Advancing Your Specialty Strategy with the Power of CVS Health

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April 22, 2015

CVS Health
Agenda

Specialty Landscape and Market Dynamics

Advancing Your Specialty Strategy:
Enhance clinical quality, manage trend, improve member experience

Future Strategies
Specialty Continues to Grow: By 2018, It Will Represent 50% of all Drug Spend

**TOTAL INDUSTRY SPECIALTY SPEND**

<table>
<thead>
<tr>
<th>Year</th>
<th>Medical Benefit</th>
<th>Pharmacy Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>30% of total drug spend</td>
<td>50% of total drug spend</td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td>Half of spend under medical benefit with limited visibility</td>
</tr>
</tbody>
</table>

**KEY FACTORS DRIVING TREND**

Increasing utilization
- Aging population
- Robust pipeline
- Expanding indications

Increasing prices
- Brand drug price inflation
- Higher cost for innovative drugs

Source: NHE, Artemetrx, CVS Health Internal Analysis, 2013.
Increasing Utilization of Specialty Drugs

Three Key Drivers 2011-2014

New Drugs + New Indications + Aging Population

88 + 110 + 6x = Increasing Utilization

Utilization Trend
Rx per million members per month

<table>
<thead>
<tr>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
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<tbody>
<tr>
<td>6,622</td>
<td>6,973</td>
<td>7,457</td>
<td>8,099</td>
</tr>
</tbody>
</table>

Source: CVS/caremark Enterprise Analytics, data 2011 through 2014. PMPM (Per Member Per Month).
Increasing Specialty Drug Prices: Annual Inflation and Higher Launch Prices

### AWP Increase

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>AWP Increase</td>
<td>8.5%</td>
<td>9.8%</td>
</tr>
</tbody>
</table>

### Annual Price in Thousands

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Copaxone®</td>
<td>$10</td>
<td>$15</td>
<td>$20</td>
<td>$25</td>
<td>$30</td>
<td>$35</td>
<td>$40</td>
<td>$45</td>
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<td>$50</td>
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<tr>
<td>Humira®</td>
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<td>Tysabri®</td>
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<td>$50</td>
<td>$55</td>
<td>$60</td>
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<td>$70</td>
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<td>$100</td>
<td>$105</td>
<td>$110</td>
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<tr>
<td>Cimzia®</td>
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<td>$100</td>
<td>$105</td>
<td>$110</td>
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<tr>
<td>Incivek®</td>
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<td>$90</td>
<td>$95</td>
<td>$100</td>
<td>$105</td>
<td>$110</td>
<td>$115</td>
<td>$120</td>
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<tr>
<td>Viekira Pak™</td>
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<td>$95</td>
<td>$100</td>
<td>$105</td>
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<td>$120</td>
<td>$125</td>
<td>$130</td>
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<tr>
<td>Sovaldi®</td>
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<td>$130</td>
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<td>$140</td>
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<tr>
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<td>$140</td>
<td>$145</td>
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<tr>
<td>Harvoni®</td>
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<td>$145</td>
<td>$150</td>
<td>$155</td>
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</table>

Source: CVS/caremark Specialty Analytics. Annual drug costs based on average wholesale price (AWP) accessed summer 2013. This slide contains references to brand-name prescription drugs that are trademarks or registered trademarks of pharmaceutical manufacturers not affiliated with CVS Health and/or one of its affiliates. Source: CVS/specialty 2010-2014 book of business.
More than Medication: Specialty Patient Care Accounts for 25% of Total Health Care Costs

- **Patients Using Specialty Drugs**: 3.6%
- **Specialty Portion of Total Health Care Spend**: 25%
- **Specialty Drugs are Nearly One Third of the Total Cost**: 11%
  - Specialty drugs: 8%
  - Other medical costs: 5%
  - All other drugs: 1%

Agenda

Specialty Landscape and Market Dynamics

Advancing Your Specialty Strategy: Manage trend, enhance clinical quality, improve member experience

Future Strategies
Traditional Approach Manages Price and Utilization for Individual Prescriptions

DRUG-LEVEL APPROACH

Review Diagnosis

Review Prescription

Important but incomplete
Condition-Level Example: Addressing Unique Opportunities Based on Specific Patient Needs

**DRUG-LEVEL APPROACH**

- Review Diagnosis
  - Is Remicade appropriate treatment for RA?
- Review Prescription
  - Are there any contraindications for Remicade?

**CONDITION-LEVEL APPROACH**

- **Newly diagnosed**
  - New to RA; prescribed infused drug before other self injectables

- **Advanced disease**
  - Living with RA for more than 15 years with significant joint deformities

RA (Rheumatoid Arthritis). PA (Prior Authorization). This slide contains references to brand-name prescription drugs that are trademarks or registered trademarks of pharmaceutical manufacturers not affiliated with CVS Health.

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Specialty Drugs For A Single Condition Can Span The Pharmacy and The Medical Benefit

**Challenge**

Inconsistent management across the pharmacy and medical benefit
- Pricing
- Clinical rules/utilization
- Formulary
- Plan member engagement

**Benefit Coverage of Specialty Products by Therapy Category**

<table>
<thead>
<tr>
<th>Therapy Category</th>
<th>Medical</th>
<th>Pharmacy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rheumatoid Arthritis/Crohn's (IV)</td>
<td>81%</td>
<td>19%</td>
</tr>
<tr>
<td>Rheumatoid Arthritis/Crohn's (SC)</td>
<td>15%</td>
<td>85%</td>
</tr>
<tr>
<td>Multiple Sclerosis (IV)</td>
<td>71%</td>
<td>29%</td>
</tr>
<tr>
<td>Multiple Sclerosis (IM, SC)</td>
<td>14%</td>
<td>86%</td>
</tr>
<tr>
<td>Multiple Sclerosis (Oral)</td>
<td>11%</td>
<td>89%</td>
</tr>
<tr>
<td>PAH (IV)</td>
<td>73%</td>
<td>27%</td>
</tr>
<tr>
<td>PAH (Oral and Inhaled)</td>
<td>10%</td>
<td>90%</td>
</tr>
</tbody>
</table>

Manage the condition to optimize management and savings

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1. EMD Serono 8th edition.
Opportunity to Manage Cost and Quality Across Targeted Conditions

**CHANGE DRUG CHANNEL**

Help ensure consistent condition management by moving targeted therapies to the pharmacy benefit

- Manage utilization and drug selection
- Apply consistent and transparent specialty pricing

**MANAGE SITE OF CARE**

Help preserve member access to high-quality specialty infusion care at lower cost

- Transition members from hospital outpatient to home or AIS
- Facilitated by Coram CVS/infusion services

**Save up to 18%-23%**

Through specialty pharmacy pricing

**Save 17%**

on managed infusion classes

Achieve savings through specialty pharmacy pricing and UM/formulary management programs

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*Care Management applicable for CareTeam Choice and CareTeam Advanced clients.


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Specialty Programs That Help Lower Trend

<table>
<thead>
<tr>
<th>PHARMACY BENEFIT</th>
<th>MEDICAL BENEFIT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SPECIALTY GUIDELINE MANAGEMENT</strong></td>
<td><strong>ADVANCED CONTROL SPECIALTY FORMULARY™</strong></td>
</tr>
<tr>
<td>A comprehensive, utilization management solution to promote safe and appropriate use</td>
<td>Includes specialty generics, clinically effective brand therapies, exclusions, SGM and day 1 control of new launches</td>
</tr>
<tr>
<td><strong>SPECIALTY PREFERRED DRUG STEP THERAPY</strong></td>
<td><strong>MOVE COVERAGE FROM MEDICAL TO PHARMACY</strong></td>
</tr>
<tr>
<td>Promotes cost-effective care by encouraging utilization of clinically-appropriate and lowest net cost medications</td>
<td>Comprehensive management of specialty drugs billed under the medical benefit</td>
</tr>
<tr>
<td><strong>ADVANCED CONTROLSPECIALTYFORMULARY™</strong></td>
<td><strong>SITE OF CARE MANAGEMENT</strong></td>
</tr>
<tr>
<td><strong>SITE OF CARE MANAGEMENT</strong></td>
<td></td>
</tr>
<tr>
<td>Comprehensive management of site of care for members receiving infusions</td>
<td></td>
</tr>
</tbody>
</table>

1. CVS/caremark Specialty Client Solutions and Trend Management, 2013, 2. Savings in select classes: Gross pharmacy savings include rebate impact. Client savings may vary by plan design, pricing arrangement, drug mix and at-risk market launches. Member savings will vary based on several factors, some of which include plan design, plan performance, etc.
Understanding the Fragmented Specialty Patient Experience

- My local pharmacist can’t help with my medication
- I can’t wait at home for my medication to be delivered
- Is there an easier way to refill my medication?
- Who can answer my questions about my symptoms?
- How do I start a medication that I need to inject?
- It’s hard to get to the hospital for my infusion
Making it Easier for Patients and Their Physicians to Start Specialty Therapy

WHAT DO I DO WITH A NEW SPECIALTY PRESCRIPTION?

TRADITIONAL MODEL

- Bring prescription to local pharmacy
- 1 in 4 are turned away¹

CVS/SPECIALTY

Specialty prescriptions accepted at every local CVS/pharmacy*

Access to 99 percent of drugs, including most with limited distribution**

Centralized clinical support

*In-store pick up currently is not available in Arkansas, Oklahoma and West Virginia. Some states require first fill prescriptions to be transmitted directly to the dispensing specialty pharmacy. Other restrictions may apply. **Based on analysis of 2009 medical and pharmacy claims data, CVS/specialty was able to dispense to more than 99.9% of specialty members accounting for 99.9% of costs, CVS/caremark Enterprise Analytics, 2010.
Giving Patients a New Choice in Access Makes Life Easier for More Than 89% of Patients¹

HOW DO I GET MY SPECIALTY MEDICATION?

54% Prefer CVS/pharmacy¹
- Are concerned about missing temperature-sensitive, high-cost shipments during workday
- Have a trusted pharmacist relationship at CVS/pharmacy

OR

46% Prefer Mail Delivery¹
- Are comfortable with home delivery
- Have limited mobility or transportation
- Do not live near a CVS/pharmacy
- Receive home infusions

13.6% more retail patients were optimally adherent with our model²

Specialty Connect is available to every patient using CVS Caremark Specialty Pharmacy, regardless of PBM
More than Medication: Managing the Complex Needs of Patients on Specialty Therapies

HOW CAN I GET HELP MANAGING MY MEDICATION AND CONDITION?

• Medication questions
• Side effects
• Medication compliance
• Medication adherence

• Understanding of condition
• Mobility and safety
• Symptom management and self care
• Comorbidities and lifestyle changes

*SPECIALTY PHARMACIST + RARE DISEASE CARE MANAGEMENT NURSE*

*The Rare Disease Management Nurse is providing support to CVS Caremark Specialty Pharmacy under the Embedded Accordant Mode.*
13X More Patients Receive Nurse Support with Unique Embedded Model

% OF PATIENTS RECEIVING SUPPORT

RESULTS

- **13X more**
- **36%**
- **65%**

Traditional Disease Management

Standard Accordant

Embedded Accordant

**11% reduction** in total health care costs for managed conditions

**23% reduction** in disease-related hospital admissions

**7% reduction** in ER visits

Source of reduction rates: Accordant internal analysis of Book of Business data, 2013. Projections based on CVS/caremark data. Individual results will vary based on plan design, formulary status, demographic characteristics and other factors. Client-specific modeling available upon request.

ER (Emergency Room)
Making it Safer, Easier and Less Costly to Receive Infused Therapy

IS THERE A BETTER WAY TO RECEIVE MY INFUSIONS?

Safe, convenient options
- Home infusion or 65+ Joint Commission-accredited infusion suites with less than 5% all-cause readmission rate\(^1\)
- Infuse specialty medications, nutrition, antibiotics
- Serve 165K patients a year with 96% patient satisfaction\(^2\)

Manage adherence and total cost
- Experienced team: infusion pharmacist, nurse and dietitian
- Patient advocacy programs and education protocols
- ER diversion and hospital transition programs

Source: 1: Coram National Infusion Results, Q1-Q4 2013. 2: 2013 Press Ganey self-reported data
Creating a Breakthrough Specialty Patient Experience with Web and Mobile Tools

**HOW CAN I ORDER AND TRACK MY REFILLS?**

**SPECIALTY WEB AND APP**
- Personalized specialty website
- Online Specialty Connect™ at retail
- **Coming Soon:** Mobile scan to refill, online payments, therapy content

**INDUSTRY FIRST: SPECIALTY DRUG REMINDERS**
- Create Reminder
- Get Reminder
- Track Reminder
Enhanced Member Experience: Clinical Expertise and Easier Access

- Convenient reminders and refills
- Embedded support from experienced nurses
- Convenient, safe infusion options
- 24/7 access to clinical support
- Patient choice for prescription delivery

These options are available based on programs selected.
Advanced Analytics Provide You the Insight You Need to Act in a Changing Specialty Market

Market Analysis
- Advanced pipeline monitoring

Population Insight
- Interactive trend dashboard
  - Cost, utilization drivers
  - Drug- and class-level
- Budget modeling and forecasts
- Year-over-year performance data

EXAMPLE: HEPATITIS C TREND IMPACT

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Specialty Landscape and Market Dynamics

Advancing Your Specialty Strategy:
Enhance clinical quality, manage trend, improve member experience

Future Strategies
### PCSK9 Inhibitors: Next-Generation Therapies for High Cholesterol

#### PCSK9 INHIBITORS

Increase the number of LDL-C receptors in the liver and increase the liver’s ability to remove LDL-C cholesterol from the blood.

Represent a potential new class for the management of severe hyperlipidemia, including familial hypercholesterolemia (FH).

<table>
<thead>
<tr>
<th>EVOLOPCUMAB [AMGEN]</th>
<th>ALIROCUMAB [REGENERON/SANOFI]</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Potential indication:</strong> Hyperlipidemia, heterozygous FH (HeFH) and homozygous FH (HoFH)</td>
<td><strong>Potential indication:</strong> Hyperlipidemia and heterozygous FH</td>
</tr>
<tr>
<td><strong>Potential launch:</strong> Q3 2015</td>
<td><strong>Potential launch:</strong> Q3 2015</td>
</tr>
</tbody>
</table>

Estimated average cost of therapy is $471 to $850 per patient per month.²³⁴

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¹ Pipeline Services, November 20, 2014. ² Datamonitor, September 2014. ³ Reuters 09/25/2013. ⁴ Based on average wholesale price of Bydureon, Byetta, Victoza (Medi-Span® National Drug Data File [average wholesale prices] 10/16/2014) This slide contains references to brand-name prescription drugs that are trademarks or registered trademarks of pharmaceutical manufacturers not affiliated with CVS/caremark.

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Develop a Comprehensive PCSK9 Management Strategy with CVS/caremark

PROVEN TREND MANAGEMENT STRATEGIES

PRICE

Exclusive Specialty Network: optimize control, pricing and outcomes

UTILIZATION

SGM: ensure appropriate, safe and cost-effective specialty medication use

Copay/Coinsurance Benefit Design: influence appropriate product utilization

MIX

Formulary Strategies: provide the right drug at the right price

COMPREHENSIVE MEMBER MANAGEMENT

• Adherence support to help ensure members complete high-cost therapy
• Complex benefit and financial coverage assistance
• 24/7 access to clinicians
• Specialty Connect*
• Detailed and actionable reporting

*In-store pick up is not available in Arkansas, Oklahoma and West Virginia. Some states require first fill prescriptions to be transmitted directly to the dispensing specialty pharmacy. Other restrictions may apply.
Biosimilars That May Significantly Affect the Treatment Paradigm

**YEAR OF ANTICIPATED BIOSIMILAR LAUNCH**

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (U.S. $ billion)</th>
<th>Drug</th>
<th>Sales Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td></td>
<td>Epogen</td>
<td>$2.8B</td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td>Neulasta</td>
<td>$3.3B</td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td>Humira</td>
<td>$3.5B</td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td>Rituxan</td>
<td>$3.0B</td>
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<tr>
<td>2018</td>
<td></td>
<td>Remicade</td>
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<tr>
<td>2019</td>
<td></td>
<td>Herceptin</td>
<td>$1.7B</td>
</tr>
<tr>
<td>2019</td>
<td></td>
<td>Avastin</td>
<td>$2.7B</td>
</tr>
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</table>
### Biosimilar Pipeline Highlights

Current biosimilars under development include therapies for cancer and chronic inflammatory diseases.

<table>
<thead>
<tr>
<th>PRODUCT NAME/REFERENCE BRAND*</th>
<th>MANUFACTURER</th>
<th>ANTICIPATED FDA REVIEW DATE**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remsima (infliximab)/Remicade</td>
<td>Celltrion</td>
<td>6/8/2015***</td>
</tr>
<tr>
<td>pegfilgrastim/Neulasta</td>
<td>Apotex</td>
<td>8/17/15</td>
</tr>
<tr>
<td>Grastofil (filgrastim)/Neupogen</td>
<td>Apotex</td>
<td>10/13/15</td>
</tr>
<tr>
<td>Retacrit (epoetin alfa)/Epogen</td>
<td>Hospira</td>
<td>10/16/2015</td>
</tr>
</tbody>
</table>

*Biosimilars may or may not be approved for all of the same indications as the reference product. **Anticipated launch dates to be determined. ***Not likely to launch until after Remicade patent expires. All of the drugs on this slide are primarily covered under the medical benefit and the impact on the client’s pharmacy costs would likely be much smaller for these drugs. Source: Pipeline Services, March 2015.
Biosimilar Strategy Considerations

- **Copay Alignment**: Consider lower copay opportunities to help drive product competition.
- **Step Therapy**: Initiate therapy with preferred product and progress to non-preferred product upon treatment failure.
- **Managed Formulary**: Exclude drugs from the formulary; medical exception process available.
- **Prior Authorization**: Require that select prescriptions meet defined criteria before they are covered; process included in Specialty Guideline Management program.
Manage Costs with New Generic Combinations

**TRIPLE GENERICS: RA**

<table>
<thead>
<tr>
<th>0</th>
<th>24</th>
<th>48</th>
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</thead>
<tbody>
<tr>
<td>5.8</td>
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<tr>
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</tr>
<tr>
<td>3.6</td>
<td>3.6</td>
<td>3.6</td>
</tr>
</tbody>
</table>

**Biologic combination therapy: ~$3,000/month**

**Triple generic therapy: <$500/month**

**UNBUNDLING TREATMENT: HIV**

- **Current State**
  - Atripla (Combo Product): 35% Savings
- **Future State**
  - 2 of 3 Generic
  - 1 of 3 Generic

RA (Rheumatoid Arthritis). HIV (Human Immunodeficiency Virus). Source: Therapies for Active Rheumatoid Arthritis after Methotrexate Failure. James R. O'Dell, M.D., Ted R. Mikuls, M.D., M.S.P.H., Thomas H. Taylor, M.D., Vandana Ahluwalia, M.D., Mary Brophy, M.D., M.P.H., Stuart R. Warren, J.D., Pharm.D., Robert A. Lew, Ph.D., Amy C. Cannella, M.D., Gary Kunkel, M.D., Ciaran S. Phibbs, Ph.D., Aslam H. Anis, Ph.D., Sarah Leatherman, M.A., and Edward Keystone, M.D., for the CSP 551 RACAT Investigators. The New England Journal of Medicine, July 25, 2013. Included in SGM generics first program. This slide contains references to brand-name prescription drugs that are trademarks or registered trademarks of pharmaceutical manufacturers not affiliated with CVS/caremark. Savings will vary based upon a variety of factors including things such as plan design, demographics and other programs implemented by the plan.
Questions?