain the same active ingredient - insulin glargine

Other Decisions

- X** Tresiba FlexTouch (effective 1/1/2017)
- 1 > 2** Levemir, Levemir FlexTouch, Levemir FlexPen

To allow members additional time to transition, this change will be effective April 1, 2017

1. Centers for Disease Control and Prevention, National Center for Health Statistics, Division of Health Interview Statistics, data from the National Health Interview Survey. (2014) Division of Diabetes translation 2. Centers for Disease Control & Prevention. (2014). [National Diabetes Statistics Report, 2014](#).

Specialty – Hemophilia

One of the first health plans to create a preferred product strategy within this category. Working with specialty pharmacies for a smooth member transition for this limited population.

20,000
Americans
affected¹

1.04
prevalence per
10K lives

\$160,000
average annual
cost of drug
therapy²

| Product | Current PDL Tier | 1/1/2017 PDL Tier |
|-------------|------------------|-------------------|
| Advate | Tier 2 | Tier ¾ |
| Adynovate | EAL * | Excl. |
| Eloctate | Tier 3 | Tier 3 |
| Helixate FS | Tier 2 | Excl. |
| Kogenate FS | Tier 2 | Tier 2 |
| Kovaltry | EAL * | Tier 2 |
| Novoeight | Excl. | Tier 2 |
| Nuwiq | EAL * | Tier 2 |
| Recombinate | Tier 2 | Tier 3 |
| Xyntha | Tier 2 | Tier 3 |

*Exclude at Launch



These four preferred products will be available in Tier 2

Other Decisions

New Benefit Coverage

- 2** Kovaltry
- 2** Novoeight
- 2** Nuwiq

Exclusion

- X** Adynovate
- X** Helixate FS

Optiers

- 2 > 3** **MN** Advate
- 2 > 3** **MN** Recombinate
- 2 > 3** **MN** Xyntha

All Factor VIII products above have the same active ingredient.

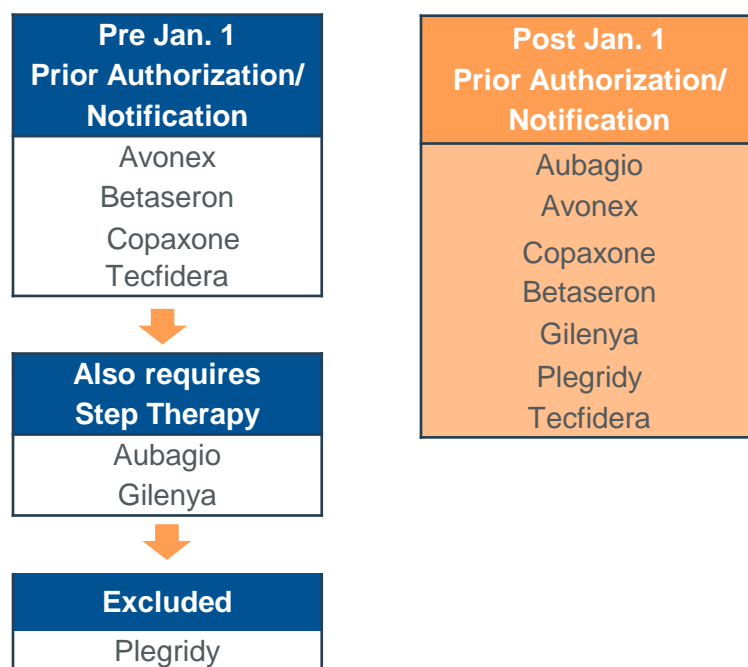
Factor IX Decision

- X** Ixinity

1. "Hemophilia Data & Statistics" Center for Disease Control and Prevention, 2. "An Actuarial Study of Hemophilia; Implications for Commercial and Medicaid Managed Care Plans" Milliman, Inc.: October 24, 2013.

Specialty – Multiple Sclerosis

Leveraging drug management strategies, we are now able to offer coverage of all therapies without Step Therapy.



Evaluation of the category provided UnitedHealthcare with an opportunity to leverage utilization management programs to enhance value while providing greater access for members.

Other Specialty Decisions

Neutropenia

- 2** Zarxio
- X** Granix
- X** Neupogen

HIV

- 2 > 3** Complera
- 2 > 3** Truvada
- X** Viramune (Brand Only)
- X** nevirapine extended-release (generic Viramune XR)

Oncology

- 1** imatinib (generic Gleevec)
- X** Gleevec
- STEP** Tasigna
- MN** Sprycel

Inflammatory Conditions

- 3** **MN** Taltz

Multiple Sclerosis

- 3** Plegridy

Transplant

- X** Envarsus XR

Pain Management

Aggressive drug marketing of opioids to physicians fueled over prescribing.

1 in 4

Patients receiving long-term opioid therapy struggle with addiction¹

Nearly **two million** Americans abused prescription opioid pain relievers in 2014²

Responding to the Market Need:

UnitedHealthcare is invested in reducing the abuse of opioids, while ensuring the safe and effective treatment of pain.

- 1 in 15 patients prescribed opioids for short-term surgical pain will become long term users³.
- An estimated 20% of patients with non-cancer or chronic/acute pain receive an opioid prescription².
- Evidence does not support the benefit from long-term treatment of chronic non-cancer pain².
- Risk is minimized if opioids are used for a limited duration and at reduced doses².



To better assist you with questions, an Opioid FAQ will be available



Actions we are taking to comply with CDC changes posted March 2016:

- Supply Limits for select opioids and strengths will be decreased if higher than doses recommended in the CDC guidelines
- Modifying prior authorization criteria

1. Banta-Green CJ, Merrill JO, Doyle SR, Boudreau DM, Calsyn DA. Opioid use behaviors, mental health and pain—development of a typology of chronic pain patients. Drug Alcohol Depend 2009;104:34–42. "Injury Prevention & Control: Opioid Overdose Data & Statistics" Center for Disease Control and Prevention 2. www.cdc.gov 3. Alam A, Gomes T, Zheng H, Mamdani MM, Juurlink DN, Bell CM. Long-term analgesic use after low-risk surgery: a retrospective cohort study. Arch Intern Med. 2012;172: 425–430.

Pain Management

Pain management is a crowded class with multiple brand and generic options that can vary dramatically in cost. Many new products coming to market often have the same active ingredients.



- Leveraging competition we are able to **lower the overall category costs**.
- The **spend in the pain management** category is driven by increased utilization, new drugs to market, and inflation.

Additional Decisions

Opioids

- ☒ Oxaydo
- ☒ 3 Belbuca
- ☒ Butrans
- ☒ oxycodone extended-release (OxyContin authorized generic)

Migraines/other pain relief

- ☒ Zecuity
- ☒ Zembrace SymTouch
- ☒ Onzetra Xsail
- ☒ Sumavel DosePro
- ☒ Vivlodex

Prescription emollients

Prescription emollients are skin moisturizers. Manufacturers have tried to market these as prescription products, despite the availability of **over-the-counter** alternatives.

Average cost of emollients
prescription: \$270

Lower cost options include:

- OTC Aquaphor
- OTC Eucerin
- OTC Lubriderm
- OTC Vaseline

Over-the-counter(OTC) options available for \$10
result in a **savings of up to \$400** per prescription.



Exclusions:

- Alevecyn Antipruritic Gel, Sg & Dermal Spray
- Atopiclair
- Atrapro Antipruritic Hydrogel, Atrapro Dermal Spray, Atrapro Cp
- Aurstat Anti-Itch Hydrogel
- Carrasyn Hydrogel Wound Dressing
- Ceracade
- Diab, Diab F.D.G. Freeze-Dried
- Eletone, Eletone Twinpack
- Emulsion Sb
- Entty
- Epiceram
- Genadur
- HPR, HPR Plus, HPR Plus Hydrogel,
- HPR Plus/MB Hydrogel
- Hylatopic, Hylatopic Plus
- Kendall Amorphous Hydrogel Wound Dressing
- MB Hydrogel
- Microcyn
- Neosalus, Neosalus Cp
- Nivatopic Plus
- PR Cream
- Presera
- Pruclear
- Prumyx
- Radiagel
- RadiaPlexRX
- SilvaSorb
- Spectragel
- Therahoney
- Tropazone
- Vacustim
- Vascuderm, Vascuderm Hydrogel Wound Dressing
- Zanabin Antipruritic Hydrogel



Advantage & Traditional PDLs Additional Updates

Traditional PDL

Uptier

| Therapeutic Category | Change | Medication |
|-----------------------------|--------|---------------------------------|
| Asthma | 1 ▶ 2 | Ventolin HFA |
| | 3 ▶ 4 | Zyflo |
| | 3 ▶ 4 | Zyflo CR |
| | 3 ▶ 4 | Dulera |
| Hereditary Angioedema | 3 ▶ 4 | Ruconest |
| Opioid Induced Constipation | 2 ▶ 3 | Relistor * |
| Oral Contraceptives | 3 ▶ 4 | Ortho Tri-Cyclen |
| | 3 ▶ 4 | Ortho Novum 7/7/7 |
| | 3 ▶ 4 | Ortho Tri-Cyclen |
| Pain | 3 ▶ 4 | Lazanda |
| Skin Conditions | 3 ▶ 4 | Cordran Cream, Lotion, Ointment |



We only up-tier medications on the Traditional PDL on January 1.

* Moving to Tier 4 for customers with 4-Tier plans (Not applicable to Guilford Co.).

Additional Tier Changes

New Benefit Coverage

| Therapeutic Category | Tier | Medication |
|----------------------------|------|-------------|
| Acne | 3 | Aczone 7.5% |
| Elevated Potassium Levels | 3 | Veltassa |
| Inflammatory Bowel Disease | 2 | Uceris Foam |

Downtiers






| Therapeutic Category | Tier | Medication |
|----------------------|-------|---|
| Oral Contraceptives | 3 ▶ 1 | Tri-Estarylla, Tri-Linyah Tri-Previfem, Tri-Sprintec, Trinessa (generics for Ortho Tri-Cyclen) |
| | 3 ▶ 1 | Alyacen 7/7/7, Cyclofem 7/7/7, Dasetta 7/7/7, Necon 7/7/7, Nortrel 7/7/7, Pirmella 7/7/7 (generics for Ortho Novum 7/7/7) |
| | 3 ▶ 1 | Camila, Deblitane, Errin, Heather, Jencycla, Jolivette, Lyza, Nora BE, Norlyroc, Sharobel (generics for Ortho Micronor, Nor-QD) |
| | 3 ▶ 1 | Estarylla, Mono-Linyah, MonoNessa, Previfem, Sprintec (generics for Ortho Cyclen) |

Up-tiers


| Therapeutic Category | Tier | Medication |
|----------------------|-------|---|
| Oral Contraceptives | 1 ▶ 3 | Ortho Tri-Cyclen |
| | 1 ▶ 3 | Ortho Novum 7/7/7 |
| | 1 ▶ 3 | Ortho Micronor |
| | 1 ▶ 3 | Ortho Cyclen |
| | 1 ▶ 3 | Nor-QD |
| Seizures | 2 ▶ 3 | carbamazepine extended-release tablet (generic Tegretol XR) |
| | 1 ▶ 2 | divalproex extended-release (generic Depakote ER) |
| Skin Conditions | 2 ▶ 3 | Fluoroplex 1% |

Additional Exclusions














Exclusions

| Therapeutic Category | Tier | Medication |
|----------------------------------|---|-------------------------------------|
| Acne |  | Epiduo Forte |
| Glaucoma |  | bimatoprost 0.03% (generic Lumigan) |
| High Blood Pressure |  | Prestalia |
| Skin Conditions |  | Neo-Synalar Cream |
| Stroke & Heart Attack Prevention |  | Durlaza (OTC equivalent exclusion) |

Exclusions

| Therapeutic Category | Tier | Medication |
|----------------------|---|----------------------------------|
| Oral Contraceptives |  | Ortho Tri-Cyclen Lo (Brand only) |

Non-FDA Approved Medications

| Therapeutic Category | Tier | Medication |
|----------------------|---|---------------------------------|
| Pain |  | Cyclobenzaprine Comfort Pac |
| |  | DermacinRx |
| |  | Ibuprofen Comfort Pac |
| |  | IC 400 |
| |  | IC 800 |
| |  | Leva Set |
| |  | Lidocaine/Prilocaine |
| |  | LP Lite Pak |
| |  | Meloxicam Comfort Pac |
| Skin Conditions |  | Celacyn |
| |  | Lactic Acid (Brand and generic) |
| |  | Lactic Acid Racemic |
| |  | Regenecare |

Clinical Program Updates



STEP Step Therapy*

Members will need to try a lower-cost medication first, before a higher-cost medication may be covered.

| New Step Therapy | | |
|----------------------|-----------------|--|
| Therapeutic Category | Medication Name | Step 1 Medication |
| Cancer | Tasigna | Step 1 – imatinib (generic Gleevec) |
| Skin Conditions | Cordran | Step 1 – fluocinolone acetonide 0.025% ointment (generic Synalar) |

Clinical Program Updates

SL Revised Supply Limits¹

Establishes the maximum quantity of drug that is covered per copayment or in a specified timeframe. The following medications will have revised supply limits.

| Therapeutic Class | Medication |
|-------------------|---|
| Pain ¹ | Avinza 120 mg Embeda 100 mg/4 mg, 50 mg/2 mg, 60 mg/2.4 mg, 80 mg/3.2 mg Exalgo 12 mg, 32 mg Hysingla ER 100 mg, 120 mg Kadian 50 mg, 60 mg, 70 mg, 80 mg, 100 mg, 130 mg, 150 mg, 200 mg MS Contin 60 mg, 100 mg, 200 mg Nucynta ER 150 mg, 200 mg, 250 mg Opana ER 30 mg, 40 mg OxyContin 40 mg, 60 mg, 80 mg Xtampza ER 36 mg |

MN Medical Necessity

Evaluates the clinical appropriateness of a condition being treated, type of medication, frequency, and duration.

| New Medical Necessity | |
|---------------------------|---|
| Therapeutic Class | Medication |
| Cancer | Sprycel |
| Hemophilia | Advate Adynovate Helixate Recombinate Xynatha Xyntha Solofuse |
| Inflammatory Conditions | Taltz |
| Revised Medical Necessity | |
| Therapeutic Class | Medication |
| Pain ¹ | Avinza Embeda Exalgo Hysingla ER Kadian MS Contin (brand only) Nucynta ER Opana ER OxyContin Xtampza ER Zohydro ER |

¹ Supply Limits (SL) and Prior Authorization are revised to align with CDC recommendations

Compounds

X Additional products used to formulate compound medications are being excluded for fully-insured customers, as well as self-funded customers who opted into the exclusion program.

Bulk Chemical Ingredients

- Stera base
- Copasil
- Duloxetine powder
- Collagenase
- Carnosine L
- Arbutin Alpha
- Fluoxetine HCl powder
- Nourisil

Compounding Kits

- First BXN-Mouthwash Compounding Kit



Bulk Chemical/ Prior Authorization Threshold

Conducting a review of bulk compound claims when exceeding \$50 ensures all ingredients included in the compound are covered under the plan and are being used for an FDA approved indication.

The complete list of [compound exclusions](#) can be found on PharWeb.

Broker and Client Tools

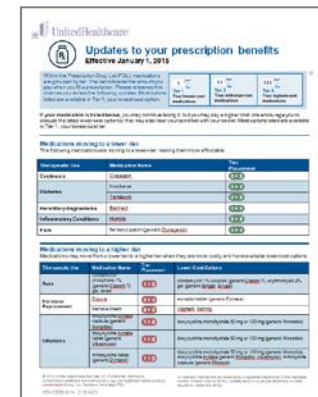
Don't forget!
Check out the [Presentation Hub](#) for updated slides that will help you communicate our PDL strategies.



Client E-mail Template
Auto-populated Outlook email template, with a live link to the client webcast



PDL Report
Excel spreadsheet with client-specific member and financial impact. **Clinical programs are included.**



PDL Summary
Word document with changes listed including alternatives. This piece is the same as the employee flyer.

Decisions Definition Key

| Key | Decision | Definition |
|-----------------|--|---|
| 2 > 1 | Down-tiers | Down-tiers refer to medications that move to a lower tier, which can occur at any time throughout the year to provide members with immediate cost savings. |
| 2 > 3 | Up-tiers | Up-tiers refer to medications that move to a higher tier because they offer less health care value (either clinically and/or financially) than similar medications in their therapeutic classes. |
| 3 | New Benefit Coverage | New tier placements occur for medications that have been previously excluded at launch, but now offer sufficient health care value to have a tier placement. |
| X | Exclusions | We do not make the decision to exclude medications from benefit coverage lightly. A medication is only excluded when it offers no clinical value over other options in its class and its exclusion can be leveraged to achieve significant savings for our clients while preserving affordable choices for members. Multiple Product Packaging Exclusions are medications that contain two or more already available medications (packaged together), most are available generically or over-the counter. |
| X | Continued Exclusions (previously excluded at launch) | These exclusions will have little to no member impact since the medication has been excluded at launch. |
| STEP | Step Therapy | Step Therapy directs members to try a lower-cost medication (known as Step 1) before progressing to a higher-cost alternative (known as Step 2). |
| SL | Supply Limits | Supply Limits establish the maximum quantity of drug that is covered per payment or in a specified timeframe. |
| MN | Prior Authorization/ Medical Necessity | Evaluates the clinical appropriateness of a medication in terms of condition being treated, type of medication, frequency, and duration. |
| N | Notification | Notification requires physicians provide additional clinical information to verify member benefit coverage. |