Avalere PlanScape® Analysis of Prescription Drug Tier Placement and Cost Sharing in Health Insurance Exchange Exchange Plans

February 11, 2015
www.Avalere.com
Background on Avalere’s PlanScape® and Methodology for Formulary Analysis

PLANSCAPE® BACKGROUND

- Beginning in 2014, millions of previously uninsured consumers gained access to health coverage and prescription benefits through the exchanges.

- These markets exhibit unique characteristics compared to more established markets, such as Medicare and employer coverage. As new market entrants join the exchanges, and as consumers learn more about their coverage options, information on health plan participation, benefit designs and formulary coverage is critical.

PLANSCAPE® METHODOLOGY

- This analysis provides an assessment of formulary coverage in the exchanges.

- Avalere analyzed formularies for silver plans participating in 8 states—6 relying on the federally-facilitated exchange (FL, IL, PA, TX, GA, NC), as well as CA and NY. These states represent 60 percent of the total population enrolled in exchanges in 2014.

- Formulary data is supplied by Managed Markets Insight & Technology, LLC.

- Data is weighted according to unique silver benefit designs by state. Avalere supplemented formulary data with cost-sharing information using publicly-available coverage documents.
Tier Placement and Cost Sharing for All Drugs in a Class
All Drugs in Class: In Five Classes, More Than One-Fourth of QHPs Placed All Drugs on Specialty Tier

PERCENTAGE OF SILVER PLANS PLACING ALL DRUGS IN THE CLASS ON THE SPECIALTY TIER

- **2014**
- **2015**

### HIV/AIDS
- Protease Inhibitors: 16%
- HIV - Other*: 20%

### Oncology
- Antiangiogenics*: 67%
- Molecular Target Inhib.*: 34%
- Multiple Sclerosis Agents: 42%

*There are no generic drugs available in the class. All products are single-source.

Note: Coverage is weighted according to unique plan-state combinations. Sample includes silver plans in 6 states (FL, GA, IL, NC, PA, and TX) relying on HealthCare.gov, and CA and NY.

Source: Avalere Health PlanScape®, a proprietary analysis of exchange plan features, February 2015. This analysis is based on data collected by Managed Markets Insight & Technology, LLC.
All Drugs in Class:
In Five Classes, More Than One-Fifth of All QHPs Are Requiring 30% Coinsurance or Higher for All Drugs in the Class

PERCENTAGE OF SILVER PLANS REQUIRING COINSURANCE OF 30% OR HIGHER FOR ALL DRUGS IN THE CLASS

<table>
<thead>
<tr>
<th>Class</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>HIV/AIDS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NNRTIs</td>
<td>10%</td>
<td>18%</td>
</tr>
<tr>
<td>NRTIs</td>
<td>11%</td>
<td>19%</td>
</tr>
<tr>
<td>Protease Inhibitors</td>
<td>15%</td>
<td>25%</td>
</tr>
<tr>
<td>HIV-Other*</td>
<td>19%</td>
<td>23%</td>
</tr>
<tr>
<td>Antiretrovirals Agents</td>
<td>7%</td>
<td>17%</td>
</tr>
<tr>
<td>Alkylation Agents</td>
<td>5%</td>
<td>12%</td>
</tr>
<tr>
<td>Antiangiogenics*</td>
<td>25%</td>
<td>34%</td>
</tr>
<tr>
<td>Molecular Target Inhib.*</td>
<td>25%</td>
<td>34%</td>
</tr>
<tr>
<td>Multiple Sclerosis Agents</td>
<td>20%</td>
<td>32%</td>
</tr>
</tbody>
</table>

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Source: Avalere Health PlanScape®, a proprietary analysis of exchange plan features, February 2015. This analysis is based on data collected by Managed Markets Insight & Technology, LLC.

NNRTIs = Non-Nucleoside Reverse Transcriptase Inhibitors
NRTIs = Nucleoside and Nucleotide Reverse Transcriptase Inhibitors
All Drugs in Class:
In Four Classes, More Than 15% of All QHPs Are Requiring 40% Coinsurance or Higher for All Drugs in the Class

PERCENTAGE OF SILVER PLANS REQUIRING COINSURANCE OF 40% OR HIGHER FOR ALL DRUGS IN THE CLASS

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<td>HIV/AIDS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NNRTIs</td>
<td>3%</td>
<td>9%</td>
</tr>
<tr>
<td>NRTIs</td>
<td>5%</td>
<td>9%</td>
</tr>
<tr>
<td>Protease Inhibitors</td>
<td>8%</td>
<td>10%</td>
</tr>
<tr>
<td>HIV-Other*</td>
<td>12%</td>
<td>11%</td>
</tr>
<tr>
<td>Antiretroviral Agents</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Alkylating Agents</td>
<td>18%</td>
<td>18%</td>
</tr>
<tr>
<td>Antiangiogenics*</td>
<td>29%</td>
<td>28%</td>
</tr>
<tr>
<td>Molecular Target Inhib.</td>
<td>20%</td>
<td>19%</td>
</tr>
<tr>
<td>Multiple Sclerosis Agents</td>
<td>15%</td>
<td>15%</td>
</tr>
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Note: Coverage is weighted according to unique plan-state combinations. Sample includes silver plans in 6 states (FL, GA, IL, NC, PA, and TX) relying on HealthCare.gov, and CA and NY.
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Tier Placement and Cost Sharing for All Single-Source Drugs in a Class
Single-Source Brands:
For 8 Classes of HIV, Hepatitis, Cancer, and MS Treatments,
Over 25% of Silver Plans Put All Brands on the Specialty Tier

PERCENTAGE OF SILVER PLANS PLACING ALL SINGLE-SOURCE BRANDS IN THE CLASS ON THE SPECIALTY TIER

Note: Coverage is weighted according to unique plan-state combinations. Sample includes silver plans in 6 states (FL, GA, IL, NC, PA, and TX) relying on HealthCare.gov, and CA and NY.
Source: Avalere Health PlanScape®, a proprietary analysis of exchange plan features, February 2015. This analysis is based on data collected by Managed Markets Insight & Technology, LLC.

NNRTIs = Non-Nucleoside Reverse Transcriptase Inhibitors
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Emetogenics = Emtogenic Therapy Adjuncts

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Single-Source Brands:
In 2015, QHPs Are Increasingly Requiring 30% Coinsurance or Higher for All Single-Source Brands In a Class

PERCENTAGE OF SILVER PLANS REQUIRING COINSURANCE OF 30% OR HIGHER FOR ALL SINGLE SOURCE BRANDS IN THE CLASS

2014  2015

HIV/AIDS  Mental Health  Oncology  COPD  Diabetes

Note: Coverage is weighted according to unique plan-state combinations. Sample includes silver plans in 6 states (FL, GA, IL, NC, PA, and TX) relying on HealthCare.gov, and CA and NY.
Source: Avalere Health PlanScape®, a proprietary analysis of exchange plan features, February 2015. This analysis is based on data collected by Managed Markets Insight & Technology, LLC.

NNRTIs = Non-Nucleoside Reverse Transcriptase Inhibitors; NRTIs = Nucleoside and Nucleotide Reverse Transcriptase Inhibitors; PIs = Protease Inhibitors; SSRIs/SNRIs = Serotonin/ Norepinephrine Reuptake Inhibitors; Emetogens = Emetogenic Therapy Adjuncts; B2 agonists = Bronchodilators, Sympathomimetic; COPD = Chronic Obstructive Pulmonary Disease
Single-Source Brands:
In 14 Classes, At Least 10% of Silver Plans Require Coinsurance of 40% or More for All Brands in the Class

PERCENTAGE OF SILVER PLANS REQUIRING COINSURANCE OF 40% OR HIGHER FOR ALL SINGLE SOURCE BRANDS IN THE CLASS

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<tr>
<td>COPD</td>
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<tr>
<td>Diabetes</td>
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Appendix: PlanScape® Methodology
PlanScape® Methodology: MMIT Data

FORMULARY DATA SOURCES

- Formulary data is from Managed Markets Insight & Technology, LLC, an Avalere partner that maintains comprehensive formulary data across a range of payer channels, including the exchange, Part D, and employer market.

- Formulary coverage is based on a drug’s listing on the plan’s published formulary in MMIT’s database.
  - MMIT gathers data directly from health plans and pharmacy benefit managers, ensuring the accuracy and validity of the formulary data. MMIT’s pharmacists and clinicians interpret and standardize formularies.
  - In addition, MMIT researchers engage with issuers to understand formulary characteristics, including processes around open and closed formularies, and to understand how plans make coverage decisions so that data reflects accurate consumer experiences for obtaining medications.

- Formularies are subject to change.
  - Data for 2014 is based on information available as of October 1, 2014. Data for 2015 is based on formularies included in MMIT database as of January 14, 2015. Due to public information at the time of data collection, 2014 data excludes United Healthcare in NY. Exchange data is limited to 8 states (CA, FL, GA, IL, NC, NY, PA, and TX).
PlanScape® Methodology: Benefit Design Dataset

STATES OF FOCUS AND DATA COLLECTION

- Avalere focused on FFM states with large exchange populations (FL, GA, IL, NC, PA, and TX) and the largest state-based exchanges by enrollment (CA and NY) to capture a large sample of plan benefit designs utilized throughout the country in both the 2014 and 2015 plan years. These states represent 60 percent of the total population enrolled in exchanges in 2014.

- For 2014 and 2015 plan information, Avalere analyzed information from the FFM landscape file and information collected from the Covered California and New York State of Health websites. For data on California and New York, Avalere collected information for one zip code for each rating region.

- Avalere made revisions to the FFM landscape file to ensure that only unique plan designs were included in the analysis. That is, duplicate offerings of individual plans were removed prior to analysis when plans shared all benefit design characteristics except premium, county, and region.

FFM: Federally Facilitated Marketplace
1 The data for California and New York may not include all plans available, as Avalere only collected information for one zip code in each rating region. The same zip codes were used in both 2014 and 2015 for the plan searches.
PlanScape® Methodology: Drug List Creation and Cross-Walking Process

DRUG LIST CREATION

- To develop the list of drugs per class, Avalere consulted the United States Pharmacopeia (USP) Medicare Model Guidelines v5.0 to obtain a listing of the USP Category, USP Class, and Example Drugs.
- Additional drugs were identified based on the USP Model v6.0 guidelines, Medi-Span®, and CenterWatch drug databases and internal clinical assessment to reflect updates not reflected in USP v 5.0.
- Avalere collaborated with MMIT clinicians and data experts to finalize drug lists.

CROSS-WALKING PROCESS

- Oftentimes, carriers will use the same formulary for all of the exchange plans it offers in a state, but occasionally, issuers will have different formularies if they have more than one exchange plan in the state.
- Avalere conducted a manual cross-walking process to align formularies with exchange products using plan documents and other publicly-available plan information.
- As a result of this process, the analysis is weighted according to unique silver plans in the market.

USP = United States Pharmacopeia
PlanScape® Methodology: Tiering Data

TIERING

- MMIT captures raw status (tier number) and universal status: preferred generic, preferred brand, non-preferred brand, and specialty

- For the purpose of reporting tiering statistics in this analysis, Avalere used MMIT’s universal tiering status indicator; while formulary structure varies across plans, universal status allows for more standardized, apples-to-apples analysis of drugs within the market

- In contrast, for cost-sharing data, Avalere uses raw tiering information as reported by plans to MMIT. Avalere excludes cases where raw tiering information is unavailable

- Tiering statistics are weighted by unique plan-state combinations

Statistics in this presentation exclude instances where tiering is unknown for specific drugs.
PlanScape® Methodology: Cost Sharing Methodology

COST-SHARING DATA AND APPROACH

- Because the MMIT dataset does not include cost sharing, Avalere cross-walked MMIT formulary data to its benefit design dataset. The benefit design dataset excludes plans in which the deductible is equal to the annual out-of-pocket maximum, and plans for which there is no cost sharing across service categories.

- Summary of Benefits and Coverage documents may relay multiple cost-sharing amounts for a particular formulary tier. Our analysis reflects the highest cost-sharing amount reported for that tier for a 30-day supply purchased at a retail pharmacy.

- Avalere utilized after-deductible amounts when analyzing cost-sharing categories to conduct our analysis (e.g., if coinsurance is 10 percent after meeting a $1,000 deductible, when analyzing costs for the service, Avalere used the 10 percent coinsurance amount).

- For drugs noting cost sharing as the lesser or greater of a copayment or coinsurance amount (e.g., $100 or 20%, whichever is greater), Avalere consistently used the coinsurance amount. For drugs with coinsurance amounts up to a copayment cap (e.g., 25 percent coinsurance up to $300), Avalere used the coinsurance amounts.