

**Operational and Clinical Updates for CalPERS
Pension & Health Benefits Committee
March 2013**

**CVS Caremark and CalPERS:
Working Together in 2012/2013**

Bruce Lyons
Sr. Vice President

Dr. Troy Brennan
Executive Vice President and
Chief Medical Officer



CalPERS Operational Update

Bruce Lyons
Sr. Vice President

■ 2011 Preparation for January 1, 2012: Implementation Support

- Dedicated Implementation and Account Management teams
- Customer Care Staffing and Training
- Data sharing for Disease Management programs
- Audits to ensure accuracy
- Customized Prior Authorization criteria
- Utilization Management Criteria Differences
 - Transferred open prior authorizations (PA) from previous vendor
 - Grandfathered Specialty members into 2012 to allow physician more time to submit clinical criteria

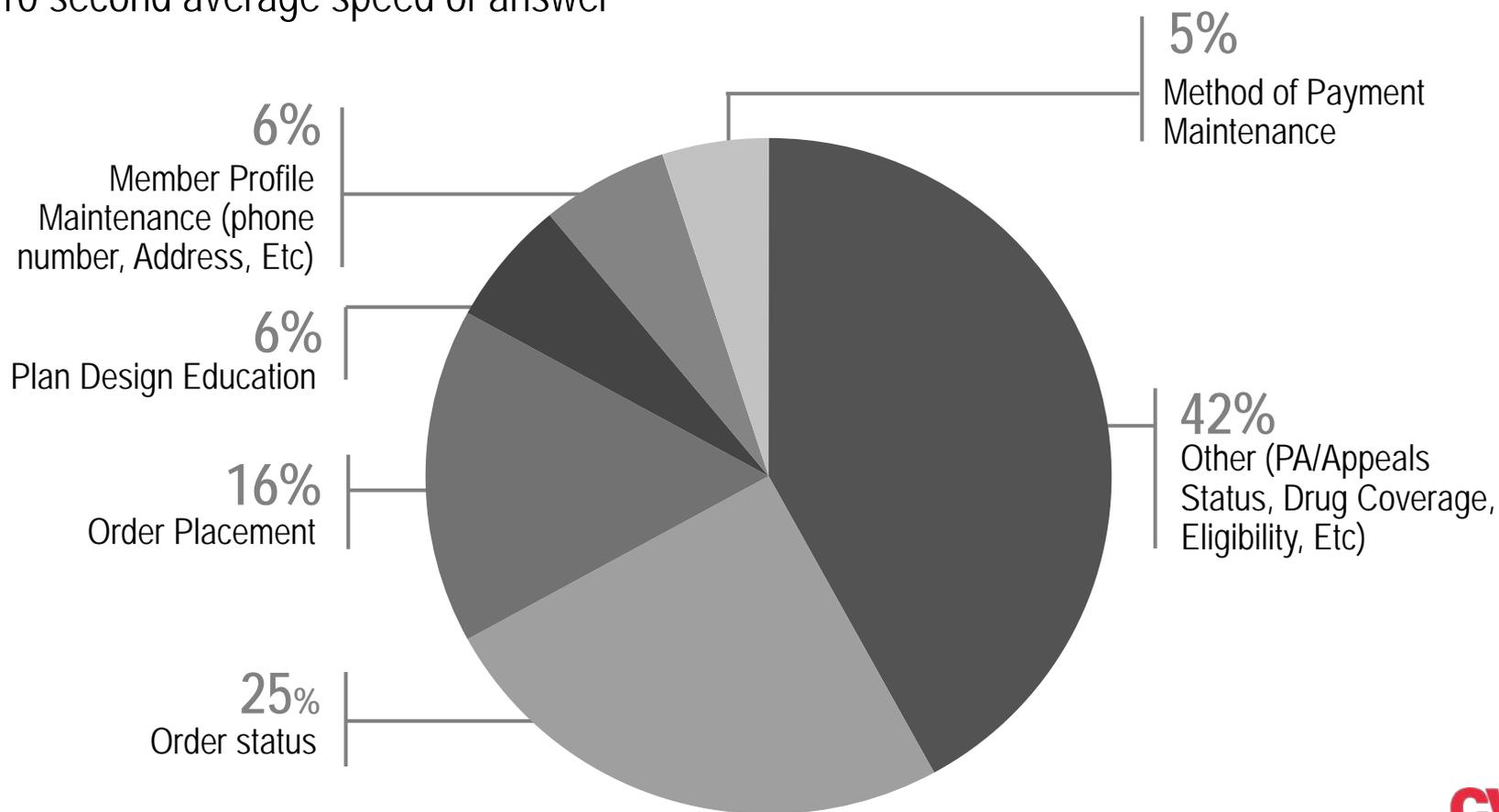
■ 2011 Preparation for January 1, 2012: Member Communication

Added Maintenance Choice[®] 90-day prescriptions at CVS/pharmacy Member Pays the Difference Program Proactive Mailing

- Customer Care Staffing and Training
- Preferred Drug List Changes
 - Custom and Targeted letters to members
- Helped to ensure Specialty members received personal care
- Customized Prior Authorization criteria to be more member-friendly
- Education on Member Pays the Difference and the benefits of generics
- Copay changes and education on ways to minimize out of pocket costs
 - Generic
 - Preferred medications
 - Advantages of a 90 day supply for maintenance medications

Customer Care 2012 Results

- 753,259 calls into CalPERS dedicated phone number (received 1.5 calls every minute in 2012)
- 88% of members surveyed in December of 2012 were very satisfied or satisfied with the service from Customer Care
- 10 second average speed of answer



■ Retail Pharmacies & Mail Order Successes 2012

- Retail Pharmacies
 - 3.7 million retail prescriptions
 - 1.3 million prescriptions at CVS/pharmacy
 - 602,992 maintenance prescriptions filled at a CVS/pharmacy with a mail service copay and 90-day supply
- Mail Service
 - 1.3 million prescriptions filled
 - 99.998% dispensing accuracy
 - 60.4% of mail service scripts required no intervention
 - 39.6% required some type of follow up
 - Doctor phone call, no payment on file, etc.
 - Amount of time to get an order in the mail
 - Clean Turn Around Time – 0.91 Days
 - Diverted Turn Around Time– 2.3 Days



Caremark.com/CalPERS 2012

- Total Registrations: 36,856
- Page Views: 8.3M
- Visits: 616,000
- Order refill is the most visited area
- “Email a Pharmacist” was used over 2,000 times
- ReadyFill® offers convenience for members
- Enhancements:
 - Simplified navigation and use of “Check Drug Cost” tool
 - Streamlined and shortened prescription order processes
 - Introduced a new shopping cart for prescriptions
 - Messages regarding order status and refills available immediately upon login and via email
 - New user-friendly report capabilities; printable for sharing with health care providers
 - Enhanced payment capabilities and new payment transaction history

CVS CAREMARK

PERS
Select|Choice|Care

Welcome to PERS Select/Choice/Care Prescription Benefits Preview

About Prescription Benefits

- See Plan Options
- Check Availability & Cost
- Learn About My Meds
- Keep Me Informed

Let Us Help

- Save Me Money
- Save Me Time
- Keep Me Healthy
- Locate a Pharmacy

CVS Caremark: Providing All Your Prescription Needs

Prescription plan support. When you need it.

Working with your benefits plan sponsor, CVS Caremark provides convenient and flexible options for the prescription drugs you and your family may need. We are here to guide you through the open enrollment process, and to help you understand your plan so you can save time and money when your benefits plan starts.

CalPERS Move to a Medicare Part D Prescription Drug Plan

Lloyd McDonald
Vice President
Medicare Part D

Medicare Part D Prescription Drug Plan Requirements

CalPERS moved to a Medicare Part D plan called an Employer Group Waiver Plan or “EGWP” effective January 1st 2013

- Use of a CMS primary plan with CalPERS self funded “wrap-around” coverage
- Combination of two separate plans to match benefits as closely as possible
- CMS regulated plan coverage and plan design features
- All members must be Medicare- eligible with a permanent and valid physical mailing address in the U.S. or territories
- CMS regulated enrollment process and communication materials

High Income members will be assessed “Income Related Monthly Adjustment Amount” or IRMAA directly by the Social Security Administration

- Handled separately by SSA direct with members

■ Advantages of the EGWP + Wrap

CalPERS Wrap provides greater coverage for non-Part D covered drugs and brands in the Coverage Gap

- Flexibility to match the CalPERS desired plan design
- Single-transaction coordination of benefits allows the combination plan to act as a single plan
- Funding from Health Care Reform can provide greater savings over RDS Subsidy
- Coverage Gap Discount Program
- Manufacturer paid Coverage Gap Discount Program applies to brands in the Coverage Gap of the Part D plan by 50%

Catastrophic Reinsurance

- Additional subsidy paid for members accessing Catastrophic Phase
- Members with \$4,750 True-Out-Of-Pocket (TrOOP) for 2013

EGWP Transition Focused on the Member

- CVS Caremark collaborated with CalPERS to ensure clinical review criteria remained consistent for members as they utilize the wrap benefits
- Sent Evidence of Coverage booklets to members in August 2012
- Worked to ensure the preferred drug list was the same
- Minimized disruption with Medicare Part B vs. D determinations
- Customized and simplified communication materials for members
- Mailed ID cards, newsletters, and other welcome communications
- Performed claims testing and audits
- Provided customized website
- CalPERS EGWP transition eligibility and enrollment issues
- Ensured no member would be without medication access during transition



2013 CaIPERS EGWP Status

- Taking action to improve member experience with Caremark.com
- Ensured there was no gap in coverage for members during the transition
- Communicating with individual members to gather CMS required enrollment information
- Maintain coverage in the commercial plan pending CMS approval in the EGWP
- Continue to partner on simplified communications for members while maintaining compliance with CMS requirements

CMS Sanctions

Summary:

- Issues with SilverScript Insurance Company's (a CVS Caremark subsidiary) enrollment processing resulted from an enrollment system conversion and brought about an increase in call volume and issues related to claims processing, including, in some instances, not being able to have claims adjudicated at the pharmacy.
- CMS intermediate sanctions placed on SilverScript to suspend enrollment and marketing to new Medicare Part D members but do not affect current members or existing employer group (EGWP) clients and their retirees/members.
- CMS granted SilverScript a limited waiver of these sanctions to allow it to continue to enroll eligible employer group retirees for existing employer group contracts into individual plans and existing EGWPs.
- The limited waiver extends through April 30, 2013, however, SilverScript understands that extensions are routinely granted by CMS.
- Under the limited waiver SilverScript can continue to enroll newly eligible group sponsored retirees into existing EGWPs through April 30, 2013, or later if an extension is granted.



CalPERS Clinical Update: 2012 Highlights & Two Proposals for 2014

Dr. Troy Brennan
Executive Vice President and
Chief Medical Officer

Plan Design & Clinical Highlights 2012

- CalPERS generic dispensing rate increased from 70.7 to 76.4 percent*
 - Saved CalPERS members \$9.9M in copays by using generic medications
- Maintenance Choice® at CVS/pharmacy
 - Allows a 90-day supply at mail service copay starting in 2012
 - Members purchased over 600,000 90-day prescriptions at local CVS/pharmacies
- Pharmacy Advisor for diabetes and cardiovascular conditions
 - Over 54,000 face-to-face conversations on the importance of adherence
 - Over 9,000 phone conversations with members
- Condition alerts
 - More than 21,000 phone conversations about gaps-in-care; face-to-face interventions; and prescriber faxes to ensure CalPERS members' safety**

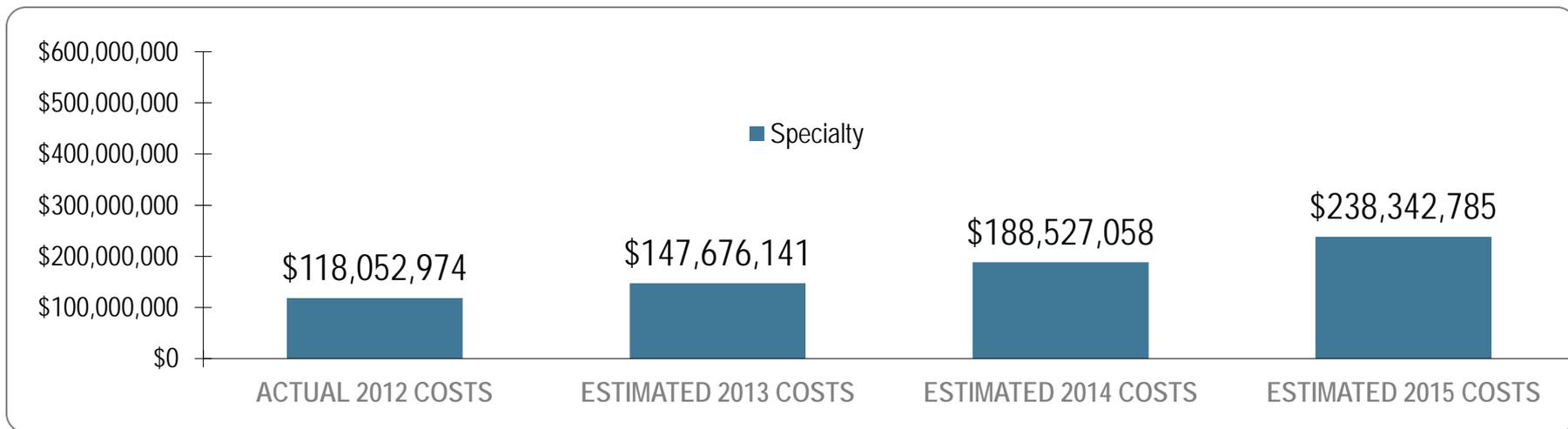
*Cal/ Yr 2011 over Cal/Yr 2012

**Through 9/30/12.

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Proposal #1 for 2014: Specialty Preferred Drug Strategy

- Background
 - Specialty pharmaceuticals account for 21% of CalPERS drug spend
 - Only 1.7% of CalPERS members use specialty medications
 - Trend is expected to be 15% to 25% in the next few years
 - Many clients are adopting new strategies like Specialty Preferred Drug Plan Design



■ How Would Specialty Preferred Drug Strategy Work?

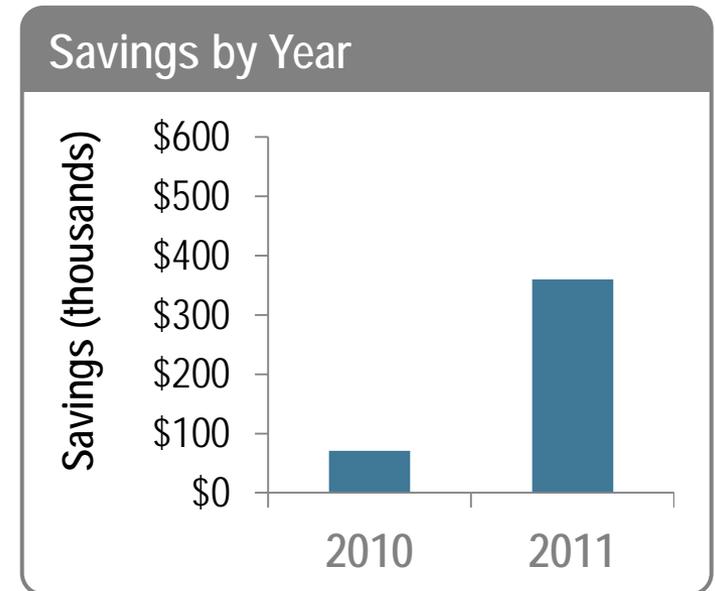
- Require preferred drug use prior to non-preferred drug
- Real time, evidence-based protocols and claims history for approval
- 24 month look-back period
- Clinical exceptions considered and reviewed
- Available categories are growth hormones, rheumatoid arthritis (RA) and multiple sclerosis (MS)
- Grandfathering is recommended for RA and MS. This allows existing utilizers to remain on therapy.

Encourage clinically appropriate prescribing at the lowest net cost without sacrificing clinical outcomes

Potential Benefits of Specialty Preferred Drug Strategy

Case Study

- Implemented in September, 2010
- Client with 100,000 members implemented a specialty preferred drug strategy
 - Growth hormone: Norditropin preferred
 - TNF inhibitors(Rheumatoid Arthritis):
Humira preferred; Enbrel added at a later date
- Results
 - 1.5% reduction in specialty spend:
16-month savings of \$430K; \$360K savings in 2011
 - Norditropin market share increased from 24.3% to 82.7%
 - Humira market share increased from 33.8% to 60.7%



CalPERS estimated savings over 3 years \$4.2 to \$4.9M

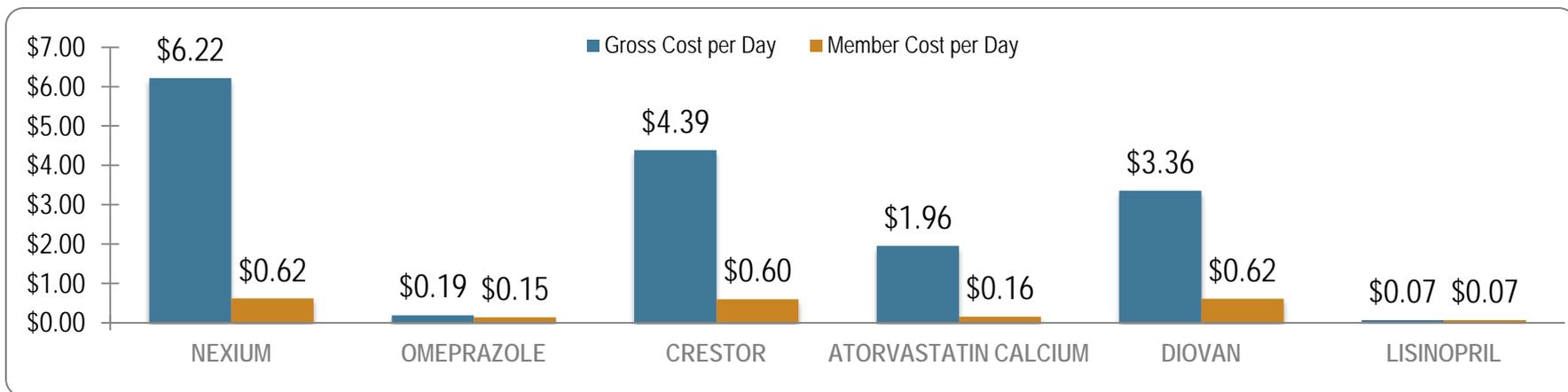
This slide contains references to brand-name prescription drugs that are trademarks or registered trademarks of pharmaceutical manufacturers not affiliated with CVS Caremark.

Source: CVS Caremark Data Warehouse, 2010-2011. CVS Caremark Enterprise Analytics, 2012.

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Proposal #2 for 2014: High Performance Generic Step Therapy

- Average ingredient cost for a generic in 2012 was \$33 and \$216 for single source brands
- Brand inflation has increased 27% since 2007 (as high as 150% for individual agents)
- 22% of CalPERS medications are being dispensed with single source brands
- There are 18 key therapeutic classes where there are in-class generic alternatives
- CalPERS can implement solutions to help members find those generic alternatives

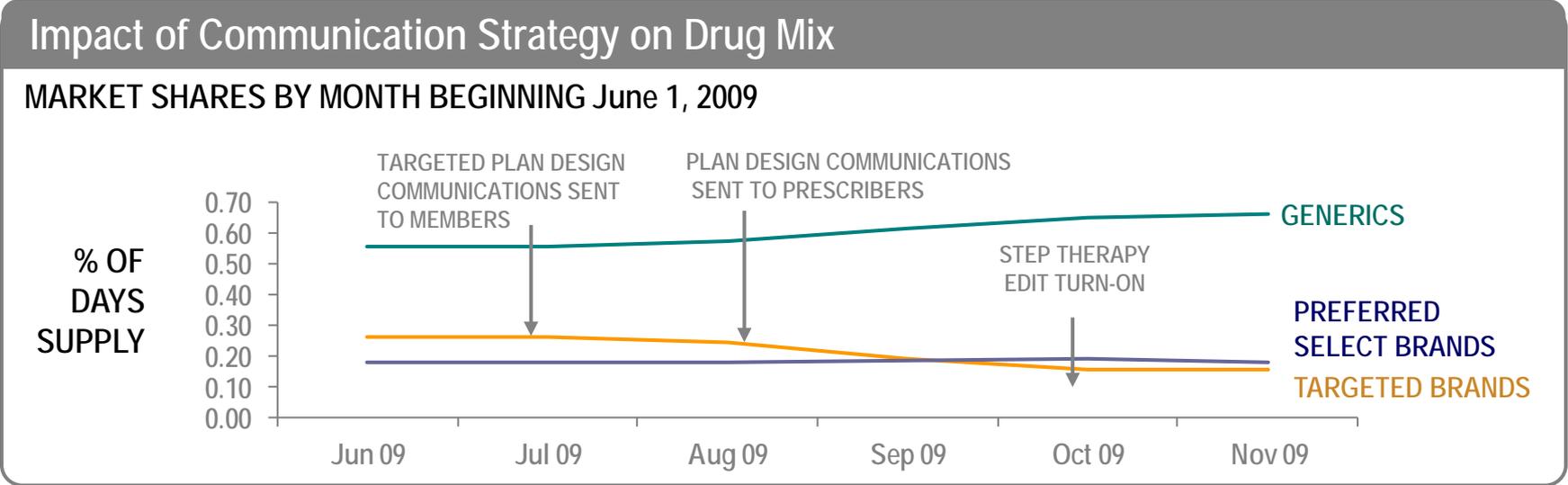


■ How Would High Performance Generic Step Therapy Work?

- Robust provider communication strategy available and recommended
- Members try a cost-effective generic alternative before a brand
- Customize for CalPERS with multiple step therapy options
- Focus on highly-utilized classes with a high percentage of brand spend despite multiple generic options in 18 categories (e.g., ulcers, cholesterol and high blood pressure)

Generic step therapy options offers significant savings to both CalPERS and members without sacrificing clinical outcomes

Potential Benefits of High Performance Generic Step Therapy Improved Savings with No Member Disruption – Case Study



- 11% Generic Dispensing Rate improvement
- \$1M gross savings; 2.5% reduction in total gross spend
- 20.5% converted to generic or preferred brand

CalPERS estimated savings for 2014 is \$12.5M

Source: CVS Caremark Analytic Consulting Services, January 2010. PA call center data, Clinical Services.
 Additional terms and conditions may apply to step therapy plan designs based on specific plan requirements, current situation and state law requirements.
 Note: Savings may vary based on plan design, drug mix changes, MAC pricing and at-risk market launches. Consult your CVS Caremark account representative for more information.
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Questions?