



A presentation to

North Carolina State Health Plan Board of Trustees

September 27, 2013

We Are Express Scripts



National healthcare leader

- Best-in-class pharmacy benefit manager caring for nearly one in three Americans
- Industry-leading home delivery and specialty pharmacy services
- Pioneering research, analytics, and innovation

Independent business model,
aligned with clients

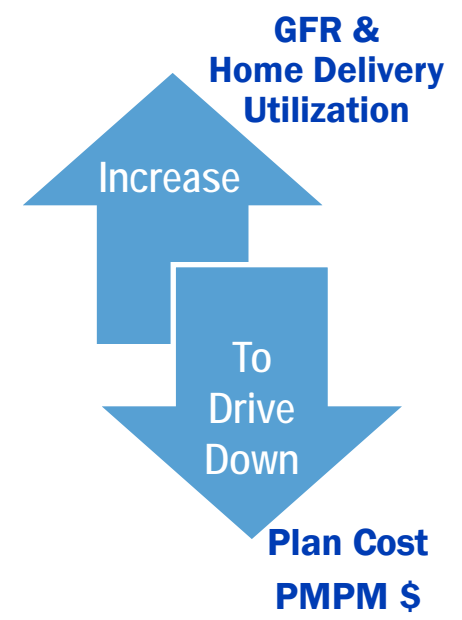
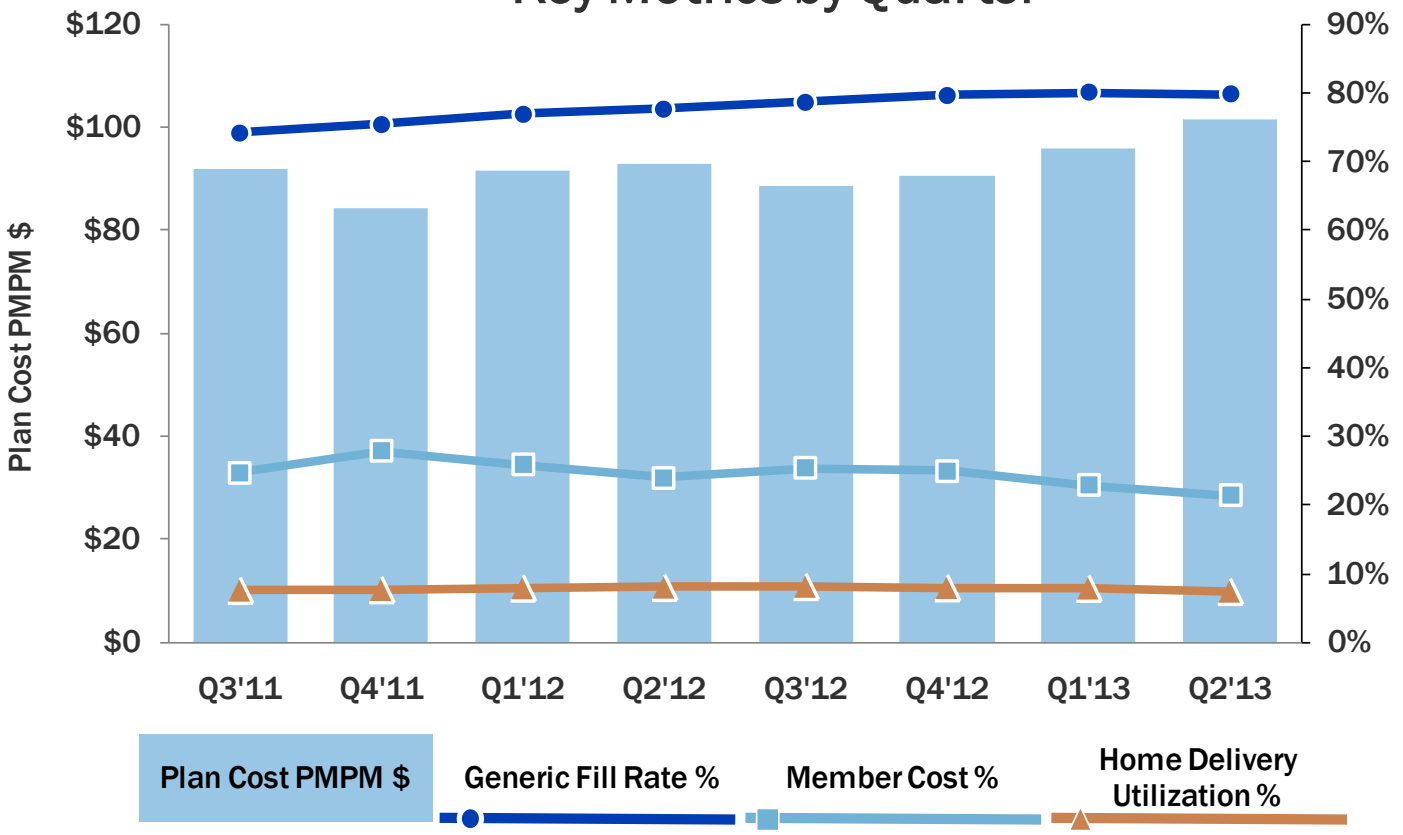
Focus on driving better decisions and
healthier outcomes through our unique
approach: Health Decision ScienceSM

Solutions for greater care and cost control



Historical Performance

Key Metrics by Quarter



Plan Performance

- Gross cost increased 2.0% to \$988M.
- Member contributions decreased \$15M to \$233M.
- Low Income Subsidy and Coverage Gap Discount reduced plan cost by an additional \$15M in 1st Half 2013.

Plan Performance			
	7-12 - 6-13	7-11 - 6-12	Change %
AWP	\$1,823,315,217	\$1,657,936,632	10.0%
Network & Mail Discount			
Savings (includes dispensing fees)	-\$835,755,565	-\$690,025,230	21.1%
Tax	\$17,963	\$67,215	-73.3%
Gross Cost	\$987,577,615	\$967,978,617	2.0%
Member Cost	-\$233,089,343	-\$247,946,610	-6.0%
Plan Cost*	\$754,456,964	\$719,964,378	4.8%
Low Income Subsidy	\$2,385,375	\$0	N/A
Coverage Gap Discount	\$13,069,212	\$0	N/A
Adjusted Plan Cost*	\$739,002,377	\$719,964,378	2.6%

* Financial results have not been audited

Top Line Performance Metrics

- Plan Cost PMPM is \$94.25, a 4.5% trend over the previous period
- Generic Fill Rate (GFR) increased 3.5 percentage points to 79.6%
- Specialty Plan Cost PMPM is \$20.79, a 12.1% trend over the previous period

State of NC			
Description	7-12 - 6-13	7-11 - 6-12	Change
Avg Members per Month	667,085	665,256	0.3%
Number of Unique Patients	576,640	565,121	2.0%
Pct Members Utilizing Benefit	86.4%	84.9%	1.5
Total Plan Cost	\$754,456,964	\$719,964,378	4.8%
Total Rxs	11,910,462	11,821,792	0.8%
Average Member Age	46.9	45.5	3.1%
Plan Cost PMPM	\$94.25	\$90.19	4.5%
Plan Cost per Rx	\$63.34	\$60.90	4.0%
Nbr Rxs PMPM	1.49	1.48	0.5%
Generic Fill Rate	79.6%	76.1%	3.5
Home Delivery Utilization	7.9%	7.9%	0.0
Member Cost %	23.6%	25.6%	-2.0
Specialty Percent of Plan Cost	22.1%	20.6%	1.5
Specialty Plan Cost PMPM	\$20.79	\$18.54	12.1%
Formulary Compliance Rate	93.8%	92.9%	1.0

Government Advisory Panel (GAP)	
7-12 - 6-13	Change
44.2	
\$101.13	0.9%
\$86.68	1.9%
1.21	2.4%
78.1%	3.5
25.8%	-1.1
16.1%	-1.7
21.3%	1.9
\$21.58	10.9%
93.8%	1.0

Key Statistics: Specialty vs. Non-Specialty

- Plan Cost PMPM trend on specialty drugs is 12.1%, compared to a 2.5% Plan Cost PMPM trend on non-specialty drugs
- There are 10,443 unique specialty patients, an increase of 81 specialty patients over the previous period

State of NC						
Description	Non-Specialty			Specialty		
	7-12 - 6-13	7-11 - 6-12	Change	7-12 - 6-13	7-11 - 6-12	Change
Avg Members per Month	667,085	665,256	0.3%	667,085	665,256	0.3%
Number of Unique Patients	576,435	564,924	2.0%	10,443	10,362	0.8%
Pct Members Utilizing Benefit	86.4%	84.9%	1.5	1.6%	1.6%	0.0
Total Plan Cost	\$588,042,621	\$571,954,211	2.8%	\$166,414,343	\$148,010,168	12.4%
Percent of Total Plan Cost	77.9%	79.4%	-1.5	22.1%	20.6%	1.5
Total Rx's	11,869,232	11,781,205	0.7%	41,230	40,587	1.6%
Percent of Total Rx's	99.65%	99.66%	0.0	0.35%	0.34%	0.0
Plan Cost PMPM	\$73.46	\$71.65	2.5%	\$20.79	\$18.54	12.1%
Plan Cost per Rx	\$49.54	\$48.55	2.1%	\$4,036.24	\$3,646.74	10.7%
Nbr Rx's PMPM	1.48	1.48	0.0%	0.005	0.005	0.0%
Generic Fill Rate	79.8%	76.3%	3.5	14.0%	14.6%	-0.5
Member Cost %	27.9%	29.8%	-1.9	3.0%	3.5%	-0.4

Specialty Government Advisory Panel (GAP)	
1st H 2013	Change
\$21.58	10.9%
\$3,148.68	-0.3%
0.01	11.2%
32.4%	5.5
2.2%	0.0

Trend Components

- Non-specialty Plan Cost PMPM trend is 2.5% while specialty is at 12.1%
- Inflation is the largest cost driver of Plan Cost PMPM
- Discount is the largest cost saver of Plan Cost PMPM

	Overall		Non-Specialty		Specialty	
Previous Plan Cost PMPM	\$90.19		\$71.65		\$18.54	
Utilization	\$1.31	1.5%	\$1.02	1.4%	\$0.35	1.9%
Inflation	\$6.18	6.9%	\$4.36	6.1%	\$2.48	13.4%
Drug Mix	\$1.13	1.3%	\$1.29	1.8%	-\$0.68	-3.7%
Discount	-\$7.04	-7.8%	-\$6.74	-9.4%	\$0.01	0.1%
Cost Share	\$2.48	2.8%	\$1.89	2.6%	\$0.09	0.5%
Change in Plan Cost PMPM	\$4.06 4.5%		\$1.81 2.5%		\$2.25 12.1%	
Current Plan Cost PMPM	\$94.25		\$73.46		\$20.79	

Date Range 7-12 - 6-13 versus 7-11 - 6-12

Utilization based on change in days PMPM

Inflation based on change in AWP/quantity at a drug level

Drug Mix based on changes in therapy, addition of new therapies and the blend of brand/generics

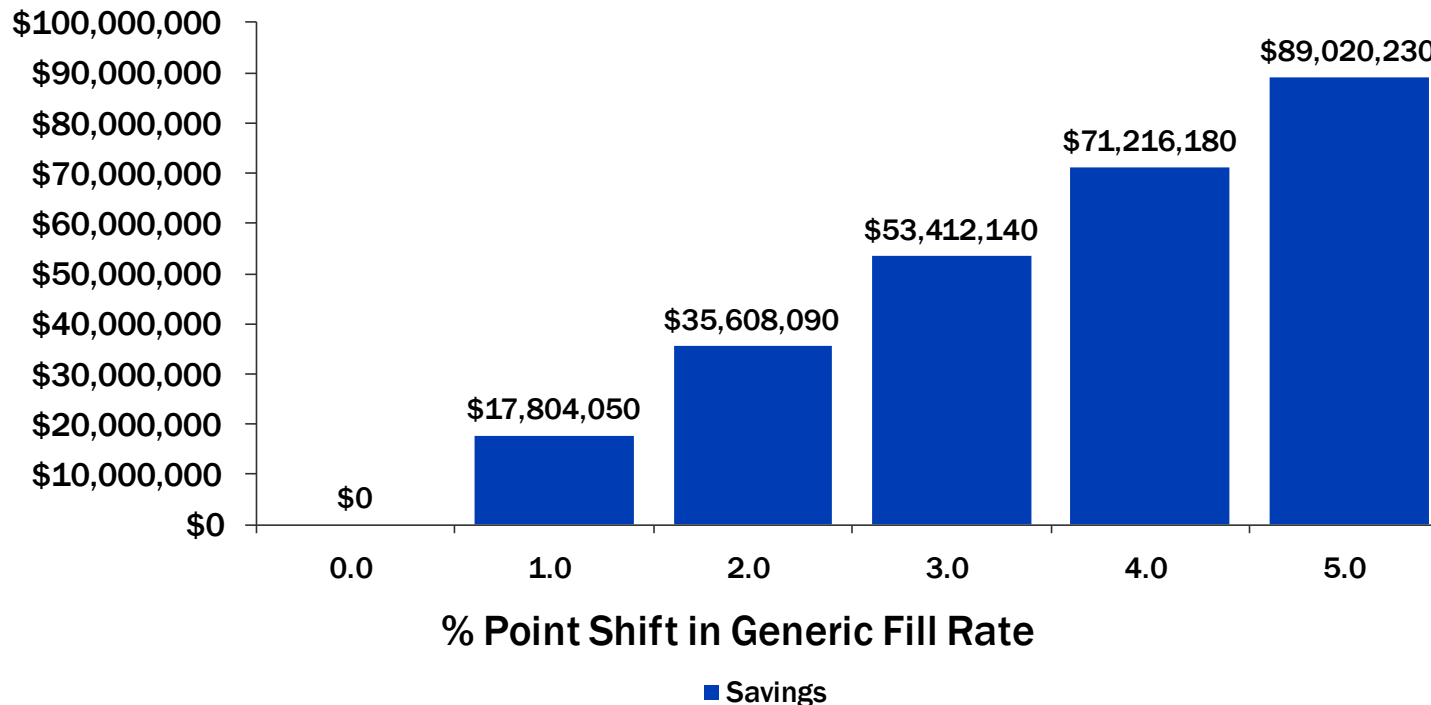
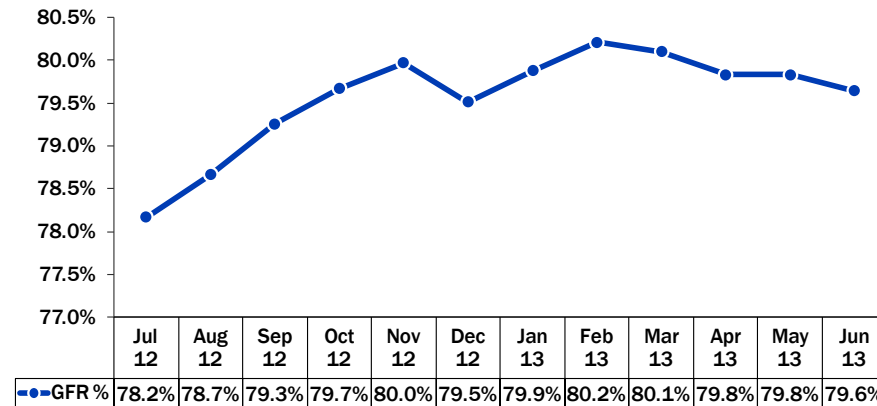
Discount based on change in aggregate AWP discount

Cost share based on change in aggregate member share

Generic Dispensing

- Generic Fill Rate increases will continue to save the plan money year after year
- For every 1% increase in GFR the plan could save approximately 2.4% of total plan cost

Generic Fill Rate by Month



Top 10 Indications

- The largest trend is in Cancer, at 26.5%
- The largest negative trend is in High Blood Cholesterol, at -16.1%

**Represent
59.7% of your
total
Plan Cost**

Top Indications by Plan Cost														
7-12 - 6-13								7-11 - 6-12					% Change	
Rank	Peer Rank	Indication	Rxs	Patients	Plan Cost	Generic Fill Rate	Plan Cost PMPM	Rank	Rxs	Patients	Generic Fill Rate	Plan Cost PMPM	Plan Cost PMPM	% Change
1	1	DIABETES	749,383	69,628	\$89,490,634	47.6%	\$11.18	1	742,335	67,445	44.3%	\$9.58	16.7%	
2	2	HIGH BLOOD CHOLESTEROL	957,311	146,968	\$59,169,263	70.9%	\$7.39	2	984,043	145,238	61.1%	\$8.81	-16.1%	
3	5	INFLAMMATORY CONDITIONS	34,805	6,028	\$57,275,398	23.7%	\$7.15	3	33,462	5,816	23.7%	\$6.14	16.5%	
4	6	CANCER	72,691	12,206	\$45,251,930	90.2%	\$5.65	5	70,731	11,635	91.3%	\$4.47	26.5%	
5	3	HIGH BLOOD PRESS/HEART DISEASE	1,826,375	202,847	\$39,625,054	90.5%	\$4.95	4	1,835,303	196,252	87.9%	\$4.73	4.6%	
6	9	DEPRESSION	745,317	112,983	\$37,696,313	86.1%	\$4.71	6	738,011	110,355	81.9%	\$4.09	15.0%	
7	8	MULTIPLE SCLEROSIS	5,802	962	\$36,368,914	0.0%	\$4.54	8	5,737	959	0.0%	\$3.82	18.9%	
8	4	ULCER DISEASE	528,643	103,784	\$30,456,702	62.7%	\$3.80	10	519,031	101,286	60.3%	\$3.50	8.7%	
9	7	ASTHMA	286,352	73,384	\$30,158,391	35.4%	\$3.77	7	266,712	64,678	9.2%	\$3.95	-4.6%	
10	10	MENTAL/NEURO DISORDERS	144,338	18,898	\$24,789,942	63.7%	\$3.10	9	140,496	18,108	52.7%	\$3.57	-13.2%	
Total Top 10:			5,351,017		\$450,282,541	73.4%	\$56.25		5,335,861		68.1%	\$52.66	6.8%	
Differences Between Periods:			15,156		\$29,916,604	5.3%	\$3.59							

Peer = Express Scripts Peer 'Commercial Division (CD) with EGWP' market segment

NCSHP Clinical Program Results

Clinical Program	Total Clinical Program Savings (7/1/11 – 6/30/12)	Total Clinical Program Savings (7/1/12 - 6/3/13)
Concurrent Drug Utilization Review	\$94,236,830	\$105,265,022
Prior Authorization, Step Therapy, Quantity Limits	\$38,112,327	\$42,667,556
Preferred Drug Step Therapy (does not include increased rebates)	\$7,489,069	\$5,409,207
RationalMed	\$11,276,059	\$9,948,394
Total Clinical Program Savings	\$151,114,285	\$163,290,179

NCSHP achieved an additional \$12,175,894 million in savings over the previous fiscal year.

Future Challenges Facing Pharmacy Benefits

- Specialty medications
- Inflation on brand drugs
- High cost generics
- Coupon cards