Message from the Editor

Welcome to the June Evolution newsletter for CIGNA consultants and brokers! In this issue, we’ve provided insightful articles to help you maximize your clients' savings through drug mix management, mail order pharmacy utilization and generic drug promotions. We’ve also included highlights of our new Medicare Part D and four-tier plan offerings. With our book of business pharmacy trend numbers beating the national drug trend, you can be confident our strategies are working effectively for our clients.

If you would like to see more information on CIGNA or any topics in this newsletter, contact your CIGNA Sales representative for additional details. Your comments on our newsletter are welcome - you can send them directly to me through the "Feedback" link on the left navigation bar.

Jeanne Marks, Editor

Is Your Client's Drug Mix Leaving Money on the Table?

Most plan sponsors target a lower-cost drug utilization mix as a key objective of their pharmacy benefits, but are they actually achieving it? No one knows better than their consultants and brokers how much plan sponsors struggle to balance cost savings opportunities with quality access to prescription drugs. Offering a valuable drug benefit to employees doesn't have to preclude a lower-cost benefit as most plan sponsors believe. Let's consider some of the key cost savings opportunities plan sponsors may be overlooking.

Three Simple Steps to Help Your Clients Get the Most out of Mail

Savings. Convenience. Increased adherence to medication therapies. Maximizing use of the CIGNA Tel-Drug home delivery pharmacy can be a win-win for members and plan sponsors. With CIGNA Tel-Drug, clients can benefit from lower brand drug discounts – and boost their pharmacy benefit savings by up to 10 percent. CIGNA Tel-Drug positions your clients to reap the rewards of an effective mail order pharmacy – follow our three recommended steps to help your clients maximize their mail order savings.

New Generic Drug Program Targets Additional Conversion Opportunities

Most prescription drug plans provide incentives for members to switch to generic drugs when a direct generic alternative is available for their brand
Despite the prevalence of generic drug promotion, however, few plans proactively and successfully target "generic therapeutic alternatives" (generic with the same treatment effects but different active ingredients than the brand drug). By missing these opportunities to save on generic drugs, your client's generic utilization rate will never reach its full savings potential. Learn how our new generic drug program targets these opportunities.

CIGNA to Offer Medicare Part D Plans

CIGNA HealthCare has formed a strategic alliance with NationsHealth, Inc., to deliver national Medicare Part D prescription drug plans. The alliance will combine NationsHealth's experience in distribution and service to the Medicare population with the CIGNA HealthCare industry-leading pharmacy benefit product portfolio and clinical management expertise, resulting in a nationwide offering for Medicare-eligible individuals.

CIGNA Offers New Four-Tier Pharmacy Plans to ASO Clients

Innovative four-tier prescription drug plans offer plan sponsors more flexibility in achieving their coverage and savings objectives. The new plan options – which include fourth-tier self-administered injectable drugs; fourth-tier therapeutic class drugs; and drugs tiered by cost – will be available for self-administered plans, effective 7/1/05 and later. These plans give employers the ability to cover special classes of drugs at customized cost-sharing levels.

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Is Your Client's Drug Mix Leaving Money on the Table?

Most plan sponsors target a lower-cost drug utilization mix as a key objective of their pharmacy benefits, but are they actually achieving it?

In working closely with plan sponsors, no one knows better than those who advise them how much they struggle to balance cost savings opportunities with quality access to prescription drugs. Offering a valuable drug benefit to employees doesn't have to preclude a lower-cost benefit as most plan sponsors believe. Let's consider some of the key cost savings opportunities plan sponsors may be overlooking.

Minimizing drug ingredient costs.

PBM strategies differ dramatically in this area, and inevitably, some strategies are more aligned with your client's interests than others. Experience has shown drug ingredient costs actually increase when clients choose PBMs who employ rebate-maximizing strategies. As utilization is driven toward rebate-maximizing drugs, the client's costs for drugs go up. Unfortunately, clients often focus on rebates earned and aren't aware their costs are increased even after rebates are deducted.

Maximizing generic drug use.

Admittedly, every PBM is focusing on maximizing generics to some degree, but their success varies by their tactics. A PBM's programs produce varying results based on the kinds of opportunities targeted, the way in which the programs are executed and the opportunity presented by the client's drug utilization patterns. One example – some programs may encourage conversions to generic therapeutic equivalents (generics with the same treatment effects but different active ingredients) while some target conversions to direct generic equivalents.

Savings opportunity:
To take full advantage of the savings opportunity presented by an effective formulary strategy, choose a PBM that uses a lower-cost strategy. Your clients can benefit from the resulting lower-cost drug mix achieved.

Savings opportunity:
Clients can benefit from choosing a PBM that can help them achieve the full generic savings opportunity their utilization presents. Generic programs targeting "generic therapeutic alternatives" as well as direct generic equivalents are key.
Effective use of clinical pharmacy programs.

For plan sponsors who have turned away from clinical pharmacy programs in the past, the consumer-driven movement may persuade them to take a second look. The most common worry with clinical programs is member disruption, but the programs have proven to be a valuable complement to consumer-driven and incentive-based plan designs.

Plans such as HRAs and 3-tier plans encourage members through financial incentives to consider their drug treatment options more carefully while managing their health benefit spending. Clinical pharmacy programs augment these efforts by encouraging the use of over-the-counter medication alternatives, alerting members to lower-cost first-line drug therapies and raising awareness of potential safety issues with specific medications.

These clinical program strategies coupled with the new drug information tools for members encourage a greater level of member engagement in decision-making about drug treatment options.

Savings opportunity:
Adopting new clinical pharmacy programs that help educate members about medication alternatives and drug safety issues can present valuable savings opportunities dismissed in the past. Some PBMs now offer options that can help ease your members into the new programs, such as the CIGNA "pay and educate" approach.

With "pay and educate", members may obtain their first fill of a managed medication before the prior authorization requirement is applied to their prescription. Then educational materials are provided to members alerting them to the need to discuss the requirement with their physician.

Help Your Clients Capitalize on their Savings Opportunities.

Drug utilization mix can be a messy thing to compare across PBMs, especially without the use of a software-based comparison tool. The savings for your client are very real, however, so finding a way to compare PBMs could lower your client's bottom line.

One way to account for drug mix differences in PBM comparisons is to review PBM drug mix profiles for the top 10 or 20 drug classes. You can then apply the expected savings to the bottom line costs from the spreadsheet comparison to see how overall costs will be impacted. (Typical claims repricing activities assume the same drug utilization mix across PBMs, so this practice will not account for additional savings resulting from drug mix.) By having insight into the true bottom-line costs PBMs can achieve for your client, you can help your clients achieve the greatest savings possible for their prescription drug plan.
Is Your Client's Drug Mix Leaving Money on the Table?

Three Simple Steps to Help Your Clients Get the Most out of Mail

CIGNA Tel-Drug positions your clients to reap the rewards of an effective mail order pharmacy program and your clients maximize their mail order savings.

Most clients are aware of the potential savings when members fill prescriptions through mail. They may not realize the power they have in increasing that savings when structuring their benefit plans. If your clients can boost a client's pharmacy benefit savings by up to 10 percent when the benefit is structured to generate much greater mail order savings if 3 simple steps are taken to ensure the optimal savings.

After basic pricing has been established, 3 key components determine the extent to which costs through mail:

1. Alignment of retail and mail order pharmacy plan designs
2. Differentials in member cost sharing levels between formulary tiers
3. Awareness of the mail order benefit among members

Plan alignment

Aligning the retail pharmacy and CIGNA Tel-Drug plan designs is critical to achieving the rewards of mail order. The key is to provide a small discount to encourage members to use mail order for mail savings.

Many plan sponsors still use the “2 times retail” copay for their mail order member contributions. This structure can actually increase the plan's costs as mail order usage increases. (The plan sponsor erodes the plan savings.) More cost-effective mail order member contributions include:

- 3 times the retail copay minus $5
- 3 times the retail copay minus $10
- 2.5 times the retail copay

Choosing coinsurance instead of copayments is an even better choice. Coinsurance automatically adjusts out-of-pocket costs as drug prices rise year after year. This eliminates the need for plans to increase member copays each year to maintain a consistent level of cost-sharing. Since CIGNA Tel-Drug offers a tiered mail plan on most maintenance medications, members can still benefit from discounts at mail with less cost-sharing.

CIGNA HealthCare Producer Newsletter
Differentials in Member Cost-Sharing Levels Between Tiers

Experience shows that three- and four-tier drug plans help to encourage members to con only if enough cost difference exists between tiers to provide an incentive. As a rule of th differential between copay levels or a 10% differential between coinsurance levels.

A new cost sharing arrangement used by some plans combines a low copay for generics drugs. This can be a cost-effective structure as well, given the differentials between tiers this cost sharing arrangement offers a $5 flat copay for generics as shown for both retail:

<table>
<thead>
<tr>
<th>Generics</th>
<th>Preferred Brand</th>
<th>Non-Preferred Brand</th>
</tr>
</thead>
<tbody>
<tr>
<td>$5</td>
<td>30%</td>
<td>50%</td>
</tr>
</tbody>
</table>

Strong Partnerships

We already encourage members to use CIGNA Tel-Drug, but we can increase a client’s : directly with their Employee Benefits department to promote home delivery to their emplo averages about 27 percent for a typical client. Through our client-coordinated member o increase utilization to over 40 percent – even greater savings for our clients.

The Bottom Line

Helping your clients reach their full savings pharmacy benefit potential can be challeng resistant to move to more cost-effective plan designs. Pricing and basic plan structure cl savings, but effective management of each of the 3 components outlined above is critical savings through mail. To learn more about how we work together with clients to increase penetration, contact your CIGNA Sales representative.

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New Generic Drug Program Targets Additional Conversion Opportunities

With our generic utilization rate over 53% and climbing, CIGNA Pharmacy Management has one of the most successful generic promotion programs in the industry. Despite this success, we are continually working to increase our generic utilization to further benefit both clients and members. The newest addition to our programs is our generic drug Discounting program, expected to achieve a 20% conversion rate within targeted opportunities.

Generic Therapeutic Alternatives Targeted

Most members are aware that generic drugs can help them save when available for their brand drugs, but what if no direct generic equivalent is available for the member's drug? In many cases, other generic drugs are available with different active ingredients that could produce the same treatment effect as the member's brand drug. These generics are often labeled "generic therapeutic alternatives" by physicians.

A thorough clinical efficacy review is completed to identify generic therapeutic alternatives that might be appropriate options for members taking brand drugs with no direct generics available currently. The Discounting program then identifies these opportunities within a client's member population. Members are notified by mail that their copay or coinsurance will be reduced by up to a specified amount (typically $5 - $20) for the first fill of a generic therapeutic alternative. Because the discount applies to a medication with a different active ingredient, the member must discuss the alternatives with his or her physician to be sure the switch is appropriate given their medical history, health status, etc.

Greater Savings for Clients

Our existing generic promotion programs help clients achieve significant savings through expanding use of generic drugs. In addition to these savings, the new Discounting program is expected to increase savings by $0.62 PMPM for an average client. The new program will be available now to ASO clients, and the first round of results will be available to clients who opt into the program as early as November of 2005. Contact your CIGNA sales representative for more information about our generics program portfolio.
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CIGNA to Offer Medicare Part D Plans

Effective January 2006, CIGNA HealthCare will be delivering national Medicare Part D prescription drug plans, as part of a strategic alliance with NationsHealth, Inc. NationsHealth was founded in 2002 to improve the delivery of health care to Medicare and managed care beneficiaries by providing medical products and prescription discount services.

The alliance will combine CIGNA HealthCare's industry-leading pharmacy product portfolio and clinical management programs with NationsHealth's experience in distribution and service to the Medicare population, resulting in a nationwide offering for Medicare-eligible individuals. NationsHealth has extensive experience in administering Medicare benefits, a reputation for service excellence, and is already well-known to millions of Medicare beneficiaries who use their services today.

Providing Competitive Part D Plans

"Through this alliance, we will offer Part D plans that we believe will be very competitive in the marketplace," says Michael Ferris, president of the CIGNA HealthCare senior segment. "We are creating our Part D plans to be easy to use and easy to understand, so enrollees can get the most value from their new prescription drug coverage. Our plans will provide responsive customer service that gives beneficiaries quick and reliable answers to questions and helps them use their new benefits."

CIGNA HealthCare earlier this year applied to become a national Medicare Part D prescription drug plan provider. According to the timeline established by the federal Centers for Medicare & Medicaid Services (CMS) for implementing the Medicare Part D program, contracts are expected to be awarded to qualified plans in September. Medicare beneficiaries will begin selecting their pharmacy plans in the fall of 2005 and the program will take effect in January of 2006.

Alliance Presents Distinct Advantages

"Our alliance with CIGNA HealthCare supports NationsHealth's goal of making cost-effective health care more widely available to our nation's Medicare population - in this case, through a much-needed Medicare prescription drug benefit," says Glenn M. Parker, MD, Chief Executive Officer of NationsHealth, Inc. "CIGNA HealthCare's position as a premier national health benefits company, combined with NationsHealth's expertise in enrolling and servicing more than two million seniors in its prescription..."
card programs, positions the alliance for success and creates a powerful platform to grow our membership."

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CiNGA Offers New Four-Tier Pharmacy Plans to ASO Clients

New plans bring flexibility and choice to self-funded clients.

Innovative four-tier prescription drug plans offer plan sponsors more flexibility in achieving their coverage and savings objectives. These plans give employers the ability to cover special classes of drugs at customized cost-sharing levels.

For ASO plans effective 7/1/05 and later, three new four-tier plan options are available:

- **Fourth-tier self-administered Injectable Drugs:** Under this option, self-administered injectable drugs are covered under the fourth tier, and the member coinsurance or copayment is set at an appropriate level based on the needs of the plan sponsor.

- **Fourth-tier therapeutic class:** With this option, four standard therapeutic classes are available for coverage in the fourth tier, such as Non-Sedating Antihistamines. The plan sponsor can choose any or all of the four classes for the fourth tier.

- **Tiered by cost:** Under this design, Non-Preferred Brand drugs are moved to the fourth tier and the Preferred Brand drugs are split by cost between the second and third tiers.

Advantages of Four-Tier Plans

Four-tier plans enable plan sponsors to cover special classes of drugs with customized member cost sharing levels. With the new CiNGA plan designs, plan sponsors can:

- Provide coverage for expensive self-injectable drugs at an appropriate member cost-sharing level (fourth-tier self-injectables),

- Cover certain classes of drugs at customized copayment or coinsurance levels (fourth-tier therapeutic class), and
• Provider further incentive to members to consider lower-cost drug treatment options (tiered by cost).

CIGNA four-tier plans offer your clients added flexibility and choice in providing cost-effective prescription drug plans to their members. To learn more about the four-tier options available, contact your CIGNA Sales representative.

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