Magellan Rx Management

Medical Pharmacy Trend Report™

2014 EMPLOYER GROUP SUPPLEMENT

Magellan Rx MANAGEMENT℠

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To view or download the Magellan Rx Management 2014 Employer Group Supplement, please visit www.magellanrxinsights.com.

Note to Our Readers

Magellan Rx Management is pleased to present the second annual Employer Group Medical Drug Survey Report. We worked to improve the format of this survey and obtain more relevant data for employer groups. It is our goal that the information in this report helps you determine what your employer group might need to explore and implement to control the overall increasing costs of specialty drugs paid on the medical benefit.

The overall increasing costs of medical specialty drugs continues to be a growing concern and key issue for employer groups. Traditionally, employers rely on their medical carriers or the health plans they have partnered with for specialized programs to manage and implement solutions regarding changes in health care costs and treatments. Although it appears that many health plans have begun implementing management processes to control costs for medical drug spend, it is not occurring quickly enough for most employer groups. When health plans do not implement management processes, the employer groups are forced to become educated about other programs and processes that might be available to control the costs. It is evident from the responses to our survey that many employer groups have begun to become more involved in directly influencing the controls that are put in place to manage the overall costs of medical benefit drugs.

For 2014, we expanded the survey to 49 questions. The responses represented 424,808 employees or a total of 832,230 members, an increase of 185 percent from the total members represented in our 2013 survey. Variations in the 2014 survey responses demonstrated the different levels of knowledge about and management of medical drug spend and the overall escalating costs. The responses also revealed that respondents might have inconsistently answered similar questions. Not all the respondents had adequate information to be able to respond to all of the questions, as evident by the number of "Don't Know" answers we received. It is our hope that the survey helps employer groups begin to think about and investigate escalating costs and to take action.

Some of the employer groups we surveyed had fully insured and self-insured plans. When we were able to do so, we identified the difference in plans. Of those who responded to the survey, 81 percent were self-insured.

Eighty percent of the employer groups that responded to our survey indicated that they were aware of their medical drug trend from 2013–2014. Four percent felt that the medical drug trend was stable year over year, while 47 percent responded that it increased up to 10 percent year over year. Twenty-two percent responded that the trend was between 11–20 percent. In the 2014 Magellan Rx Management Medical Pharmacy Trend Report,™ we reported that the drug trend from 2010–2013 increased 9–13 percent; thus, approximately 51 percent of the employer groups that responded to our 2014 survey felt that the overall drug spend was lower than it actually was. Following are some more notable observations from our 2014 survey results.

COSTS OF ONCOLOGY CARE

Based on the data for the 2013 Magellan Rx Management Medical Pharmacy Trend Report,™ oncology drugs consumed 39 percent of the medical drug spend and oncology support drugs consumed 13 percent. Total drug costs for overall oncology care accounted for more than 52 percent of all medical drug costs. It is the most critical driver to increased spending and trending in the medical benefit. It is evident from the responses we received for the 2014 survey that this overall cost is not on employer groups' radars. Sixty-four percent of the respondents were uncertain of their costs for oncology drugs or oncology support care. Of the respondents who had information related to this spend, 16 percent thought that oncology drugs and support care only consumed up to 10 percent of their medical drug spend, while 18 percent thought that it consumed 11–25 percent of their medical drug spend. Not one of the respondents came close to accurately identifying the total drug spend for oncology drugs.

PRIOR AUTHORIZATION PROGRAMS

Overall, it appears that employer groups rely on their medical carriers to provide and implement a prior authorization

program for medical drug management. Seventy-three percent of our survey respondents stated that they currently have a prior authorization program in place. In comparison, an average of 36 percent of the employer groups had a prior authorization program in place in 2013. This represents a 100 percent increase in the implementation of a prior authorization program to control the costs of medical benefit drugs.

SITE OF SERVICE COSTS

We wanted to determine if employer groups had a good understanding of the overall costs of drugs based on the site where the drugs were administered. Forty-three percent of our survey respondents had no information related to what was the lowest-cost site of service. Interestingly, 2 percent of the survey respondents thought that medical drugs at all sites of service were paid exactly the same and 7 percent of the respondents thought that the lowest-cost facility was the outpatient hospital. Twenty-seven percent felt that in-home administration was the most cost-effective site of service and 16 percent thought that costs would be lowest when a specialty pharmacy sent the drug to a physician's office to be administered there. Only 5 percent of the survey respondents felt that the lowest cost for administration would be in the physician's office when the physician purchased the drug and billed the health plan directly.

Based on our survey responses, it appears that majority of the employer groups do not review the rendering physicians or have the ability to steer employees to lower-cost sites of service. At least 52 percent of the employer groups have no intervention programs in place to steer employees to lower-cost sites of service. Thirty-six percent stated that they do not review for site of service, 21 percent were uncertain and 16 percent did not require prior authorization on the drugs so they had no information about which site of service would be most cost-efficient to steer employees toward.

We also asked employer groups if their current medical benefit was designed to encourage drug administration at lower-cost sites of service. Half of our survey respondents stated that their medical benefit encourages employees to select a lower-cost site of service for their drug infusion. These responses appear to contradict responses to the question that asked if the employer group had the ability to steer employees to lower-cost sites of service.

END-OF-LIFE CARE

Forty-six percent of employer groups reported having an end-of-life program for their employees, a 32 percent increase from our 2013 survey results. Thirty-five percent of those who covered end-of-life care in 2014 limited it to a specific length of time, 45 percent stated that there was no limit on the length of time and 20 percent did not know about this benefit.

CARE MANAGEMENT

Eighty-two percent of our survey respondents currently have a care management program in place, indicating that majority of the employer groups feel that such a program is beneficial. These care management programs are disease specific and may not have a drug management component. Currently, we are unaware of any care management programs specific to drug management. Typically, drug management is incorporated into other care management programs that do not focus on the overall management of drug costs or appropriate sites of service.

MANAGEMENT SOLUTION FOR MEDICAL BENEFIT DRUGS

Sixty-one percent of our survey respondents reported that they are satisfied with their current management solution for medical benefit drugs, while at least 18 percent are not currently satisfied and 21 percent do not know.

CARVE OUT MEDICAL BENEFIT DRUGS TO THE PHARMACY BENEFIT

Two-thirds of the employer groups responded that their current pharmacy benefit manager (PBM) had not approached them to see if they would like to carve out the medical benefit to manage some medical benefit drugs under the pharmacy benefit, while almost one-quarter had been approached by their PBM. Forty-two percent responded that they already have begun carving out some medical benefit drugs to the pharmacy benefit.

TYPES OF DRUGS TO CARVE OUT TO THE PHARMACY BENEFIT

Fifty percent of our survey respondents stated that they are considering carving out oncology drugs to the pharmacy benefit. Based on our information, we do not know which drugs they are considering or if it would only be specific types of oncology drugs. Along with oncology drugs, 42 percent of the survey respondents also would move oncology support drugs to the pharmacy benefit. Twenty-five percent would consider moving the intravenous immune globulin (IVIG) class of drugs to the pharmacy benefit and 42 percent would consider moving all anti-rheumatic drugs to the pharmacy benefit.

PHARMACY INTELLIGENCE

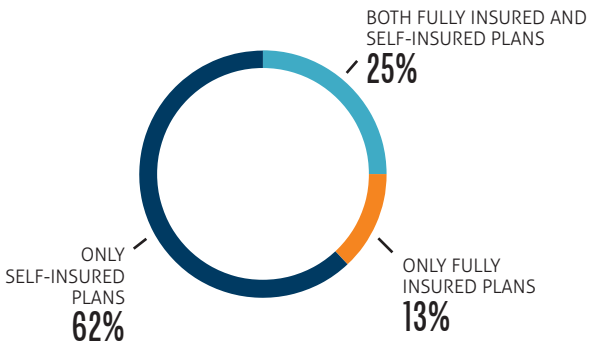
With the specialty drug medical benefit becoming more complex, we asked the employer groups who they rely on for their overall pharmacy intelligence. Thirty-six percent rely on their PBM for information related to all drug management, 25 percent rely on their medical carrier and 37 percent rely on their broker or a consultant. One employer group has its own dedicated pharmacist on staff who acts as a resource for management of all drug spend.

Half of our survey respondents would like an expert pharmacy consultant available to assist them with the management of overall drug spend. Of these, 32 percent would be willing to pay for that service. Twenty-three percent were uncertain whether or not they could benefit from such help.

Methodology and Demographics

Sixty-two percent of our survey respondents only offered self-insured plans, 13 percent only offered fully insured plans and 25 percent offered both fully insured and self-insured plans. *See Figure 1: Type of Plan Offered.*

FIGURE 1: Type of Plan Offered



When questioned further, of the 25 percent who offered both fully insured and self-insured plans, 25 percent were fully insured while 75 percent were self-insured. Overall, 81 percent of the respondents were self-insured. *See Figure 2: Average Percent of Fully Insured Versus Self-Insured When Both Plans Were Offered and Figure 3: Fully Insured Versus Self-Insured.*

FIGURE 2: Average Percent of Fully Insured Versus Self-Insured When Both Plans Were Offered

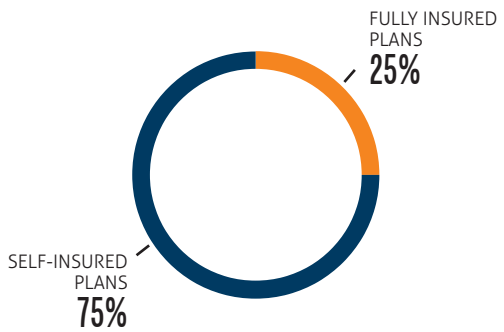
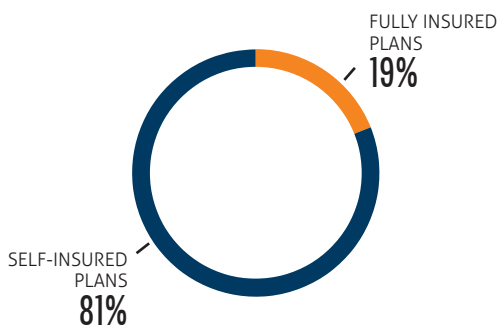
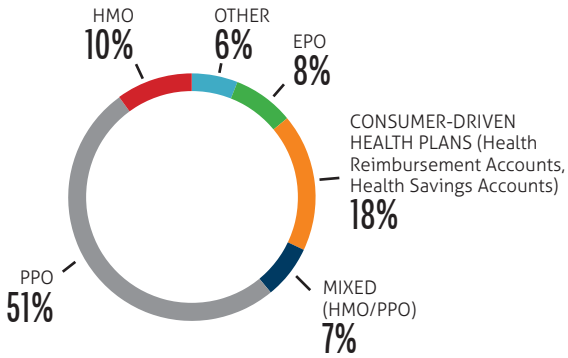


FIGURE 3: Fully Insured Versus Self-Insured



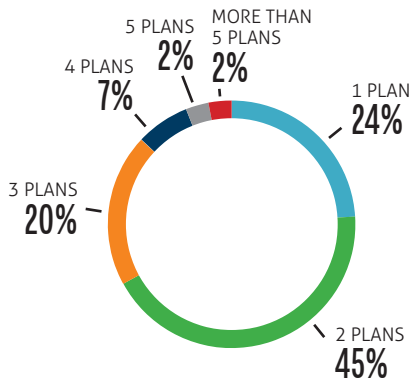
We asked the employer groups what types of medical benefit products they offered their employees. Fifty-one percent of the respondents offered employees a PPO product, 18 percent offered consumer-driven products, 10 percent offered HMO products, 8 percent offered EPO products and 7 percent offered mixed HMO/PPO products. *See Figure 4: Medical Benefit Products Offered to Employees.*

FIGURE 4: Medical Benefit Products Offered to Employees



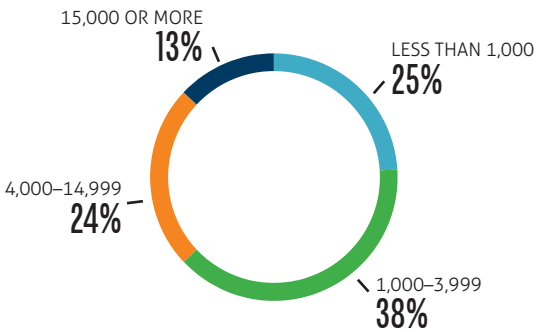
Forty-five percent of employer groups offered two different types of medical benefit plans to their employees. This indicates that employees do not have as many plans to choose from as they have had in the past. Twenty percent of the employer groups offered three types of plans for employees to choose from and 11 percent offered four or more plan options. *See Figure 5: Number of Medical Benefit Plan Choices Offered to Employees.*

FIGURE 5: Number of Medical Benefit Plan Choices Offered to Employees



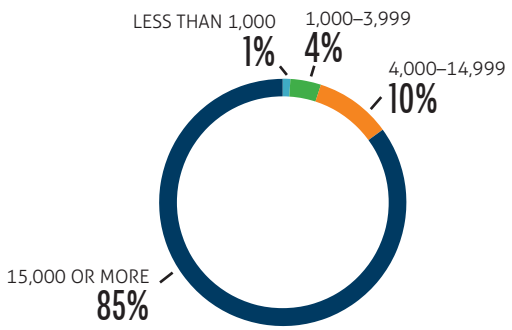
Of the employees who were eligible for coverage, 25 percent of our survey respondents covered less than 1,000 eligible employees, 38 percent covered between 1,000–3,999 eligible employees, 24 percent covered between 4,000–14,999 eligible employees and 13 percent covered 15,000 or more eligible employees. *See Figure 6: Number of Covered Eligible Employees.*

FIGURE 6: Number of Covered Eligible Employees



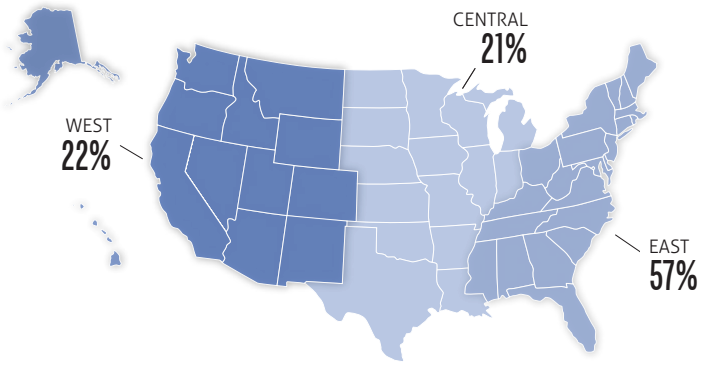
Our survey considered the medical benefit offerings to a total of 832,230 covered lives. Of those, 85 percent were at employer groups that had 15,000 or more employees and 14 percent were at employer groups that had between 1,000–14,999 employees. *See Figure 7: Covered Lives Who Received Medical Benefits.*

FIGURE 7: Covered Lives Who Received Medical Benefits



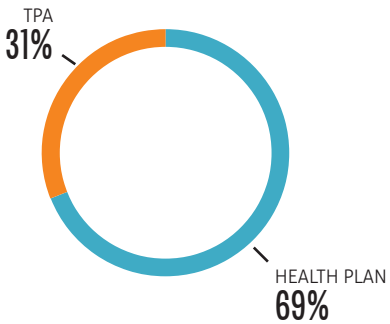
We looked at the regions across the United States to find out where the employee groups were predominately located. Fifty-seven percent of the employees were located in the East, 22 percent in the West and 21 percent in the Central region. *See Figure 8: Geographic Dispersion of Covered Lives.*

FIGURE 8: Geographic Dispersion of Covered Lives



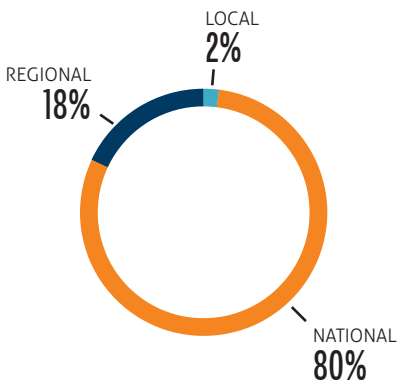
Employer groups have two options to manage the medical benefit plans for their employees: a third party administrator (TPA) or a health plan. Sixty-nine percent of our survey respondents used a health plan to manage their medical benefit plans and 31 percent chose a TPA. *See Figure 9: Health Plan Versus TPA.*

FIGURE 9: Health Plan Versus TPA



Of the 69 percent of employer groups that had a medical carrier administer and manage their medical benefit plans, 80 percent used a national carrier, 18 percent used a regional carrier and only 2 percent used a local carrier. Employer groups appear to choose national carriers to have broader capacities to serve their employees across the nation. *See Figure 10: Medical Carriers.*

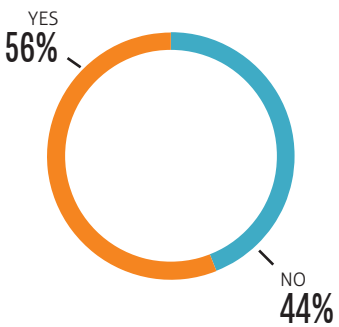
FIGURE 10: Medical Carriers



Spend, Utilization and Reporting

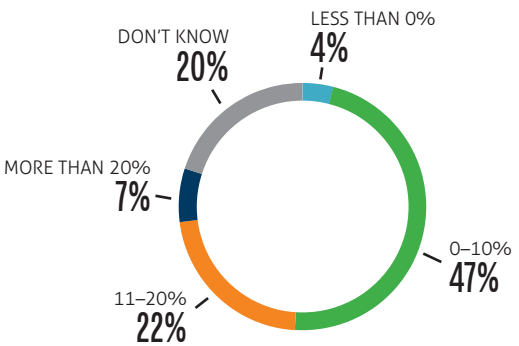
Historically, employer groups have been knowledgeable about the overall pharmacy drug spend that is processed through their PBM and less informed about the drug spend that is processed through medical claims or under the medical benefit. Based on our survey results, employer groups appear to have become more aware of their drug spend under the medical benefit. Fifty-six percent of our survey respondents felt that they were aware of their total drug costs, while 44 percent did not have any information regarding the drug spend under the medical benefit. *See Figure 11: Employer Groups Knowledgeable About Drug Spend Under the Medical Benefit.*

FIGURE 11: Employer Groups Knowledgeable About Drug Spend Under the Medical Benefit



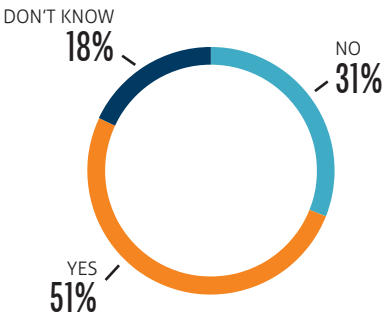
The year-over-year trending of medical drug spend is an important statistic to monitor. We asked employer groups if they were aware of their medical drug trend from 2013–2014. Eighty percent of our survey respondents claimed to be aware of their trend. Four percent felt that the medical drug trend was stable year over year, while 47 percent responded that it increased up to 10 percent year over year. Twenty-two percent responded that the trend was between 11–20 percent. In the 2014 Magellan Rx Management Medical Pharmacy Trend Report,™ we reported that the drug trend from 2010–2013 increased 9–13 percent; thus, approximately 51 percent of the employer groups that responded to our 2014 survey felt that the overall drug spend was lower than it actually was. *See Figure 12: Perceived 2014 Medical Benefit Drug Spend.*

FIGURE 12: Perceived 2014 Medical Benefit Drug Spend



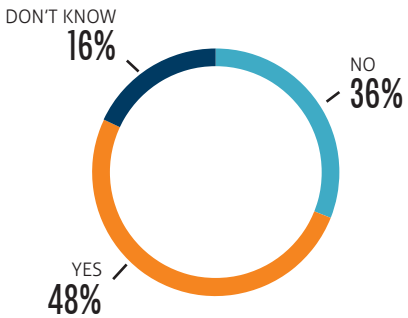
Fifty-one percent of our survey respondents indicated that their current PBM has access to and provides them with information regarding pharmacy claims paid under the medical benefit. Thirty-one percent responded that they do not have access to such information and 18 percent did not know what access their PBM has to this information. *See Figure 13: Access to Pharmacy Claims Paid Under the Medical Benefit.*

FIGURE 13: Access to Pharmacy Claims Paid Under the Medical Benefit



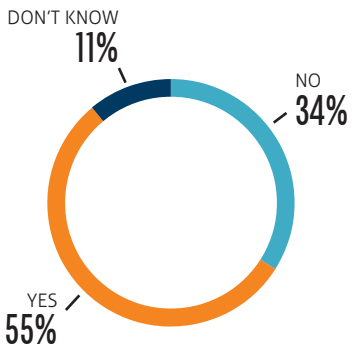
Of the 51 percent of survey respondents who indicated that their current PBM provided them with information regarding pharmacy claims paid under the medical benefit, 48 percent responded that their current PBM offered them a formal program to manage that drug spend. Thirty-six percent did not have any offer from their PBM to manage the medical drug spend and 16 percent did not have any information about this type of program offering. *See Figure 14: Formal Program Offered to Manage Drug Spend Under the Medical Benefit.*

FIGURE 14: Formal Program Offered to Manage Drug Spend Under the Medical Benefit



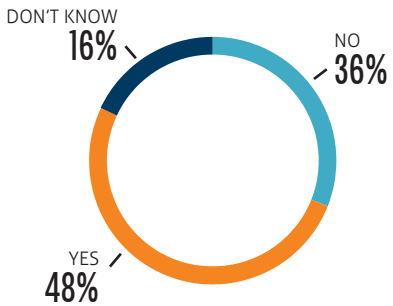
Fifty-five percent of our survey respondents indicated that they maintain a list of specialty drugs that designates if each drug should be billed under the pharmacy benefit or under the medical benefit. Thirty-four percent did not maintain such a list and 11 percent did not know. *See Figure 15: List of Specialty Drugs Maintained.*

FIGURE 15: List of Specialty Drugs Maintained



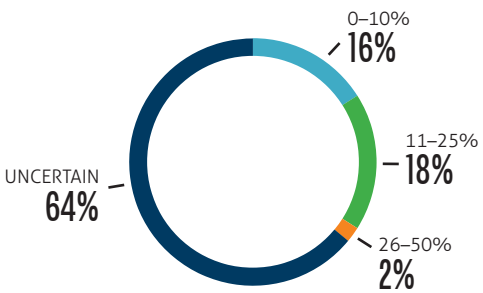
Forty-eight percent of our survey respondents indicated that they are aware there can be an overlap for some specialty drugs across the pharmacy and medical benefits. Thirty-six percent were unaware of the possibility of such an overlap and 16 percent responded that they did not know anything about the possibility of an overlap across benefits. *See Figure 16: Aware of Possible Pharmacy and Medical Benefits Overlap.*

FIGURE 16: Aware of Possible Pharmacy and Medical Benefits Overlap



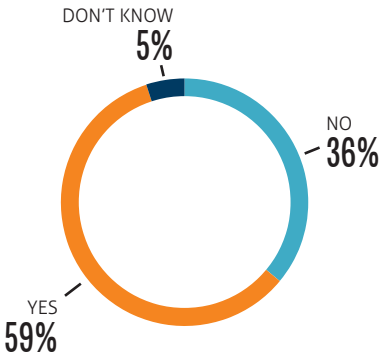
Based on the data for the 2013 Magellan Rx Management Medical Pharmacy Trend Report,™ oncology drugs consumed 39 percent of the medical drug spend and oncology support drugs consumed 13 percent. Total drug costs for overall oncology care accounted for more than 52 percent of all medical drug costs. It is the most critical driver to increased spending and trending in the medical benefit. It is evident from the responses we received for the 2014 survey that this overall cost is not on employer groups' radars. Sixty-four percent of the respondents were uncertain of their costs for oncology drugs or oncology support care. Of the respondents who had information related to this spend, 16 percent thought that oncology drugs and support care only consumed up to 10 percent of their medical drug spend, while 18 percent thought that it consumed 11–25 percent of their medical drug spend. Not one of the respondents came close to accurately identifying the total drug spend for oncology drugs. *See Figure 17: Perceived Medical Benefit Drug Spend Related to Oncology.*

FIGURE 17: Perceived Medical Benefit Drug Spend Related to Oncology



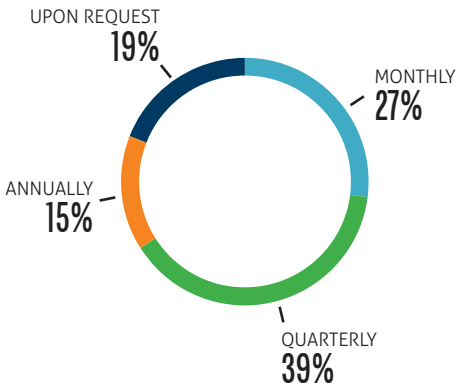
Fifty-nine percent of our survey respondents indicated that they receive data on medical benefit drugs from their medical carrier. Thirty-six percent do not receive such data and 5 percent did not know if they received this data. *See Figure 18: Received Data on Medical Benefit Drugs from Medical Carrier.*

FIGURE 18: Received Data on Medical Benefit Drugs from Medical Carrier



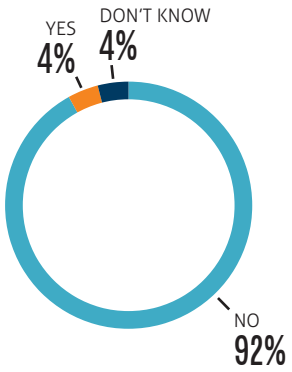
Of the survey respondents who receive data on medical benefit drugs from their medical carrier, 39 percent receive the data quarterly, 27 percent receive the data monthly and 15 percent receive the data once a year. Nineteen percent had to request to receive such data. *See Figure 19: Frequency Received Data on Medical Benefit Drugs.*

FIGURE 19: Frequency Received Data on Medical Benefit Drugs



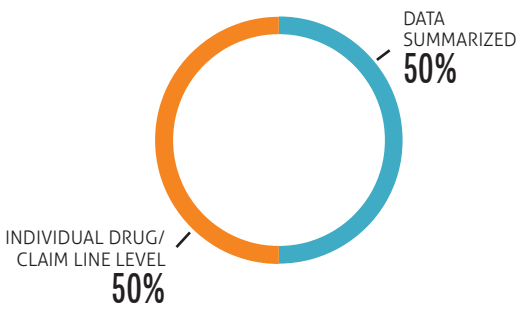
Ninety-two percent of survey respondents were not charged by their medical carrier to receive data they requested on medical benefit drugs. Four percent were charged for the data when they requested it and they charged that fee back to the TPA. *See Figure 20: Additional Charge for Data on Medical Benefit Drugs.*

FIGURE 20: Additional Charge for Data on Medical Benefit Drugs



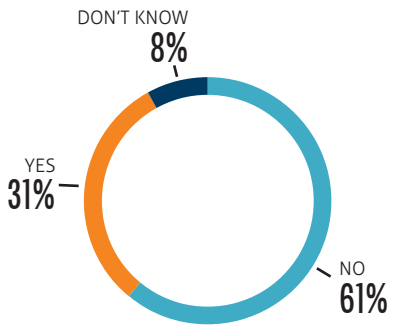
Of the employer groups that receive data on medical benefit drugs from their medical carrier, half receive the data in a summarized format and half receive it at an individual drug/claim line level. We do not know whether or not the groups that receive the data at the claim line level have a way to sort, interpret or analyze the information to summarize the impact at the drug level or on total drug spend. *See Figure 21: Data Summarized Versus Claim Line Level.*

FIGURE 21: Data Summarized Versus Claim Line Level



Of the employer groups that receive data on medical benefit drugs from their medical carrier, at least 61 percent do not have the ability to identify the site of service where the drug was administered. Without this information, we feel that these employer groups will not be able to determine controls to put in place to steer employees to lower-cost sites of service. We also believe that these employer groups would see great variation in the amount paid based on the site of service. *See Figure 22: Received Data on Site of Service.*

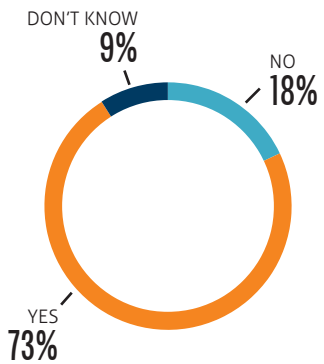
FIGURE 22: Received Data on Site of Service



Utilization and Distribution Channel Management

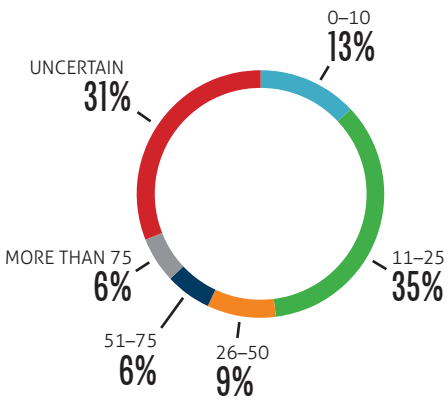
Overall, it appears that employer groups rely on their medical carriers to provide and implement a prior authorization program for medical drug management. Seventy-three percent of our survey respondents stated that they currently have a prior authorization program in place. In comparison, an average of 36 percent of the employer groups had a prior authorization program in place in 2013. This represents a 100 percent increase in the implementation of a prior authorization program to control the costs of medical benefit drugs. *See Figure 23: Prior Authorization Program in Place.*

FIGURE 23: Prior Authorization Program in Place



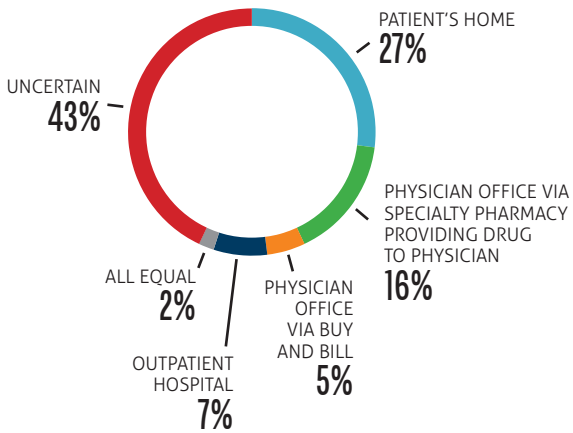
When survey respondents were asked for information about the number of drugs currently in their prior authorization program, 48 percent indicated that they have up to 25 drugs that require prior authorization and 21 percent have 26 or more drugs. Of that 21 percent, 6 percent require prior authorization on more than 75 drugs. Thirty-one percent did not know how many drugs currently were in their prior authorization program. *See Figure 24: Number of Drugs in Prior Authorization Program.*

FIGURE 24: Number of Drugs in Prior Authorization Program



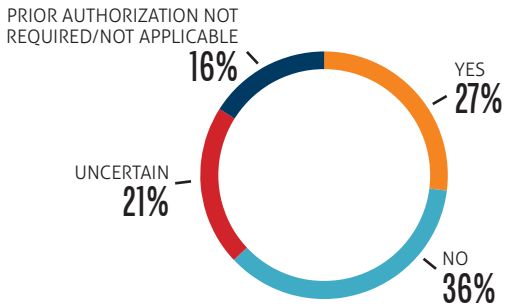
We wanted to determine if employer groups had a good understanding of the overall costs of drugs based on the site where the drugs were administered. Forty-three percent of our survey respondents had no information related to what was the lowest-cost site of service. Interestingly, 2 percent of the survey respondents thought that medical drugs at all sites of service were paid exactly the same and 7 percent of the respondents thought that the lowest-cost facility was the outpatient hospital. Twenty-seven percent felt that in-home administration was the most cost-effective site of service and 16 percent thought that costs would be lowest when a specialty pharmacy sent the drug to a physician's office to be administered there. Only 5 percent of the survey respondents felt that the lowest cost for administration would be in the physician's office when the physician purchased the drug and billed the health plan directly. *See Figure 25: Presumed Lowest-Cost Site of Service.*

FIGURE 25: Presumed Lowest-Cost Site of Service



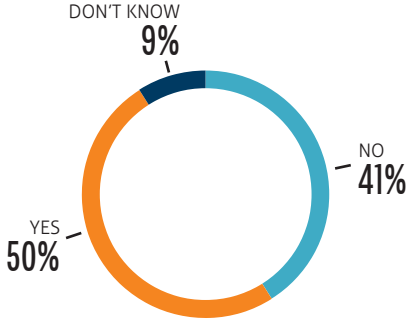
Based on our survey responses, it appears that majority of the employer groups do not review the rendering physicians or have the ability to steer employees to lower-cost sites of service. At least 52 percent of the employer groups have no intervention programs in place to steer employees to lower-cost sites of service. Thirty-six percent stated that they do not review for site of service, 21 percent were uncertain and 16 percent did not require prior authorization on the drugs so they had no information about which site of service would be most cost-efficient to steer employees toward. *See Figure 26: Ability to Steer Employees Toward Lower-Cost Sites of Service.*

FIGURE 26: Ability to Steer Employees Toward Lower-Cost Sites of Service



We also asked employer groups if their current medical benefit was designed to encourage drug administration at lower-cost sites of service. Half of our survey respondents stated that their medical benefit encourages employees to select a lower-cost site of service for their drug infusion. These responses appear to contradict responses to the question that asked if the employer group had the ability to steer employees to lower-cost sites of service. *See Figure 27: Medical Benefit Encouraged Employees to Select Lower-Cost Sites of Service.*

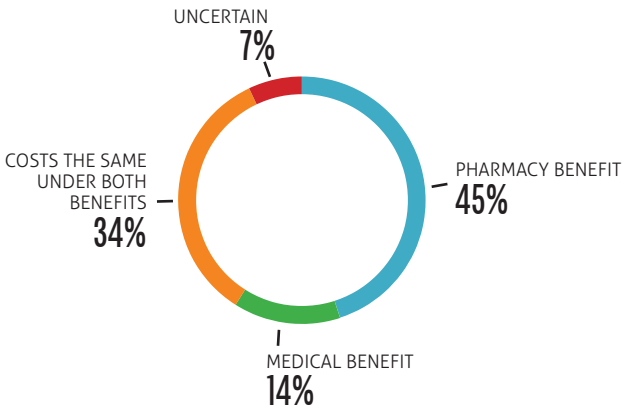
FIGURE 27: Medical Benefit Encouraged Employees to Select Lower-Cost Sites of Service



Benefit Design

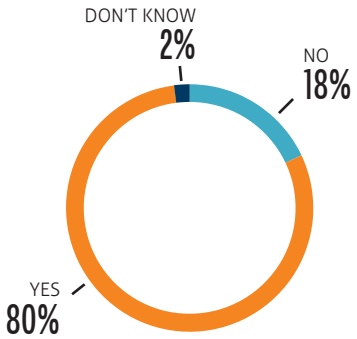
Based on our survey responses, it is advantageous for employees at 45 percent of the employer groups to obtain specialty drugs under their pharmacy benefit rather than under their medical benefit. *See Figure 28: Pharmacy Benefit Versus Medical Benefit.*

FIGURE 28: Pharmacy Benefit Versus Medical Benefit



According to our survey responses, 80 percent of employees have a copay or coinsurance for medical benefit drugs. *See Figure 29: Employee Cost Share for Medical Benefit Drugs.*

FIGURE 29: Employee Cost Share for Medical Benefit Drugs



Based on our survey responses, in 2014, 82 percent of employees had a cost share for medical benefit drugs. Of those, 55 percent had a copay and 27 percent paid coinsurance. Fourteen percent had neither a copay nor coinsurance. Similar to the percentages for 2014, 79 percent of employees will have a copay or coinsurance in 2015. Our survey respondents also noted that copays and coinsurance for 2015 would remain consistent with 2014 rates, at an average of $30 and 30 percent, respectively. *See Figure 30: 2014 Employee Contribution for Medical Benefit Drugs and Figure 31: 2015 Employee Contribution for Medical Benefit Drugs.*

FIGURE 30: 2014 Employee Contribution for Medical Benefit Drugs

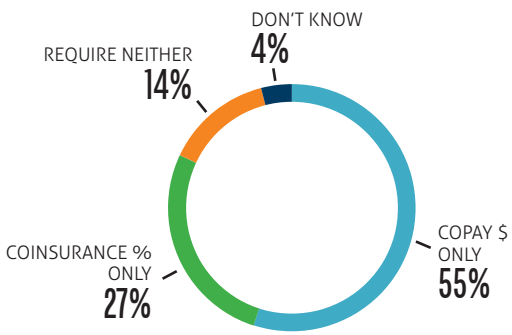
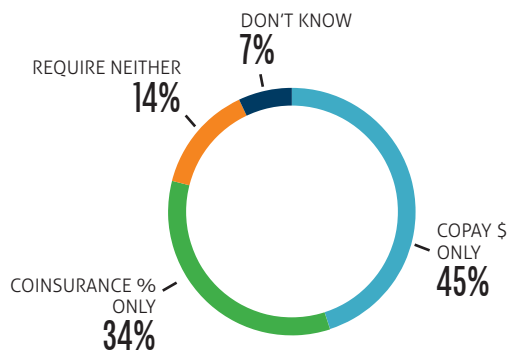
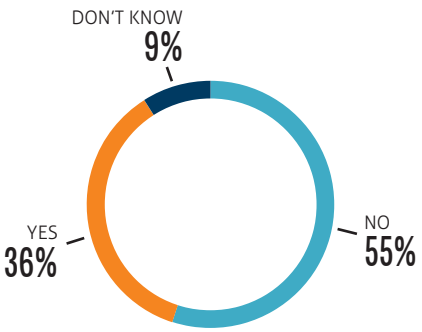


FIGURE 31: 2015 Employee Contribution for Medical Benefit Drugs



Fifty-five percent of our survey respondents indicated that there was not an additional copay for medical benefit drugs when they were provided at an office visit. Thirty-six percent reported a copay for the office visit as well as for the medical benefit drug. *See Figure 32: Additional Employee Cost Share for Medical Benefit Drugs.*

FIGURE 32: Additional Employee Cost Share for Medical Benefit Drugs



Management Programs

Forty-six percent of employer groups reported having an end-of-life program for their employees, a 32 percent increase from our 2013 survey results. Thirty-five percent of those who covered end-of-life care in 2014 limited it to a specific length of time, 45 percent stated that there was no limit on the length of time and 20 percent did not know about this benefit. *See Figure 33: End-of-Life Program for Employees and Figure 34: Limited Time for End-of-Life Benefit.*

FIGURE 33: End-of-Life Program for Employees

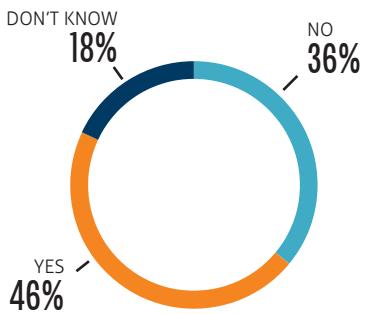
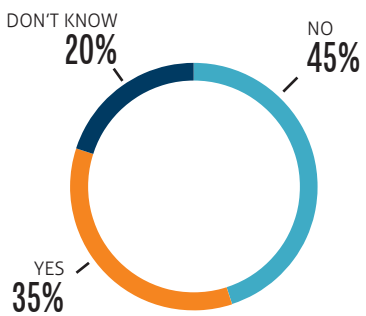
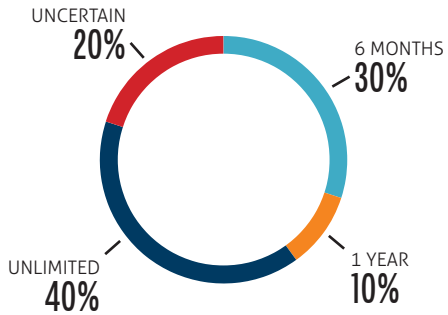


FIGURE 34: Limited Time for End-of-Life Benefit



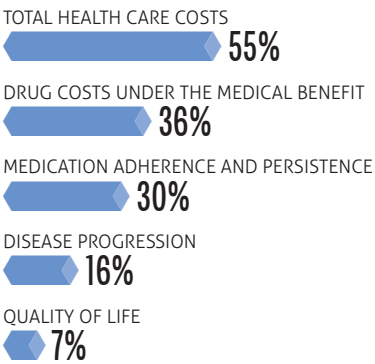
Of the employer groups that covered end-of-life care, 10 percent limited this benefit to one year and 30 percent limited it to six months. Twenty percent of our survey respondents were uncertain about the length of coverage for this benefit. *See Figure 35: Limit on End-of-Life Program.*

FIGURE 35: Limit on End-of-Life Program



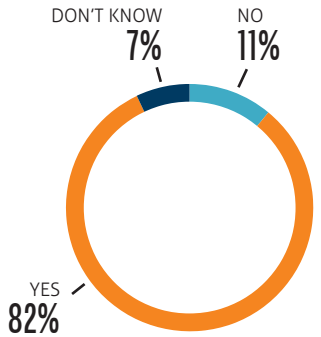
Tracking the outcomes of employees treated with medical benefit drugs can help decrease the costs of health care benefits. Fifty-five percent of our survey respondents tracked total health care costs. Thirty-six percent tracked drug costs under the medical benefit, an increase from 20 percent in 2013. The most commonly tracked outcome in 2013, medication adherence and persistence, decreased from 47 percent to 30 percent. Disease progression also decreased, from 33 percent in 2013 to 16 percent in 2014. *See Figure 36: Outcomes Tracked for Employees Treated with Medical Benefit Drugs.*

FIGURE 36: Outcomes Tracked for Employees Treated with Medical Benefit Drugs



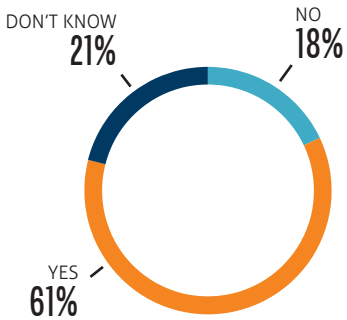
Eighty-two percent of our survey respondents currently have a care management program in place, indicating that majority of the employer groups feel that such a program is beneficial. These care management programs are disease specific and may not have a drug management component. Currently, we are unaware of any care management programs specific to drug management. Typically, drug management is incorporated into other care management programs that do not focus on the overall management of drug costs or appropriate sites of service. *See Figure 37: Disease-Specific Care Management Program.*

FIGURE 37: Disease-Specific Care Management Program



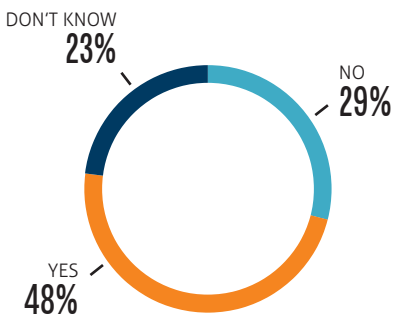
Sixty-one percent of our survey respondents reported that they are satisfied with their current management solution for medical benefit drugs, while at least 18 percent are not currently satisfied and 21 percent do not know. *See Figure 38: Satisfied with Current Management Solution for Medical Benefit Drugs.*

FIGURE 38: Satisfied with Current Management Solution for Medical Benefit Drugs



Close to half of our survey respondents would consider carving out the medical benefit to manage some medical benefit drugs under the pharmacy benefit, while almost a quarter are uncertain. *See Figure 39: Consider Carve-Out Solution with PBM.*

FIGURE 39: Consider Carve-Out Solution with PBM



Two-thirds of the employer groups responded that their current PBM had not approached them to see if they would like to carve out the medical benefit to manage some medical benefit drugs under the pharmacy benefit, while almost one-quarter had been approached by their PBM. Forty-two percent responded that they already have begun carving out some medical benefit drugs to the pharmacy benefit. *See Figure 40: Approached by PBM About Carve-Out Solution and Figure 41: Have Begun Carve-Out Solution.*

FIGURE 40: Approached by PBM About Carve-Out Solution

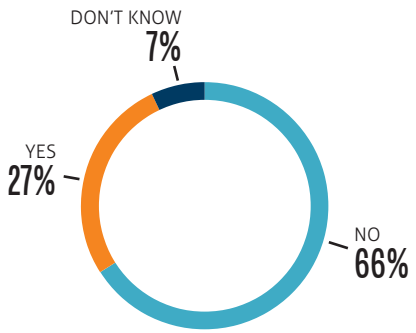
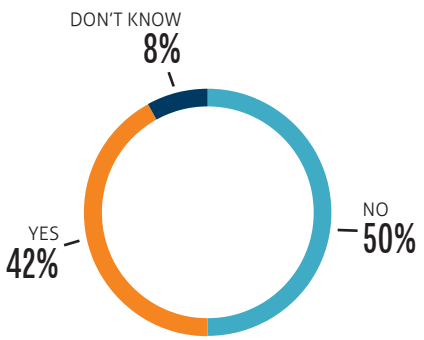
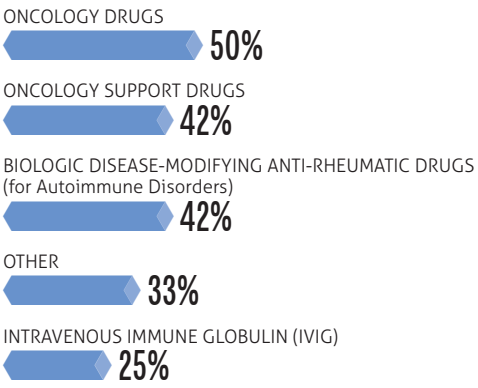


FIGURE 41: Have Begun Carve-Out Solution



Fifty percent of our survey respondents stated that they are considering carving out oncology drugs to the pharmacy benefit. Based on our information, we do not know which drugs they are considering or if it would only be specific types of oncology drugs. Along with oncology drugs, 42 percent of the survey respondents also would move oncology support drugs to the pharmacy benefit. Twenty-five percent would consider moving the intravenous immune globulin (IVIG) class of drugs to the pharmacy benefit and 42 percent would consider moving all anti-rheumatic drugs to the pharmacy benefit. *See Figure 42: Types of Drugs to Carve Out to the Pharmacy Benefit.*

FIGURE 42: Types of Drugs to Carve Out to the Pharmacy Benefit



One method for managing drug costs would be for an employer group to offer an alternative site of service for their employees where the employer group could control the cost of the drug and its administration. Only 30 percent of our survey respondents had access to an on-site clinic for their employees. Of this 30 percent, only 46 percent could have their employees use the clinic for drug infusions. *See Figure 43: On-Site Clinic for Employees and Figure 44: On-Site Clinic for Employees for Drug Infusions.*

FIGURE 43: On-Site Clinic for Employees

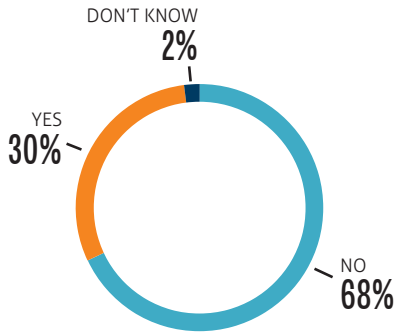
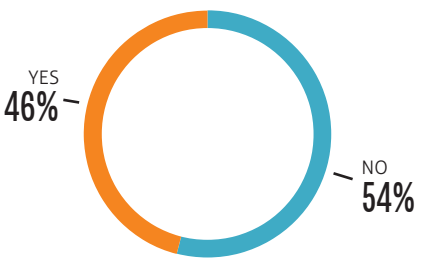


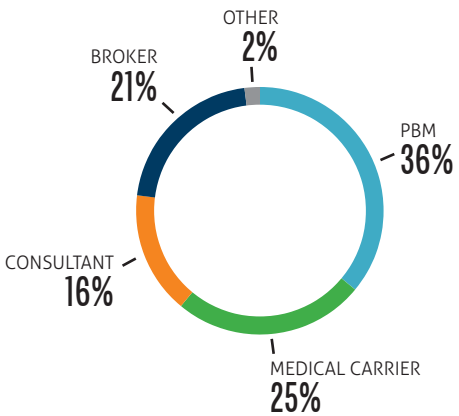
FIGURE 44: On-Site Clinic for Employees for Drug Infusions



Comprehensive Drug Management

With the specialty drug medical benefit becoming more complex, we asked the employer groups who they rely on for their overall pharmacy intelligence. Thirty-six percent rely on their PBM for information related to all drug management, 25 percent rely on their medical carrier and 37 percent rely on their broker or a consultant. One employer group has its own dedicated pharmacist on staff who acts as a resource for management of all drug spend. *See Figure 45: Primary Provider of Pharmacy Intelligence.*

FIGURE 45: Primary Provider of Pharmacy Intelligence



Half of our survey respondents would like an expert pharmacy consultant available to assist them with the management of overall drug spend. Of these, 32 percent would be willing to pay for that service. Twenty-three percent were uncertain whether or not they could benefit from such help. *See Figure 46: Prefer Pharmacy Consultant to Help Manage Overall Drug Spend and Figure 47: Pay for Pharmacy Consultant to Help Manage Overall Drug Spend.*

FIGURE 46: Prefer Pharmacy Consultant to Help Manage Overall Drug Spend

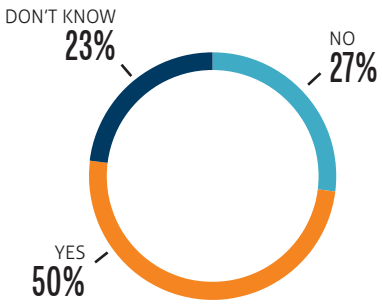
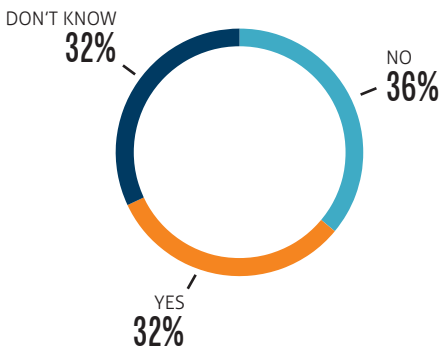


FIGURE 47: Pay for Pharmacy Consultant to Help Manage Overall Drug Spend



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