Message from the Editor

Welcome to your new online producer newsletter — CIGNA Pharmacy Benefits Evolution. We are pleased to offer this source of pharmacy benefits information and insight to you and hope you find the articles useful in serving your clients. In this month’s issue, you’ll find articles on several of the leading pharmacy benefit topics of today, including consumer-driven plans, specialty drug management, the value of lowest net cost strategies and more.

We’re committed to working with you to meet your clients’ needs in the coming year, so if you would like to see more information on any topics in this newsletter, contact your CIGNA Sales representative or send an email to pharmamarketing@cigna.com.

Jeanne Marks, Senior Editor

Great Reasons to Carve-In the Pharmacy Benefit with CIGNA

If you’re one to frequently carve-out the pharmacy benefit in favor of a stand-alone PBM, be sure to consider the value of a strong carrier-based PBM, like CIGNA Pharmacy Management. Many advantages of carving in are often overlooked, so check out these great reasons to carve-in the pharmacy benefit.

Let Us Help You Lower Net Cost with Generic Drugs

Consider that every 1% increase in generic utilization results in an approximate 1% reduction in drug spend. With this kind of direct impact on cost, an effective generic drug promotion program can be a powerful tool in controlling drug costs. The results of CIGNA Pharmacy Management’s generic drug conversion program, Generic Solutions, are in and clearly demonstrating the program’s effectiveness. Results to date include a generic utilization rate of 53% for fully-insured business and 51.5% for our overall book of business. A new component was just added to the program and even greater success is expected in 2005.

Specialty Drug Management — What Your Clients Should Know

The rising cost and utilization of specialty medications have raised concerns and increased awareness of these unique drugs. With the complexities of the medications themselves and their multiple health care delivery mechanisms, producers are working to educate clients about the many ways in which these drugs need to be managed for effective cost control. By grouping management activities into five basic categories and offering examples, producers can help their clients begin to understand the risks associated with a lack of management around these medications.
CIGNA Choice℠ Fund Offers a Combined Pharmacy/Medical Deductible

The hottest plans this year are innovative consumer-driven plans that put members in the driver's seat with their health care costs. CIGNA Choice Fund is our substantive, consumer-driven plan delivering leading-edge plan designs and innovative incentive solutions that help members rise to a new level of cost awareness and health care engagement. With a combined pharmacy/medical deductible offered to plan sponsors, members will find the new plans convenient and supportive of their new health care spending decision-making processes.

QuickSwitch:® Reducing Pharmacy Costs by Introducing Members to the CIGNA Home Delivery Pharmacy Program

Through our unique QuickSwitch process, we quickly and easily help members transfer retail pharmacy prescriptions to CIGNA Tel-Drug, our home delivery pharmacy. Read more about this process and how it helps to reduce pharmacy spend for many of our clients.

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Great Reasons to Carve-In the Pharmacy Benefit with CIGNA

In their search for better cost control, seamless member service and competitive pricing, plan sponsors either purchase the pharmacy benefit from their medical benefit carrier’s PBM or carve it out to another PBM. Consultants and brokers often play a key role in the decision-making process, using PBM comparison methodologies to help rate PBMs. This comparison process is now prevalent in the industry, and many producer spreadsheet methodologies have progressed to a high level of sophistication.

Despite the sophistication of these spreadsheets, some PBM advantages are difficult to quantify and are left out of the process, particularly when it comes to pharmacy/medical benefits integration. Take a look at these great reasons to carve-in your clients’ pharmacy benefits with CIGNA Pharmacy Management. You might find an advantage or two not tracked in typical PBM comparisons that you find valuable for your clients.

- **Lowest net cost strategy**
- **Better mix-shift control**
- **Greater control over specialty drug management**
- **More effective and seamless clinical program management**
- **Broader MAC list**
- **Power of integration**
- **Leading generic drug utilization strategies**
- **Lower overall drug utilization**

**Lowest net cost strategy.**

CIGNA Pharmacy Management employs an overall lowest net cost strategy for managing pharmacy benefits instead of driving drug utilization that maximizes drug manufacturer rebates. Our goal is to achieve the lowest overall cost for the pharmacy benefit by driving safe and appropriate drug utilization and implementing a comprehensive strategy consistent with the overall lowest net cost objective.

While rebates can be a valuable tool in helping to control pharmacy benefit costs, there are many situations where lower-cost drug alternatives are preferable. As we drive toward an overall lower net cost for clients, our programs help ensure those who need medications get them in the most cost effective way, resulting in measurable member health outcomes improvements and avoided medical costs. For a demonstration of the overall lowest net cost strategy in action, contact your CIGNA sales representative.
Better mix-shift control.

The mix of higher-cost drugs versus less expensive alternatives is a key factor in pharmacy benefit costs. Our strategies routinely move the needle toward lower-cost drugs.

Consider the role of the formulary strategy in mix-shift control: Two formularies that seem similar at first glance could have dramatically different impacts on cost to the client. Expanding the preferred drug list beyond what is clinically justified in just a few therapeutic categories can increase costs — even after the rebates are deducted from the cost of the drugs. For instance, some categories contain a therapeutic sub-class of drugs that cost more than, but are clinically neutral or inferior to, the alternatives. In several of these categories, we have designated the drugs in the higher-cost sub-class as non-preferred.

Greater control over specialty drug cost management.

A PBM based in a healthcare company, such as CIGNA Pharmacy Management, has clear advantages when it comes to managing specialty drugs. With existing relationships with both physicians and drug manufacturers, specialty drug management solutions can be seamlessly implemented.

Clients can also benefit from our enhanced ability to identify members for case management. We use a comprehensive combination of medical, pharmacy, lab and demographic data to identify and address case management opportunities. We proactively manage many aspects of specialty drug utilization—effectively and seamlessly managing the entire volume of specialty drugs for a client.

More effective and seamless clinical program management.

Our clinical cost management programs work to make it easier for those who need medications to get them. With seamless access to medical, lab and prescription drug information that only a carve-in PBM can easily obtain, we complete real-time reviews of previously attempted drug therapies, physician specialties and medical diagnoses for our clinical management programs. This enables us to administer our programs more effectively and seamlessly and with less disruption to members.

Broader MAC list.

With over 1200 products on our MAC list, our savings on generic drugs are cutting-edge. MAC discounts are important too, but the number and selection of generic drugs on the MAC list determine the impact on the overall rate of generic savings. To compare overall generic discounting (both MAC and non-MAC generics), we calculate a blended discount rate: MAC and non-MAC generic discounts combined and weighted. Our blended generic discounts are 5-13% better than some of our key competitors.
Power of integration.

We put integrated benefits to good use by combining integrated data, benefits administration and case management to identify members with serious conditions who present opportunities for improved care. We use this information to generate measurable improvements in the health of our members.

In addition to our health improvement initiatives, the advantages of one ID card, one implementation team, one eligibility feed, one banking relationship, one member service contact, one client manager, etc. are difficult to ignore. And now that CIGNA Choice Fund offers a single combined pharmacy/medical deductible, our consumer-driven plans are easier for members to adopt and understand.

Leading generic drug utilization strategies that show results.

From our targeted generic promotion strategies to our broad MAC list, we get results. We have an overall generic utilization rate of 51.5%, and our fully-insured book of business rate is 53%. If you consider that each 1% of brand drugs converted to generics results in a 1% reduction in overall drug spend, this is a powerful way to help control costs.

Lower overall drug utilization.

As part of our lowest net cost strategy, we proactively drive lower prescription drug utilization by directly promoting OTC alternatives to members when possible and by moving prescription alternatives to the Non-Preferred position on the formulary. Our strategy gets results - our utilization is 35% to 45% lower than competitors on average for several major drug classes.

For more information on any of these advantages, please contact your CIGNA sales representative or send an email to pharmacymarketing@cigna.com.
Let Us Help You Lower Net Cost with Generic Drugs

With impressive statistics as proof, CIGNA Pharmacy Management's generic drug conversion program, Generic Solutions, has resulted in a generic utilization rate of 53% for our fully-insured book of business and 51.5% for our overall book. Each converted prescription on average saves the member $14 and the plan sponsor $46. Considering that every 1% increase in generic utilization results in about a 1% reduction in drug spend, Generic Solutions can be a powerful tool in controlling drug costs.

Unique Conversion Methods Get Results

Generic Solutions consists of three components: member outreach, physician outreach and a new component, generic couponing, to begin in April, 2005.

- Through our member outreach, we alert members to potential generic equivalents that may be available to them based on the specific medications they are currently taking.
- Our physician outreach is directed at doctors to promote the use of generic therapeutic alternatives to brand drugs that have no direct generic equivalent.
- Because we use a more targeted approach, the new generic couponing program for members is much more efficient than most other coupon or copay waiver programs and saves our clients more. We provide coupons only to those members not currently taking advantage of an available generic drug savings opportunity instead of conducting random blanket mailings.

For more information, specific savings and conversion rates for our program, contact your CIGNA sales or account management representative.

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Specialty Drug Management — What Your Clients Should Know

The cost of specialty drugs is rising up to 30% annually, and utilization of these medications is increasing at a rate near 20%. The rapidly increasing cost of these drugs and their more prevalent use in treating rare but chronic conditions are quickly capturing the attention of many plan sponsors and are a justifiable cause for concern. As a result, brokers and consultants are making an effort to bring their clients up to speed with a foundation of knowledge to use in making purchase decisions about specialty drug benefits. We've found the educational format shown below helpful in facilitating a better understanding of the complexities of specialty drug distribution and management strategies.

Five Major Areas of Management

With so many different aspects of managing specialty drugs, it's helpful to group them into major areas to promote a better understanding. For employers who struggle to organize the large amount of new information themselves, these categories make the information more digestible. We've found that the five areas shown below capture the key aspects of specialty drug management:

- Specialty distribution network
- Provider and manufacturer contracting
- Benefit design
- Medical claims processing
- Case management

Specialty Distribution Network

A distribution network is needed to supply specialty medications - a network that understands the specialized handling requirements of the drugs and can meet the educational and support needs of the member and the cost control needs of the plan sponsor. Most carrier-based and stand-alone PBMs offer some kind of specialty network option along with their other pharmacy benefit offerings, however, the quality of the network and whether or not the network has been outsourced to another company differs by PBM. CIGNA has selected CIGNA Tel-Drug as its preferred specialty pharmacy because of its experience and access to a broad selection of injectable drugs.

Case in point: Without a specialty distribution network, plan sponsors may not be getting the full benefit of savings available. Additionally, members may be unable to access needed medications due to distribution issues. When a specialty pharmacy handles distributions, unit costs of medications provided through a specialty pharmacy can be effectively managed through competitive contract pricing. Use of the specialty pharmacy also provides members with access to educational materials relative to their condition as well as a pharmacist 24/7.
Provider and Manufacturer Contracting

Specialty medications are typically covered under both the medical and pharmacy benefits, making it important to have effective contracting strategies to ensure competitive reimbursement levels to physicians as well as competitive drug costs negotiated with drug manufacturers.

Some PBMs propose that plan sponsors eliminate coverage under the medical benefit, which would avoid the need for provider contracting, however, there are disadvantages as well as benefits to this approach. The medical coverage enables physicians to administer medications directly to members in the office when clinically necessary while the pharmacy benefit enables members to obtain self-injectable medications directly from retail or specialty pharmacies. The challenge, of course, is to ensure that regardless of where a drug is obtained or administered, the reimbursement levels and drug costs are effectively managed.

Benefit Design

Specialty drugs are administered to patients in a variety of settings, such as in a physician's office, by a home health care nurse or self-administered by patients. As a result, coverage for specialty drugs has often been provided under both the medical and pharmacy benefits.

To help ensure medications are obtained from the most cost-effective sources, benefit design changes may be implemented to drive members and physicians to the best sources and to ensure appropriate member cost-share levels. The challenge is to do this in a way that delivers cost savings while avoiding unnecessary member disruption.
Medical Claims Processing

Because of the risk of claims processing inaccuracies and the potential cost to the plan sponsor, it is important that the medical carrier handling the processing has effective procedures in place. These can help ensure accurate pricing according to physician contract terms, effective coordination of benefits with other primary benefit providers and real-time negotiation with non-participating providers when members access out-of-network benefits. The ability to price claims at HCPC or NDC level (see inset) is a key competency associated with medical carrier claims processing.

Case in point: Typically, multiple specialty medications are billed under the medical benefit to a single, unclassified J-code, J3490, yet their claim costs can range from under $50 to several thousand dollars. Calculating the claim reimbursement amount at the more specific NDC level and applying discounted provider reimbursement rates effectively manages the costs of these medications. This also avoids the need to reimburse physicians at a "billed charge" level that results from inefficient claim processing procedures.

Case/Medical Management

For members taking specialty drugs, traditional case management identification methods may not be adequate to effectively manage member health and high medication costs. Case identification triggers typically used may identify members only after a significant amount of cost has been incurred, limiting the impact case management efforts can have on the member's health outcomes and overall cost. With specialty case management, early identification strategies should be employed to ensure members receive the support they need as early as possible.

Case in point: A member with hepatitis C may be identified for case management support as early as the medical diagnosis is received or with the first fill of any of a number of condition-specific prescriptions. Without early identification, the member could incur several hundreds of thousands of dollars in drug and/or medical costs before a case manager is assigned.

As you work to educate your clients about specialty drug management challenges and strategies, consider that awareness of a topic builds after repeated exposure to information. Your clients will benefit from hearing the same messages from you more than once.

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Consumer Driven Plans are Gaining Ground

Consumer driven health plans, such as CIGNA Choice Fund, have evolved as a direct result of rising costs and consumer attitudes. Even though consumer out-of-pocket costs for health benefits have risen over time, the share of the total cost of health care paid by consumers has declined steadily. Employers have been shouldering the burden of this difference, but consumer driven plans are an effective way for employers to manage cost to a greater degree through consumer awareness. By shifting a portion of health coverage from traditional health care plans to programs such as CIGNA Choice Fund, employers are engaging their employees more directly in how their health care dollars are spent and ultimately controlling health care costs more proactively.

CIGNA Choice Fund offers an integrated medical, pharmacy, behavioral health, and disability plan with a wide range of medical management options as well as Health Savings Accounts (HSAs) and Health Reimbursement Arrangements (HRAs). A combined medical/pharmacy deductible is a feature that offers an added level of convenience and simplicity to members. These advantages become apparent when members are filling prescriptions - their reimbursement account funds are available at the point of sale at the pharmacy through convenient CIGNA Choice Fund debit cards or checks. CIGNA Choice Fund, as all CIGNA products, also offers an array of on-line decision support tools to help consumers make informed decisions about their drug treatment therapies and medical care.

CIGNA Choice Fund leverages the best of what CIGNA has to offer: a strong national network, integrated benefits, medical and clinical pharmacy management and HSAs and HRAs all under one umbrella. And with a combined medical/pharmacy deductible, members can focus more directly on the task at hand — learning about the treatment alternatives available to make the choices that are right for them. Additional features of the product include:

**HRA and HSA**

- Rollover of remaining balances in fund to subsequent years
- Decision support tools such as DrugCompare from WebMD®

**HRA**

- Rewards for healthy behavior
- Employer determination of eligible expenses
HSA

- Debit card/checkbook processing for account withdrawals right at the pharmacy
- Interest crediting on account balances
- Portability after enrollment with the CIGNA Choice Fund HSA terminates

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QuickSwitch:® Introducing Members to the CIGNA Home Delivery Pharmacy Program

The CIGNA home delivery pharmacy, CIGNA Tel-Drug, illustrates to members the convenience of mail service through its industry-unique QuickSwitch program. Through QuickSwitch, members are contacted by telephone and asked to transfer their prescriptions to CIGNA Tel-Drug. If the member would like to make a transfer, he or she simply provides basic information about the prescription over the telephone, and CIGNA does the rest (contacting the physician to obtain a new prescription, placing the order and shipping the medication directly to the member).

In addition to the QuickSwitch program, we proactively mail members refill and renewal reminders throughout the year to encourage them to obtain timely prescription renewals from their doctors. Without renewal reminders, many members would forget they have no remaining refills on their expiring prescriptions and risk interrupting their drug treatment therapies. Refill reminders are key to ensuring members continue their medications without gaps in treatment.

QuickSwitch and member reminders work hand in hand: QuickSwitch helps members transfer their prescriptions easily and quickly to CIGNA Tel-Drug, so they can take advantage of any available cost savings offered by their plan designs. Refill and renewal reminders follow-up by ensuring that members stay healthier by consistently taking the medications they are prescribed. Adherence to prescribed therapy is a key aspect of successful drug treatment - and critical to ensuring the costs plan sponsors cover on behalf of their employees are spent effectively.

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