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**

- Commodity
- Value
- Able to Shop
- Sweet Spot
## Our Market Priced Drug Design

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

<table>
<thead>
<tr>
<th>Drug</th>
<th>Total $</th>
<th>Plan $</th>
<th>EE $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Omeprazole 20mg</td>
<td>$14</td>
<td>$4</td>
<td>$10</td>
</tr>
<tr>
<td>Nexium 40mg</td>
<td>$166</td>
<td>$121</td>
<td>$45</td>
</tr>
<tr>
<td>Lansoprazole 30mg</td>
<td>$16</td>
<td>$6</td>
<td>$10</td>
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<td>...</td>
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### Our Plan Design

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Safeway’s Program Options

Current Formulary

You pay for 30-day prescription of Nexium 40mg $45.00

Options

1. Keep Nexium 40mg $162.00
2. Switch to therapeutic alternative Omeprazole 20mg $10.00 OR Switch to therapeutic alternative Lansoprazole 30 mg $10.00
3. Request and receive exception approval for Nexium 40mg $45.00

Note: Assumes a typical 3 tier Rx structure
Price Transparency via our “Medicine Cabinet”

E-mails/Faxes this information to your physician for consideration.

Patient Specific Dosage and Quantity.

Lower Cost Alternative.

Explains the cost comparison and clinical comparison.
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

MRI Spine: $913 Low Cost, $3,664 High Cost
Colonoscopy Diagnostic: $887 Low Cost, $7,245 High Cost
CT Scan Abdomen: $1,010 Low Cost, $15,773 High Cost
Knee Arthroscopy: $3,039 Low Cost, $28,887 High Cost

High Cost : Low Cost Multiple

4:1 8:1 16:1 10:1
Price Variation for a Specific Procedure

Colonoscopy Cost Per Procedure – Greater SF Bay Area MSA

Diagram showing the cost variation for colonoscopy procedures, with categories for Room & Supplies, Professional, Medications, and Diagnostics.

Representative sample: 8 out of 41 facilities

Safeway Health

P4PSummit
March 20, 2012
# Safeway’s Medical Program

<table>
<thead>
<tr>
<th>Program Criteria</th>
<th>Program Results</th>
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</thead>
<tbody>
<tr>
<td>• Commodity</td>
<td>• 550 labs implemented</td>
</tr>
<tr>
<td>– Low complexity / outcome variation</td>
<td>• 70 imaging procedures implemented</td>
</tr>
<tr>
<td>• Value</td>
<td>• On track to achieve 3% savings on total medical cost</td>
</tr>
<tr>
<td>– Sufficient variation and cost</td>
<td>• Expanding procedures to achieve 5% savings next year</td>
</tr>
<tr>
<td>• Accessible to process intervention</td>
<td></td>
</tr>
<tr>
<td>– Time to shop</td>
<td></td>
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<tr>
<td>• Low administrative complexity</td>
<td></td>
</tr>
<tr>
<td>– Can be adjudicated by plan and communicated to members</td>
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