

PRESS RELEASE

Cost Concerns Continue to Dominate Benefit Design

To combat rising costs, payers look to increase utilization management and raise member premiums; employers shy away from restricting utilization, but are on board with shifting cost-share to employees.

Millburn, NJ – January 31, 2012: Both payers and employers report that total medical and pharmacy costs, as well as disease prevalence, primarily dictate which categories they rate as their highest priorities. It is perhaps not surprising then that cancer now ranks as payers' greatest management priority, ahead of type 2 diabetes. Employers share payers' concerns, focusing their efforts on combating cancer and type 2 diabetes. But, employers place significantly greater interest in managing lifestyle categories that impact workplace productivity, including obesity and smoking cessation.

Similarities between employers and payers continue into their plan design. For plan year 2012, 72% of payers increased members' premium contributions; 53% of employers report making the same change. Notably, a significantly greater number of payer and employers than six months ago believe their organizations are farther away from overwhelming patients with cost. In other words, cost-sharing increased this year and plan sponsors think they have more room to go.

However, agreement on patient financial responsibility did not translate to agreement about access restrictions. Seventy-one percent of payers increased the number of drugs subject to prior authorization, prior failure, or step edits, while a large majority of employers indicated making no changes at all. Employers' relaxed access policy may be changing soon, though. Significantly more employers are managing therapeutic categories per ASO / PBM recommendation than were six months ago, while significantly fewer are managing less restrictively than ASO / PBM recommendation.

These findings come from The Zitter Group's *Managed Care Benefit Design Index: Emerging Trends in Access*, which surveys approximately 100 top managed care decision-makers and 100 self-insured employers and employee benefits consultants to explore the trends influencing the creation of benefit design policies and their impact on the management and use of biopharmaceutical therapies. This

newest edition has an expanded look at health care reform, manufacturer cost-sharing assistance programs, expectations for accountable care organizations, and patient cost-sharing. Key highlights from this most recent study include:

- Seventy percent of payers and 77% of employers believe health care reform will increase health care costs, by an average of 16% and 14%, respectively
- Employers are significantly more willing than payers to partner with pharmaceutical manufacturers in all areas of benefit design and health care intervention
- Sixty-two percent of payers and 96% of employers report having some type of out-of-pocket maximum in their most representative benefit design
- A majority of payers employs a three-tier design for their commercially insured plans; two-thirds of those with a fourth tier adjudicate those claims on a coinsurance basis
- Sixty-three percent of payers maintain a closed SPP network for self-administered specialty drugs, and 52% of payers do not allow standard retail distribution for these agents
- Payers benchmark potential new category agents against the most recent entrants to the space, including Brilinta in anticoagulants, Androderm in testosterone deficiency, and GLP1 and DPP IV agents in type 2 diabetes
- Significantly more employers are managing nearly all categories per ASO / PBM recommendation than were six months ago, while significantly fewer are managing less restrictively than ASO / PBM recommendation

ABOUT THE ZITTER GROUP

The Zitter Group is a business intelligence firm that assists life science companies with issues related to product access, reimbursement, and managed markets. Founded in 1989, The Zitter Group provides data-driven business insights derived from the nation's largest payer research panel. The company produces the largest and most detailed database on prior authorization policies, several of the largest syndicated studies on payer management of specialty and oncology drugs, and the only service tracking messages account managers provide to payers. For additional information on The Zitter Group, please visit <http://www.zitter.com>.

ABOUT THE MANAGED CARE BENEFIT DESIGN INDEX

The Managed Care Benefit Design Index: Emerging Trends in Access is the only study focused on the drivers of benefit design and its impact on the management and use of biopharmaceutical therapies. This semi-annual, multi-client study surveys approximately 100 top payer decision-makers and 100 self-insured employers and employee benefits consultants to explore the trends influencing the creation of

benefit design policies. Recently, this study has been expanded to include utilization management trends, employer perceptions of manufacturer coupon programs, and health care reform-inspired benefit design changes.

PARTICIPATE IN FUTURE RESEARCH STUDIES CONDUCTED BY THE ZITTER GROUP

Are you an MCO professional interested in participating in The Zitter Group's research studies? Please contact Linda Dordevic at ldordevic@zitter.com for more information.

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