In December 2002, the non-sedating antihistamine (NSA) Claritin® went over-the-counter (OTC), and the entire allergic rhinitis market shifted in a matter of weeks. Now, the Food and Drug Administration (FDA) has approved the blockbuster “purple pill” Prilosec for over-the-counter sales. Can you expect the same kind of immediate shift in the ulcer/GI (gastrointestinal) segment?

Consumer-Directed Healthcare
Part of Your Plan for 2004?

Greater cost-awareness and accountability. Responsible decision making. Control and choice for participants.

And, ultimately, lower long-term trend. Great goals, but will a consumer-directed plan deliver for you?

Apparently, many employers hope so. According to a recent report from Deloitte & Touche, 35 percent of employers may offer a consumer-directed healthcare (CDH) plan in the near future. Will CDH give them what they want? As yet, no one knows. In fact, there appears to be a considerable range of understanding about what qualifies as consumer-directed healthcare.

For employers who want greater cost-awareness, education may be enough. Others feel the need to shift the distribution of costs. Some want to move to a full CDH plan, with funding options controlled by the participant and catastrophic coverage built in. Each level, of course, demands progressively more of the participant and thereby increases the potential for disruption.

Moving toward consumerism

Rather than investing in an unproven consumer-directed healthcare model, some employers are considering intermediate steps toward greater consumer responsibility. A first step might be as simple as increasing cost awareness by providing all participants with a personal account summary containing information on previous pharmacy spend as well as tips on how to lower future costs.
Consumer-Directed Healthcare
Part of Your Plan for 2004?

CONTINUED FROM COVER

That lays the groundwork for a move from a flat co-pay structure to a percentage of cost (co-insurance) structure and the possible addition of a deductible. This will clarify actual prescription pricing for the participant and shift the balance between participant and plan. Integrating employee-funded flexible spending accounts (FSAs) would provide the opportunity for participants to spend pre-tax dollars on healthcare services (including prescriptions) of their choice.

The next stage could involve a higher deductible along with an employer-funded health spending account (HSA) to defray costs for the participant. Such a gradual introduction to consumer responsibility eases the transition to greater responsibility for participants while minimizing potential disruption and allowing testing of plan design options for impact on trend.

If you’d like to discuss how your benefit program could integrate consumer responsibility, contact your Caremark account representative.

Questions to ask if you’re considering a consumer-directed pharmacy benefit next year...

Does the plan target high utilizers?
Adverse selection—whereby healthier participants choose CDH while high utilizers stick with more conventional plans—could defeat your purpose. Will your plan identify and target the most expensive participants to encourage enrollment? And will it provide the extra level of education needed to help them handle their complex conditions?

Does the plan provide point-of-sale education?
Participants should get the chance to make a choice when it counts, at the pharmacy counter. That’s hard to do unless prices are readily accessible. If your participants don’t know what they’re spending until after the fact, you’ve lost an opportunity to educate and help them make more cost-effective decisions.

Are there built-in safeguards to validate participant purchases?
Unless there is real-time validation of expenses, you may be forced to “pay and chase,” increasing your administrative costs.

How is the participant going to learn to make better healthcare decisions?
The greater the change, the greater the need for support. The most effective education reaches beyond a booklet in the bag with the prescription. Participants need an advocate to help them through questions like: how do I make the best choices? …find a participating pharmacy? …reduce my drug costs? Participants with high-cost chronic conditions will benefit from personalized support to help with therapy compliance and health management measures.

Claritin® and Prilosec™
What Happens When Blockbusters Go OTC?
CONTINUED FROM COVER

The Caremark Analytics and Outcomes staff says no, and here’s why:
- Omeprazole is now available in generic, brand (Prilosec) and OTC versions.
- However, generic supplies have been limited. Supplies will increase as more manufacturers receive approval to market the generic omeprazole.
- Moreover, the OTC version has restrictive labeling—for short-term treatment of frequent heartburn, occurring two or more days per week. It should not be taken for more than 14 days, or more often than one 14-day course every four months. If symptoms persist or worsen, patients are advised to see their doctor.
- For more serious ailments, like ulcers and GERD, Prilosec is considered a maintenance drug and will continue to be sold by prescription. Most current Prilosec users will fall into this category.

We believe this OTC introduction will have more impact on the OTC heartburn category than on prescription proton pump inhibitors (PPIs). In general, we’re recommending that participants prescribed Prilosec for short-term therapy be directed to the OTC product, and that coverage of the maintenance medication continue.

For more information and to discuss these recommendations and their impact on your plan, contact your Caremark account representative.

FDA commissioner Mark McClellan has stated that the department is actively considering moving more prescription products to over-the-counter status. Watch TrendsRx® Quarterly for updates and recommendations on brand-to-OTC conversions and other FDA actions.

JANUARY–JUNE 2003

Gross Trend 9.3%

A decrease in the rate of utilization trend—1.4% PEPM (per employee per month)—and more moderate price increases helped keep trend lower in the first half of 2003. Major factors behind the drop in utilization? Estrogen use continued to drop due to additional negative research, and a mild flu season lowered the call for cough-cold-flu-related medications.

Most importantly, as the allergy season started, we saw the further effects of Claritin® OTC (over-the-counter). In the Caremark Book of Business, spend on nonsedating antihistamines (NSAs) decreased by approximately 26% by midyear. Clearly, a number of allergy sufferers moved out of the prescription antihistamine market—an indication that raising co-pays for the prescription product or the entire NSA class had its effect. If you haven’t yet acted on this issue, we recommend careful consideration of this class in your benefit strategy for 2004.

The effects of decreased utilization in these categories was mitigated by some increases in utilization and spend in other categories, notably cholesterol drugs and proton pump inhibitors.

The overall AWP (average wholesale price) increase at midyear was 3.1%, more than 2 percentage points lower than a year ago. As you may recall, larger than normal price increases were a key driver of trend in 2002. Throughout this year, we expect AWP trend to track closer to the historical average.

Midyear AWP Increases

Overall pharmacy trend has also been affected by the introduction of some major biotechs and increased utilization of generics.

Trend—the annual increase in the cost of providing prescription benefits to plan participants—is calculated as gross cost per employee per month in the Caremark Book of Business.
Biotech Drugs
Possibly the Most Expensive Challenge You Face

Often based on advances in genetic research, biotech drugs are derived from organisms rather than chemicals. These groundbreaking products attack disease in new ways. Many work on a cellular level, interfering with specific processes and actually altering the course of disease, rather than simply providing symptomatic relief. Biotech products provide unprecedented hope for patients with previously almost un treatable chronic or genetic illnesses like multiple sclerosis, hemophilia, and growth hormone deficiency.

More than one hundred biotech medicines are already on the market, and hundreds more are in development. Until recently, biotechs targeted rare conditions. However, new products provide breakthrough treatment for asthma, psoriasis, and rheumatoid arthritis—diseases affecting millions of Americans.

Even one biotech patient in a population can have a serious effect on your prescription drug trend. Every decision you make regarding this category can have significant impact.

Meeting the challenge—3 steps
1. Uncover hidden costs. Many biotechs are injectables, often administered in the hospital or physician’s office, where health plans are likely to be charged premium prices. Integrating pharmacy claims data with medical claims can often identify participants on biotech therapies—giving plan sponsors the opportunity to manage these expenses more closely.

2. Decide on a strategy. One of your first tasks is to determine whether to handle biotechs as a medical or pharmacy benefit. In either case, Caremark Specialty Pharmacy Services can supply the product to help control pricing.

3. Support the participant in managing the therapy. It may seem paradoxical, but these very expensive medicines can lower your overall health costs by reducing the number of hospitalizations and delaying the progress of the disease. Managing biotech therapy can be challenging for participants, however. Every Caremark Specialty Pharmacy Services participant has a pharmacist-led Care Team. Services include verification of coverage and complete coordination of care—education about the drug and disease and active, ongoing support with overall management of the condition.

Caremark is an expert in emerging therapies for serious chronic conditions. For in-depth information on Caremark Specialty Pharmacy Services, contact your Caremark account representative.

### 2003 Biotech Approvals

<table>
<thead>
<tr>
<th>Product</th>
<th>Indication</th>
<th>Estimated cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aldurazyme®</td>
<td>MPS-1, a rare genetic enzyme deficiency</td>
<td>$170,000/year</td>
</tr>
<tr>
<td>Fabrazyme®</td>
<td>Fabry's disease</td>
<td>$165,000/year</td>
</tr>
<tr>
<td>Fuzeon®</td>
<td>Advanced HIV</td>
<td>$20,000/year</td>
</tr>
<tr>
<td>Iressa®</td>
<td>Lung cancer</td>
<td>$65/day</td>
</tr>
<tr>
<td>Xolair®</td>
<td>Allergic asthma</td>
<td>$15,000/year</td>
</tr>
</tbody>
</table>

This list is not inclusive and is provided as a reference only. Please refer to manufacturers' full prescribing information for a complete discussion of these products. Actual costs vary based on treatment cycles.
**PHARMACEUTICAL PIPELINE UPDATE**

**FDA approvals:** As predicted, biotech products are grabbing attention and approvals. Recently approved big-ticket biotechs include Aralast™ and Zemaira™ (both indicated for individuals with alpha, proteinase inhibitor deficiency), Somavert®, Fabrazyme® and Aldurazyme™—also treatments aimed at rare disorders. Iressa® and Velcade®, also biotechs, are cancer drugs indicated for patients for whom other treatments have failed. Notably, asthma-drug Xolair®, the first biotech for a high-prevalence condition, is now on the market. (For guidelines on Xolair and the biotech category, see left.) The FDA also approved the first intranasal flu vaccine, FluMist®, and cleared Prilosec™ OTC for over-the-counter sale—see Caremark recommendations in this issue.

**Coming soon:** New statin Crestor® has been recommended for FDA approval. Erectile dysfunction competitors Levitra® and Cialis® are expected to be approved and available by year’s end. Both claim to have fewer side effects than Viagra®, and Cialis also claims to have longer duration. These new entries will likely have considerable impact on the segment. Other pipeline candidates include antidepressant Cymbalta™ and anti-emetic Emend®, targeted for treatment of chemotherapy-induced side effects.

**Going OTC:** The FDA would like to see non-sedating antihistamines Allegra® and Zyrtec® follow Claritin® to the OTC shelf, further impacting the allergic rhinitis category, but the move may take some time due to industry resistance.

Contact your Caremark account representative to discuss potential impact and recommendations for your plan.

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**New Product Focus**

**XOLAIR®**

An injectable biologic for treating patients with severe, difficult-to-treat allergic asthma.

**Caremark comments:** Xolair® is the first biotech product for a high-prevalence condition. Expected to cost from $400 to $900 wholesale per adult dose, a year’s therapy with Xolair® could run as high as $15,000. The high cost may be offset by reduced medical costs such as emergency room visits and hospitalizations.

**Caremark recommends:** We recommend coverage of this unique therapy, with the understanding that it’s not appropriate for every asthma patient. Contact your Caremark account representative to discuss how our Specialty Pharmacy services can help support your plan and participants.

**FLUMIST®**

The first intranasal live influenza virus vaccine.

**Caremark comments:** We expect increased demand for flu vaccines this fall due to public concerns about the SARS epidemic. As the first needle-free flu vaccine, FluMist® may attract considerable participant attention. However, FluMist® was approved for healthy people 5 to 49 years of age—not the audience usually targeted for flu vaccines.

**Caremark recommends:** If you cover flu vaccines, injectable vaccines (at a fraction of the cost of FluMist®) should be considered first choice for flu prevention. FluMist® requires special storage and will not be available through Caremark Mail Service Pharmacies.

The above provides a brief overview of these products. Please refer to the manufacturer’s full prescribing information and discuss specific strategies with your Caremark account representative.

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What do you think about TrendsRx® Quarterly?
Send your comments and suggestions to TrendsRxQuarterly@caremark.com
In late June, both houses of Congress approved a prescription benefit for the Medicare program, slated to take effect in 2006.

Working out the differences
The House and Senate proposals differ in a number of respects. To work out these differences, Congress is expected to confer for several weeks, perhaps into early fall. At this time, it is impossible to predict the provisions or impact of the final bill.

As one of the nation’s key pharmacy benefit managers, Caremark has a team headed by a veteran healthcare lobbyist dedicated to the Medicare bill and other legislative issues affecting the pharmaceutical and benefit management industry. This team continues to work with members of the House and Senate as they determine the final provisions of the bill. Watch TrendsRx® Quarterly for updates and the Caremark perspective as details of the bill are finalized. Contact your Caremark account representative if you’d like to find out how to make sure your concerns are represented in the debate.

Action on affordability
In addition to the Medicare discussion, there has been a flurry of activity as legislators moved to make prescription drugs more affordable for all consumers by speeding the introduction of generics. At the end of May, the FDA issued regulations limiting lawsuits brought by pharmaceutical manufacturers to delay patent expirations. A week later, the Senate voted to attach provisions to the Medicare bill penalizing generic drug companies for entering into agreements with brand manufacturers to delay generic introductions. The Senate also voted to allow U.S. pharmacists to buy prescription drugs in Canada for resale here—if the secretary of the Department of Health and Human Services can certify that re-imported drugs are safe for consumers—a sticking point for earlier, similar legislation.

Pharmaceutical cost control is a huge issue for strapped state budgets. In May the Supreme Court gave qualified approval to the state of Maine for its drug discount program, which specifies that the state negotiate with pharmaceutical manufacturers for favorable pricing. Also at issue was a stipulation for a “prior authorization” procedure for certain products. More than two dozen states filed Supreme Court briefs on Maine’s behalf, and at least 18 states are taking steps to offer similar programs. In an effort to rein in Medicaid drug costs, more than 20 states have authorized preferred drug lists steering physicians and patients to less expensive brands and generics.

Legislative and Regulatory Updates
Midyear 2003

Medicare Rx. No Prescription for Change Yet.

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Changing Your Plan? Then You’re Probably Also Hoping to Change Participant Behavior.

From increasing the use of generic drugs to self-management of health conditions and compliance with prescribed therapies—the success of trend management strategies depends on participant behavior.

The increasing shift of costs and responsibility to participants is today’s reality. More plan design changes are expected in 2004 than in either of the two previous years. Regardless of how you intend to change your plan, you can’t achieve maximum results unless participants align with the strategy. Now is a great time to consider how to introduce the changes and ease the transition for participants. Here are three basic steps identified by behavioral scientists.

1. Educate. For example, help people understand that fluoxetine is the same medicine as Prozac® , and it costs less.

2. Motivate. A lower co-payment for products on the drug list qualifies as motivation. So does better control of a condition like high blood pressure, diabetes or asthma.

3. Provide behavioral skills. Here’s where many programs fall short. Behavioral skills can range from ordering refills through the Internet to monitoring blood sugar levels for a diabetic. Ongoing support and reinforcement of skills are essential to help participants maintain new behaviors. See right for information on how one Caremark strategy to help.

Plan design changes due October 10, 2003

Early action on plan design changes ensures a smooth transition and full implementation by January 1. Work with your Caremark account representative to develop a communications strategy to help accelerate adoption, limit disruption and support desired behavior change—all of which will help you meet your trend management goals.

We’re in the (e-)Business of Behavior Change

Consider the numbers. Approximately 70 percent of Caremark participants have e-mail access at home—compared to an estimated 60 percent of all Americans. And Internet users are just as likely to visit the Web for health information (46 percent) as they are to contact a medical professional (47 percent), according to a recent study done by the Pew Internet & American Life Project.* Numbers like these are major reasons for the ongoing enhancement of www.caremark.com.

Many Caremark participants already enjoy the convenience and savings of online refills and access to information on their medications and health issues. On our enhanced site, they’ll enjoy the added benefits of:

- greater personalization and customization of services, including personal account summaries with feedback and tips on savings
- detailed coverage and benefits information
- interactive, user-friendly health and disease management services

An enhanced www.caremark.com will help you empower participants to make informed healthcare decisions and the best use of their benefit program. Watch for updates on Caremark Web development in TrendsRx® Quarterly.

TrendsRx® Quarterly is a publication of Caremark Inc. and was developed as an informational resource providing an overview of events and developments in the pharmacy benefit and pharmaceutical industries. Please contact a Caremark representative to discuss possible impact on your specific pharmacy benefit program. If you are not a Caremark client and would like to receive TrendsRx® Quarterly or to learn more about Caremark services, please contact Bruce Lyons, Vice President, Sales, at 800-323-8083.

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www.caremark.com

Count on Generics
Safe and Effective. Better Value.

| Brand Name Drug | Average Cost $195 | Generic Drug | Average Cost $75 |

These are averages from the Caremark Book of Business for 90-day supplies obtained through the Mail Service Pharmacies.

President Bush, the House and Senate, Republicans and Democrats, the FDA—if they all agree on one thing, it’s the value of generics. Legislators want faster approvals and fewer lawsuits delaying generic introductions (see page 6). The FDA has even launched an ad campaign to let consumers know that generics have their approval. With all this support in Washington, we can expect a substantial increase in generic introductions.

That’s good news for you. Every generic introduction is an opportunity to favorably impact your pharmacy benefit trend. How can you maximize that opportunity? Consider the basic steps below.

We’ll work with you to set up a program that’s right for your organization. We’re committed to providing you the tools and strategies required to maximize the impact and the opportunity of generics.

Empower your participants to make good choices. The simplest route is to go straight to the participant with the message that generics are safe, effective and less costly. Caremark has developed a communications tool kit for plan sponsors who want to promote the use of generics. The kit includes a CD with a variety of communication tools, including articles for your employee publications or other newsletters, flash e-mails, a poster and a table tent card. We’ve also provided instructions and ideas on how to use the various items included on the CD. Each of the tools can be customized with your organization’s logo.

Encourage use of the Mail Service Pharmacies. Through our Mail Service Pharmacies we have clinical programs designed to encourage both the prescribing physician and the participant to select generics when appropriate. In 2002, the Caremark Mail Service Pharmacies dispensed generics for more than 95 percent of the prescriptions for which a generic was available.

Optimize generics in your pharmacy benefit plans. There are many ways to encourage generic utilization through your plan design. For example, by adjusting copay differentials and implementing a comprehensive communication program, one plan sponsor realized a 4 percent increase in generic utilization—and a savings of $360,000.

We can also impact generic utilization by focusing on prescribers. Like consumers, many physicians are not aware of how much a patient can save by using generic medicines. Notably, approximately 50 percent of the physicians we contact about a DAW (dispense as written) prescription for a brand name product agree to a generic substitution. Each substitution generates substantial savings for the plan and the participant.

Call your Caremark account representative to obtain your complimentary kit to help promote the use of generic drugs.

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