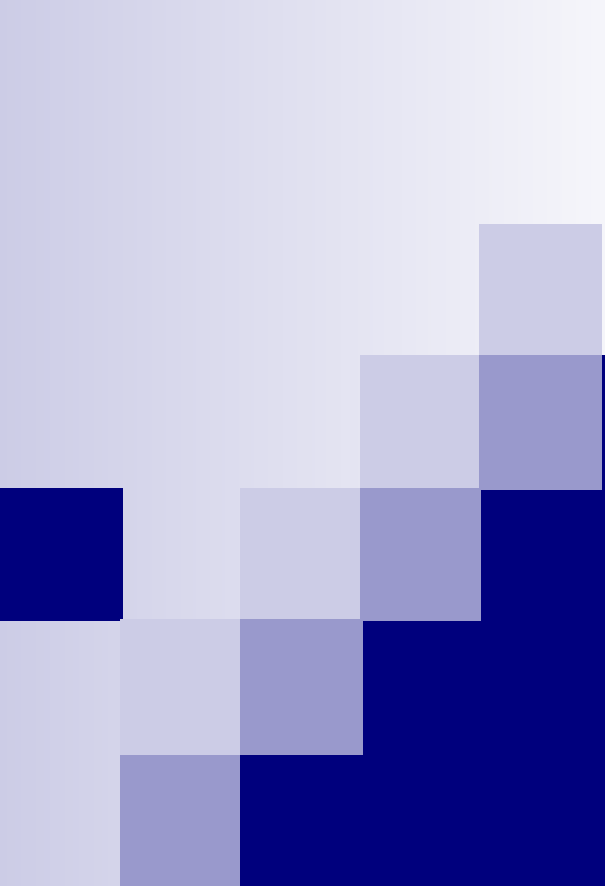




Practical Issues for PBMs in Medicare Part D

Bob Atlas

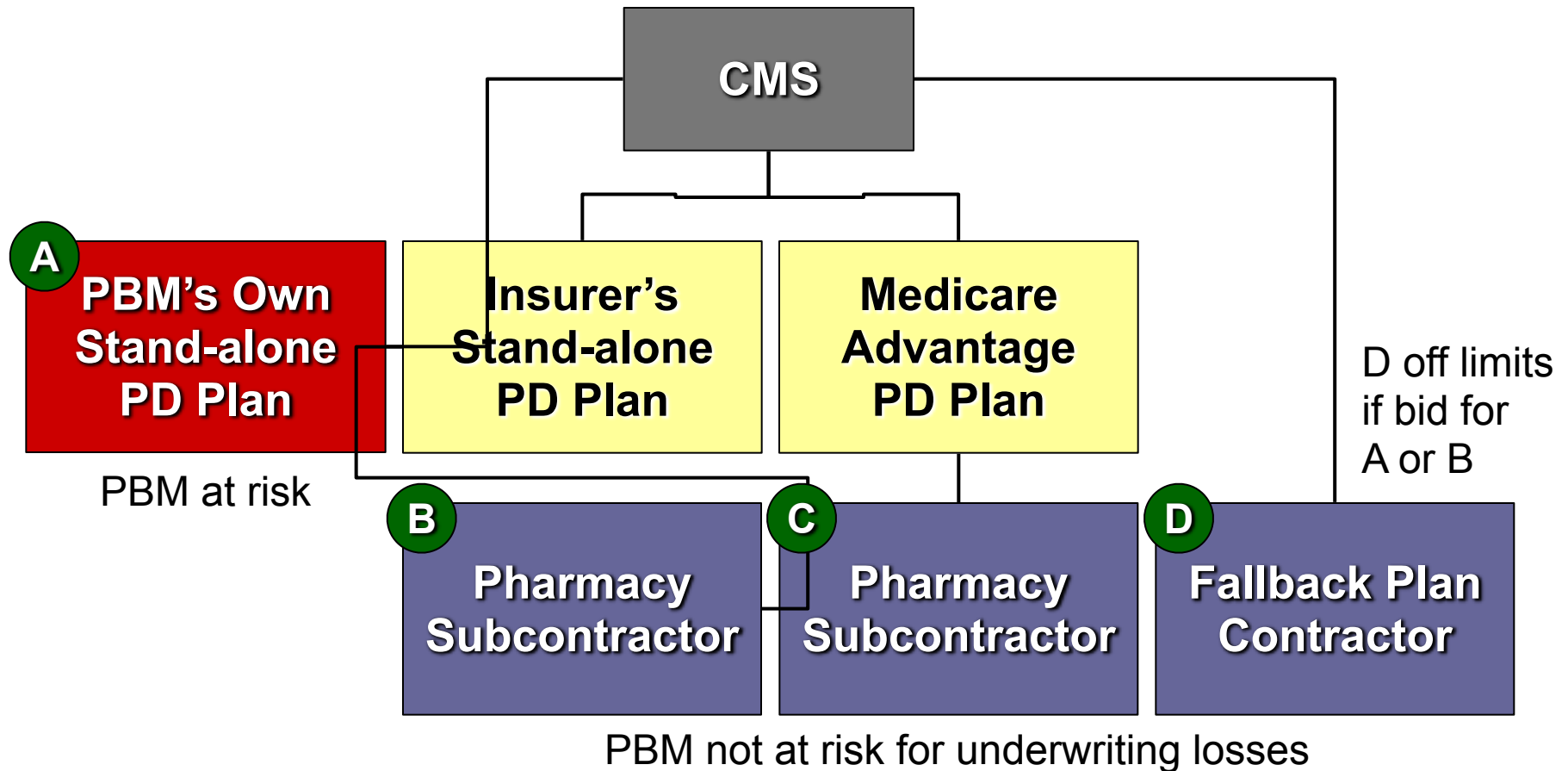
NASI Medicare Modernization Conference
January 27, 2005

Largest PBMs (Total PBMs ~ 70)

PBM	Ownership	Lives[†] (Mil.)
Caremark Rx	Publicly traded	80
Medco Health Solutions	Publicly traded	60
Express Scripts	Publicly traded	50
WellPoint Pharmacy Mgmt.	Insurer – WellPoint*	36
PharmaCare	Pharmacy chain – CVS	30
MedImpact	Privately held	27
Argus Health	Privately held	24
Prime Therapeutics	Insurer – 8 Blues plans	9
CIGNA Healthcare	Insurer – CIGNA	9
Aetna Pharmacy Mgmt.	Insurer – Aetna	8
Prescription Solutions	Insurer – PacifiCare	8
Anthem Prescription	Insurer – Anthem*	7

*Undergoing merger. †Figures cannot be summed – possible double counting.

4 PBM Medicare Contracting Options





PDP Risks and Risk Buffers

SOURCES OF RISK

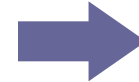
- No reliable history
- Fluidity of drug market
 - Fast-changing product mix
 - Manufacturer price setting
- Little control over prescribers
- Skewed enrollment
 - Low take-up
 - Adverse selection

RISK PROTECTIONS

- Plan design rules
 - Formulary guidelines
 - Actuarial equivalence
- Risk-adjusted rating
- Government risk sharing
 - Specific case stop-loss
 - Aggregate gain/loss sharing
- Late enrollment penalty

Population-Related Considerations

- Voluntary enrollment
 - Consumer inertia, confusion, fear
 - Marketing concerns
- 7 million dual eligibles
 - Drop from Medicaid Rx 1/1/06
 - Auto-enrolled in Medicare PDP Fall '05
- 1.5 million nursing home residents
 - Pharmacy network disconnect
 - Packaging and distribution



Lessons from Rx discount card?

Enrolled as of Jan '05	
Card Only	4,298,187
Transitional Assistance	1,637,603
Total	5,935,790
Candidates	~ 11 mil.

Drug Selection – Formulary Guidelines

- Government contractor set model guidelines – 146 classes
- Payers wanted ~90 classes – Pharma wanted >200 classes

No.	Therapeutic Category	Pharmacologic Class	Recommended Subdivisions (from draft)
19	Antidepressant	Monoamine oxidase inhibitors	Type A
20		Reuptake inhibitors	SNRI: Cymbalta, Effexor XR
			SSRI: Paxil, Zoloft, Celexa, Prozac weekly, fluoxetine [generic Prozac], fluvoxamine, paroxetine hcl
			Tricyclics (4 brand, 8 generic)
21		Antidepressants, other	Bupropion, Maprotilene, Mirtazapine, Trazodone, etc.

**2 drugs
required in
each class**

Source: U.S. Pharmacopeial Convention, Inc., August 2004 and December 2004



CONTACT INFORMATION

bob.atlas@comcast.net