



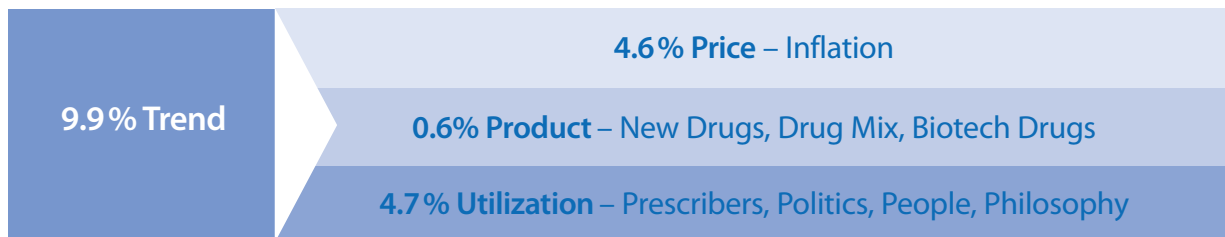
TRENDS RX®

2004 Trend: 9.9% PEPY

Caremark Achieves Single-Digit Trend 2 Consecutive Years

Caremark pharmacy benefit management techniques:

- limited the impact of new drugs and specialty products, and
- optimized the opportunities presented by the expanding number of generics on the market, and
- kept overall pharmacy trend in the single digits for Caremark clients in 2004.



Utilization, at 4.7%, climbed from an exceptionally low 2003 number, but still remained under levels for the previous three years. **Drug price inflation at 4.6%**, while higher than 2003, was moderate compared to 2002 levels of nearly 6%. As trend drivers, **drug mix** and **new drugs** were essentially flat.

Impact of Price Inflation: 4.6%

Traditional brand manufacturers face a number of challenges and uncertainties in addition to a less-than-robust pipeline: numerous pending patent expirations, the impending Medicare drug benefit, product recalls, concerns about drug safety, and questions about the FDA approval process. All these factors may have contributed to **manufacturer price increases** in 2004.

Impact of Utilization: 4.7%

The aging of our population and increases in the incidence of chronic conditions continue to drive utilization increases across all our top categories. Shifts in prescribing patterns related to the release of new medical data had major impact in 2004. Significantly, utilization of our top category, the antihyperlipidemics – which include the **statins** – grew substantially (15.7%) driven by new guidelines on cholesterol levels. Conversely, the withdrawal of Vioxx® late in 2004 and subsequent doubts about other **COX-2s** reduced overall utilization in the anti-inflammatory analgesics. Given the recommendations of the FDA COX-2 advisory panel released early in 2005 it is likely that we will see some rebound in COX-2 utilization in the months ahead. Utilization of **antidepressants** continues to grow despite late-year warnings about use in pediatric patients. However, spend in the category was moderated by the increasing availability of generics.

Ulcer drugs, dominated by the proton pump inhibitors (**PPIs**), actually decreased in utilization, due to the availability of OTC alternatives; management techniques, such as moving the class to the third tier; and clinical strategies such as dose optimization, step down therapy, and prior authorization.

Increases in the **asthma** and **diabetes** categories are related to increasing incidence, more aggressive treatment, and multi-drug regimens for these diseases. The **miscellaneous endocrine** category is dominated by osteoporosis drugs. Utilization of these products has been impacted by greater awareness of the condition as well as the aging of the population. Moreover, migration from less expensive hormone replacement therapy to more expensive osteoporosis products has driven trend for the category upward. Use of **narcotic pain relievers** has become more accepted and their use has been increasing for several years as pain management guidelines evolve. Growth of **anticonvulsants** continues due to widespread and acceptable off-label use for pain relief.

Top Ten Therapeutic Classes Account for More Than 50% of Book of Business Spend

| Rank | Therapeutic Class | Gross Trend | Utilization trend | % of Total Spend |
|--|--------------------------------|-------------|-------------------|------------------|
| 1 | ANTIHYPERTENSIVES | 18.5% | 15.7% | 9.9% |
| 2 | ANTIDEPRESSANTS | 6.3% | 5.3% | 7.5% |
| 3 | ULCER DRUGS | 0.7% | -0.8% | 7.3% |
| 4 | ANTIHYPERTENSIVES | 12.4% | 8.5% | 5.3% |
| 5 | ANALGESICS - ANTI-INFLAMMATORY | 14.0% | 1.4% | 4.9% |
| 6 | ANTIDIABETICS | 11.9% | 7.0% | 4.6% |
| 7 | ANTIASTHMATICS | 16.2% | 6.1% | 4.3% |
| 8 | MISC. ENDOCRINE | 17.9% | 10.0% | 3.0% |
| 9 | ANALGESICS - NARCOTIC | 13.1% | 8.6% | 3.0% |
| 10 | ANTICONVULSANTS | 19.0% | 7.5% | 2.9% |
| Top 10 Therapeutic Classes, % of total spend | | | | 52.8% |

Impact of Product: 0.6%

It's especially important to look at 2004 increases in utilization in relationship to our nearly flat numbers for **drug mix** and **new drugs**. There were no immediate blockbuster brand launches in 2004. Several of the significant new launches were brand extensions or products combining existing drugs rather than the breakthrough products that can significantly drive spend. Even innovative new products, such as Spiriva® for chronic obstructive pulmonary disease, and Cymbalta™, a new antidepressant, did not perform as well as expected. Caremark management programs and strategies also helped by limiting utilization of expensive newer drugs.

2004 Launches Did Not Have Significant Impact

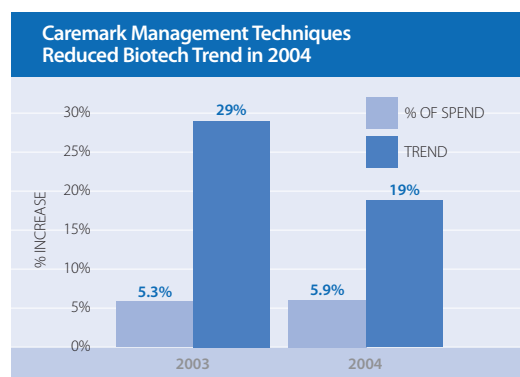
| Rank | 2004 Top New Drugs | Launch Date | Indication/Comments | % Spend |
|------|--------------------|-------------|-------------------------------------|---------|
| 1 | SPIRIVA | Q2 | COPD | 0.06% |
| 2 | FOLLISTIM AQ | Q1 | Fertility | 0.05% |
| 3 | VYTORIN | Q3 | Combination product for cholesterol | 0.04% |
| 4 | GONAL-F RFF | Q3 | Fertility | 0.03% |
| 5 | CYMBALTA | Q3 | Antidepressant | 0.03% |
| 6 | KETEK PAK | Q3 | New class of antibiotic | 0.02% |
| 7 | CADUET | Q3 | Combination Lipitor and Norvasc | 0.02% |
| 8 | TRUVADA | Q3 | Combination for HIV | 0.02% |
| 9 | ZYRTEC | Q2 | New dosage form – chewable | 0.01% |
| 10 | SENSIPAR | Q2 | Specialty for hyperparathyroidism | 0.01% |

Utilization of **generics** helped keep the drug mix portion of trend low. Our **generic dispensing rate (GDR)** increased by more than five percentage points from 43.7% to 49.5%. **Generic substitution rates (GSR)** increased to 95%. Our Book of Business benefited from the many new generic launches in 2004, including generic forms of Wellbutrin®, Proventil®, Glucovance®, Cipro®, Neurotin®, and Celexa®. Caremark plan participant education as well as targeted retail pharmacist and physician communications are helping to reinforce the message that generics are the good-value choice

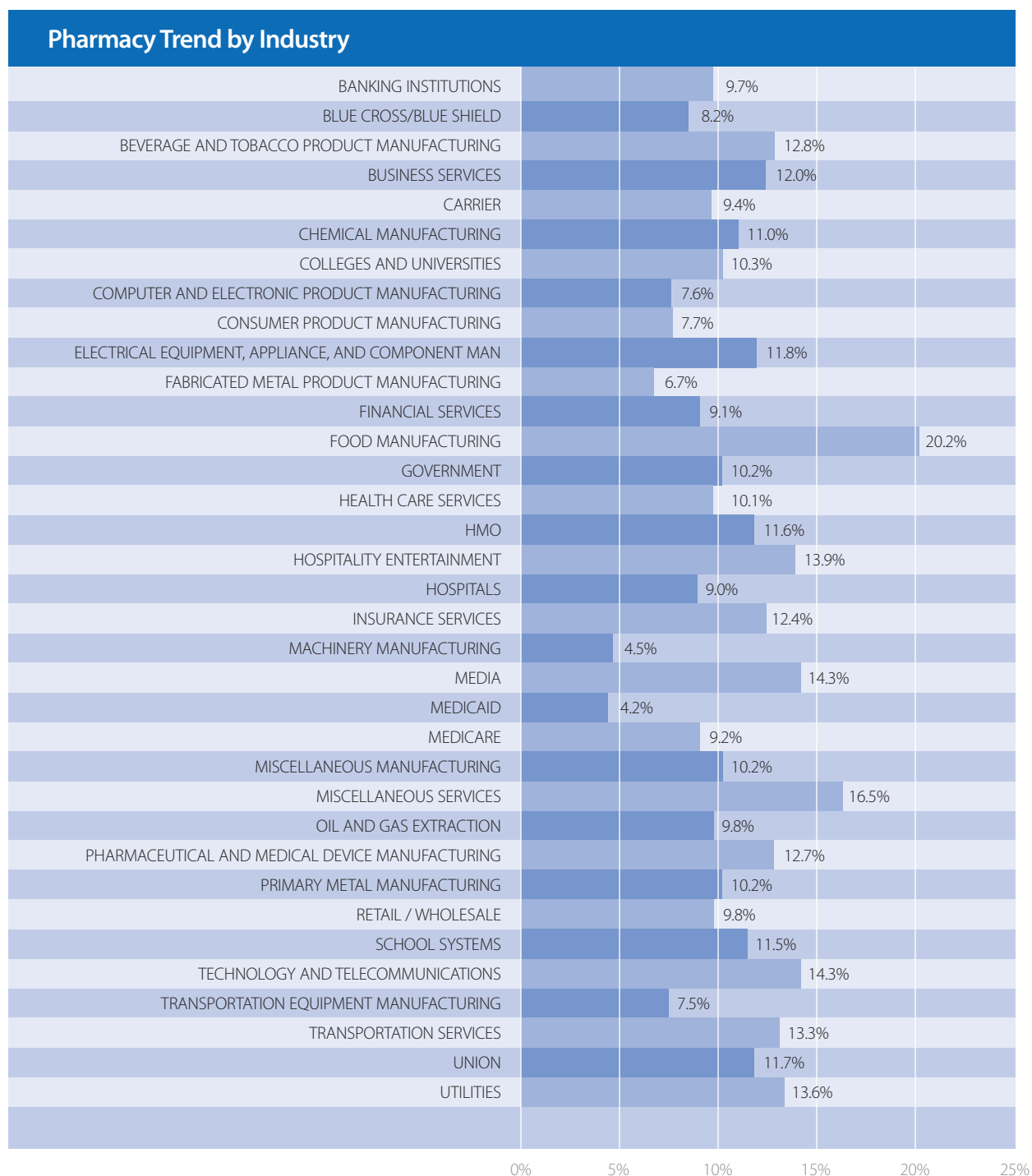
The Top Five Generics Released in Each of the Last Three Years Reduced Spend by 2.9%

| Generic Drug Name | Brand Drug Name | Brand Avg Gross Cost/Day Supply* | Generic Avg Gross Cost/Day Supply* | 2004 Savings from Generic |
|---|-------------------------|----------------------------------|------------------------------------|---------------------------|
| 2004 Generic Products | | | | |
| BUPROPION HCL 150MG | WELLBUTRIN 150 MG | \$3.28 | \$2.50 | \$331,727,430 |
| CIPROFLOXACIN SUS, TAB | CIPRO SUS, TAB | \$7.44 | \$3.27 | \$33,156,452 |
| OXYCODONE HCL TAB | OXYCONTIN TAB | \$27.45 | \$18.73 | \$22,169,300 |
| GLYBURIDE/METFORMIN HCL TAB | GLUCOVANCE TAB | \$2.44 | \$1.91 | \$20,869,074 |
| CYCLOSPORINE SOL, CAP | NEORAL SOL, CAP | \$11.59 | \$9.01 | \$17,575,538 |
| Sub Total | | | | \$425,497,794 |
| 2003 Generic Products | | | | |
| SOTALOL HCL TAB | SOTALOL TAB | \$5.93 | \$2.58 | \$92,939,938 |
| PAROXETINE HCL TAB | PAXIL TAB | \$2.83 | \$2.01 | \$73,753,531 |
| MIRTAZAPINE TAB, ODT | REMERON TAB, ODT | \$2.70 | \$1.69 | \$25,030,170 |
| NEFAZODONE HCL TAB | SERZONE TAB | \$3.19 | \$1.23 | \$19,539,363 |
| FOSINOPRIL SODIUM TAB | MONOPRIL TAB | \$1.32 | \$.88 | \$19,323,843 |
| Sub Total | | | | \$230,586,845 |
| 2002 Generic Products | | | | |
| LISINOPRIL TAB | ZESTRIL TAB | \$1.20 | \$0.45 | \$447,610,379 |
| METFORMIN HCL TAB | GLUCOPHAGE TAB | \$1.95 | \$1.14 | \$326,001,388 |
| OMEPRAZOLE CAP | PRILOSEC CAP | \$4.41 | \$3.00 | \$103,977,235 |
| TRAMADOL HCL TAB | ULTRAM TAB | \$4.53 | \$1.55 | \$83,190,181 |
| OX TR/POTASSIUM CLAVULANATE TAB, CHW, SUS | AUGMENTIN TAB, CHW, SUS | \$8.06 | \$7.33 | \$34,225,486 |
| Sub Total | | | | \$995,004,669 |
| Total Savings for Top 5 Generics | | | | \$1,651,089,308 |
| 2004 Impact on Caremark Book of Business Spend Reduction | | | | 2.9% |

* January–December 2004 average



At 5.9 % of our Book of Business overall spend, **biotech** showed only a small increase despite significant new launches in the category. Careful management of all specialty products helped keep specialty spend and trend down for Caremark clients. For example, enhanced guideline management helped ensure that the specialty product was the right drug for a specific patient, limiting inappropriate utilization of these costly products.



Watch for TrendsRx® 2005 Trend Report for detailed analysis of 2004 and our forecasts for 2005.

Trend – the annual increase in the cost of providing prescription benefits to plan participants – is calculated as gross cost per employee per year (PEPY) in the Caremark Book of Business.

Data source: Caremark Book of Business, 2004, Analytics & Outcomes

These pages contain prescription brand name drugs that are registered or trademarks of pharmaceutical manufacturers that are not affiliated with Caremark.

CAREMARK®
It all starts with care®

www.caremark.com

Produced by Caremark Marketing
Copyright © 2005 Caremark All rights reserved (3.05.2m)
20883-0305