



Mini-Summit III: Insurance Benefit Design and Cost Sharing for Payment Reforms

The National Pay For
Performance Summit

March 20, 2012

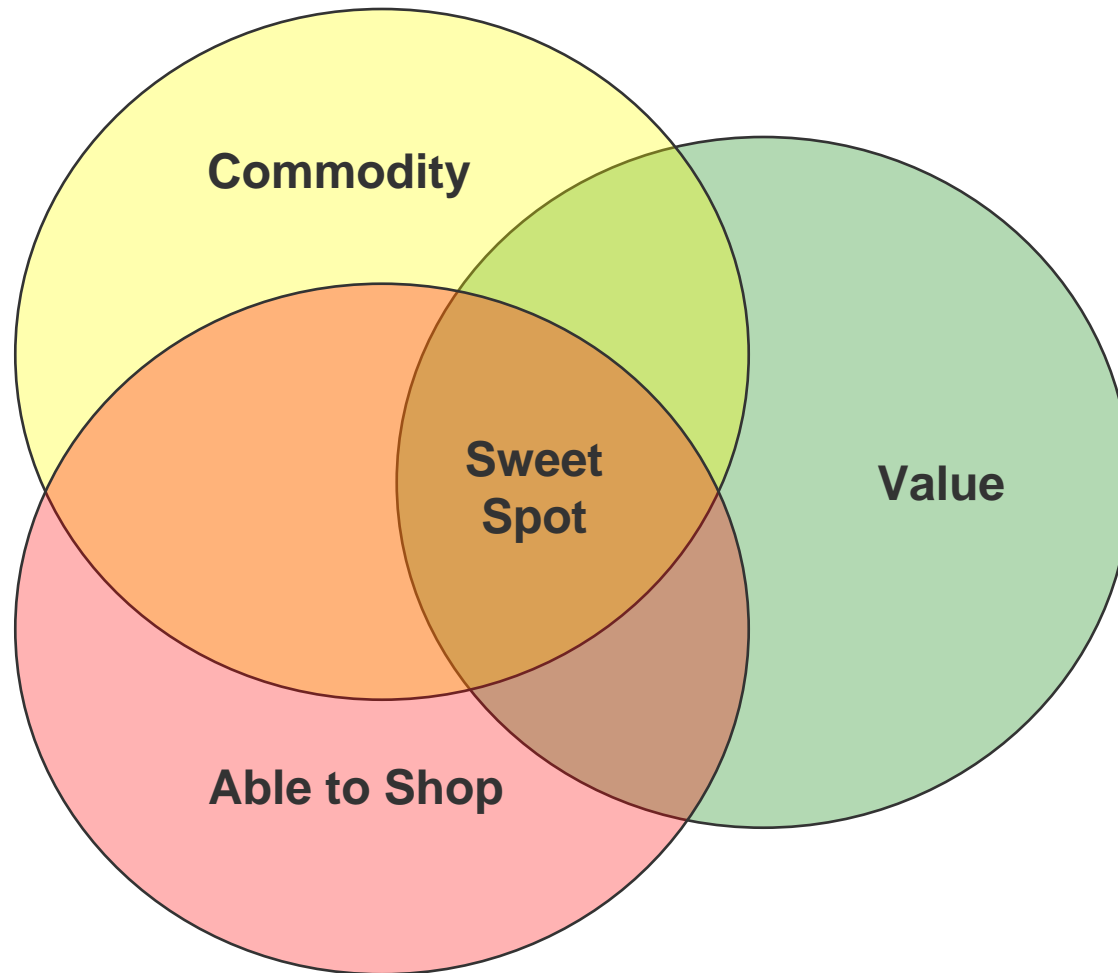
Safeway Overview

- Fortune 100 company
 - Sales: \$41.1 billion
 - Operating profit \$1.2
- Scope of business
 - Stores 1,694
 - Manufacturing Plants 32
 - Distribution Centers 18
 - U.S. and Canada
- Employees 180k
 - Non-Union 30k
 - Union 150k

Making a Market in Health Care

- Provide access / choice to competitively priced and high-quality care
- Provide price information and quality metrics to inform and enhance consumer choice, and encourage shopping behavior
- Use defined contribution benefit design or reference pricing approach to motivate smart choices
- Members enabled make informed, active choices with their physician about their care and related costs
- Balance to manufacturer and others marketing and pricing efforts

The Market Sweet Spot



Our Market Priced Drug Design

ILLUSTRATIVE

Typical Plan Design
(\$10/\$30/\$45)

	Total \$	Plan \$	EE \$
Omeprazole 20mg	\$14	\$4	\$10
Nexium 40mg	\$166	\$121	\$45
Lansoprazole 30mg	\$16	\$6	\$10
...			

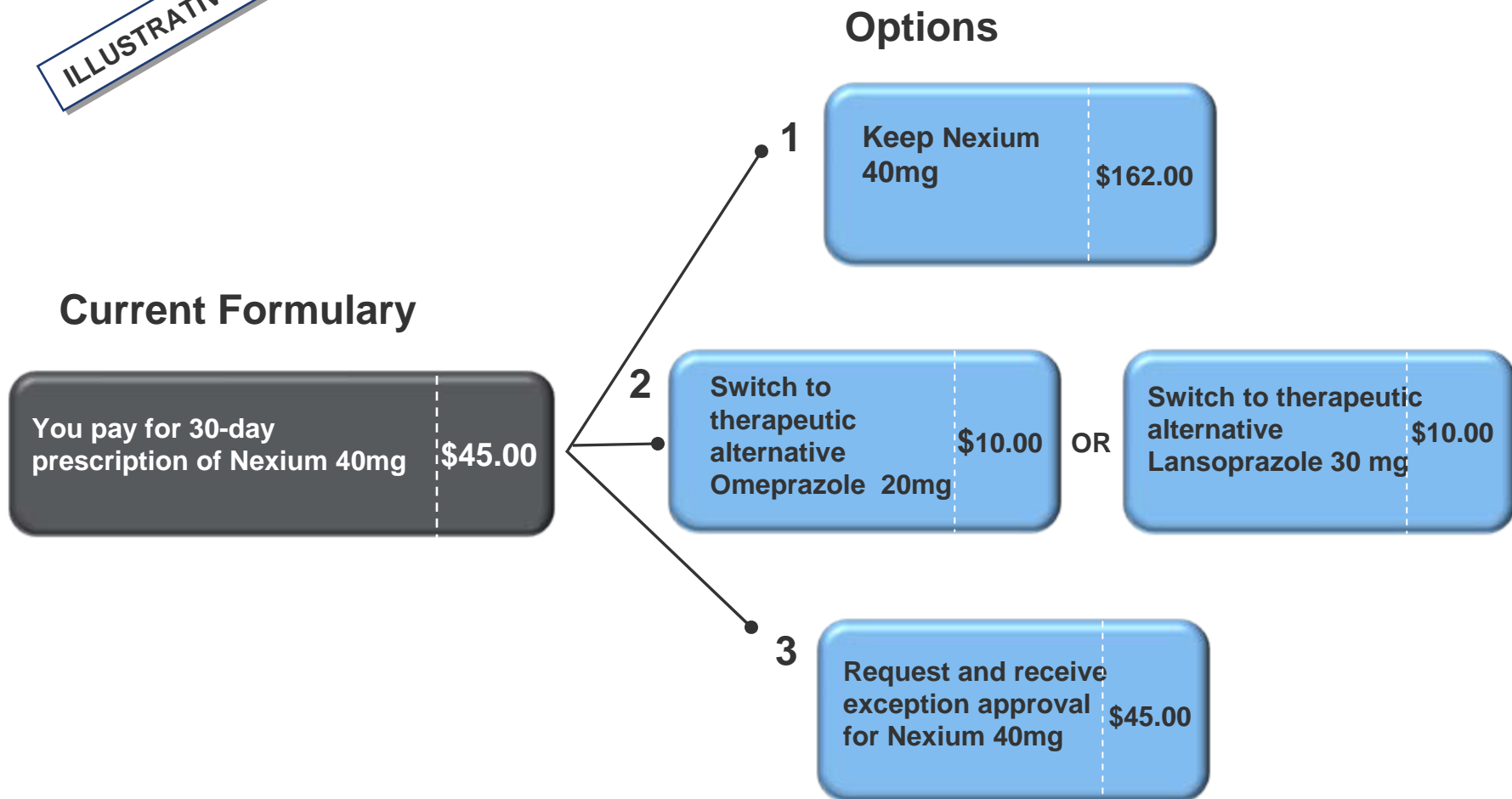


Our Plan Design

	Total \$	Plan \$	EE \$
Omeprazole 20mg	\$14	\$4	\$10
Nexium 40mg	\$166	\$4	\$162
Lansoprazole 30mg	\$16	\$4	\$12
...			

Safeway's Program Options

ILLUSTRATIVE



Note: Assumes a typical 3 tier Rx structure

Price Transparency via our “Medicine Cabinet”

The screenshot displays the Safeway Health Drug Compare Site Demo. The main heading is "Prescription Price Report". Below this, there is a section for "Your Prescription" and "Lower Cost Therapeutic Alternative".

Your Prescription:

Nexium CAP 40MG
Non-Formulary Brand, 1 Capsule once a day
Drug Information
You Pay \$162.54
Add This Drug

Lower Cost Therapeutic Alternative:

omeprazole CAP 20MG
Generic, 2 Capsules once a day
Drug Information
You Pay \$10.00
Annual Savings \$1,830.49
Add This Drug

Below the alternatives, there is a section titled "You have 8 medicine options available".

omeprazole CAP 40MG	Drug Information	You Pay \$10.00
Generic, 1 Capsule once a day		Annual Savings \$1,830.49
		Add This Drug

omeprazole/sodium bicarbonate CAP 40-1100	Drug Information	You Pay \$10.00
Generic, 1 Capsule once a day		Annual Savings \$1,830.49
		Add This Drug

Annotations on the screenshot:

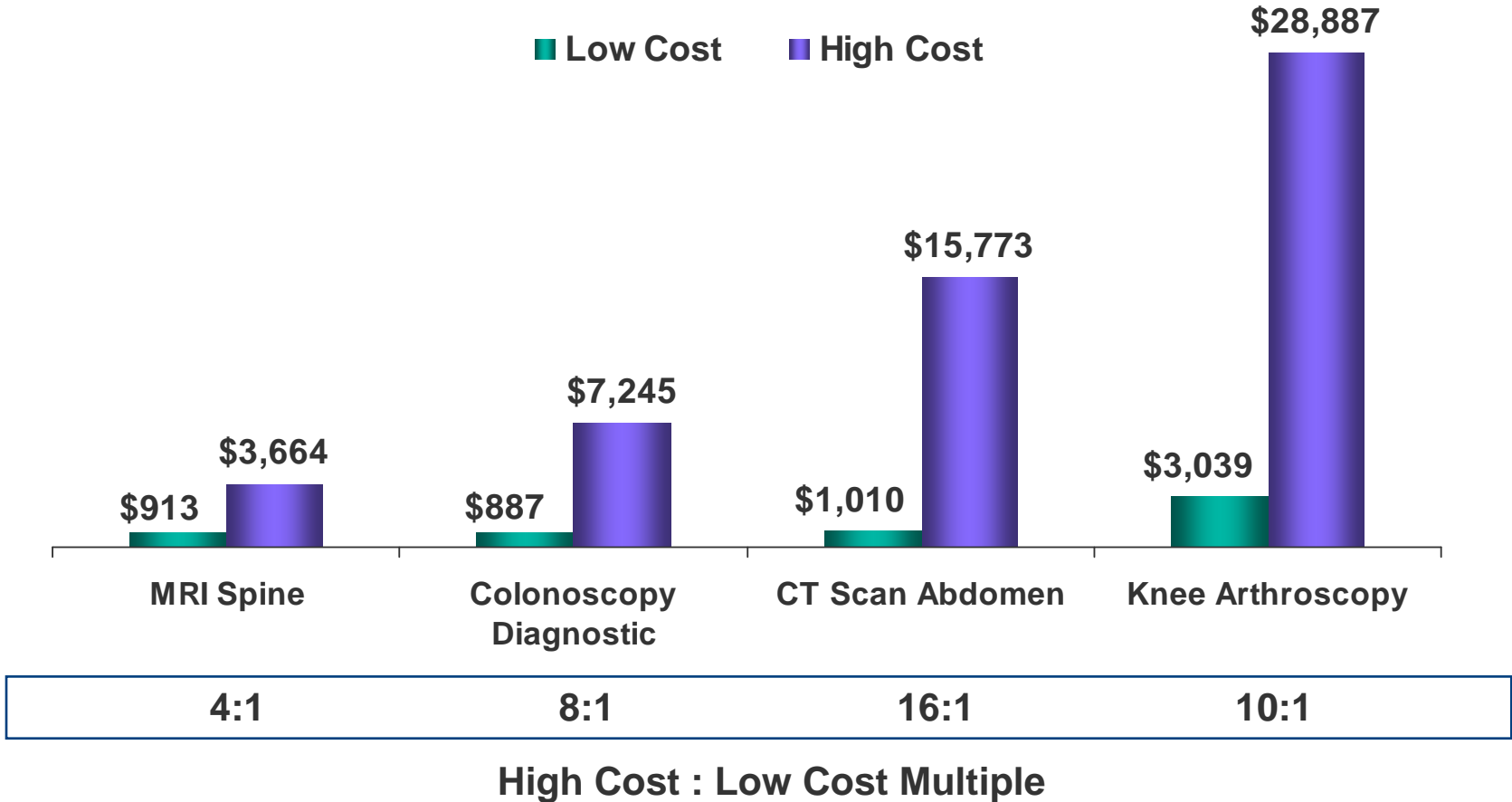
- "E-mails/Faxes this information to your physician for consideration" points to the "Ask My Doctor" and "Print This Report" buttons.
- "Patient Specific Dosage and Quantity" points to the dosage information for the lower-cost alternative.
- "Lower Cost Alternative" points to the "omeprazole CAP 20MG" section.
- "Explains the cost comparison and clinical comparison" points to the "Why is this the Lower Cost Therapeutic Alternative Drug?" section.

Pharmacy Program Impact

- Addressed over 60 therapeutic categories
- Savings per category exceeds 50% of spend
- Total savings of 18% - 20% of plan spend
- 85% of consumers switch to lower-cost prescriptions
- 3% of impacted prescriptions request program exceptions

Price Variation in Medical Procedures

Cost Per Procedure - Greater SF Bay Area MSA



Price Variation for a Specific Procedure

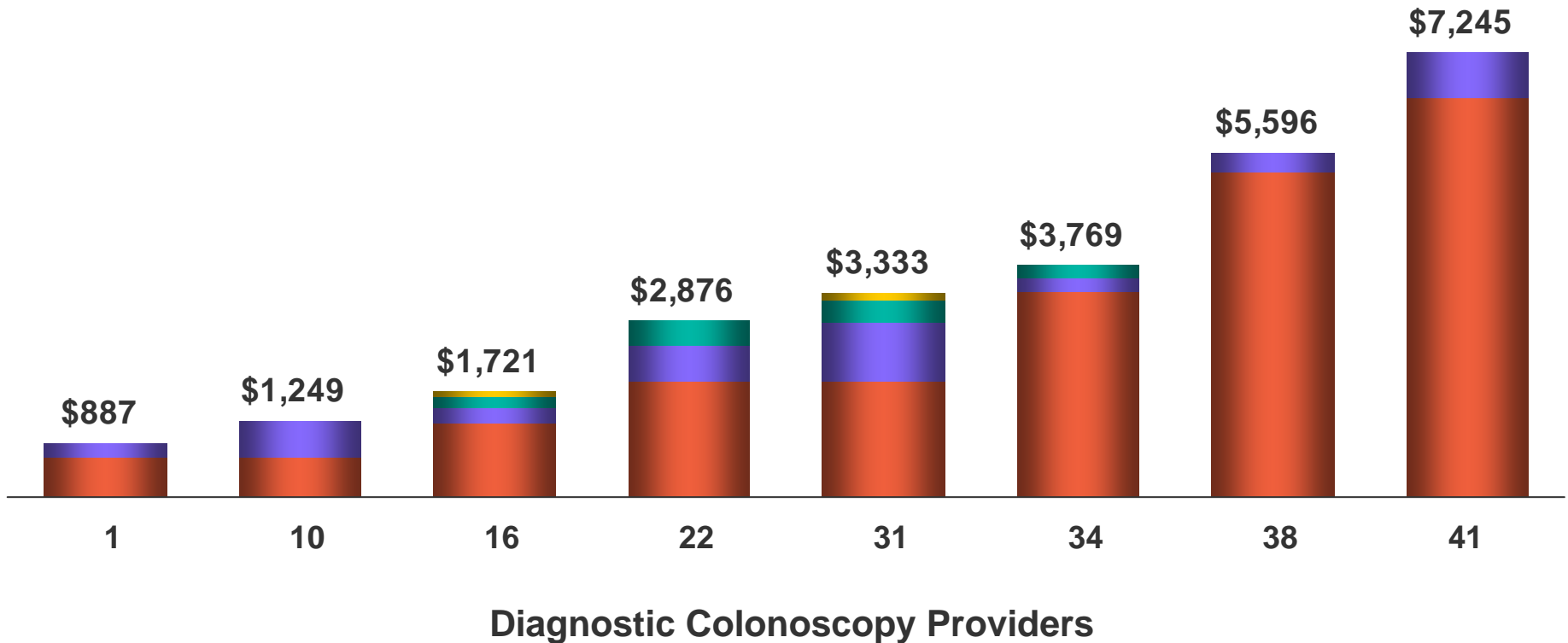
Colonoscopy Cost Per Procedure – Greater SF Bay Area MSA

■ Room & Supplies

■ Professional

■ Medications

■ Diagnostics



Representative sample: 8 out of 41 facilities

Safeway's Medical Program

Program Criteria

- Commodity
 - Low complexity / outcome variation
- Value
 - Sufficient variation and cost
- Accessible to process intervention
 - Time to shop
- Low administrative complexity
 - Can be adjudicated by plan and communicated to members

Program Results

- 550 labs implemented
- 70 imaging procedures implemented
- On track to achieve 3% savings on total medical cost
- Expanding procedures to achieve 5% savings next year



Mini-Summit III: Insurance Benefit Design and Cost Sharing for Payment Reforms

The National Pay For
Performance Summit

March 20, 2012