



BeneCard Clinical Savings Results Data Validation and Assessment

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Table of Contents

	Page
Introduction.....	1
Overview of the BeneCard Clinical Programs	1
Study Parameters: Validation of BeneCard Data	2
Clinical Savings Results	3
Data Mining Driving Towards Clinical Savings	4
Savings Ratio by Clinical Programs.....	4
Results Validation: Per Member Over Time (Data Integrity)	5
Aggregate BeneCard Trend	5
Aggregate Management Results per Contracted Member (Trend Analysis).....	5
Prescription Drug Trends & Projected Cost Trends	6
Trend Management Strategies	6
Real Client Savings Examples.....	7
Significant Client Savings: Management of Opioids.....	8
Existing Program Guarantees.....	8
Summary	8
About the Author	9

Introduction

BeneCard Prescription Benefit Facilitator (PBF) is a full-service, independent pharmacy benefit manager (PBM). As detailed in this healthcare clinical savings assessment, BeneCard has outperformed industry healthcare cost averages, providing significant client savings year over year. The validated BeneCard -6% cost trend is based on plan paid expenditures for the one-year period from June 2016 to June 2017.

When evaluated against national reported trends for pharmacy benefit program costs (the cost expended year to year for a contracted member), BeneCard demonstrates superior performance. The national overall actual program cost trend in 2016 was 8.1% for the member population under 65 years of age, as reported by Segal Consulting.¹ For 2017, Segal anticipates a trend of 12% for the under 65 member population. In addition, as reported by a recent Conduent National Health Care Trend Survey (July 2017 analysis) covering 269 million members, the overall pharmacy benefit trend including both carve-out and carve-in plans is 10.9%; the overall carve-out only PBM trend is 10.2% annually.²

BeneCard offers a comprehensive suite of clinical oversight programs that the company describes as designed to provide smart, fully-integrated, fast, flexible, and precise claims processing. Its claims system technology has been built to identify waste and inappropriate or dangerous care, in order to maximize positive healthcare outcomes, drug safety, and proper medication use.

The Vydahl Group is an independent, leading healthcare data and analytics company. Vydahl was engaged to review BeneCard's data integration and reported clinical savings results, and to validate BeneCard's self-reported outcomes.

Rising prescription drug costs account for more than 22% of every premium dollar – outpacing physician, inpatient, and outpatient hospital services.³

As detailed in this document, our findings demonstrate that BeneCard has outperformed other PBMs in the market, as well as exceeded their existing client-level savings guarantees.

Overview of the BeneCard Clinical Programs

BeneCard offers three levels of clinical control strategies to deliver effective prescription claims utilization management through oversight and intervention.

The programs incorporate clinically appropriate protocols based on all available member data and best practices for overall trend management. By implementing effective clinical programs, BeneCard has reduced healthcare spend for its plan sponsors, an outcome validated by Vydahl's independent analysis. As detailed in this document, BeneCard has outperformed national cost trends.

b Precise Benefit Package - Designed for efficient cost control:

- Provides thorough point of sale clinical utilization review, for safe and appropriate use of medications
- Identifies and prevents fraud, waste and abuse situations
- Keeps clients informed of industry news
- Educates members on lower cost alternatives
- Provides clinical guidance to clients through effective plan adjustments as needed to ensure goals are achieved.

b Effective Benefit Package - Designed to implement enhanced cost controls which deliver:

- Increased member education to ensure medications are used correctly
- Enhanced clinical protocols to provide better control
- Reduction of inappropriate utilization through member counseling and medication review

b Intelligent Benefit Package - Designed for an advanced clinical control strategy that incorporates medical data as well as functional medicine practice:

- Preemptive management solutions to predict future drug expenditures and clinical concerns
- Enhanced member care to increase adherence to medications and reduce hospitalizations
- BenePrecise Pharmacogenetic Testing (PGx) to facilitate optimal medication utilization for each member
- Patient education to help members lead healthy and productive lives through a focus on individual wellness and disease management

Results of BeneCard's Programs:

Based upon Vydahl's analysis of mid-year 2017 results, the savings passed on to plan sponsors have been significant. As confirmed by Vydahl, the year over year trends of -6% (June 2016-June 2017) outperformed national PBM trends and pharmacy health insurance trends. The savings compound over time, as BeneCard has lowered the first-year trend starting point and then maintains a lower trend annually.

Study Parameters: Validation of BeneCard Data

Overall Vydahl Testing Parameters

Vydahl tested and verified that all data was complete and comprehensive. There were no data elements that were omitted. The trend numbers reported by BeneCard are accurate.

Data Tested at the Plan Sponsor Group Level

Vydahl's analysis validated the internal accuracy of BeneCard's reported clinical data at the group level, and observed no inconsistencies within the data set.

To validate the steps taken by BeneCard to calculate the results of their clinical programs, Vydahl performed the following analysis:

Data Tested by Clinical Program

The following clinical programs were reviewed and tested to the plan sponsor level for CY 2015 and CY 2016 in the described manner. Vydahl reviewed

the detailed results provided for each group, confirmed the summary statistical data, and created the analysis detailed in the report. Vydahl reviewed and analyzed the year to year accuracy of the data submitted.

Prior Authorization: Matched group-specific results to aggregate values.

DUR High Dose: Matched group-specific results to aggregate values.

DUR: Matched group-specific results to aggregate values.

Quantity Limits: Matched group-specific results to aggregate values.

Step Therapy: Matched group-specific results to aggregate values.

Clinical Savings Results

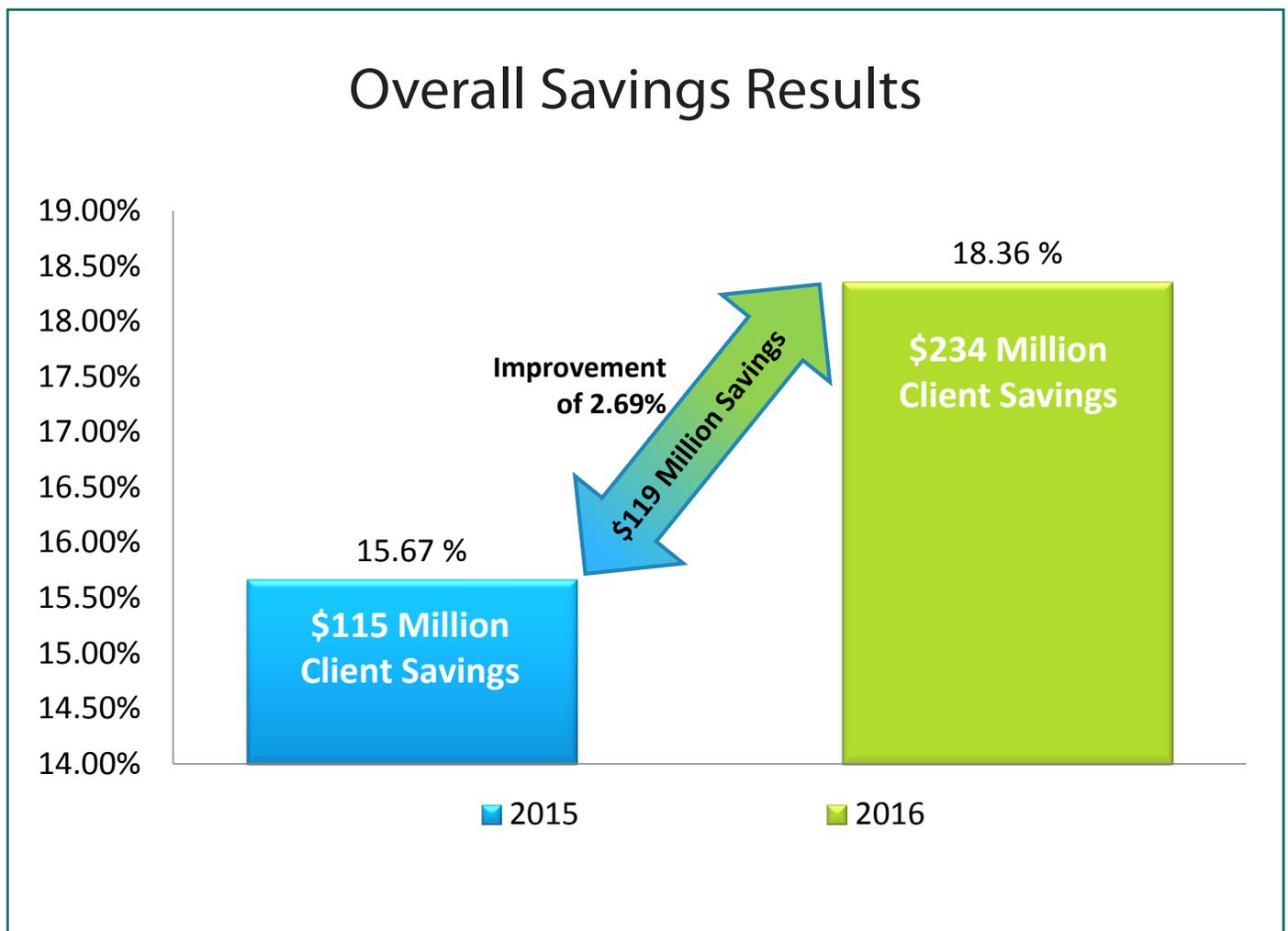
Through its prescription benefit management services, BeneCard has delivered savings to plan sponsors as evident in year to year trend analysis.

The savings amount reported by BeneCard is conservative, as it is based on single claims that were modified to more effective alternatives as the result of a BeneCard clinical program. These savings do not account for any potential future claims that may have otherwise been filled.

Overall Savings Results:

For CY 2015, the verified overall results produced savings of 15.67% of plan-paid amounts, equaling a savings of \$115 million.

The CY 2016 result was 18.36%, equaling a savings of \$234 million. This is an improvement of 2.69%, or an additional savings of \$119 million in 2016 compared to 2015.



Data Mining Driving Towards Clinical Savings

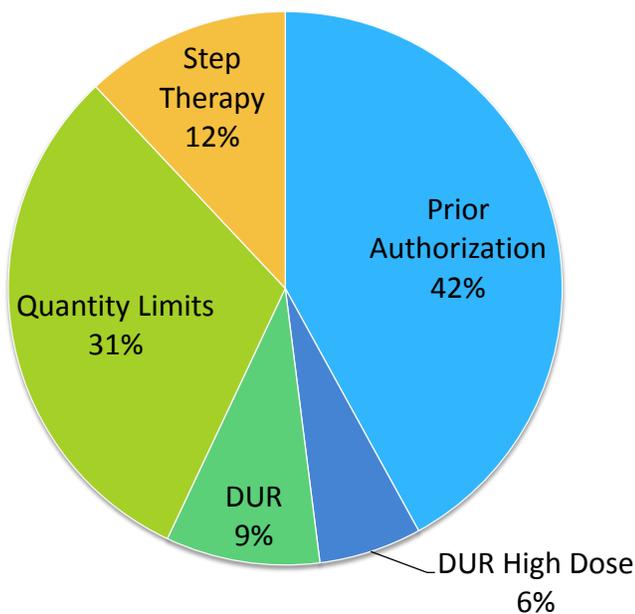
BeneCard performs data mining on all claims for the purpose of identifying clinical considerations and utilization patterns that may present a concern. Early identification of potential issues allows for intervention to prevent or mitigate negative consequences for plan sponsors and members. BeneCard further utilizes data-mining procedures to ensure that clinical program protocols remain current with the most recent FDA drug approvals. Analysis of claims as

part of this process incorporates information such as region, medication usage, medication quantity, and expected drug pipeline changes to proactively identify areas that require attention. BeneCard uses the resulting information to enhance clinical edits and ensure safe and appropriate use of medications. This proactive management is a differentiator from other PBMs that protects clients from large cost increases and market changes.

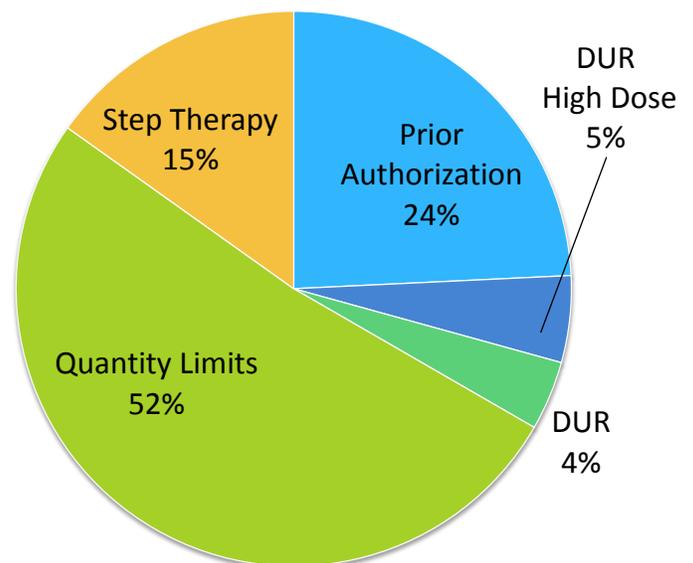
Savings Ratio by Clinical Programs

As a result of clinical data mining efforts between 2015 and 2016, BeneCard added a number of new programs to the existing suite of services. The new programs and enhanced clinical protocols included a tightening of quantity limits for certain therapeutic categories, such as opioids and other controlled substances, based on safety concerns. These changes focused on member well-being and delivered cost savings for plan sponsors. This impacted the distribution of quantity limits and prior authorization metrics as shown in the following charts.

2015 Calendar Year
% Proportion of Clinical Savings



2016 Calendar Year
% Proportion of Clinical Savings



Results Validation: Per Member Over Time (Data Integrity)

Per-Contracted-Member Total Cost: Based upon the utilization and unit price values provided, the per-contracted-member total costs reported were 100% accurate.

Utilization Per Contract: Reviewed for all groups reported and determined to be 100% accurate.

Unit Price Per Rx: Reviewed for all groups reported and determined to be 100% accurate.

Aggregate BeneCard Trend*

The chart below shows annualized trend for BeneCard from June 2016 to June 2017 to be -6% for all groups, far exceeding the performance of other PBM self-reported results.

Based upon a Vydahl review of BeneCard’s data, which determined the average cost per contracted member per month, a 1% pharmacy cost improvement equates to \$10,000 in savings per year, for every 1,000 members.

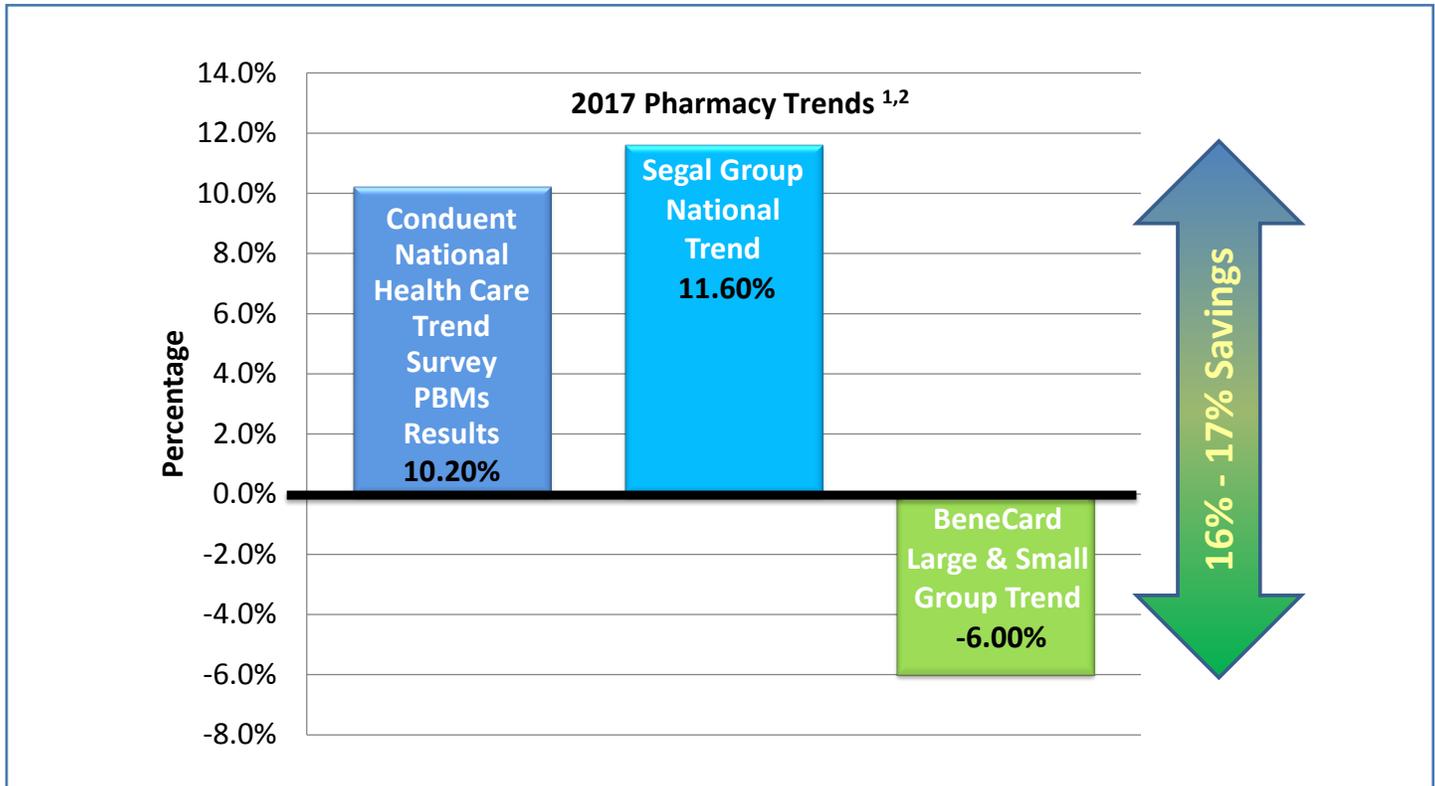
Aggregate Per Member Trend Report Analysis	
Annualized Trend June 2016-June 2017	
Large Group Trend (Over 1,000 contracted lives)	(negative) – 6.36 percent
Small Group Trend (Under 1,000 contracted lives)	positive 1.13 percent
Total	(negative) – 6 percent

* Note: Trend is a comparison of one year to the next, listed as a percentage change. This includes, in the chart above, the impact of both the unit price and drug utilization per contract member trend.

Prescription Drug Trends & Projected Cost Trends ^{1,2}

National Trends: Based on a recent report by Segal Consulting (see below), the overall projected national trend for active and retirees under age 65 is 11.6% for 2017, and 10.3% in 2018.¹ As reported by a recent Conduent Nation-

al Health Care Trend Survey (July 2017 analysis) covering 269 million members, the overall pharmacy benefit trend including both carve-out and carve-in plans is 10.9%; the overall carve-out PBM trend is 10.2% annually.²



Compared to the national trend results published by Conduent and Segal, BeneCard is delivering a trend that results in savings of 16% to 17% on its book of business.

Trend Management Strategies

BeneCard clinical programs – including Formulary and DUR Management, Generic Maximization, Therapy Management, and Specialty Drug Management – contribute to BeneCard’s successful trend control. BeneCard has an extensive management processes in place to review utilization reports for anomalies, and to stay ahead of potentially problematic utilization patterns that could arise. The review is conducted

daily to look for trends and variations in utilization by region across the country, changes to quantities being dispensed, and changes to trends within therapeutic categories as well as specific medications. Putting safety and utilization control together at the forefront of clinical program management not only protects the member, but helps the financial viability of the plan and pays dividends long term.

Real Client Savings Examples

BeneCard has far outperformed the national results.

Segal Consulting projects the unit price trend projection for prescription drugs to be approximately 9% in 2018.¹ The increasing cost of prescription drugs makes managing utilization and overall expenditures even more challenging. Please see specific examples detailed below showing how BeneCard is successful with overall trend management given the current market complexities.

Client Example 1 Fire Fighters, Pennsylvania

A plan sponsor with 3 years BeneCard experience, covering approximately 2,900 lives per year.

Based on a comparison of the group's current trend to the industry average, BeneCard has delivered \$2.4 million in savings over the past three years. This group's program included Prior Authorization, Quantity Limits, and Step Therapy. Quantity Limits drove the majority of savings, accounting for 73% of all savings dollars.

Client Example 2 Union Association, New York, NY

A plan sponsor with 7 years BeneCard experience, covering approximately 47,000 lives per year.

This group has achieved significant savings with BeneCard, based on a comparison of the group's trend results against the industry average trend. From 2010 to 2016, the plan sponsor realized savings of \$41.5 million. Programs included Prior Authorization, Quantity Limits, and Step Therapy. Savings distribution amongst the clinical programs was: 34% from Prior Authorizations; 12% from DUR; 27% from Quantity Limits; and 27% from Step Therapy.

Client Example 3

Law Enforcement Association, Harrisburg, PA

A plan sponsor with 2 years BeneCard experience, covering approximately 8,000 lives per year.

The group has recently achieved a pharmacy trend of -2.29% (January-June 2017). This low trend is driven by Prior Authorization, DUR, Quantity Limits and Step Therapy programs. During CY 2016, these programs generated savings of roughly \$7.9 million.

Client Example 4

Insurance Group, Lancaster, PA

A plan sponsor with 2.5 years BeneCard experience, covering fewer than 1,000 lives per year.

The group has recently achieved a pharmacy trend of -2.28% (January-June 2017). This low trend is driven by Prior Authorization, DUR, and Quantity Limits programs. During CY 2016, these programs generated savings of roughly \$336,000.

Client Example 5

Local Municipality, Pennsylvania

A plan sponsor with 1 Year BeneCard experience, covering 1,500 lives per year. The group has achieved an overall pharmacy trend of -0.4% as of July 2017 vs. CY 2016. Compared to national norms reported by Segal Consulting, this equates to an overall net savings of 12%.² This low trend is driven by Prior Authorization, DUR, Quantity Limits and Step Therapy programs, which together have generated savings of \$310,757 for the plan sponsor from January to October 2017.

Significant Client Savings: Management of Opioids

BeneCard policies and clinical programs are largely designed to: address fraud, waste, and abuse (FWA), which includes the use of opioids; be consistent with State and Federal guidelines; and provide comprehensive protocols to help protect plan sponsors and members.

As a result of its enhanced management of opioid medications, BeneCard has helped to control appropriate utilization. This resulted in a 21% reduction of the cost per covered member, over the 20-month period ending August of 2017, compared to opioid expenditures at the beginning of 2016. This savings is primarily due to a 14% reduction in the quantity of opioid prescriptions per utilizing member, as well as a 1% reduction in the quantity of medication units per each claim. In addition, BeneCard has reduced the percentage of opioid claims vs. total claims.

A closer look at the annual percentage of Opioid Claims vs. Total Claims shows how BeneCard has increasingly taken control of the use of opioids:

- 2014: 4.58%
- 2015: 2.43%
- 2016: 1.76%
- 2017 (through August): 1.49%

Existing Program Guarantees

BeneCard's clinical programs follow strict protocols for appropriate utilization. For plan sponsors looking for additional clinical programs that help manage costs by focusing on member safety and effective utilization that does not prevent access to efficient care, BeneCard offers clinical program savings guarantees. The company's consistent success provides an opportunity to further support plan sponsors with shared savings rewards, and to expand risk models.

Summary

Based upon Vydahl's analysis, BeneCard's internal analytic systems have been validated and are sound. A solid foundation is in place. BeneCard has provided significant savings to clients through its clinical programs, which focus on patient safety. The savings are evident in the most recent 12 months of data analyzed through July 2017, as shown when BeneCard's trend results are compared to those of the Conduent National Health Care Trend Survey, as well as the Segal 2017 Health Plan Cost Trend Survey.

BeneCard has, to date, exceeded clinical program target savings, as validated by Vydahl, for both individual employer groups and its total book of business. Given the high level of successful results from BeneCard's clinical management, BeneCard is positioned to expand its existing guarantee model and clinical approach in a way that further supports clients' savings results.

References:

- (1) <https://www.segalco.com/about-us/news-events/news/segal-group-projects-lower-rx-cost-trend-increases-in-2018/#PublicSector>
- (2) Conduent National Health Care Trend Survey 35th edition 2018
- (3) Prescription Drugs Are Largest Single Expense of Consumer Premium Dollars, - <https://www.ahip.org/prescription-drugs-are-largest-single-expense-of-consumer-premium-dollars/> AHIP - March 2, 2017

About the Author:

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Managing Partner of VydaHL LLC.

Paul Manz is a leader in healthcare analytics based upon 30+ years of extensive experience in healthcare cost management and consulting for payers, providers and employers.

As the VydaHL Group's Managing Partner, Paul integrates health-care consulting with partnership opportunities.

Recent involvement includes leading edge PGx testing models and diabetic lab management. Paul also co-authored a report for AHPI (American Health Policy Institute) studying wasteful spending. The report reviewed \$10 billion in healthcare claims, finding \$2 billion in savings opportunities.

Paul's recent client experience includes Pioneer ACO model development, major payer contracting, the design of actionable information, cost containment solutions, P4P quality & efficiency based reimbursement payer models, ROI methodologies, payer contracting, and providing leadership in the management of quality & efficiency metrics benchmarks. This includes report design of key metrics based upon CMS data files & coordination with CMS for aggregate reinsurance protection, including reimbursement and reporting infrastructures. He led the implementation of initial internet based "drill down" reporting systems and "severity adjusted" risk-sharing methods.

Paul holds a degree in Business from Villanova University and an MBA in Healthcare Administration/Finance from Temple University.

Paul currently serves on the Executive Committee of Friends Life Care Board of Directors; Chairman Finance Committee, FLC; and Advisor to Friends Life Care Partners.