Agenda

• Introduction – the MemberHealth CCRx Team
• Part D to date – Beneficiaries and Enrollment
• Part D – By the Numbers 2006 and 2007
• Prospects for enrollment 2006 and beyond
• CMS Data and Initiatives
• Pharmacy’s role in Part D Administration
• MemberHealth Initiatives
• Strategic Initiatives – PDPs and MA-PDs
The MemberHealth, Inc.
Community Care Rx Part D Team

• **MemberHealth, Inc.** - one of the nation’s most innovative pharmacy benefit administrators with over 61,000 pharmacies in its nationwide network. MemberHealth is the 4th largest Part D PDP and one of only 10 national Part D PDPs in 2006. (one of 17 in 2007)

• **National Community Pharmacists Association**
- represents the pharmacist owners, managers, and employees of nearly 25,000 independent community pharmacies across the United States. Independent pharmacists - more than 60,000 nationwide - dispense the majority of the nation's retail prescription drugs

• **NACDS Chain Members**
Community Care Rx

- Strong relationship with NCPA and NACDS members
- Auto enrollment in 23 regions in 2006; will retain/qualify for duals in 27 regions in 2007
- Broad network (61,000+ pharmacies)
- Broad formulary
- Aligned incentives
- Leveraging and strengthening the relationship between pharmacist and beneficiary
Where are the Medicare Beneficiaries?

- 43,404,884 TOTAL Medicare Beneficiaries

10.1 signed up with PDPs (Rx only)
6.3 in MA-PD (Medicare Advantage)
6.1 Dual Eligibles (auto enrolled in PDPs)

- 22.5 Total enrolled in Part D

6.9 in Employer Plans (creditable coverage)
3.5 Federal Retirees (Tricare, VA etc.)
5.4 additional sources of creditable coverage
15.8 Total other coverage

- 38.2 TOTAL with Drug Coverage

- 4.4 Est # of beneficiaries with no creditable drug coverage. 3.25M may be LIS elig.
Where’s the Enrollment?

<table>
<thead>
<tr>
<th>Organization</th>
<th># of Enrollees</th>
<th>% of Total Enrollment</th>
</tr>
</thead>
<tbody>
<tr>
<td>United/Pacificare</td>
<td>4,458,473</td>
<td>27.5%</td>
</tr>
<tr>
<td>Humana</td>
<td>3,421,835</td>
<td>21.1%</td>
</tr>
<tr>
<td>Wellpoint</td>
<td>1,105,311</td>
<td>6.8%</td>
</tr>
<tr>
<td>MemberHealth</td>
<td>964,312</td>
<td>5.9%</td>
</tr>
<tr>
<td>Wellcare</td>
<td>872,362</td>
<td>5.4%</td>
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</table>

Source: CMS as of 7/1/06
Where’s the Enrollment?

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<tr>
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<th>% of Total Enrollment</th>
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</thead>
<tbody>
<tr>
<td>“Top 11” PDPs</td>
<td>13,242,300</td>
<td>81.7%</td>
</tr>
<tr>
<td>All PDPs</td>
<td>16,213,157</td>
<td>72.1%</td>
</tr>
<tr>
<td>MA-PDs</td>
<td>6,278,020</td>
<td>27.9%</td>
</tr>
<tr>
<td>TOTAL Part D</td>
<td>22,491,177</td>
<td></td>
</tr>
</tbody>
</table>

Source: CMS as of 7/1/06
Part D Plans – 2006 By The Numbers

• **PDP**
  – 1429 total plans
  – 28.2% with a premium below $30
  – 58.4% with zero deductible

• **MA-PD**
  – 314 HMO and Local PPO plans
  – 96.2% beneficiaries with access to an MA-PD

Source: Kaiser Drug Plan Tracker
Part D Plans – 2007 By The Numbers

• **PDP**
  - 2,844 total plans (nearly double 2006)
  - All states except AK and HI have > 50 plans
  - 17 National Plans (up from 11)
  - 83% of beneficiaries will have access to a lower premium
  - Avg premium $24 (same as 2006 and 40% less than est.)
  - Median premium $33.40 in 2007 vs $36.01 in 2006
  - 4,390 meds in average formulary; up 13%
  - Fewer prior authorization and other formulary management tools
  - More gap coverage (generics in every state)
Part D Plans – 2007 By The Numbers

• **MA-PD**
  - (# to be announced)
  - Expect dramatic increase in SNP options
  - Expect nearly 100% of beneficiaries will have access to an MA-PD
  - MA-PDs offer competitive premium against PDPs
  - MA-PD enrollment expected to triple to 15.3 million by 2013
PDP vs MA-PD Avg. Premiums - 2006

- PDP: $37
- Regional PPO: $21
- Local PPO: $27
- Local HMO: $16
- Local fee-for-service: $17
Prospects for Enrollment – 2006 and Beyond - Target Markets

• Coverage Gap Beneficiaries
• Low Income Subsidy
• Employers
• MA-PDs
• SNPs
• Dual Eligibles (new)
• SPAP's
• New Beneficiaries
The Coverage Gap Beneficiary

- Generally favorable impression of Part D among enrollees – will they still be happy in the gap?
- 8% or 3.4 million beneficiaries will be fully responsible for payment in the gap
- 38% have coverage from outside Part D (employer, etc.)
- 23% are LIS and have no $$ outlay in the gap
- 6% chose enhanced plans with some gap coverage
- 16% will never reach the gap (spending below $2250)

Source: PricewaterhouseCoopers
Importance of Duals/LIS to Plans

• 14 million duals and LIS eligibles – one third of all Medicare beneficiaries
• LIS enrollment key CMS focus
• Low application rate; ineligible because of asset test
• 3.25 million yet to enroll
• Risk adjustment should limit risk associated with higher costs for duals
• Retention - need to provide good service to keep dual/LIS enrollees
Employers and Coalitions

• 11 million covered under Employer/Union plans
• 77% took the federal subsidy in 2006
• 6% were in other plans, including wraparounds
• 17% were in Employer/Union programs
  – 9.3% MA-PDs
  – 4.6% PDO
  – 1.2% direct
• 2006 82% somewhat or very likely to take subsidy
• 2010 50% or less projected likely to take subsidy
MA-PD Market – What will they choose?

• Largely income and illness driven
  – Medicare Advantage MSAs (high income)
  – Medicare Advantage PPOs
  – Medicare Private fee-for-service plans
  – Medicare Advantage HMOs
  – Medicare Advantage Specials Needs Plans
    (the low income high illness patient)
New Part D Data Released - 7/28/06

- CMS posted plan-level Medicare Advantage (MA), Cost, PACE, Demo, and Prescription Drug Plan (PDP) enrollment data.

- Data reflects enrollment counts paid for the month of July 2006.

- Plan-level data will be posted once a year during the month following the conclusion of the MA open enrollment season.

- All other months of the year, CMS will post MA and Part D enrollment data at the contract level. Additionally, CMS will post a summary of enrollment by organization type.

- Annual Report by Plan available in the "downloads" section at: http://www.cms.hhs.gov/PrescriptionDrugCovGenIn/02_EnrollmentData.asp
CMS Publishes Complaint Data

- Overall Complaints (June ‘06) 2.3/1000
  - PDPs 2.6/1000
  - MA-PDs 1.4/1000

<table>
<thead>
<tr>
<th>Complaint Type</th>
<th>PDP</th>
<th>MA-PD</th>
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<tr>
<td>Benefits/Access</td>
<td>0.2</td>
<td>0.1</td>
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<tr>
<td>Enrollment/Disenrollment</td>
<td>1.7</td>
<td>1.1</td>
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<tr>
<td>Pricing/Coinsurance</td>
<td>0.4</td>
<td>0.1</td>
</tr>
<tr>
<td>Other</td>
<td>0.3</td>
<td>0.1</td>
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</table>
Estimated Part D Prescriptions Filled

<table>
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<tr>
<th>Category</th>
<th>#</th>
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<tr>
<td>PDP</td>
<td>92.3</td>
<td>17.3</td>
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<tr>
<td>MA-PD</td>
<td>75.9</td>
<td>14.2</td>
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<tr>
<td>Duals</td>
<td>144.5</td>
<td>27.1</td>
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<tr>
<td>Retiree subsidy</td>
<td>95.3</td>
<td>17.8</td>
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<tr>
<td>Fed retirees</td>
<td>49.1</td>
<td>9.2</td>
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<tr>
<td>Alt. creditable cvrg</td>
<td>76.8</td>
<td>14.4</td>
</tr>
<tr>
<td>TOTAL</td>
<td>533.9</td>
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Pharmacies Role in Part D Administration

- Under Part D Pharmacists can Educate and Inform – cannot steer; cannot enroll patients
  - Compliance will be strictly enforced by CMS and Plans

- Pharmacists have a key educational role as the most frequently visited and most trusted healthcare professional

- Assisting patients in understanding Part D and educating them on choices and how to enroll

- Transition Period Management, Formulary Management
MemberHealth Initiatives

- Medication Review as part of transition
- Medication Therapy Management
- Formulary Management Tools
- Outreach to States (SPAPs, AAAs, etc.)
- Exploring ways to assist with LIS applications
- MA – PD
- Employer Groups
- e-Prescribing
Welcome to CCRx Medication Review

- Part of transition plan
- Face-to-face review of new enrollees’ medications with community pharmacist
- Address both clinical and cost issues
- Initiate exceptions processes if needed
- No cost to enrollee
- For any new enrollee after June 1
CCRx Medication Therapy Management (MTM)

• Focused on Pharmacist-Patient Relationship
• Delivered through new industry communications system – Community MTM Services, Inc.
  – Larger opportunity for Medicaid programs to connect with pharmacists to improve patient care management
Formulary Management Tools

- Fears of formulary instability unfounded
- 2007 Formularies had to be submitted before much data gathered
- New generic availability the largest factor
- Changes will focus on tiering strategy related to 2007 bid strategy
Strategic Initiatives – PDPs and MA-PDs

• Market Consolidation – 2007 and on
• Driven by:
  – Enrollment
  – Marketshare
  – Revenue Management
    • MA-PDs left a lot on the table; PDPs could not
    • Risk Corridors
    • Risk Adjusters
  – Cost Management
  – Member Service and Retention
  – Who can Prove Value and Cost Management?
QUESTIONS

• MemberHealth Contact Information
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