



The Managed Care Injectables Index: Fall 2008

Primary Research from The Zitter Group

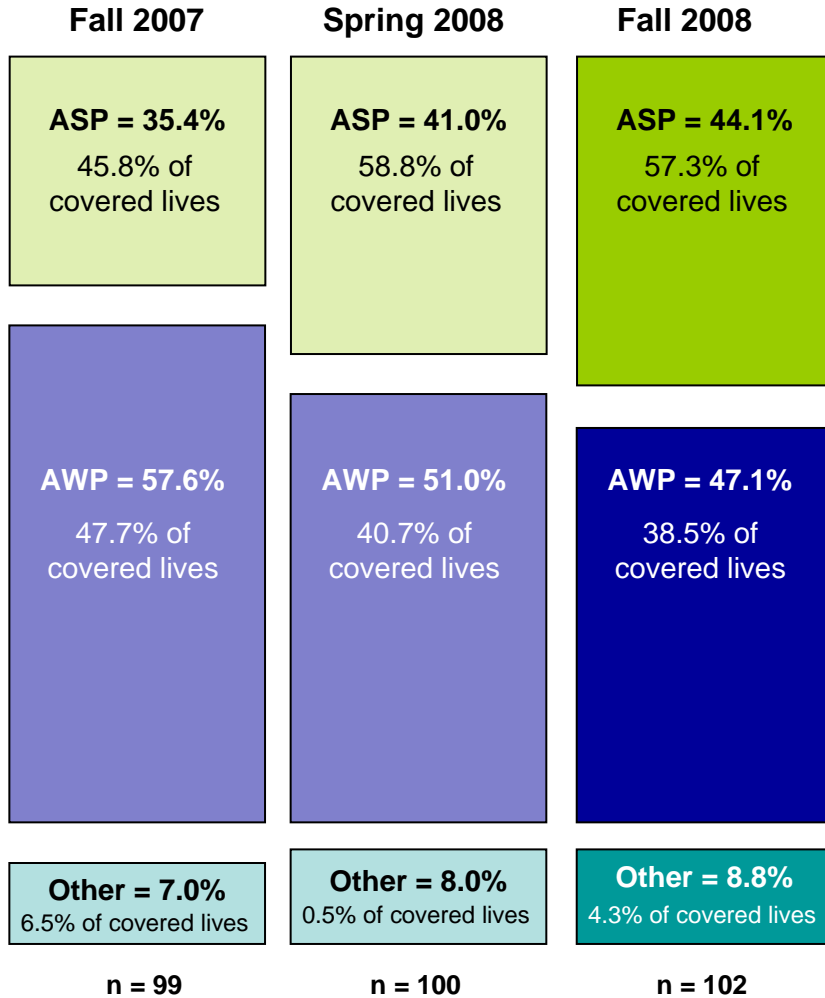
Volume 6, Number 2

Key Findings:

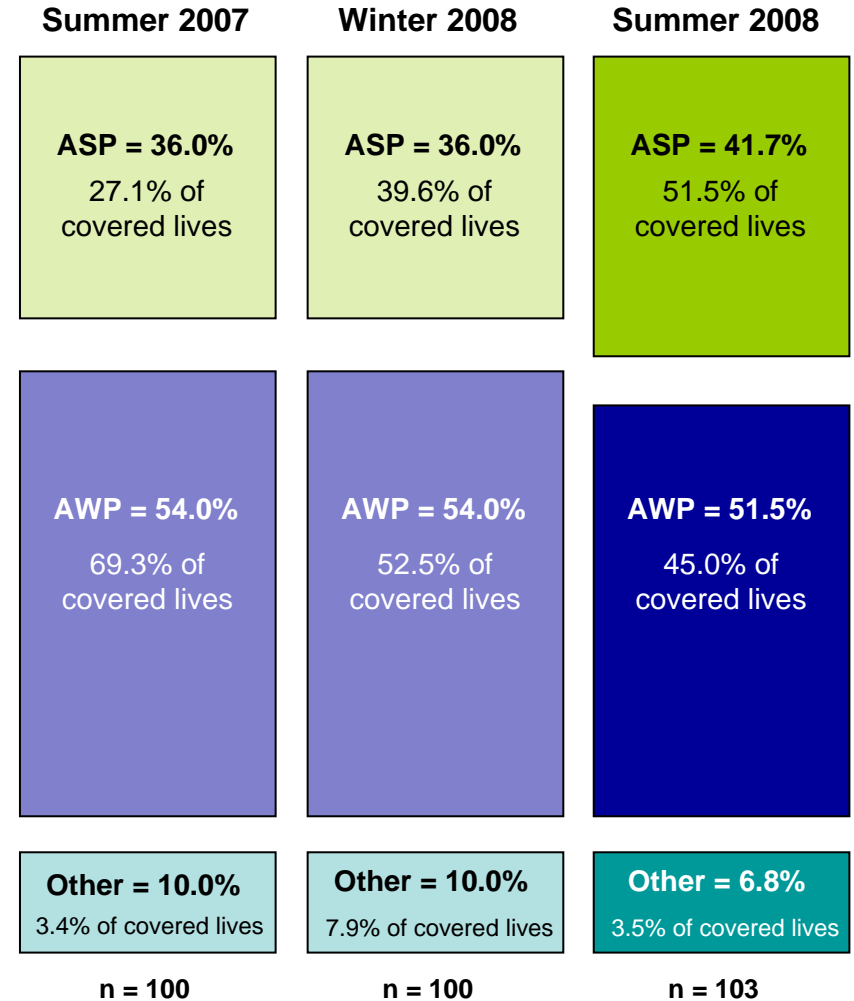
- The share of payers that depend primarily on ASP methodology is approaching equilibrium with the share using AWP
- ASP is used to manage a dominant portion of covered lives

Reimbursement Over Time

Injectables Index Data



Oncology Index Data*



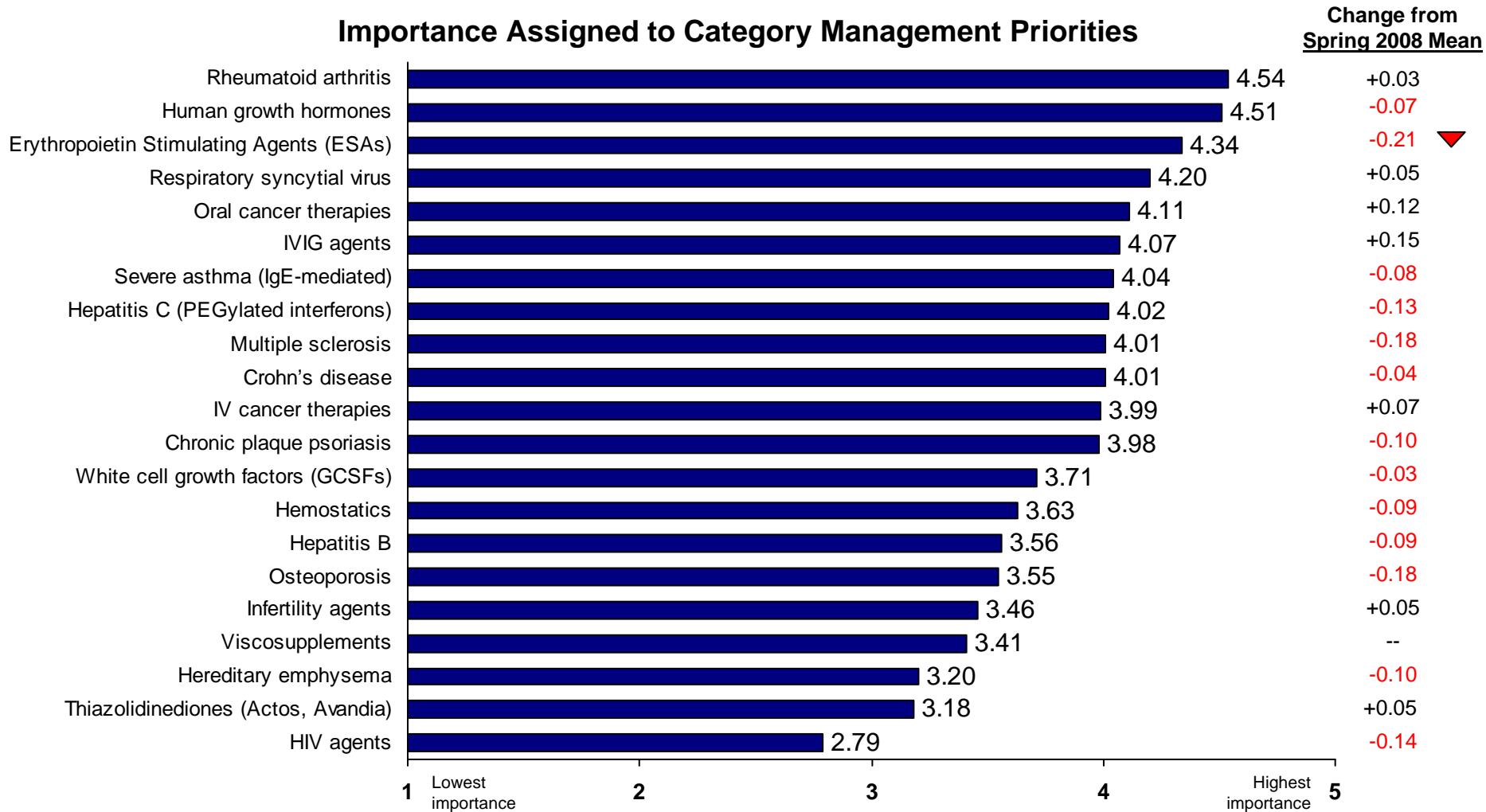
Q = "Currently, which physician payment methodology is used most frequently by your organization? Please select only one."

* Responses pertain only to reimbursement of oncologists treating commercial plan members

Key Findings:

- RA, hGH, and ESAs remain top management priorities and the most likely targets for payer policies

Current Disease Category Management Priorities



n = 102

Q = "We would like to know how you prioritize the management of various pharmaceutical categories. Please indicate the degree to which each of the following categories is a management priority for your organization."

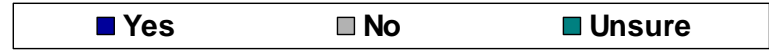
▼ Significant decrease from Spring 2008

Key Findings:

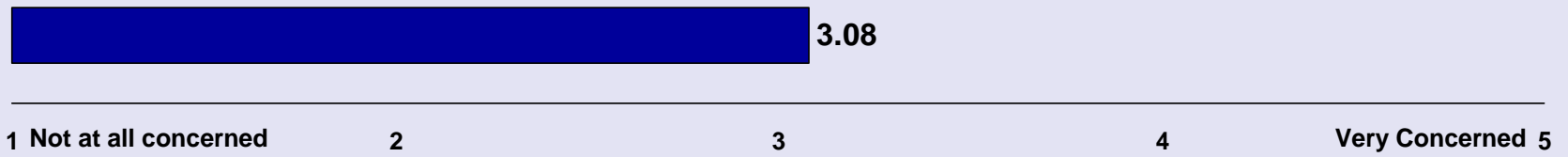
- More than half of payers do not believe that the tighter management of pharmacy benefit agents incentivizes medical benefit utilization
- Benefit management integration is thought to be worthwhile

Unintentional Route of Administration Incentives

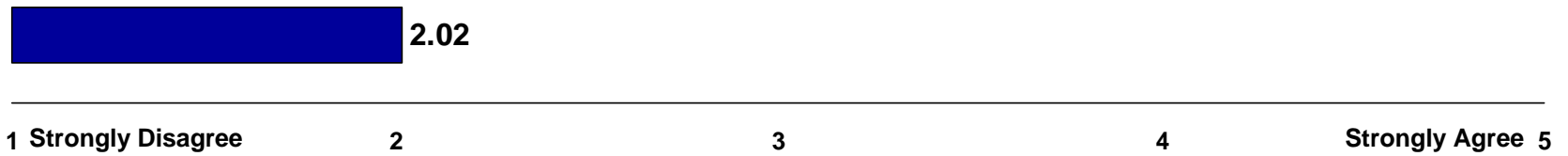
Do you believe that the tighter management of agents covered under the pharmacy benefit unintentionally incentivizes the prescription of agents covered under the medical benefit?



How concerned is your organization about products in different benefits and your ability to manage across those benefits?



The costs and challenges of integrating medical and pharmacy management outweigh the potential benefits.



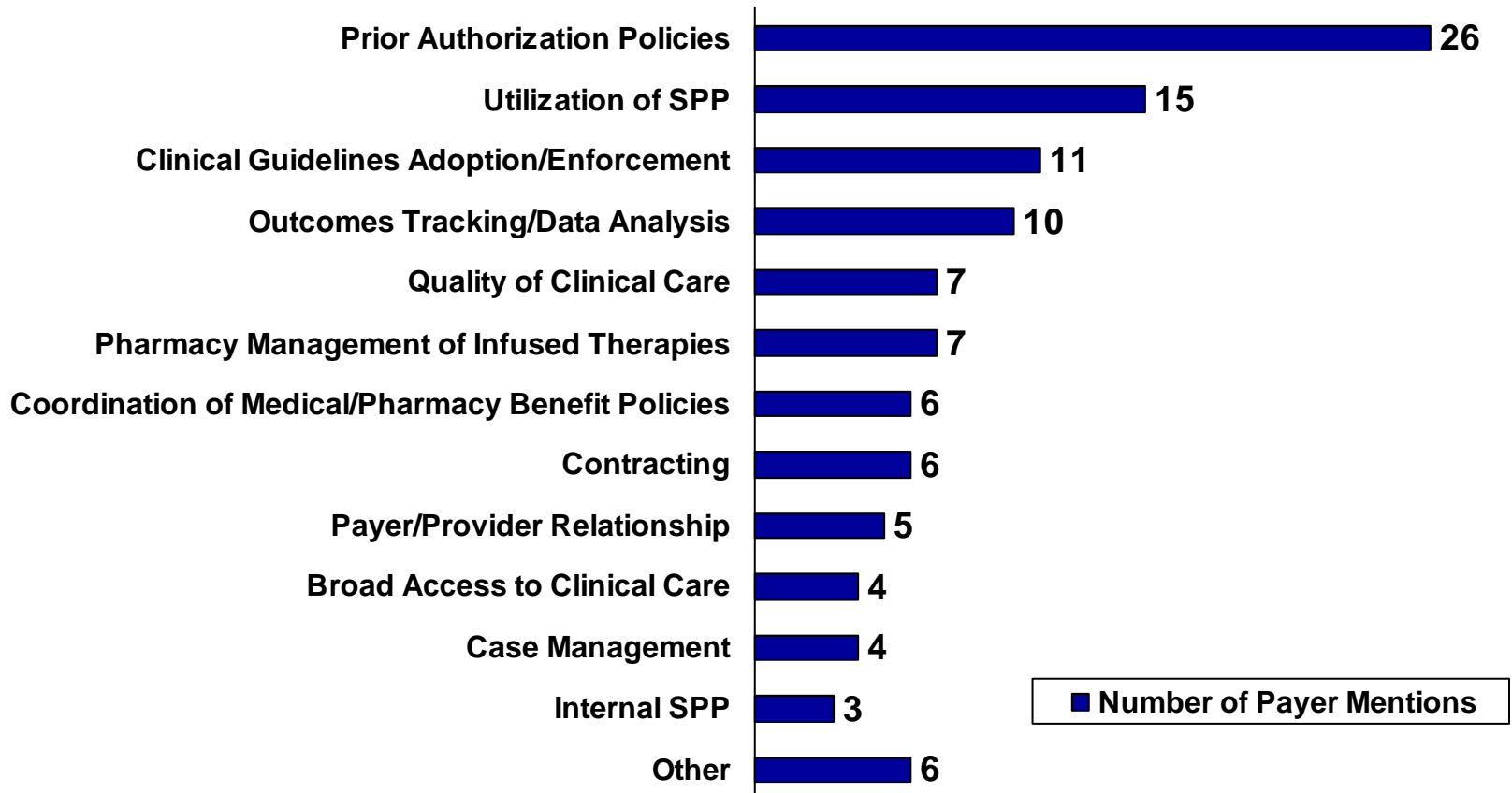
n = 102

Key Findings:

- Payers believe that areas of significant specialty management strength include PA policies, SPP utilization, internal guideline adoption/enforcement, and outcomes tracking/data analysis

Payer Management Strengths

When evaluating your organization's management of specialty therapies, what do you see as your greatest management strengths? [Open Ended]



n = 102

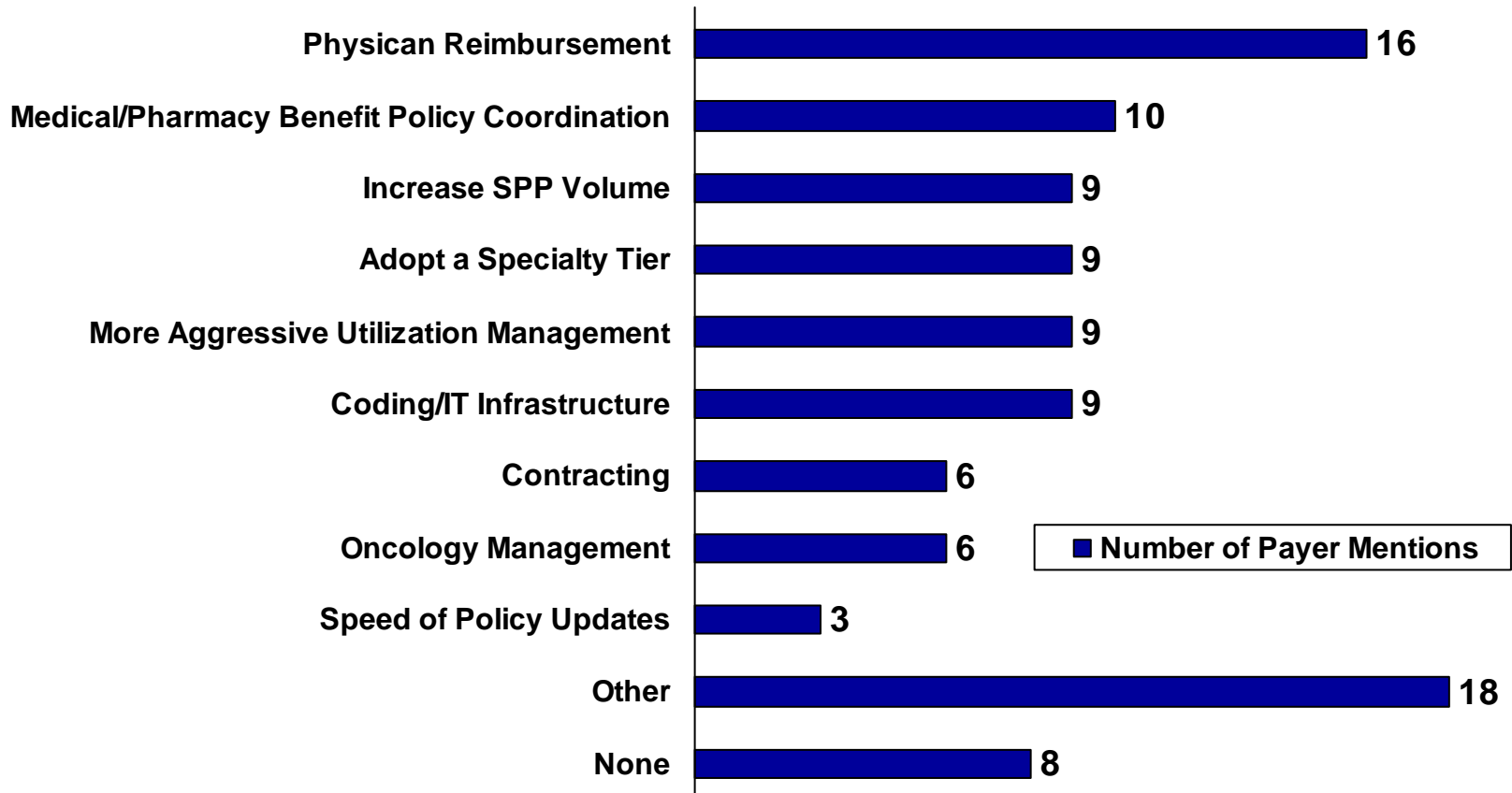
Payers were allowed to cite multiple strengths

Key Findings:

- Payers cite multiple areas of management policies in need of reform, primarily physician reimbursement and coordination of management across the medical and pharmacy benefit

Payer Management Policies in Need of Reform

When evaluating your organization's management of specialty therapies, what policies are most in need of reform? [Open Ended]



n = 102

Payers were allowed to cite multiple policies in need of reform



The Managed Care Oncology Index: Summer 2008

Primary Research from The Zitter Group

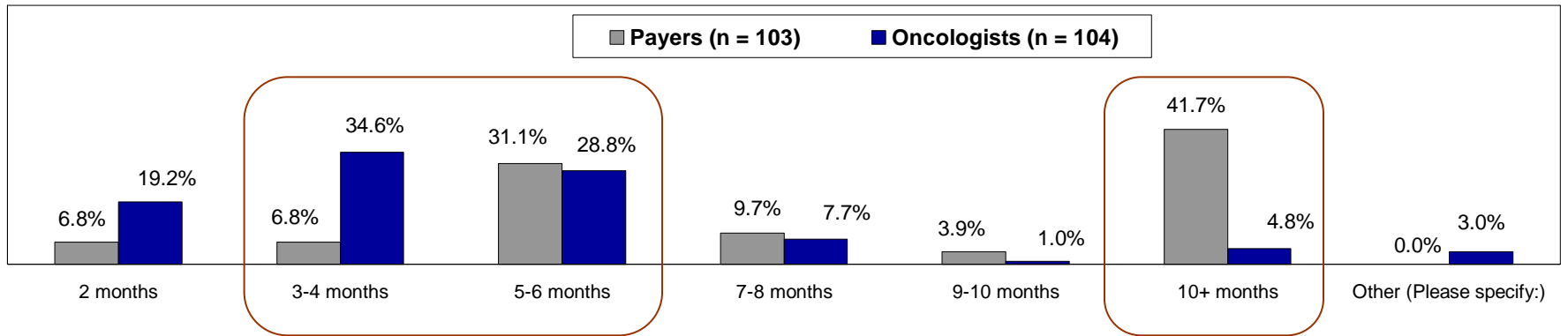
Volume 2, Number 2

Key Findings:

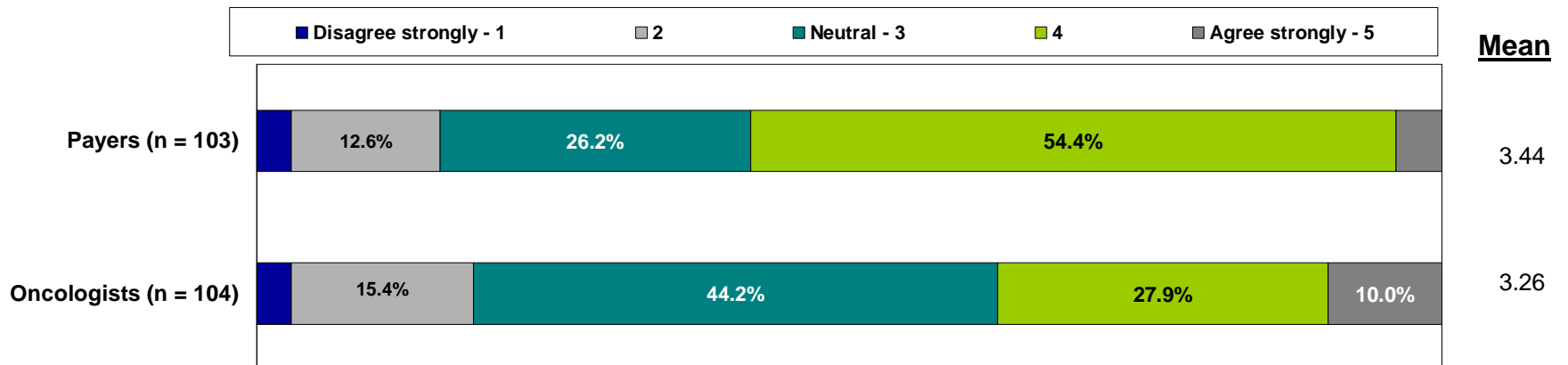
- Payers and providers express divergent opinions about what constitutes a survival benefit
- Oncologists are uncertain as to whether patients are likely to prefer improved quality of life over treatment with limited clinical benefit

Evolving Patient Preferences: Survival vs. Quality of Life

By how long must a patient's life be extended for you to consider a product to have a survival benefit?



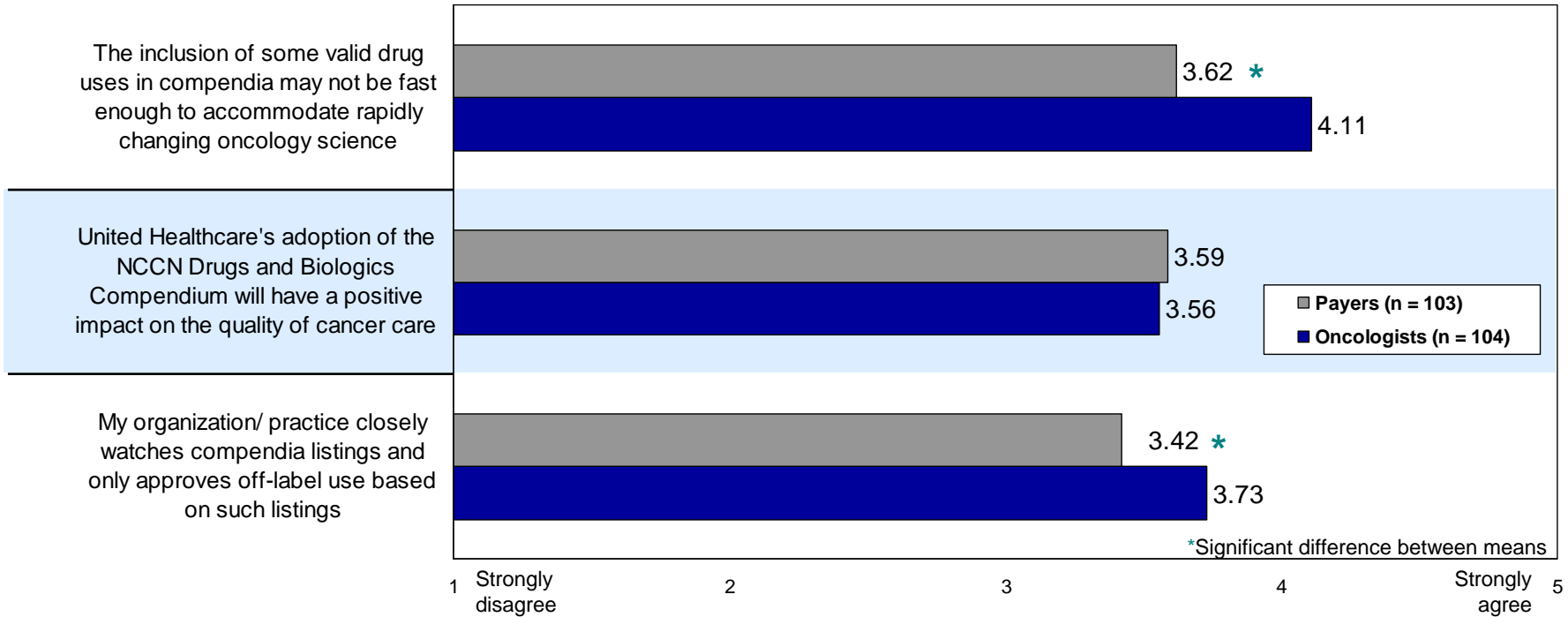
As the number of treatment options with limited clinical benefits increase, patients will prefer therapies that offer enhanced quality of life compared to improved survival



Key Findings:

- Payers and providers believe that United's adoption of NCCN guidelines will have a positive impact on cancer care
- A significant portion of payers is unsure about adopting a single compendia, indicating "watchful waiting" sentiment

Compendia and Other Data Sources



Does your organization plan to adopt and approve a single compendium (e.g. NCCN, ASCO, or AHFS) to guide cancer coverage decisions?

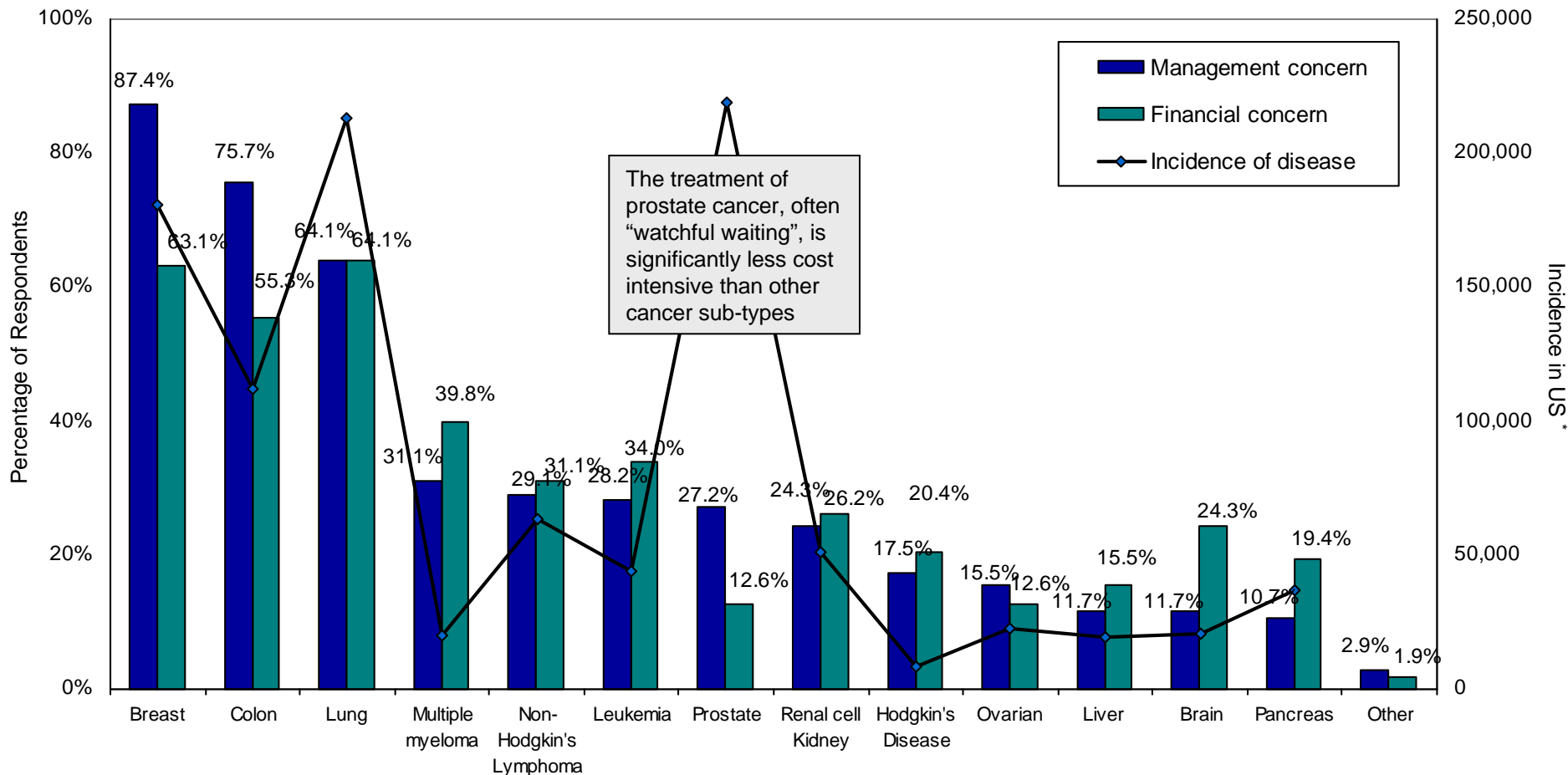


Payers n = 103

Key Findings:

- Payers focus management attention on cancer subtypes with resource intensive treatment options
- Breast cancer is a top priority, but the recent approval of Avastin has not prompted a significant increase in payer concern

Payer Management Priorities within Cancer



Payers n = 103

Q = "Which of the following cancer types represent your top management concerns? [select all that apply]"

Q = "Which of the following cancer types represent the most significant financial challenges? [select all that apply]"

No significant change from Winter 08 report

* Source: American Cancer Society. Cancer Facts & Figures 2008. Atlanta: American Cancer Society; 2008.

Key Findings:

- Within proper context and patient population, targeted therapies such as Gleevec and Herceptin are considered wonder drugs
- Taxanes and other chemotherapy stalwarts with time-tested clinical efficacy are characterized as reliable workhorses

Assessments of Therapeutic Options

Extremely valuable –
a “wonder drug”

Oncologists (number of unaided mentions)

Gleevec (45)

Rituxan (22)

Avastin (19)

Herceptin (17)

Other product mentioned: paclitaxel

Payers (number of unaided mentions)

Gleevec (29)

Herceptin (10)

Avastin (6)

Other products mentioned: Rituxan, Sutent

A reliable workhorse

Taxol/Taxotere (34)

Cisplatin/Carboplatin (17)

Rituxan (10)

Other products mentioned: Herceptin, Avastin, 5-FU, Xeloda, Procrit

Taxol/Taxotere (19)

5-FU (16)

Cisplatin/Carboplatin (11)

Herceptin (4)

Other products mentioned: Tamoxifen, Rituxan, Procrit

Q: “For each of the following questions, please provide the names of any cancer products that you believe to be good examples. You can select more than one for each question. If you cannot think of a response, you may leave a question blank.”

Key Findings:

- As the evidence required for therapy selection moves from theoretical applicability to demonstrated clinical benefit, the perceived clinical value of some targeted therapies, such as Avastin and Erbitux, begins to erode

Assessments of Therapeutic Options

Too expensive and not enough benefit

Oncologists (number of unaided mentions)

Avastin (27)

Tarceva (23)

Erbitux (17)

Sutent (7)

Other products mentioned: Vectibix, Thalidomide, Abraxane

Payers (number of unaided mentions)

Avastin (30)

Erbitux (15)

Thalomid (3)

Other products mentioned: Vectibix, Abraxane, Iressa, Tarceva, Gleevec, Sutent

Too much hype

Avastin (35)

Erbitux (13)

Tarceva (9)

Sutent (5)

Other products mentioned: Vectibix, Nexavar, Campath

Avastin (32)

Erbitux (8)

Sutent (5)

Other products mentioned: Rituxan, Herceptin, Tarceva, Velcade, Gleevec

Q: "For each of the following questions, please provide the names of any cancer products that you believe to be good examples. You can select more than one for each question. If you cannot think of a response, you may leave a question blank."



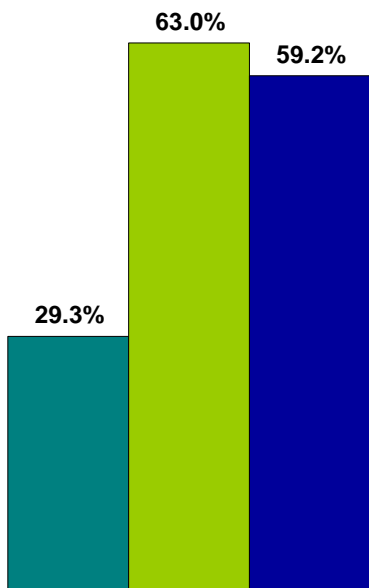
Key Findings:

- Nearly 60% of payers have increased non-drug payments to physicians
- Most fee increases have been modest – 0% to 10% – though some report much higher increases

Current and Anticipated Non-Drug Payments to Providers

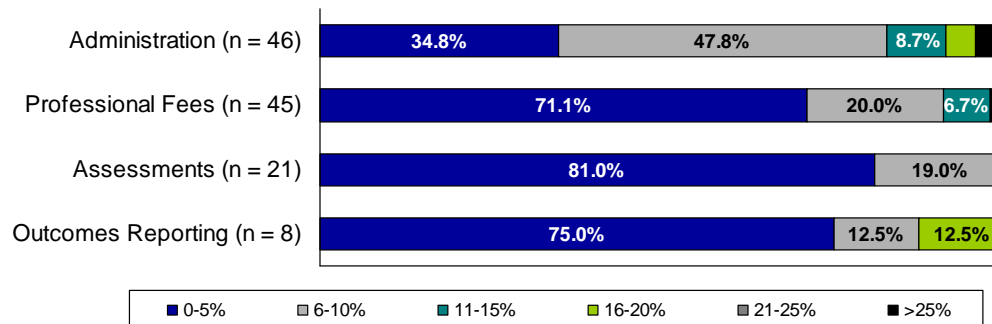
Has your organization increased professional fees paid to oncologists?

- Summer 2007
- Winter 2008
- Summer 2008

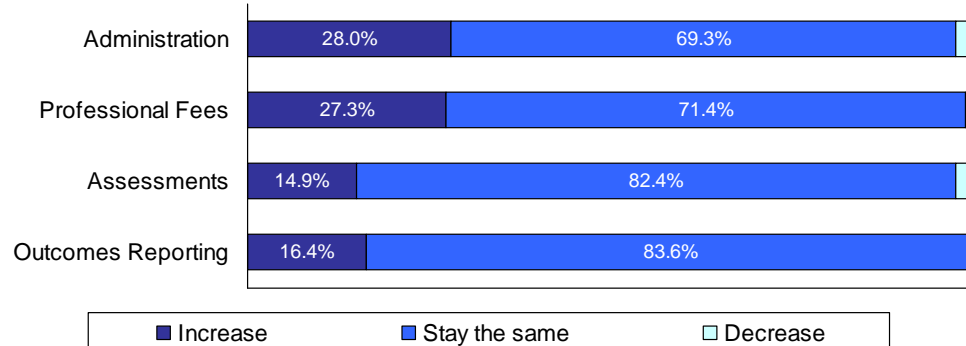


Yes - Payers

Current Fee Increases by Type



How will these fees change over the next 12 months?





The Managed Care Benefit Design Index: Fall 2008

Primary Research from The Zitter Group

Volume 1, Number 2

Key Findings:

- Both payers and employers believe that health care costs are the dominant factor to consider when designing health benefits
- Payers give significantly more attention to ensuring the quality of health care than do employers

Importance of Cost, Access, and Quality of Care

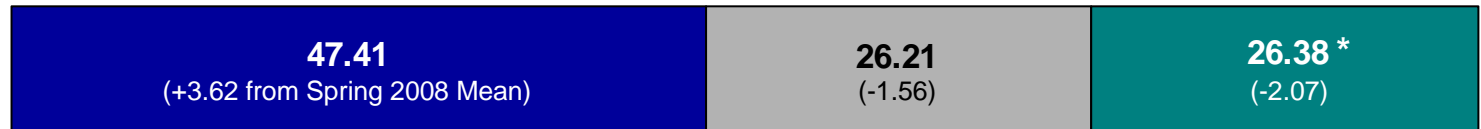
Please use a 0 to 100 index scale to rate how important each of these three factors are when designing health benefits

■ Health Care Costs

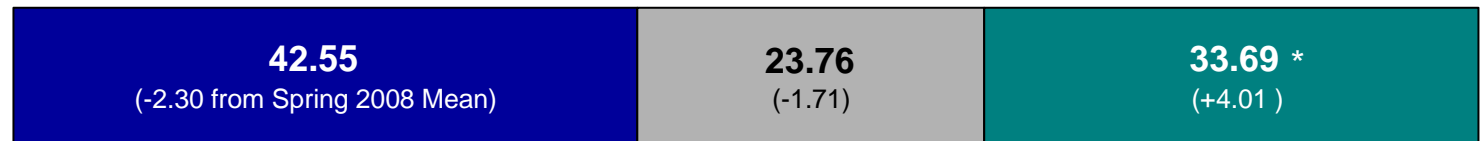
■ Access to Medically Necessary Care

■ Quality Health Care

Employers/EBC
(n= 100)



Payers
(n= 103)



Average Degree of Importance (0-100 Points)

Q: "We would like to understand how you rank the relative importance of the cost, access and quality of health care to each other when designing health benefits. Please use a 0 to 100 index scale to rate how important each of these 3 factors are when developing benefit choices for your clients."

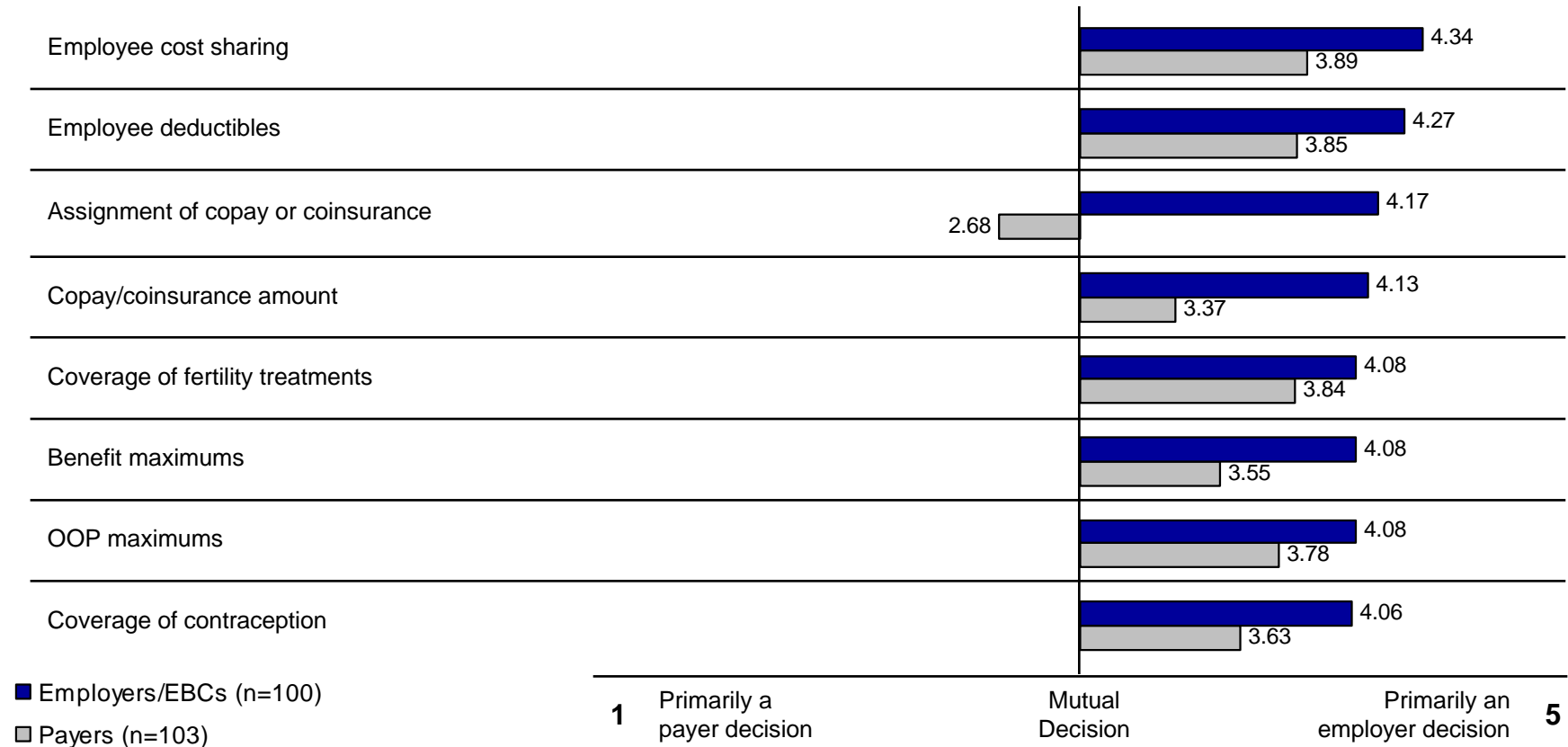
* Significant difference between payer and employer means

Key Findings:

- Employers are the primary drivers behind employee cost-sharing policies and the decision to cover contraception or fertility treatments

Employer Influence in Policy Decision Making

Please describe the level of stakeholder collaboration when establishing the following policies



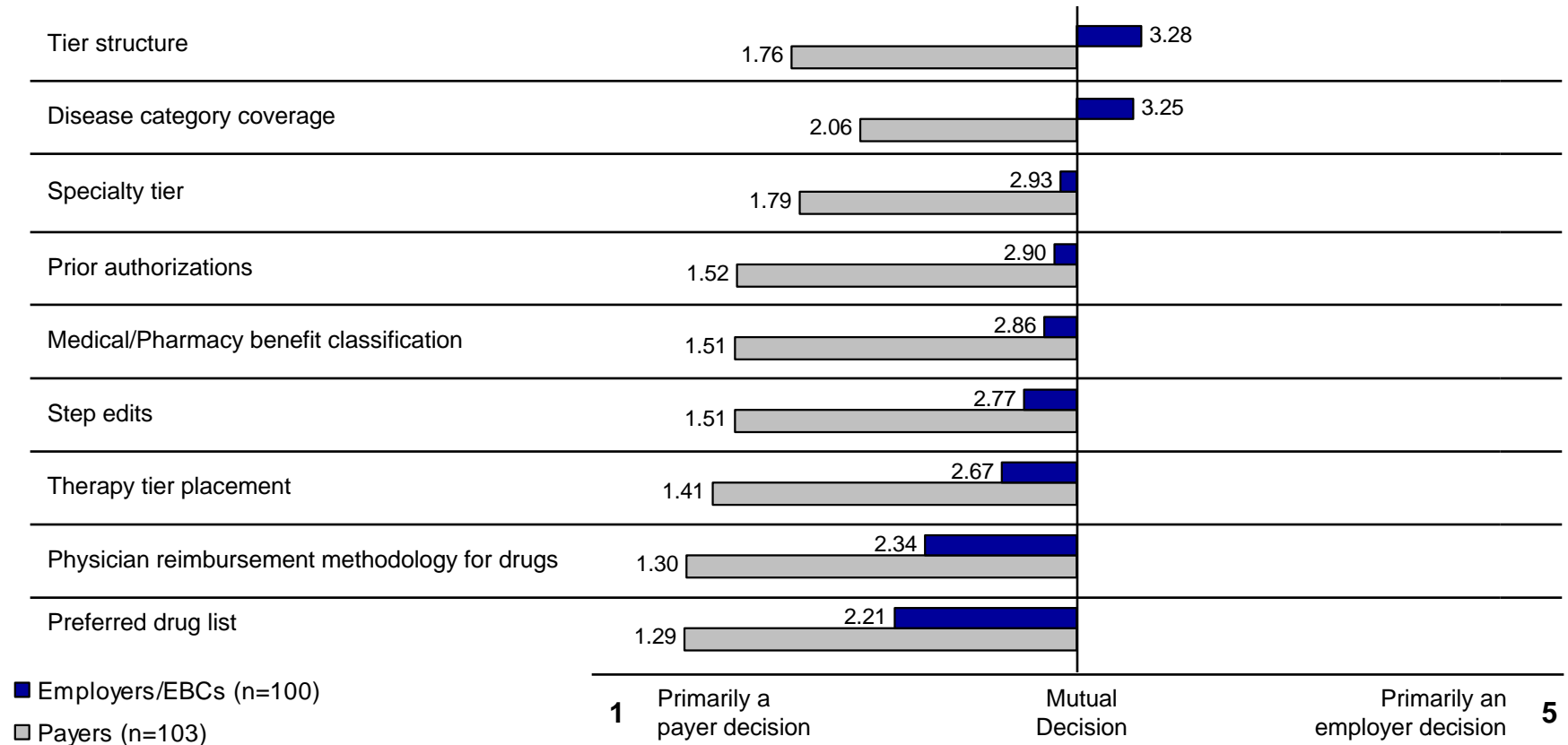
Q: "We are interested in understanding more about the extent to which your organization collaborates with payers to establish specific health insurance policies. For each of the following policies, please evaluate the decision making process using a 1-5 scale where 1 represents "primarily a payer decision and 5 represents primarily an employer decision."

Key Findings:

- Therapy management, tier placement, and utilization control policies are primarily payer decisions

Payer Influence in Policy Decision Making

Please describe the level of stakeholder collaboration when establishing the following policies

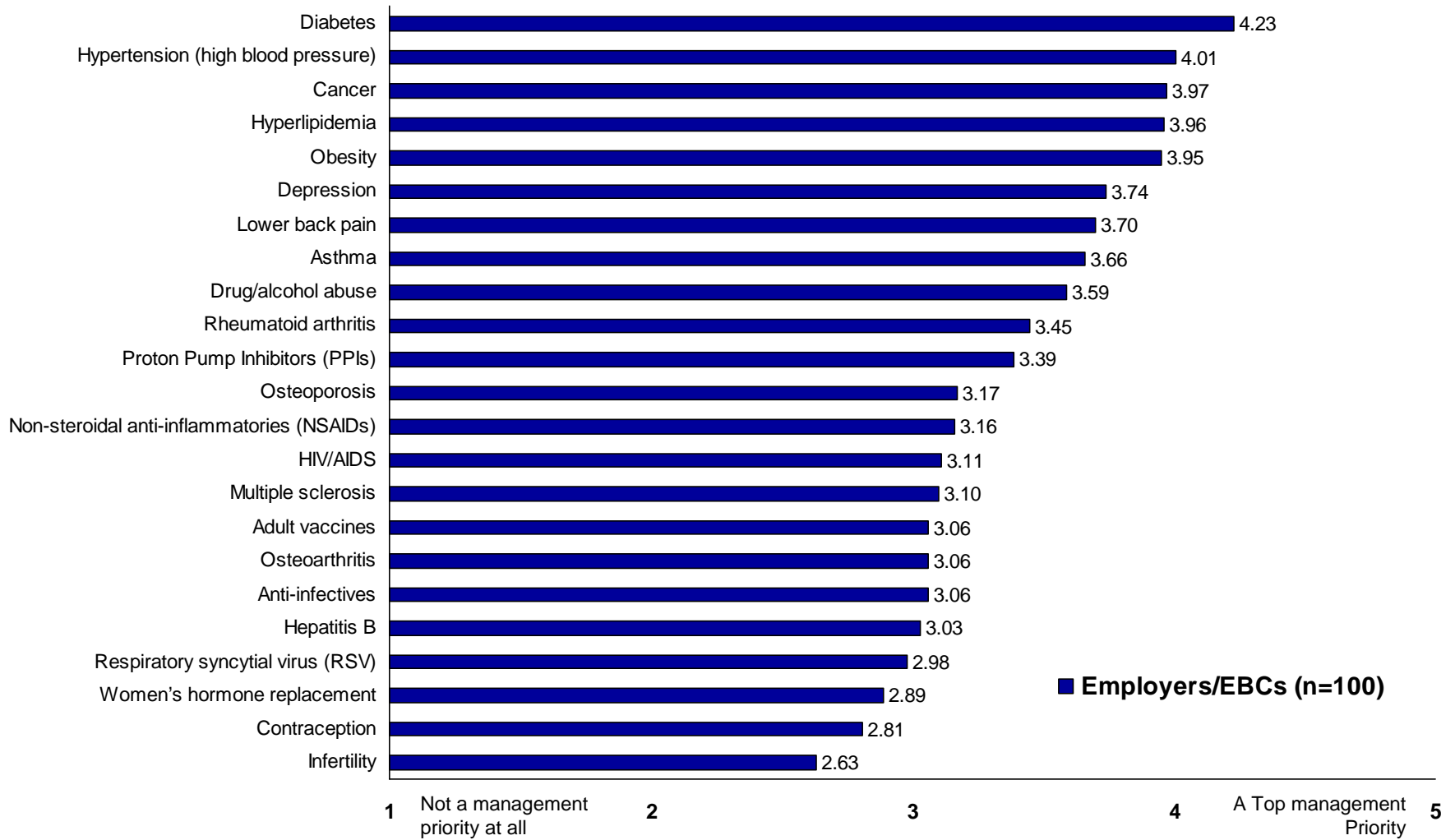


Q: "We are interested in understanding more about the extent to which your organization collaborates with payers to establish specific health insurance policies. For each of the following policies, please evaluate the decision making process using a 1-5 scale where 1 represents "primarily a payer decision and 5 represents primarily an employer decision."

Key Findings:

- Four of the top five employer management priorities are related to excess body weight and heart disease

Employer Management Priorities

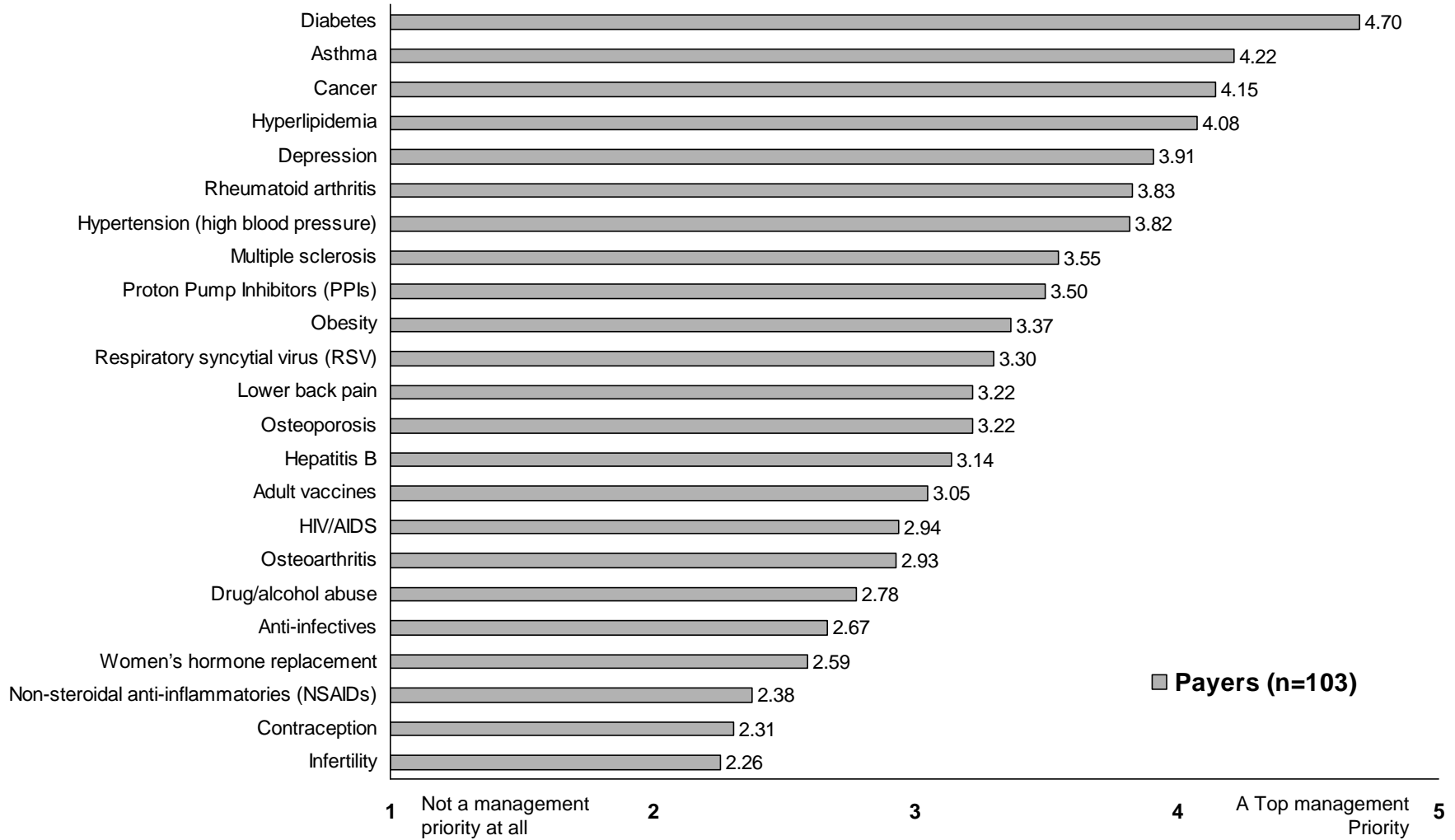


Q: "We would like to know how you prioritize management of various conditions and treatment categories. Please indicate the degree to which each of the following categories represents a management priority for your organization, where 1 indicates "not a priority at all" and 5 indicates "a top priority".

Key Findings:

- Payers focus management attention on chronic disease states that can offer a meaningful return on logistical and financial investment
- The wider range of category priority scores suggests that payers have a stronger sense of management priorities than do employers

Payer Management Priorities



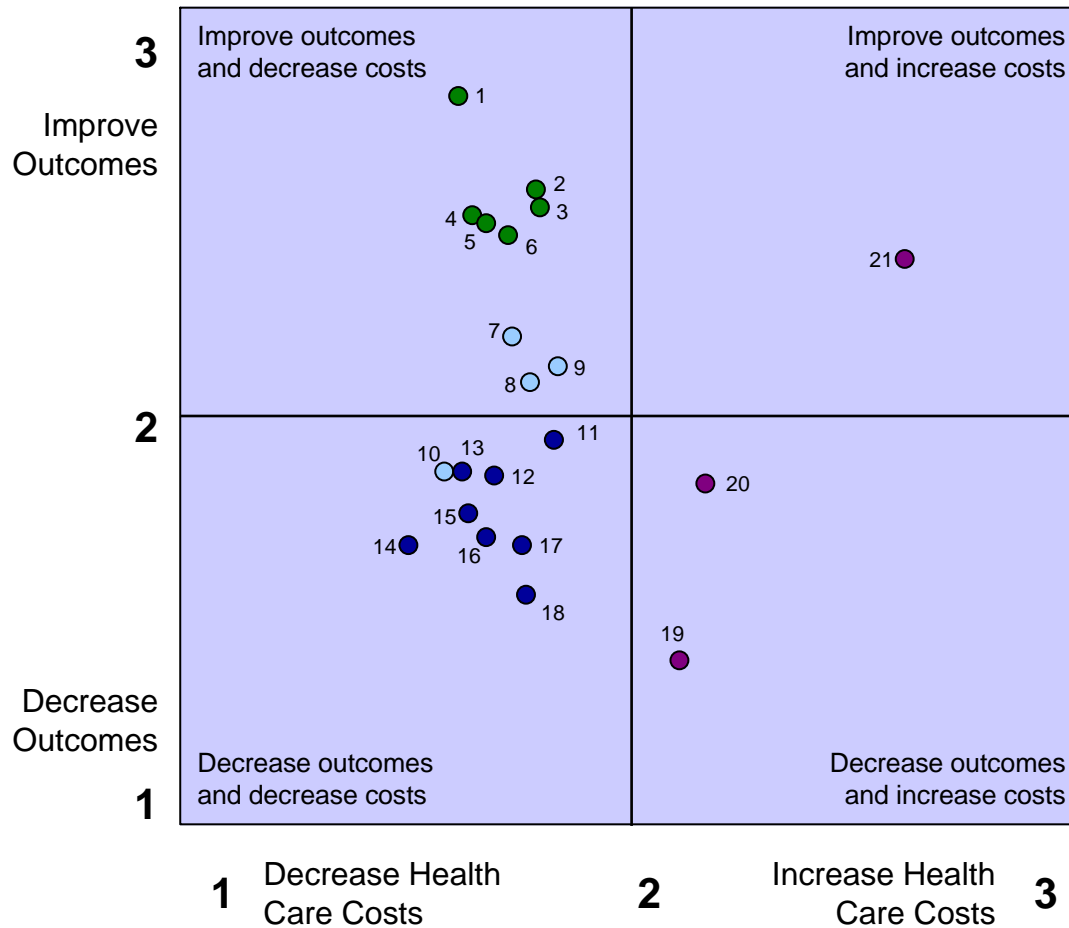
Q: "We would like to know how you prioritize management of various conditions and treatment categories. Please indicate the degree to which each of the following categories represents a management priority for your organization, where 1 indicates "not a priority at all" and 5 indicates "a top priority".

Key Findings:

- Payers believe that coordinated management of chronic diseases will both improve outcomes and limit costs
- Increasing employee OOP costs stands to both reduce spending and erode outcomes

Relating Health Outcomes to Health Care Costs: Payer

Payer Projected Intervention Impact



- Incentivize desired outcomes
- Increase patient cost sharing
- Introduce compliance/adherence programs for chronic conditions
- Adopt designs with lower cost-sharing for some conditions
- Complete health risk appraisals for all members
- Link cost-sharing burdens/tier placement to demonstrated benefit
- Introduce provider incentives and penalties
- Assist employers with establishing onsite health services
- Implement PBM/SPP contracts with specific use/cost metrics
- Shift biologics/injectables from medical to pharmacy benefit
- Manage specialty drugs on pharm, adjudicate on med
- Add a specialty/biologic pharmacy tier
- Increase benefit caps/patient out of pocket limits
- Increase employee contribution to premiums
- Increase cost-sharing for inpatient hospital stays
- Increase employee deductibles
- Adopt plans with higher levels of patient cost-sharing (CDHPs)
- Increase cost-sharing for physician visits
- Switch from copayments to coinsurance for prescription drugs
- Increase cost-sharing for prescription drugs
- Reduce prescription drug coverage
- Establishment of a single payer/national insurance risk pool
- Introduction of new targeted specialty/biologic agents

Intervention Classification

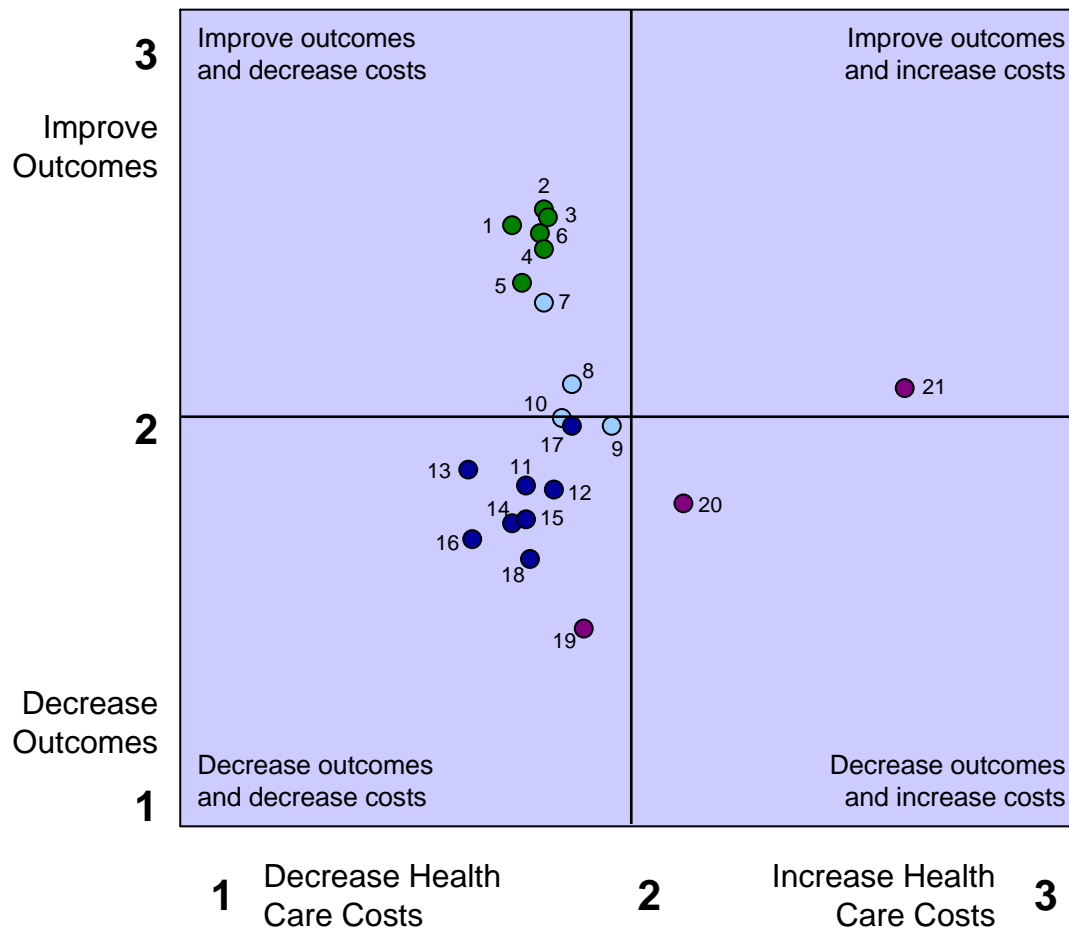
Payers n=103

Key Findings:

- While employers believe that successfully aligning financial incentives with desired clinical outcomes can improve care and decrease costs, they acknowledge that shifting costs to employers also risks eroding outcomes

Relating Health Outcomes to Health Care Costs: Employer

Employer Projected Intervention Impact



- Incentivize desired outcomes
 - Increase patient cost sharing
 - Therapy management
 - Other
- 1 Introduce compliance/adherence programs for chronic conditions
 - 2 Adopt designs with lower cost-sharing for some conditions
 - 3 Complete health risk appraisals for all members
 - 4 Link cost-sharing burdens/tier placement to demonstrated benefit
 - 5 Introduce provider incentives and penalties
 - 6 Assist employers with establishing onsite health services
 - 7 Implement PBM/SPP contracts with specific use/cost metrics
 - 8 Shift biologics/injectables from medical to pharmacy benefit
 - 9 Manage specialty drugs on pharm, adjudicate on med
 - 10 Add a specialty/biologic pharmacy tier
 - 11 Increase benefit caps/patient out of pocket limits
 - 12 Increase employee contribution to premiums
 - 13 Increase cost-sharing for inpatient hospital stays
 - 14 Increase employee deductibles
 - 15 Adopt plans with higher levels of patient cost-sharing (CDHPs)
 - 16 Increase cost-sharing for physician visits
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 - 18 Increase cost-sharing for prescription drugs
 - 19 Reduce prescription drug coverage
 - 20 Establishment of a single payer/national insurance risk pool
 - 21 Introduction of new targeted specialty/biologic agents

Employers/EBCs n=100

Intervention Classification