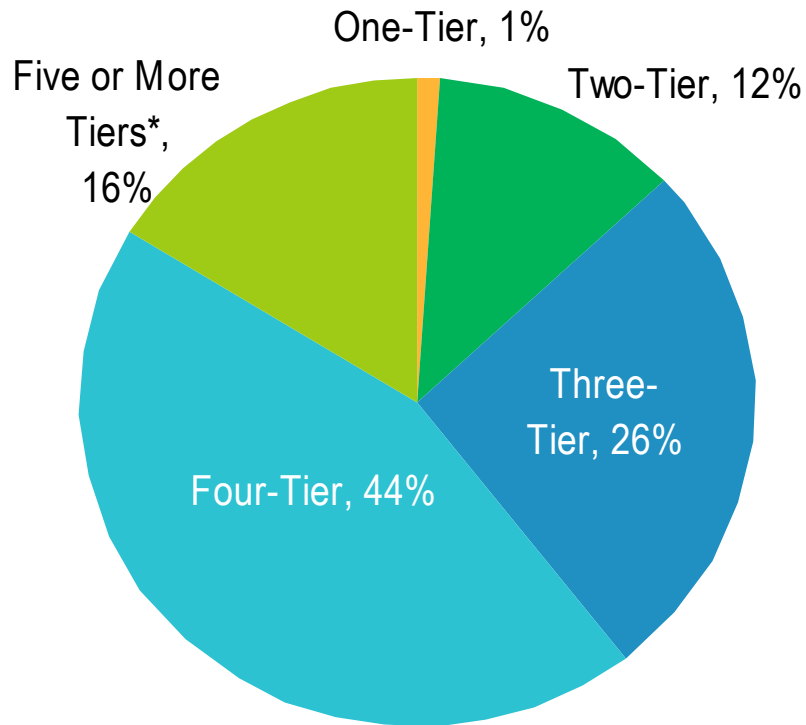


Part D Plans and Specialty Products

Presented by Lovisa Gustafsson

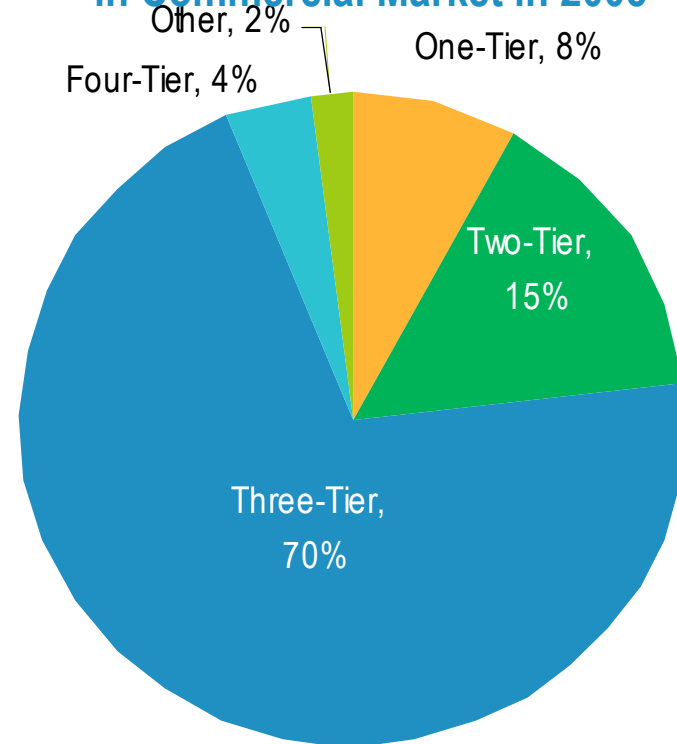
■■■
Tiered Benefit Structures Are Common in Both Part D and the Commercial Marketplace, But Part D Designs Tend to Have More Tiers

Prevalence of Tiering Structures in Part D in 2006



Four-tier designs are most common in Part D

Prevalence of Tiering Structures in Commercial Market in 2005



Three-tier designs are most common in commercial plans

Avalere Health analysis using DataFrame™, a proprietary database of Medicare Part D plan features. Data from February 2006.

Kaiser Family Foundation. Employer Health Benefits. 2005 Annual Survey.

Plans With Specialty Tiers Have Lower Premiums and More Tiers Than Plans Without Them

	PDP and MA-PD Plans with Specialty Tiers	PDP and MA-PD Plans without Specialty Tiers
Premium	\$26.20	\$29.50
Coverage in gap*	19%	20.7%
Deductible	\$44.17	\$103.03
Most frequent # tiers	4	3
Average # tiers	4.1	3.2
Number of drugs covered	2052	1992
% of drugs with prior authorization	7.6%	11.1%
% of drugs with quantity limits	9.0%	10.6%

Plans with specialty tiers appear to have lower premiums and deductibles than plans without

Plans with specialty tiers have more tiers than plans that do not

*Includes both coverage of generics only and generics and brands.

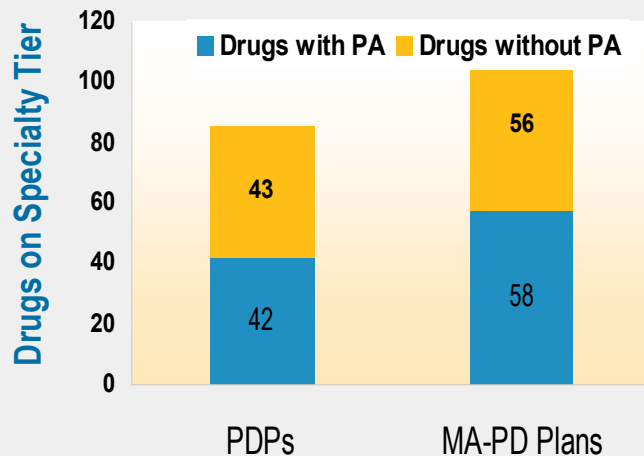
Source: Avalere Health analysis using DataFrame™, a proprietary database of Medicare Part D plan features. Data from February 2006.



Average Specialty Tier Holds 4-6% of Covered Drugs

- Plans typically place fewer than 200 drugs on specialty tier
 - » PDPs place 4% of covered drugs
 - » MA-PD plans place 6% of covered drugs
 - » But, a few plans place drugs on specialty tier at over twice this rate

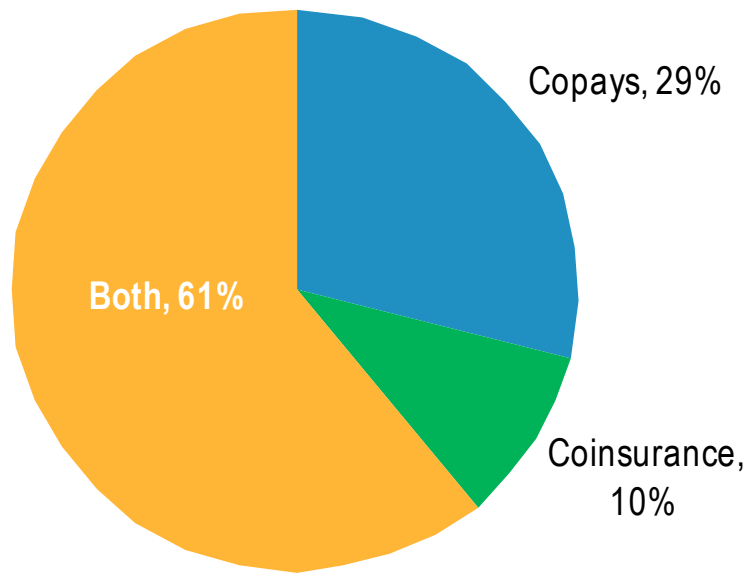
Treatment of Drugs on Specialty Tiers



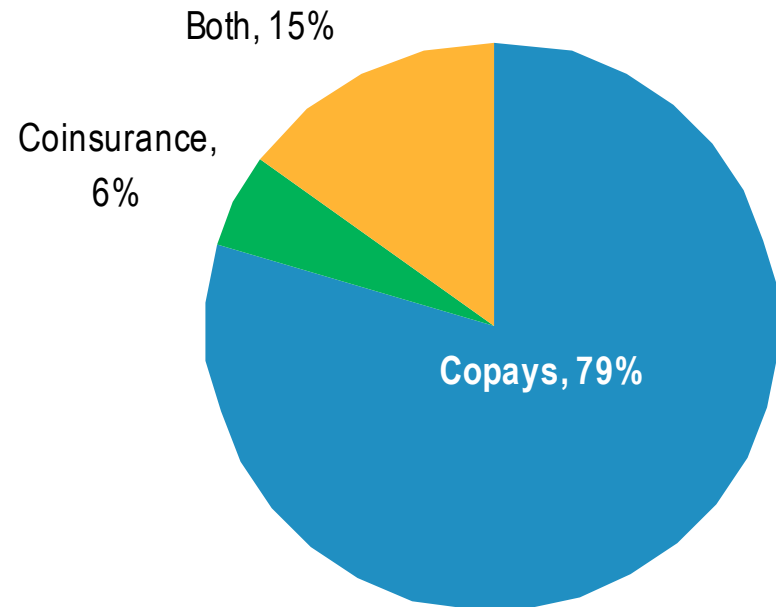
- Average number of drugs on specialty tier = 100
- Drugs on specialty tiers have higher cost-sharing and higher rates of prior authorization relative to the rest of plans' formularies
- An average of 8 specialty tier drugs are subject to quantity limits on PDP formularies, and 13 on MA-PD plan formularies.

Part D Plans Are More Likely to Use Both Copays and Coinsurance; Copays Are the Norm in Commercial

Type of Cost-Sharing Used by Part D Plans in 2006



Type of Cost-Sharing Employed by Express Scripts Clients in 2003



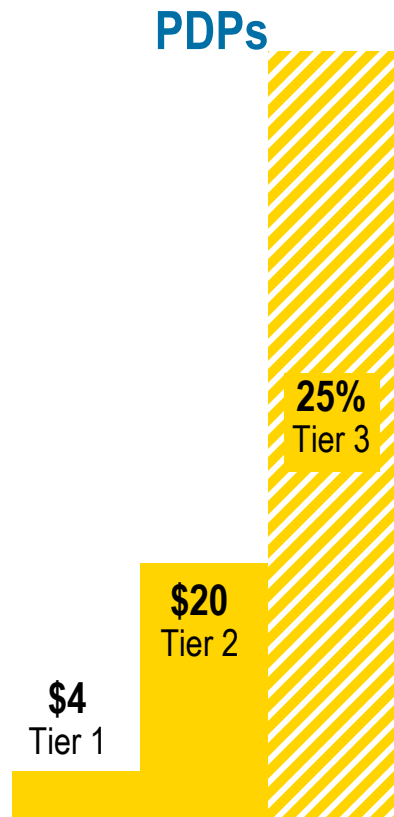
Avalere Health analysis using DataFrame™, a proprietary database of Medicare Part D plan features. Data from February 2006.

Express Scripts. Drug Trend Report 2003. June 2004.

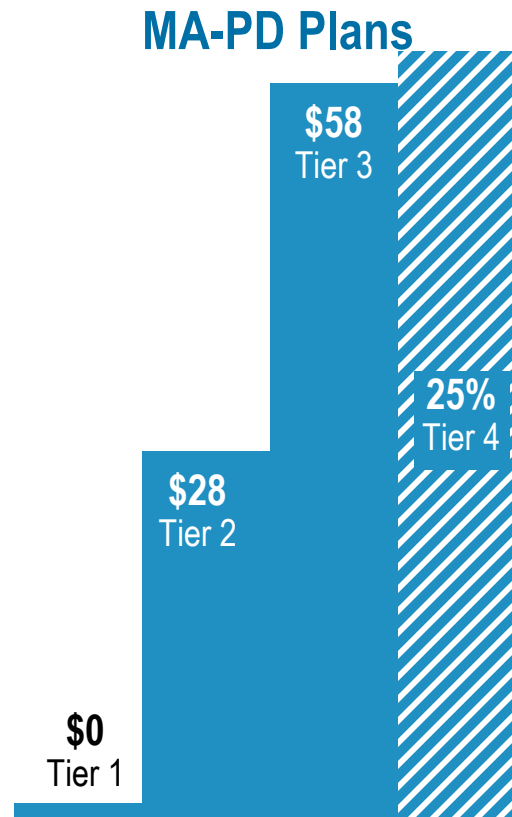


© Avalere Health LLC
Page 5

Part D Plans Tend to Have Greater Cost-Sharing Requirements on the Highest Tier than Do Commercial Plans



Most common cost-sharing for 3-tier PDPs



Most common cost-sharing for 4-tier MA-PD plans



Average cost-sharing in employer-sponsored plans*

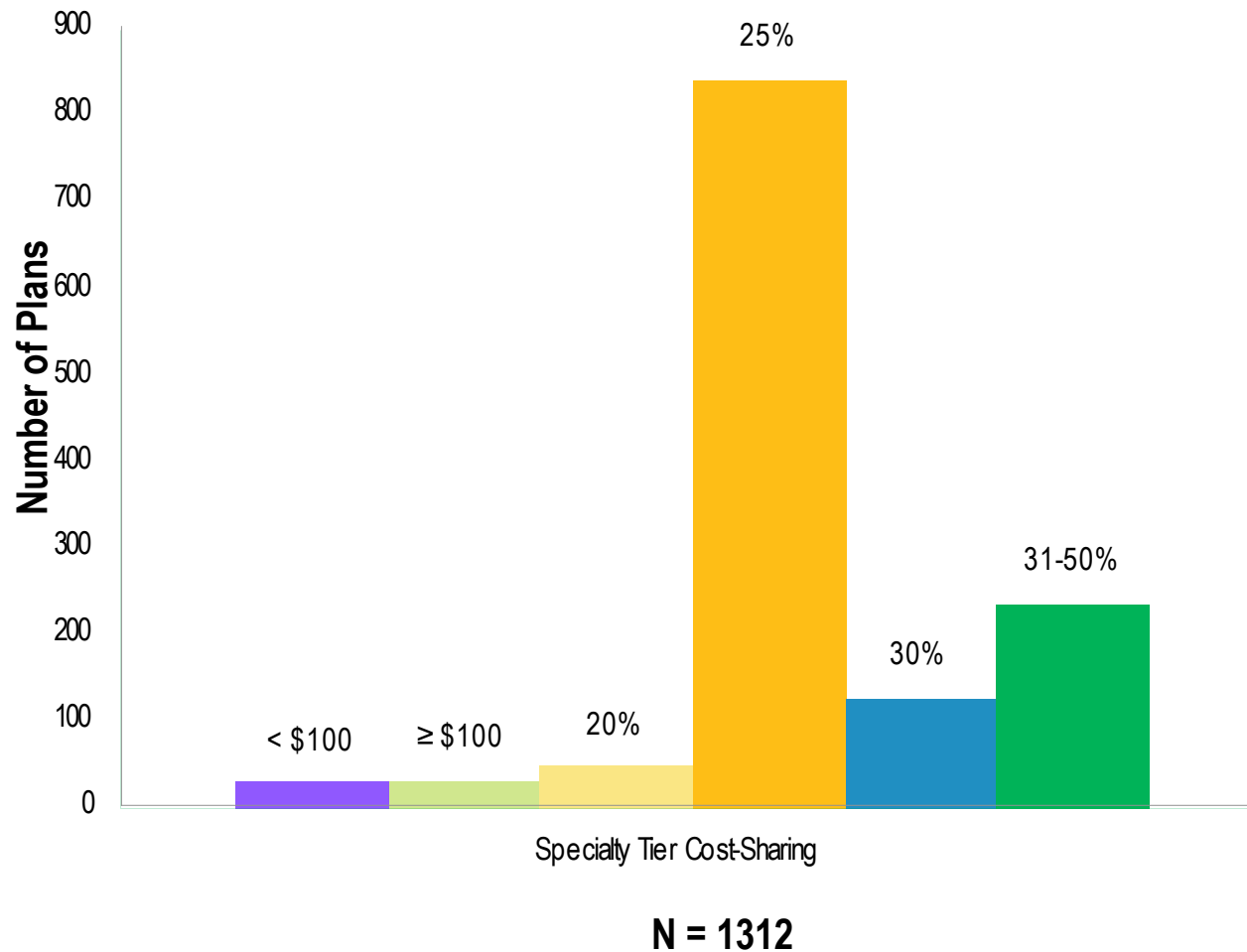
Avalere Health analysis using DataFrame™, a proprietary database of Medicare Part D plan features. Data from February 2006.

* Kaiser Family Foundation. Employer Health Benefits. 2005 Annual Survey.

** BCBS is the national FEHB plan sponsor with the highest enrollment.



Cost-Sharing on Specialty Tiers Typically Is High



Almost all plans use percentage coinsurance on specialty tier

Fewer than 5% of plans use copays

MA-PD plans are more likely to use copays

Most plans without specialty tiers use flat copays on every tier, with highest tier at \$25-60

Medications for Many Debilitating and Life-Threatening Diseases Are Found on Specialty Tiers

Diseases with 3 or More of Top 20 Drugs Found on Specialty Tier:

- Multiple Sclerosis
- Rheumatoid Arthritis
- Cancer
- Hepatitis C
- Psoriasis

Diseases with Key Drug(s) in Top 20 Drugs Found on Specialty Tier:

- Anemia
- Crohn's Disease
- HIV/AIDS
- Fabry Disease
- Gaucher Disease