



Protecting Affordable Access to Next Generation Medical Solutions

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Protecting Health Care Value

Right Drug or Device

Right Person

Right Duration

Right Price

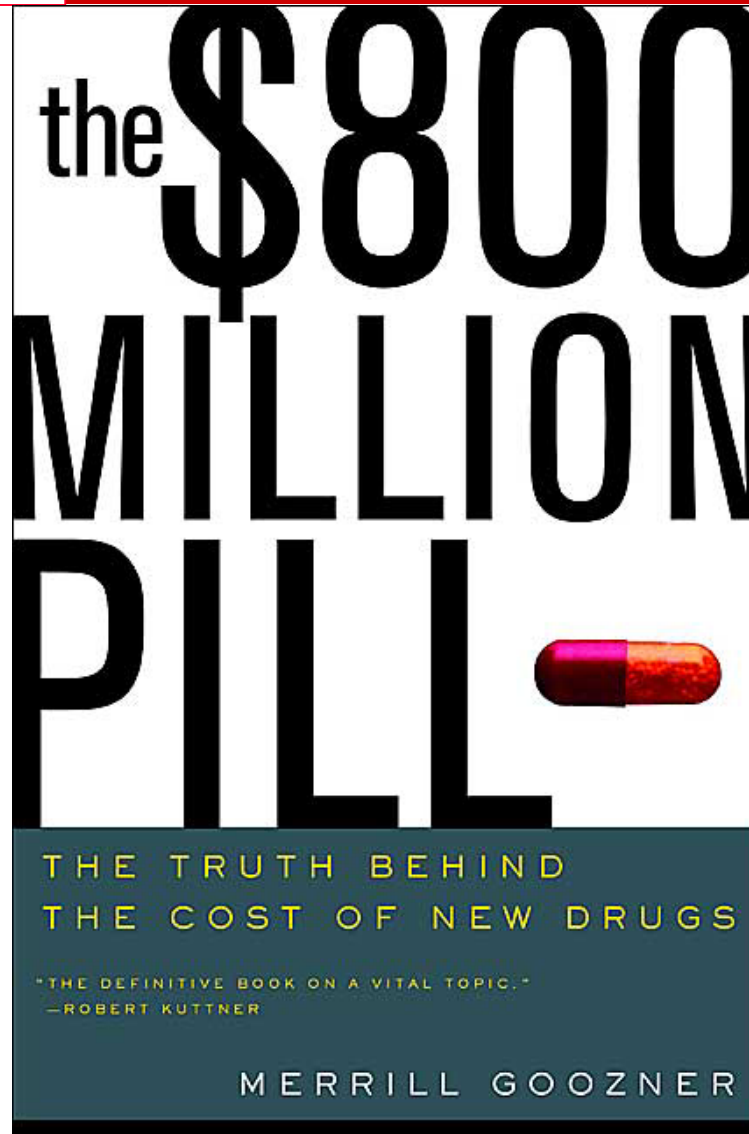
Evidence Based Medicine or Hype?

To a man armed with a hammer, everything looks like a nail. To a society accustomed to open access to ALL pharmaceuticals, biotechnology and devices, human life may seem more amendable to improvement than it really is.

WellPoint's Role

- **Keep coverage and the benefit affordable**
- **Maintain broad access to life essential prescription drugs and devices**
- **Align manufacturer and patient interests within resource constraints**
- **Ethically manage all medical benefits, including pharmacy**

How Much Will It Cost?



Health Care Trends

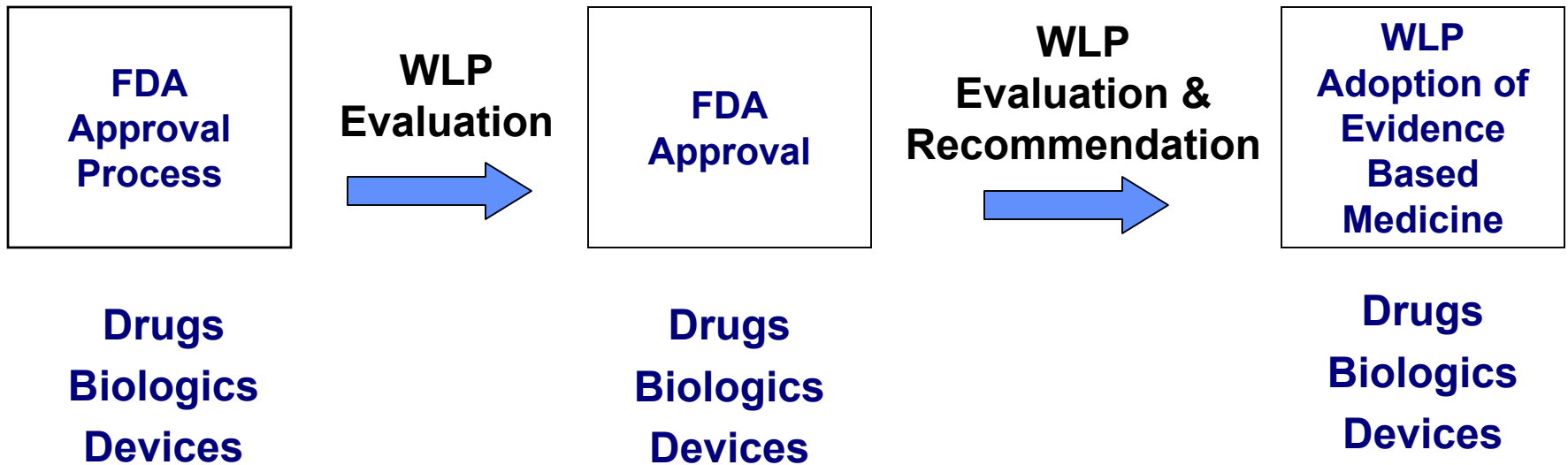
Overview

- **The health care market today**
 - **Costs continue to rise**
 - **Utilization continues to increase**
 - **New technologies continue to diffuse and replace existing interventions**
 - **350 biotechnology drugs in development**
 - **Drug eluting stents**
 - **Artificial organs**
- **WellPoint utilizes a suite of interventions that assess value and protect affordability while assuring quality of care**

WellPoint Integrated Health Care Management

- **A bridge to better medical outcomes**
 - **Coordinated programs to use drugs as a bridge to better medical outcomes**
 - **No silos**
 - **Integration with Health Improvement Programs**
 - **Integration of pharmacy and medical data to support better outcomes**
 - **Quality of Care initiatives**

The WellPoint Review Process

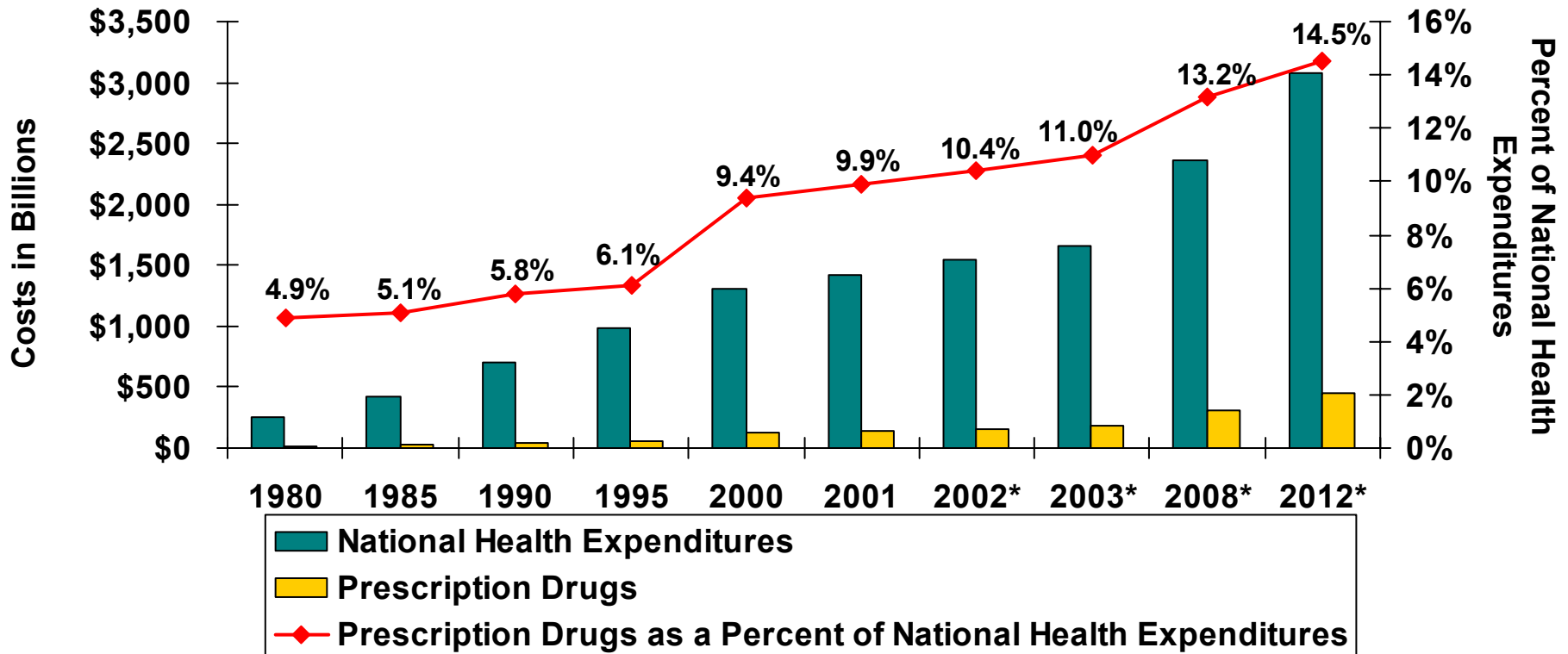


Is the Marketplace Changing?

- **Surge in patent expirations**
- **Growth in Rx to OTC conversions**
- **Slow down in new drug and device approvals**
- **Canadian Rx importation**
 - Not if, but when and how
- **Decrease in diffusion of new drugs**
- **Medicare Rx benefit**
 - Number of required therapeutic class codes challenge the effectiveness of the benefit design
- **Increased focus on healthcare outcomes**
 - Evidence based medicine

Prescription Drug Expenditures Are Increasing at a Rate That Is Not Sustainable

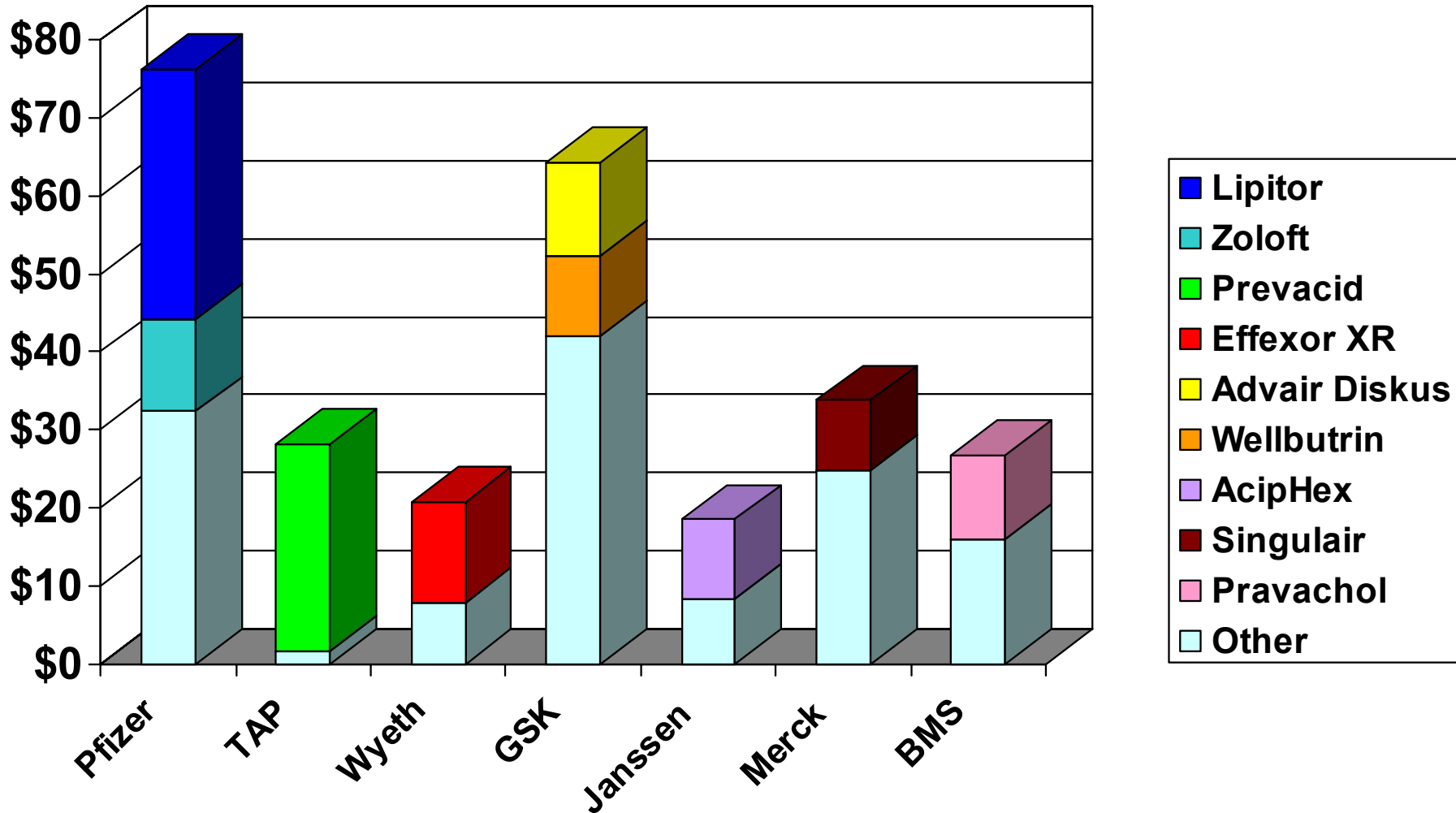
Pharmacy Costs and Share of Healthcare Dollar



*Projected

Source: Centers for Medicare and Medicaid Services, 2003a

Single Drugs As a Percentage of Pharma \$\$

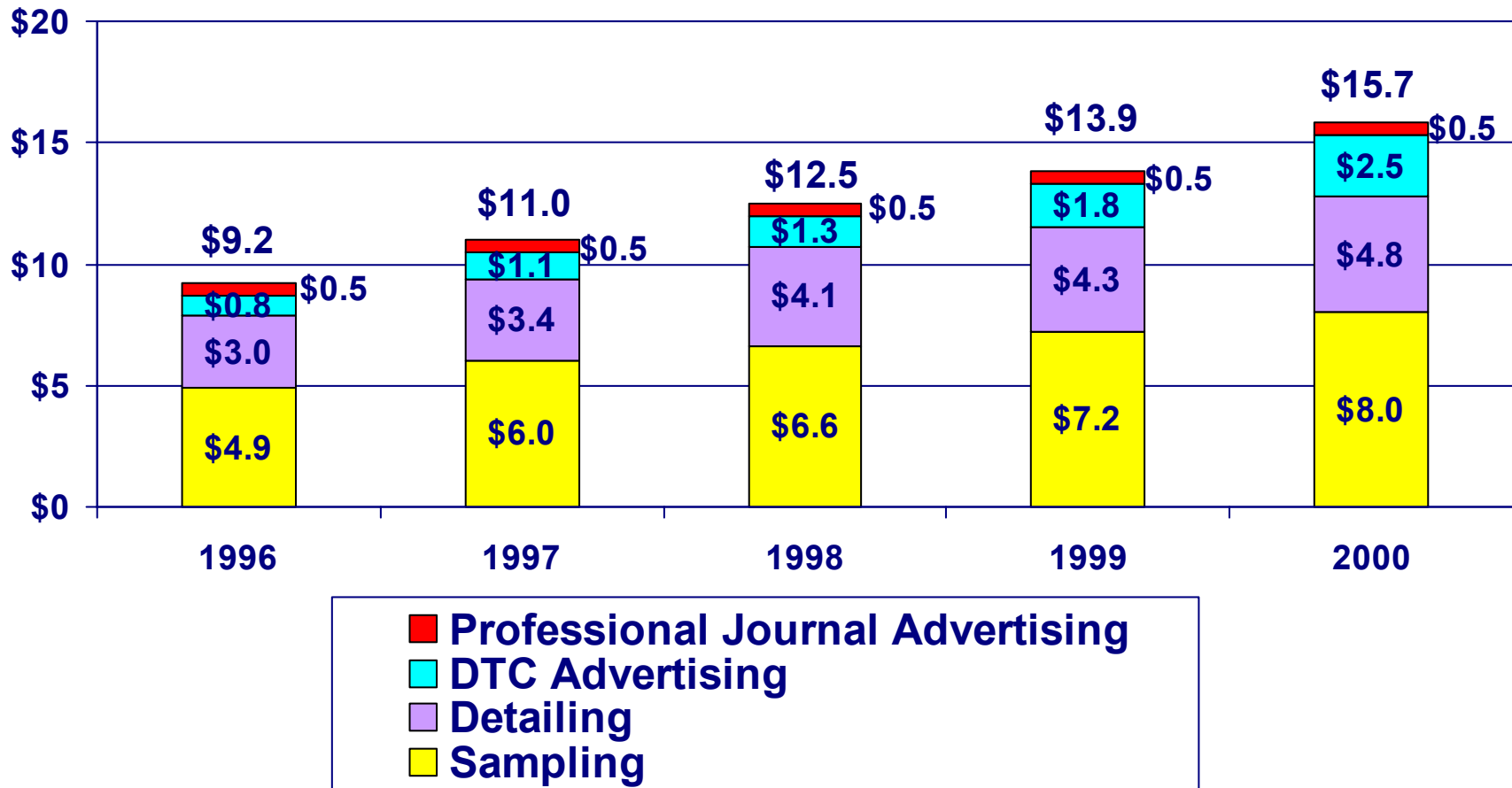


New Technology Is Driving Utilization and Costs

- **New technology is adding to old technology**
 - MRI/CT + X ray
 - Drug eluting stents + statins
 - Implantable devices + drugs
- **Patients like technology**
 - MD is “smarter” if he/she uses new technology or drugs
- **Technology may be used where it is not evidence based**
 - Body scans
- **Safer, less intrusive technology increases consumer use**
 - Laparoscopic surgery
 - Safer drugs

Protecting Rx Affordability Is Challenging

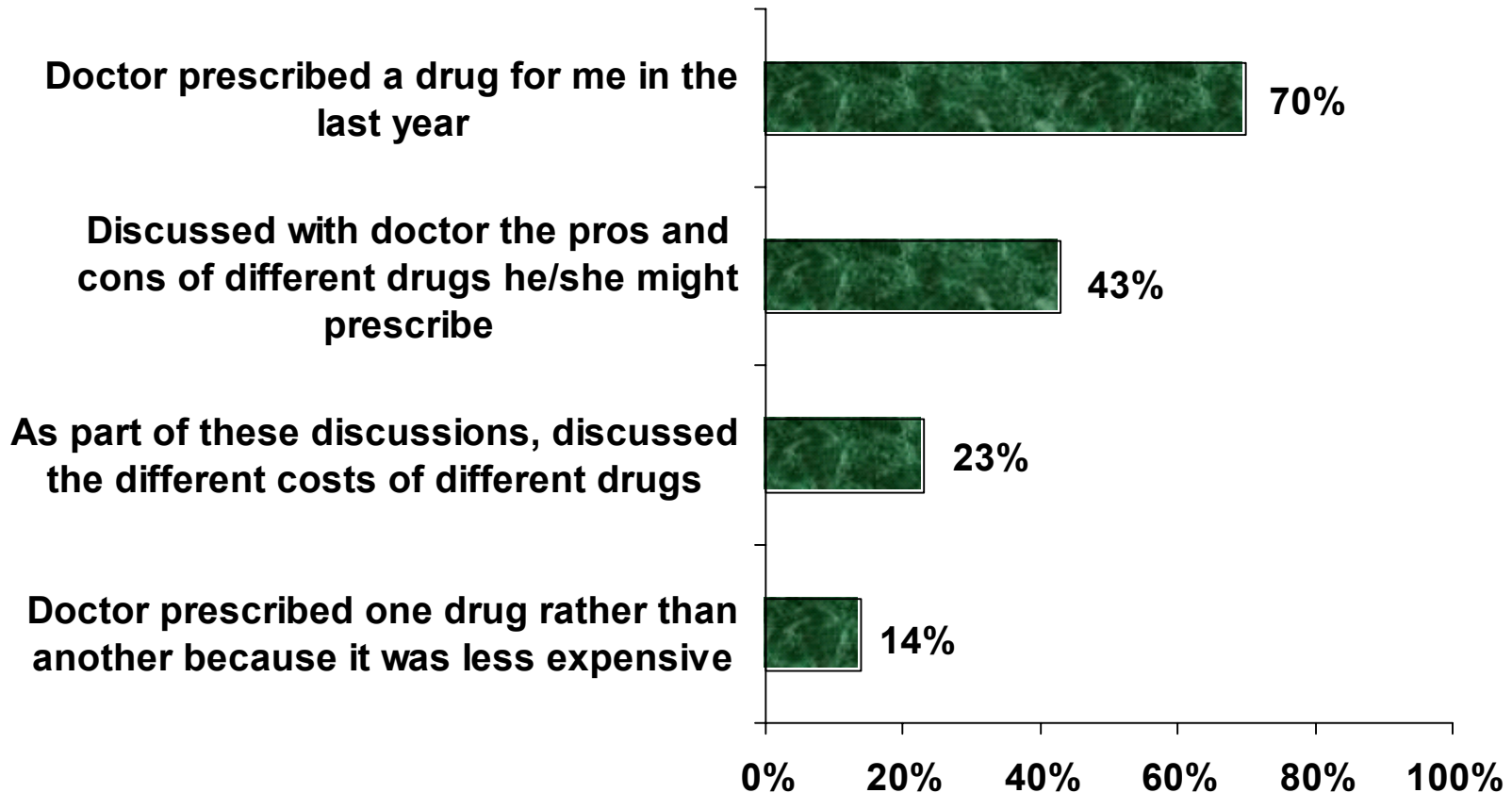
(\$ in billions)



Source: Kaiser Family Foundation, Prescription Drug Trends: A Chartbook Update, 2001.

Disconnect Between the Patient and the System

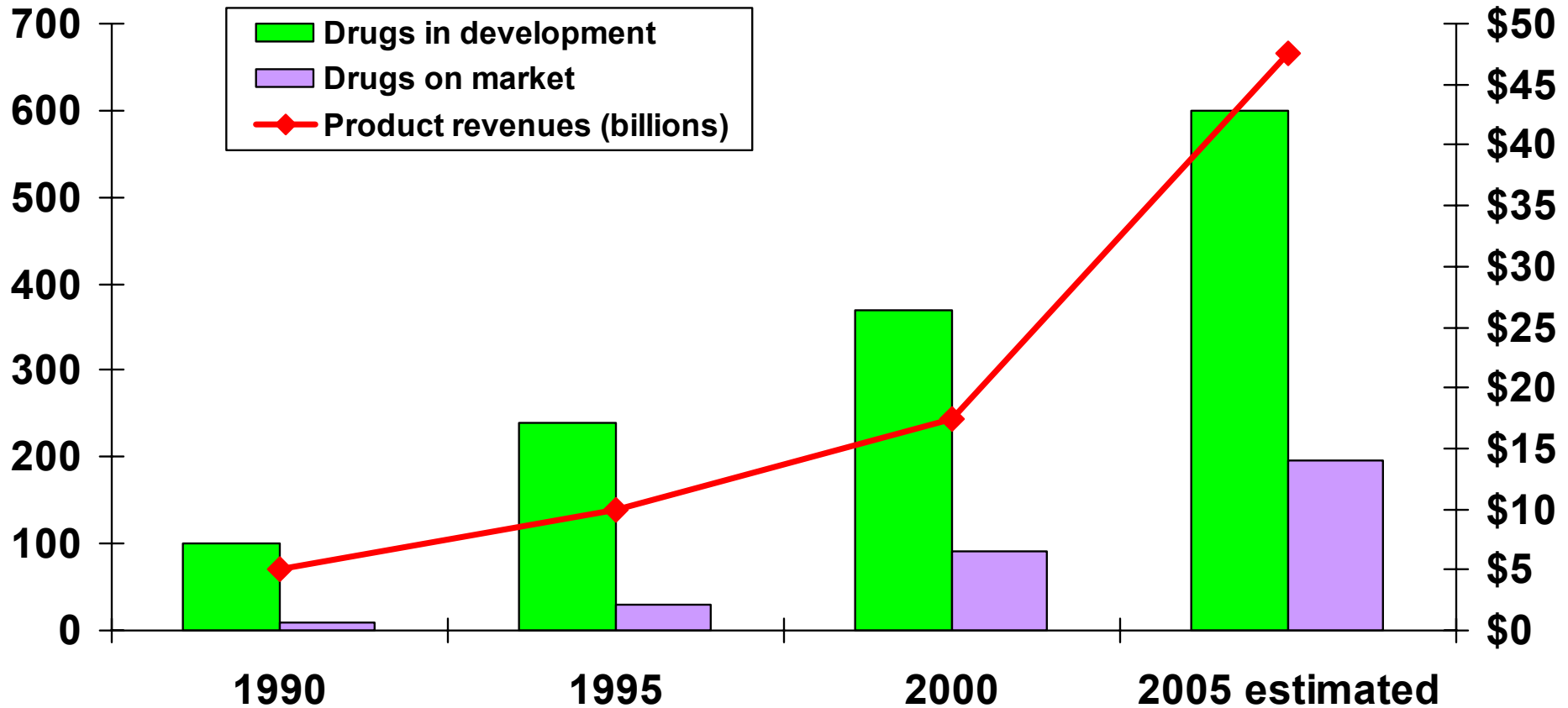
Only 1 in 4 Americans discuss the cost of medicines with their doctor



Biotechnology Blockbusters?

Drug/Route	Principal Sponsor	Status	Expected Launch	Indication	Potential Sales (\$million)*
ABX-EGF (IV)	Abgenix	Phase II	---	Colorectal Cancer	500
AMG-531 (IV)	Amgen	Phase II	---	Thrombocytopenia	1,000
Antegren (IV)	Biogen	Phase III	2005	Crohn's Disease, RA, MS	1,000
Exenatide (SQ)	Amylin	Phase III	2005	Diabetes	500 – 1,000
Genasense (IV)	Genta	FDA decision	2004	Melanoma	200
Lucentis (IVT)	Genentech	Phase III	---	Macular Degeneration	500
Palifermin (IV)	Amgen	Phase III	2005	Mucositis	500
Riquent (IV)	La Jolla	FDA decision	2004	Lupus/Renal Disease	250
Symlyn (SQ)	Amylin	FDA decision	2005	Diabetes	250
Tarceva (PO)	Genentech	Phase III	2005	Lung Cancer	500

Increase in Biotechnology Drugs Brings Will Bring a Sharp Rise in Drug Spending



Source: Managed Care, April 2002, HMOs Should Prepare Now to Get Handle on Generics; 42H-42N

Is New Technology Always Better?



Is New Technology Always Better?



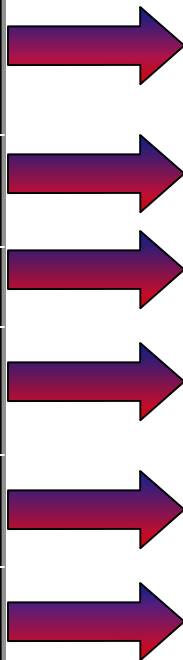
WLP Programs Address the Major Drivers of Healthcare Costs

Cost Drivers

New therapies
Price inflation
Utilization
Direct-to-consumer advertising
Aging population
Chronic illnesses

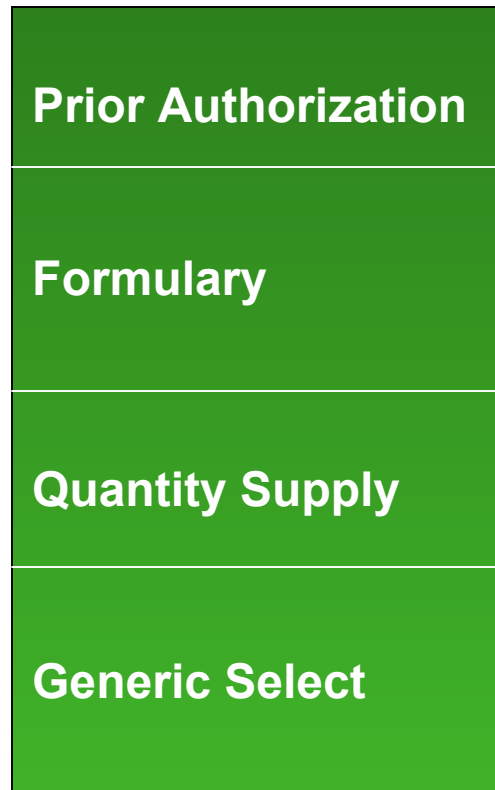
Containment Strategy

Strong clinical evaluation from Pharmacy and Therapeutics Committee
Aggressive contracting and network generic programs
Utilization management initiatives
Member education and empowerment and provider education
Seniors Awareness and Response program and other programs
Therapy Management Programs and Health Improvement Programs

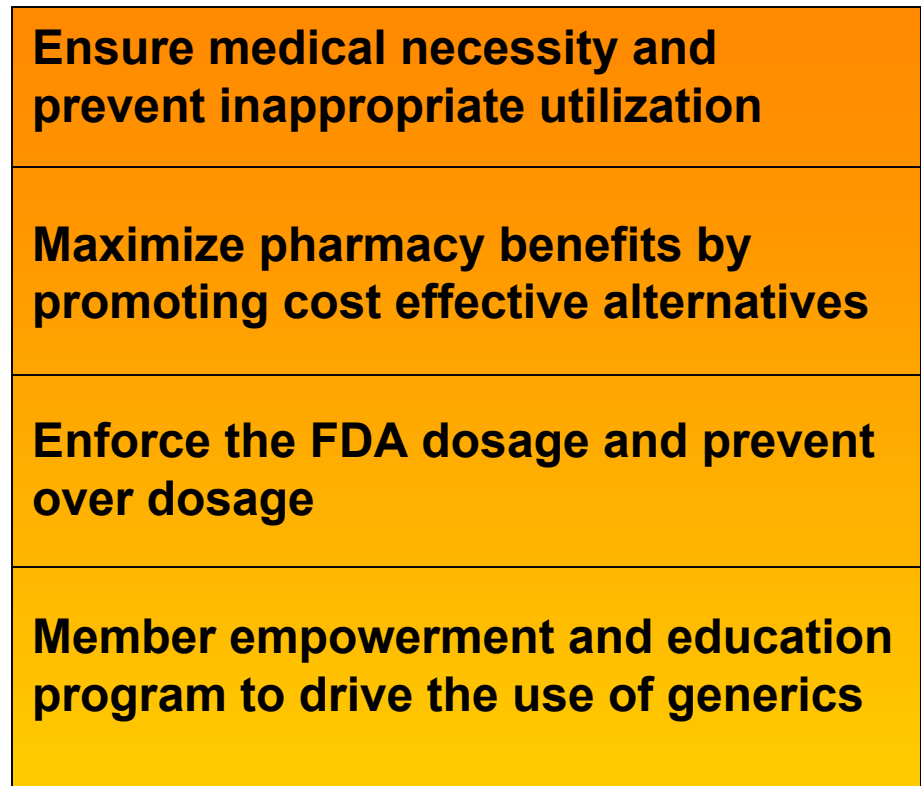


With Innovative Utilization Management Programs

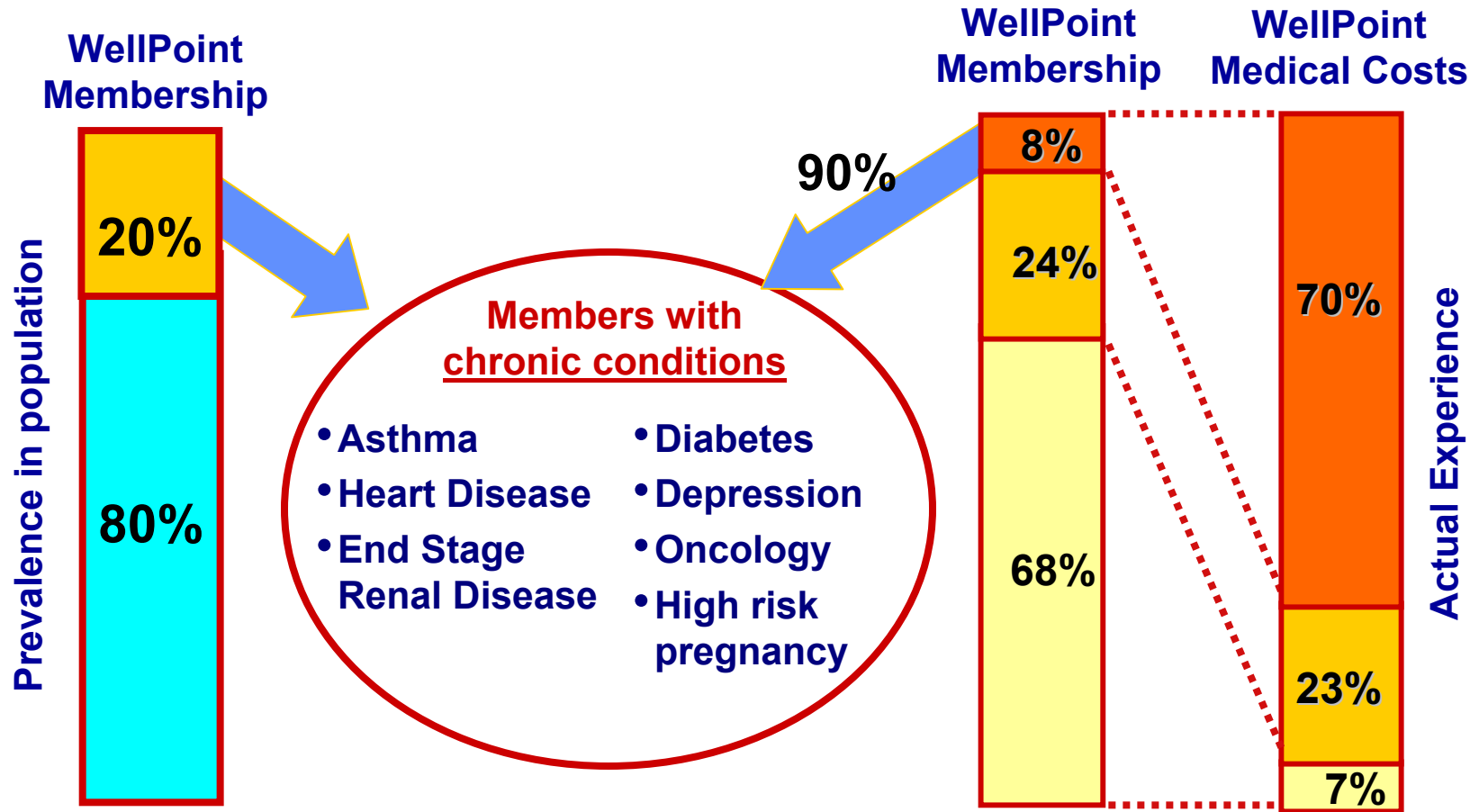
Cost Drivers



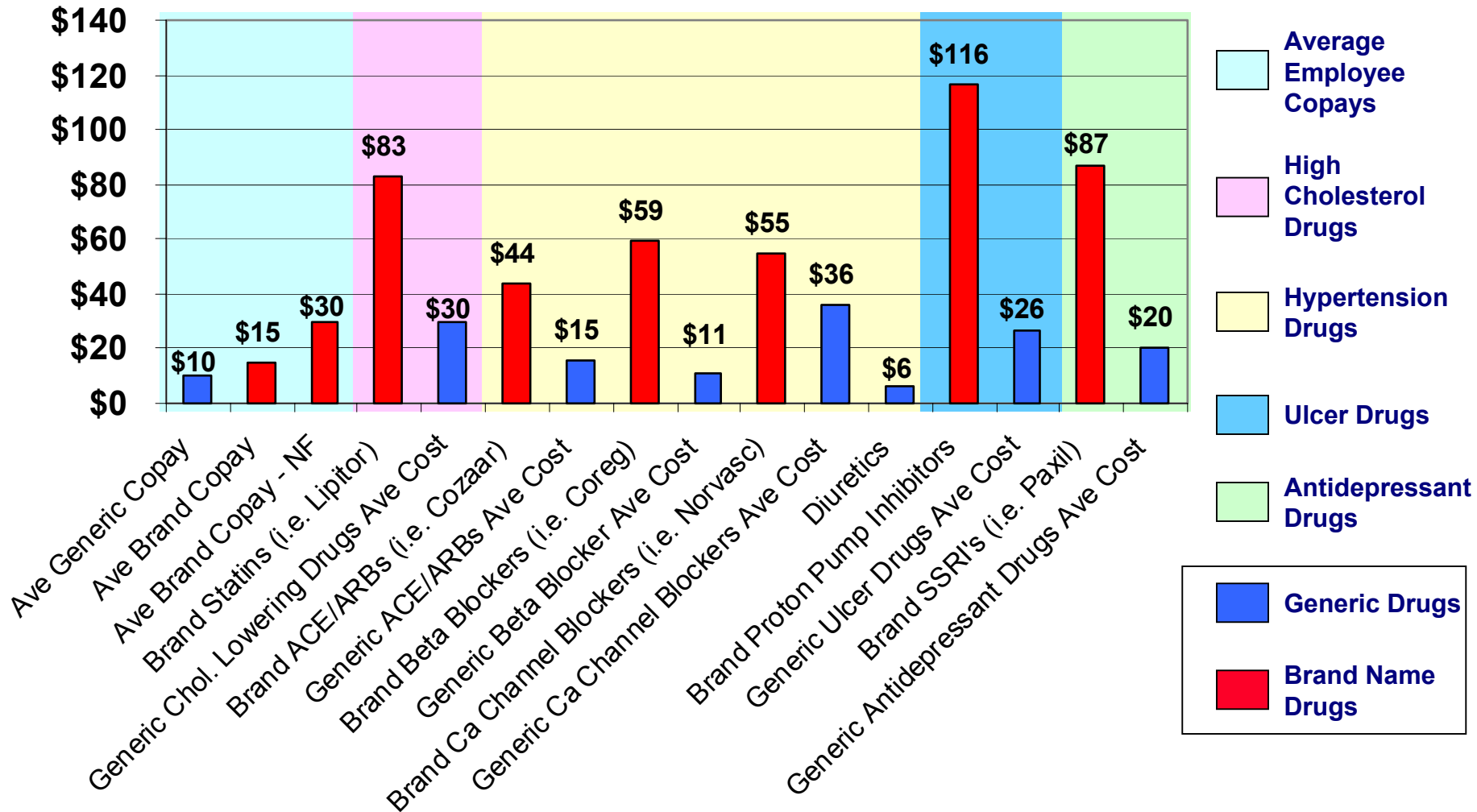
Containment Strategy



WLP Focus on Outcomes



Do All New Brand Name Drugs Provide Optimal Value?



Note: Prices listed are the average cost to WellPoint.

Retail costs of drugs are approx. 20% higher

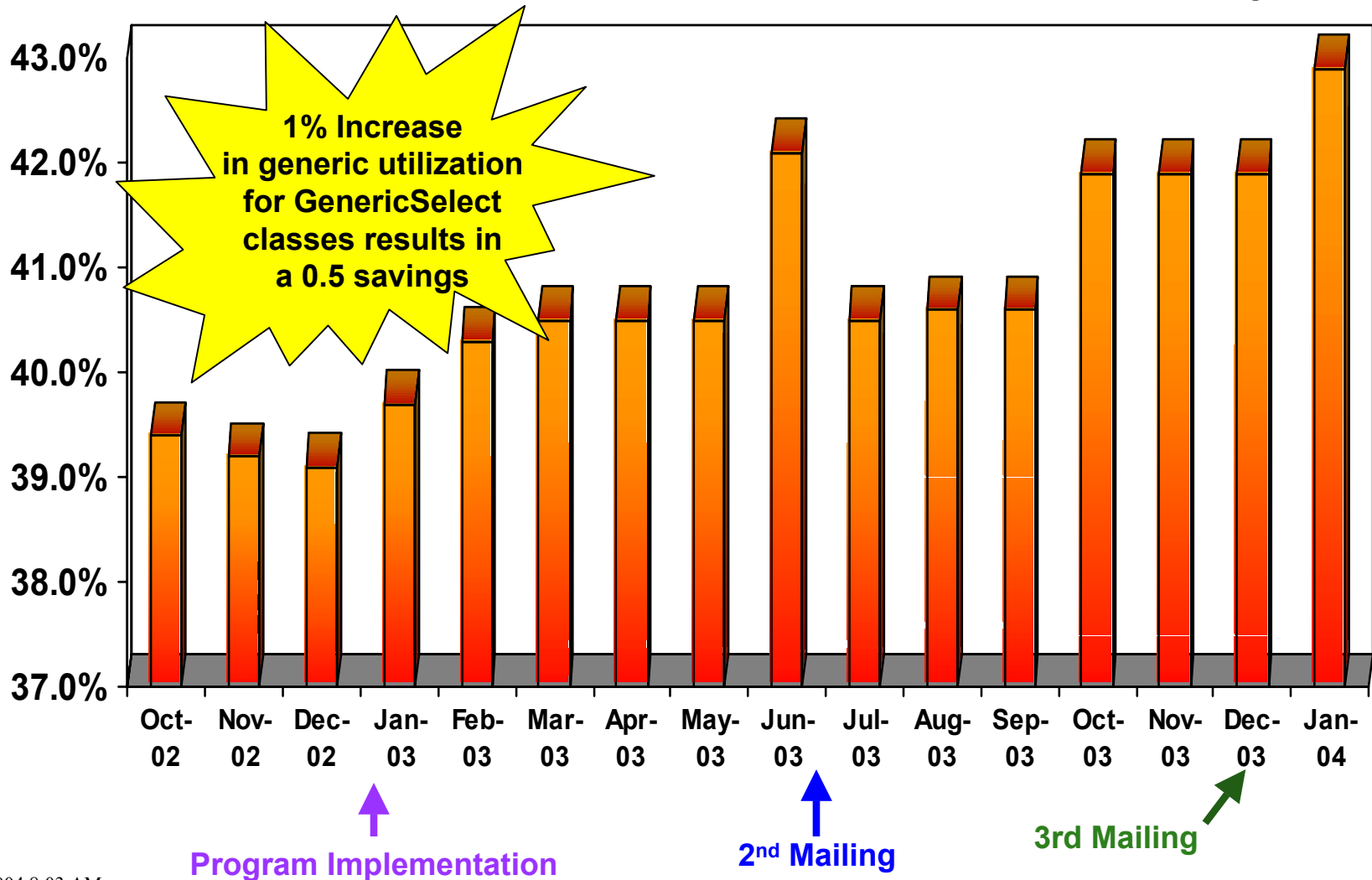
The Generic Solution

- **Members**
 - **Benefit design**
 - **GenericSelectSM**
- **Physicians**
 - **Generic coupons**
 - **Generic samples**
- **The Pharmaceutical Industry**

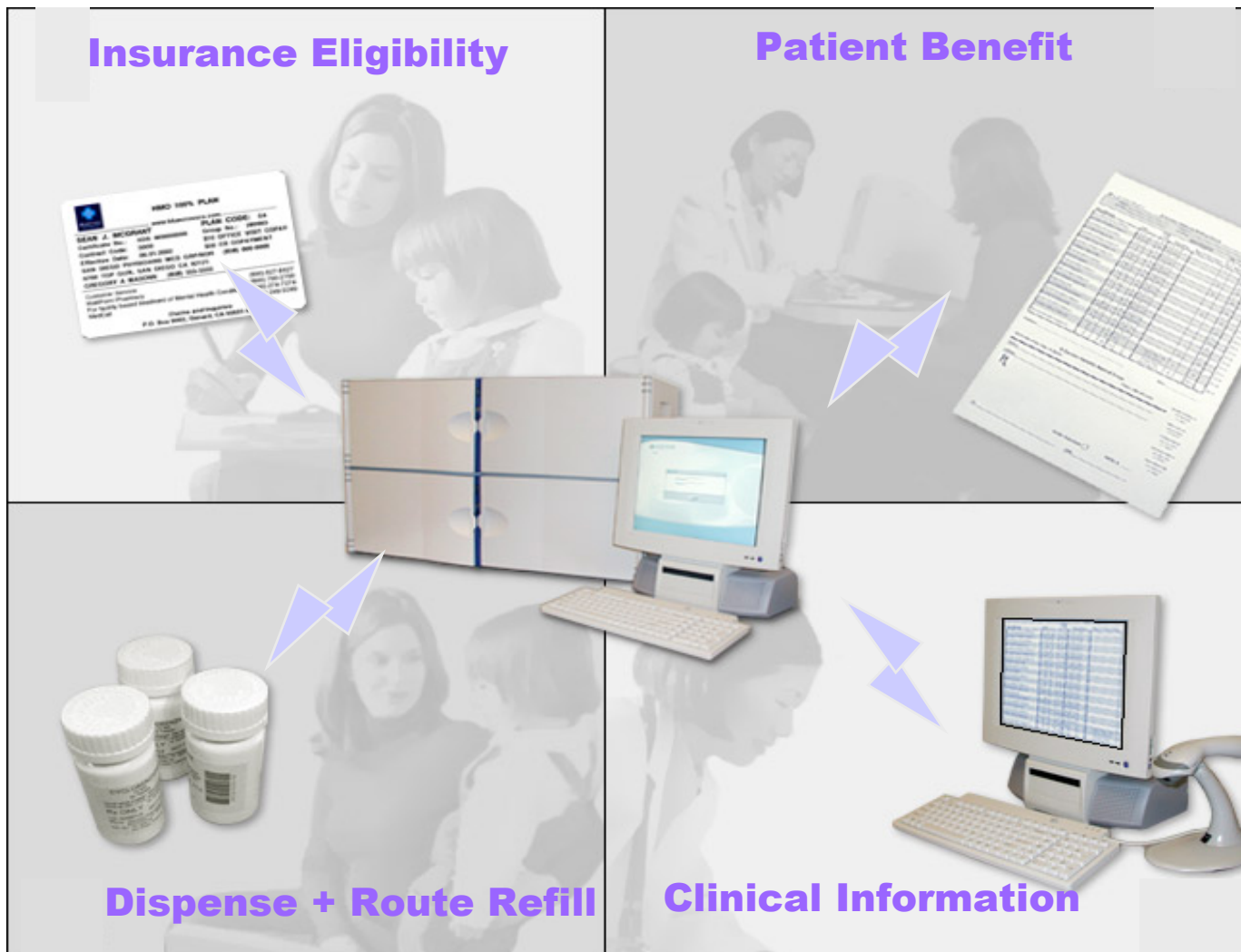


GenericSelect Results

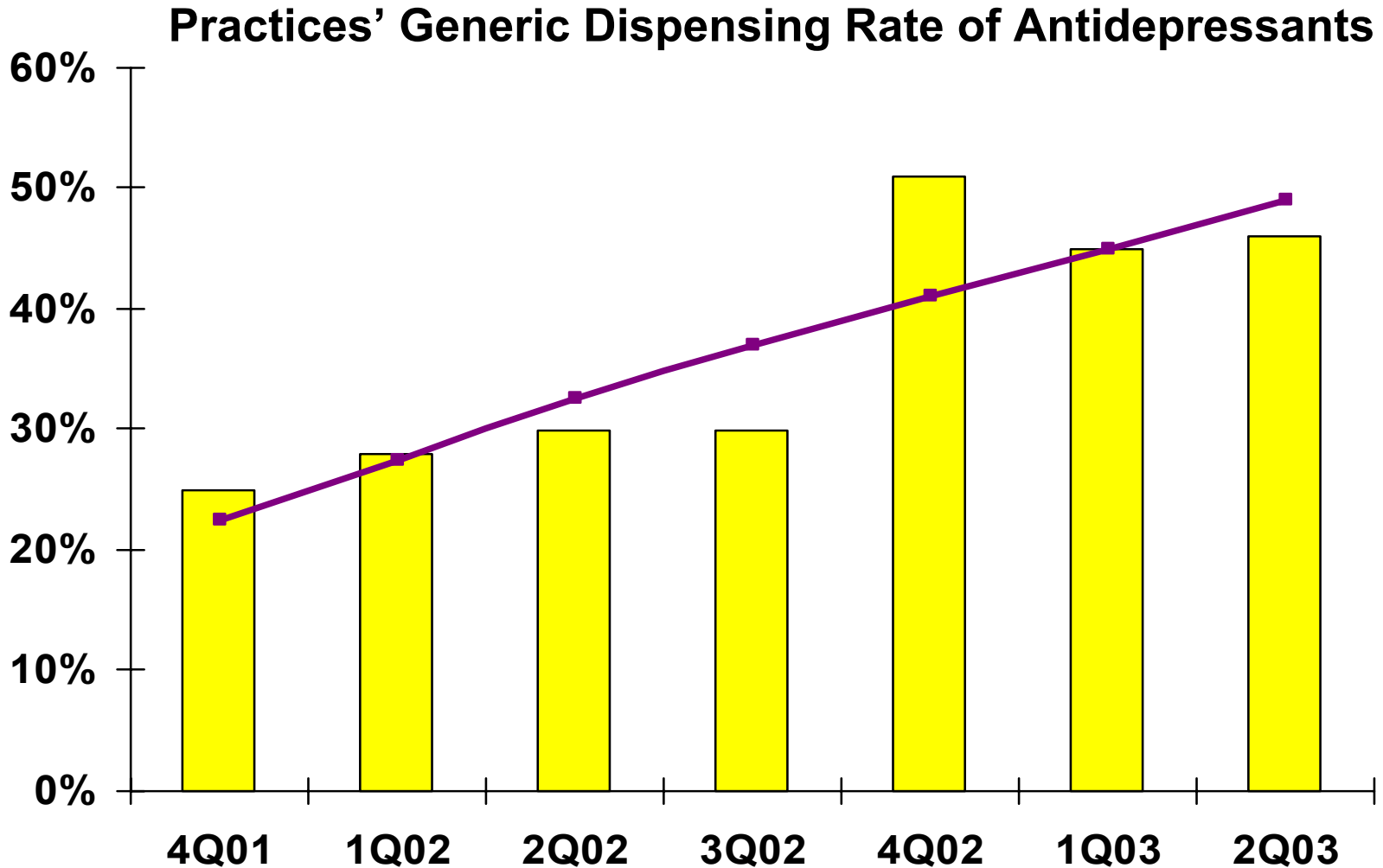
% Generic Use for GenericSelect Classes Only



Generic Sampling: Distributed System Integrates Into Practice Workflow



Individual Therapeutic Class Impact Anti-Depressants (SSRIs)



Claritin OTC Conversion: *Reality vs. Hype*

"Blue Cross wants to stop reimbursing for Claritin, so they've created this **convenient fiction** about [the] price [decreasing from a move to OTC]..."

Industry Consultant

USA Today, April 12, 2000

Claritin OTC Conversion: Market Reality

\$3.00/day



\$.90/day



\$.50/day



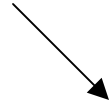
\$.10/day



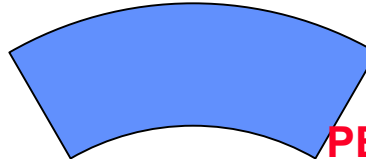
Specialty Injectables: Next Generations Solutions

OBI Claim Submitted as an NDC

*MD orders
OBI from
Specialty Rx*

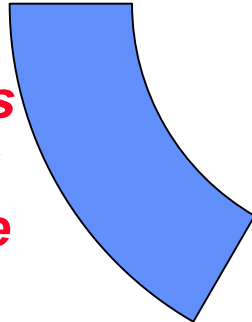


*Specialty
Pharmacy
Bills PBM*

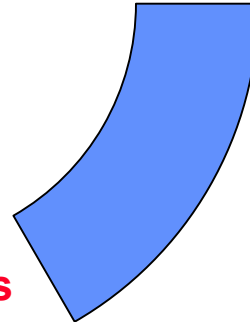


*PBM Scrubs
Claim & Submits
To Plan in
HCFA 1500 Form*

*Plan reimburses
Specialty Rx at
Negotiated Rate
and generates
EOB*



*Plan
Reimburses
Specialty
Pharmacy*

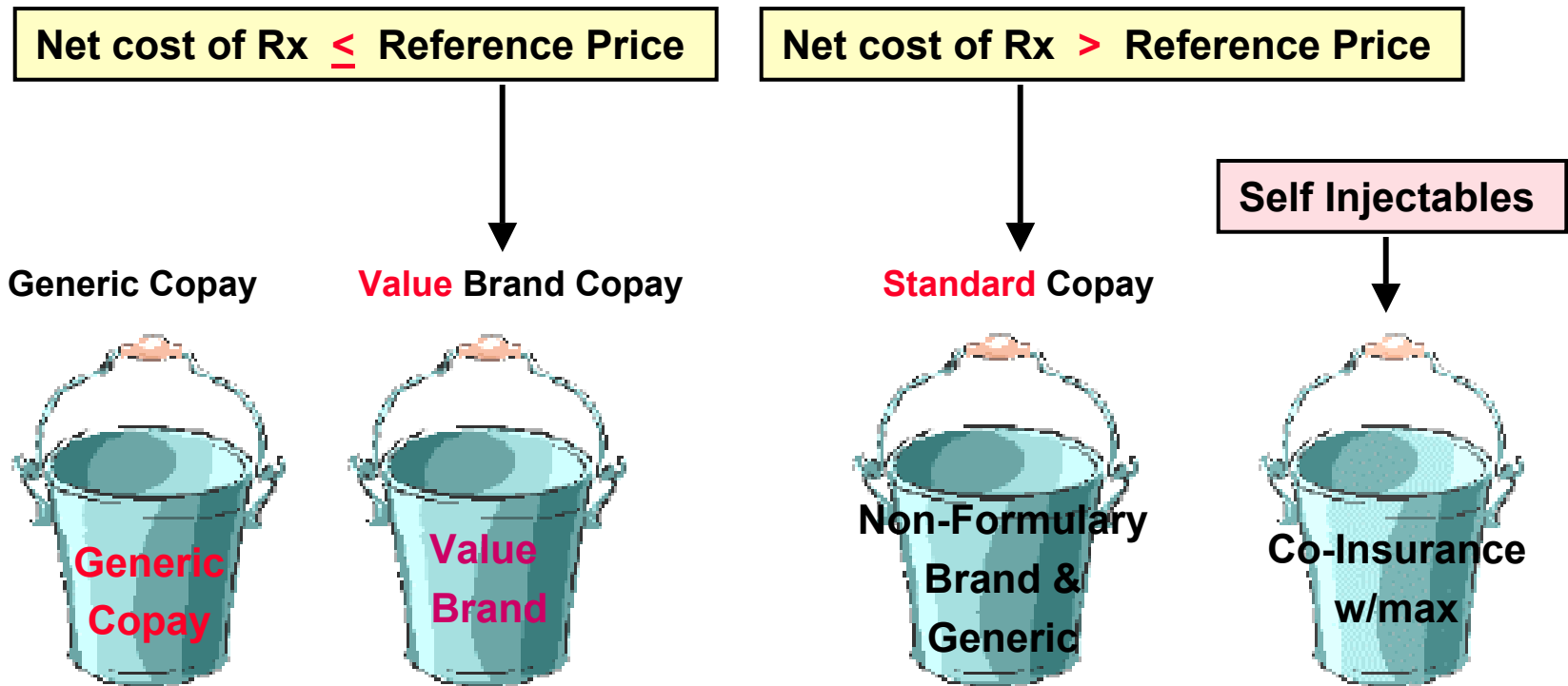


*Claim Converted
to J Code
and Submitted at
Negotiated Rate*

Reference Pricing

Protecting Affordability

Average Annual Retail AWP Cost = **REFERENCE PRICE**
(Reimbursement Threshold by Therapeutic Class)



ePrescribing: The Time is Now

- **Increase efficiency and productivity**
 - Decrease prior authorizations
 - Formulary compliance
 - Benefit and eligibility information
- **Increase patient safety**
 - Drug interactions
 - Duplicate therapy/polypharmacy
 - Transcribing errors
 - Evidence based medicine
- **A requirement**
 - CMS initiative

The WellPoint Message

- **Preserve the affordability of health care benefits**
 - **Anticipate future FDA approvals**
 - **Analyze the integrated data stream**
 - **Develop and implement innovative and effective benefit design and clinical solutions that meet societal needs**