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PREFERRED DRUG LIST AND SUPPLEMENTAL REBATE PROGRAM ANNUAL PUBLIC REPORT

STATE OF NORTH CAROLINA

FEBRUARY 11, 2014

MARSH & McLENNAN COMPANIES

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Executive Summary

The State of North Carolina (State) engaged Mercer Government Human Services Consulting (Mercer) to provide an annual report, as prescribed by the State's Centers of Medicare & Medicaid Services state plan that evaluates the overall impact of the State's preferred drug list (PDL) and supplemental rebate program, which is enforced by clinical prior authorization (PA). Mercer assessed the following in this report:

- Access to pharmaceutical care for State Medicaid beneficiaries
- Whether changes in expenditures or utilization in medical services, such as hospitalizations or physician services, have increased or decreased as a result of the PDL and associated multi-state pooling agreement
- Aggregate cost savings associated with the PDL and the State's participation in the National Medicaid Pooling Initiative (NMPI) supplemental rebate program

Background

In March 2002, the State implemented a clinical PA review program as a method to encourage prescribers to prescribe and dispense the most clinically appropriate and cost-effective medications. A state panel of clinical and academic pharmacists and physicians selected the prescription drugs that required clinical PA review and developed the clinical criteria for the program.

In March 2010, the State joined the NMPI supplemental rebate purchasing pool. NMPI is a multi-state Medicaid pharmaceutical purchasing pool administered by Magellan Medicaid Administration, Inc.

State Medicaid programs join multi-state pooled purchasing programs to combine their purchasing power to influence drug manufacturers to provide greater supplemental rebates. Manufacturers pay supplemental rebates if a state implements a PDL that requires PA review of non-preferred medications, which provides the manufacturers with a competitive advantage if their products are deemed "preferred." The benefit of joining a multi-state arrangement is typically a significant increase in program savings that are attributed to:

- Additional support with implementing and maintaining a PDL or expanding a state's PDL program in a short timeframe
- Market share shift in drug utilization to therapeutically equivalent and typically less costly preferred medications
- An increase in individual supplemental rebate collections due to purchasing power and contracts negotiated with pharmaceutical manufacturers

Initially, the State did not establish a PDL when it joined NMPI, but only collected pharmaceutical manufacturer supplemental rebates through its participation with the purchasing pool. On September 15, 2010, the State implemented its PDL, enforced through its PA program, in order to encourage appropriate prescription drug utilization. The State originally established 88 PDL therapeutic drug categories that include preferred and non-preferred medications. Since then, the State has reviewed and modified the PDL. At the end of the state fiscal year (SFY) 2013 (July 1, 2012 through June 30, 2013), there were 90 PDL therapeutic drug categories. In SFY 2013, PDL changes were implemented in November 2012 and April 2013.

Summary of Results

Impact on Beneficiaries' Access to the Preferred Drug List Program Medications

Mercer assessed beneficiaries' access to PDL program medications in SFY 2013. Key findings for this part of the analysis included:

- Similar to SFY 2012, only a small percentage of individuals reverted to non-preferred medications during SFY 2013. The analysis suggests Medicaid beneficiaries who changed from a non-preferred medication to a preferred medication remained on the preferred medication regimen except for clinically necessary exceptions.
    - Of the 90 PDL therapeutic drug categories, there were 63 categories that were implemented or had significant changes (i.e., drugs added to or removed from the PDL category and/or changes made to non-preferred or preferred drug status) during the study period.
    - Of these 63 categories, there were 39 PDL categories that had beneficiaries who reverted to a non-preferred medication. Only 0.1% (or 2,400) beneficiaries out of a total of 2.6 million continuously eligible Medicaid beneficiaries for these 63 drug categories reviewed switched back to a non-preferred medication after having a paid claim for a preferred medication.
- Relatively few Medicaid beneficiaries did not obtain a drug following a denied claim payment for a non-preferred medication within the same therapeutic drug category. This result is similar to last year.

  - Approximately 2.5% (or 68,000) of continuously eligible Medicaid beneficiaries in SFY 2013 had a denied claim for a non-preferred medication and did not receive a subsequent paid claim for another medication within the same PDL therapeutic drug category during the study period.

  - The overall PDL compliance rate in SFY 2013 was approximately 96.5%. Although quarterly PDL compliance rates decreased slightly during SFY 2013 (96.6% in Q4 SFY 2012 to 96.2% in Q4 SFY 2013), the annual compliance rate increased 0.4 percentage points compared to SFY 2012 (96.1%).

- The number of PDL PA call center requests decrease substantially the quarter after significant changes are made to the PDL. This decrease may indicate prescribers are familiar with the PDL program process and quickly adapt and adhere to the PDL changes.

  - The total number of PDL PA call center requests decreased 22% (from 24,200 to 18,900) between second quarter SFY 2013 and third quarter SFY 2013. The PDL experienced significant changes during November 2012. This reduction in PDL PA call center requests suggests the Medicaid community's willingness to comply with changes made to the PDL list.

Impact on Beneficiaries' Medical Services Utilization and Expenditures

Mercer performed a time series comparative analysis of medical services utilization and expenditures for beneficiaries "impacted" by the PDL program to monitor whether the implementation of the PDL program resulted in changes in beneficiaries' use of medical services. Beneficiaries "impacted" by the PDL were compared to beneficiaries "not impacted" by the PDL program for select PDL therapeutic drug categories.

In general, the utilization and paid amount per beneficiary were similar across the first three quarters of SFY 2013 by population and medical services categories. There were significant decreases in utilization and paid amount per beneficiary in Q4 SFY 2013 because the data only included paid claims through June 30, 2013 as a result of the State's conversion to a new claims adjudication platform on July 1, 2013. The limited medical paid claim data that are available for this analysis likely impacts the results for the second half of SFY 2013.

Estimated Savings

Mercer estimates the total net savings realized for the clinical PA, PDL, and supplemental rebate program was *$132.1 million* (State share of $45.7 million) in SFY 2013. Of the total savings, approximately *$45.4 million* (State share of approximately $15.7 million) can be attributed to the clinical PA program and *$86.7 million* (State share of approximately $30.0 million) can be attributed to the State's PDL and supplemental rebate program. This equates to an overall return on investment of *21:1* for the PDL and supplemental rebate program.

The net PDL and supplemental rebate program savings included:

- $31.3 million attributed to the PDL program
- $0.5 million as a result of shifting medication utilization from non-preferred to preferred medications without the presence of a rejected claim (i.e., market shift savings)
- $59.0 million in supplemental rebate collections
- $4.1 million in administrative costs that offset the gross savings

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Assessment of Beneficiaries' Access to the Preferred Drug List Program Medications

To monitor the effect of the PDL program on beneficiaries' access to medications, Mercer evaluated the following:

- Number of beneficiaries who reverted to a non-preferred medication within the same therapeutic drug category for drug categories that were new or had significant changes during the study period
- Number of beneficiaries who had a prescription claim payment denied that was subject to the PDL program with no subsequent paid claim within the same therapeutic drug category
- PDL compliance based on prescription utilization
- Frequency of PDL PA call center requests for non-preferred medications and the percentage of approvals and denials

Beneficiaries Reverting to Non-Preferred Medications

Mercer evaluated the number of Medicaid beneficiaries who received a non-preferred medication prior to the PDL category changes (implemented either in November 2012 or April 2013), then received a preferred medication after the PDL program's changes, and finally reverted to a non-preferred medication all within the same therapeutic drug category. Exhibit 1 in Appendix A provides the results of this assessment for the top 10 therapeutic drug categories by beneficiary count that reverted to a non-preferred medication.

Observations

- During the study period, 39 out of 63 therapeutic drug categories evaluated (approximately 62%) had beneficiaries with continuous Medicaid eligibility who reverted to a non-preferred medication after the PDL program changes implemented in SFY 2013.

- However, the overall percentage of beneficiaries switching back to a non-preferred medication after having tried a preferred medication was very small. The findings for SFY 2013 were similar to SFY 2012.

  - For beneficiaries continuously eligible for Medicaid, only 0.1% (or 2,400) beneficiaries out of a total of 2.6 million beneficiaries from these 63 therapeutic drug categories reverted to a non-preferred medication during SFY 2013.
  - In SFY 2012, the same percentage (0.1%) of beneficiaries reverted to a non-preferred medication after having tried a preferred medication.

- The top five drug categories by beneficiary count that demonstrated potential beneficiary disruption in SFY 2013 were neuropathic pain agents, intranasal rhinitis agents (seasonal allergies), beta agonist bronchodilators (asthma or chronic obstructive pulmonary disease [COPD]), minimally sedating antihistamines (seasonal allergies), and proton pump inhibitors (stomach ulcers, Gastro-esophageal Reflux Disease [GERD]) with 846, 274, 208, 160, and 149 unique beneficiaries, respectively, who reverted to a non-preferred medication. These five drug categories accounted for over 65% of the total beneficiaries that reverted to a non-preferred medication following the PDL category changes implemented in SFY 2013.

Conclusion

A small percentage of individuals reverted to non-preferred medications following changes made to the PDL program's drug categories in SFY 2013. This finding suggests that Medicaid beneficiaries who changed from a non-preferred medication to a preferred medication remained on the preferred medication regimen except for clinically necessary exceptions.

Beneficiaries with a Denied Non-Preferred Claim Payment and No Subsequent Paid Claim

In Exhibit 2, Appendix A, Mercer summarized the top 10 drug categories with the greatest number of beneficiaries who had a denied claim payment for a non-preferred prescription and did not receive a subsequent non-preferred or preferred paid claim within the same therapeutic drug category in SFY 2013.

Observations

- Of the therapeutic drug categories evaluated, 74 had beneficiaries who had a denied claim payment for a non-preferred prescription and did not receive a subsequent paid claim for a non-preferred or preferred medication within the same therapeutic drug category during the study period.

- Overall, 2.5% (or 68,000) of continuously Medicaid eligible beneficiaries had a denied claim payment and did not receive a subsequent paid claim within the PDL drug category in SFY 2013. These results are similar to last year, when 2.6% of continuously Medicaid eligible beneficiaries had a denied claim payment and did not receive a subsequent paid claim within the PDL drug category.

- The top 10 drug categories based on beneficiary counts and continuous Medicaid eligibility ranged from a low of 2.6% (intranasal rhinitis agents [seasonal allergies]) to a high of 9.3% (beta agonist bronchodilators [asthma or COPD]) of beneficiaries not receiving a subsequent claim within the drug category following a denied claim payment.

Conclusion

Consistent with the previous year, relatively few Medicaid beneficiaries did not obtain a drug following a denied claim payment for a non-preferred medication within the same therapeutic drug category.

Preferred Drug List Compliance

A primary goal of the State's PDL program is to encourage prescribers to write prescriptions for preferred medications within designated therapeutic drug categories. Mercer compared the percentage of preferred prescriptions utilized (i.e., PDL compliance) before and at the end of SFY 2013 (i.e., fourth quarter [Q4] SFY 2012 versus Q4 SFY 2013) by PDL therapeutic drug category.

- Exhibit 3 in Appendix A represents the top 10 therapeutic drug categories that showed the greatest increase in PDL compliance in SFY 2013.
- Exhibit 4 in Appendix A represents the top 10 therapeutic drug categories that showed the greatest decrease in PDL compliance in SFY 2013.

Observations

- The overall PDL compliance rate in Q4 SFY 2012 was approximately 96.6%. By Q4 SFY 2013, the overall PDL compliance rate decreased to approximately 96.2%, a 0.4 percentage point decrease.
  - On average, the quarterly PDL compliance rate decreased 0.1 percentage points each quarter.
- The drug classes with the greatest percentage point increase of preferred prescriptions utilized between Q4 SFY 2012 and Q4 SFY 2013 included:
  - Hepatitis C Agents (Hepatitis C treatment) experienced a compliance increase of 17.5 percentage points.
  - Pancreatic enzymes (cystic fibrosis) experienced a compliance increase of 11.1 percentage points.
  - The remaining categories in the top 10 had compliance increases between 1 and 4 percentage points.
- The drug classes with the greatest percentage point decreases of preferred prescriptions utilized between Q4 SFY 2012 and Q4 SFY 2013 included:
  - Neuropathic pain agents had the largest decrease in SFY 2013 (84.1 percentage points). Several drugs were added to the non-preferred category in November 2012. This drug class is also subject to clinical PA.

- Injectable PAH agents (pulmonary arterial hypertension) experienced a decrease of 69.5 percentage points. This drug category had several changes to the preferred status of many agents during the November 2012 PDL update.
- Topical Antivirals (cold sores) decreased 21.1 percentage points.
- Anticonvulsants (seizures) experienced a decrease of 11.4 percentage points in SFY 2013.
- The remaining categories within the top 10 all decreased between 6 and 10 percentage points.

- The overall PDL compliance rate in SFY 2013 was approximately 96.5%. Although PDL compliance decreased slightly through SFY 2013 (96.6% in Q4 SFY 2012 to 96.2% in Q4 SFY 2013), 96.5% overall is an increase from SFY 2012 when annual PDL compliance was 96.1%.

Conclusion

The overall high compliance rate and the year-over-year stability of the rate suggests prescribers write prescriptions for preferred medications more frequently than non-preferred medications and adjust quickly to changes made to the PDL throughout the year.

Preferred Drug List Prior Authorization Call Center Requests for Non-Preferred Medications

Mercer summarized the number of PA requests for non-preferred medications during the study period that were processed by the PDL PA call center vendor and the associated approval and denial rates. The top 10 therapeutic drug categories by PDL call center volume are represented in Exhibit 5, Appendix A.

Observations

- In SFY 2013, there were 80,000 PDL PA call center requests with an overall approval rate of 88.7% and an overall denial rate of 11.3%. This is a 4 percentage point increase in the approval rate compared to SFY 2012 (84.7%)

- Of the top 10 PDL therapeutic drug categories by the number of PDL call center requests, the PA approval rate ranged from a minimum of 65.4% for the lipotropics, other category (high cholesterol), and a maximum of 100.0% for antipsychotics (schizophrenia/bipolar disorder).

- In November 2012 (middle of Q2 SFY 2013), there were a large number of changes made to the PDL drug categories resulting in a 48% increase of PDL call center requests between Q1 SFY 2013 (16,300) and Q2 SFY 2013 (24,200). In the following quarter (Q3 SFY 2013), the total number of PDL PA call center requests decreased 22%, from 24,200 to 18,900. In April 2013 (beginning of Q4 SFY 2013), the State made additional changes to the PDL and

the total number of PDL PA call center requests increased 11%, from Q3 SFY 2013 to Q4 SFY 2013 (18,900 to 20,900 respectively).

Conclusion

The decrease in PDL PA call center requests in the quarter following significant changes made to the PDL program may indicate prescribers have become more familiar with the PDL program and can quickly adapt and adhere to therapeutic drug category changes when implemented.

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Medical Services Utilization and Expenditures Analysis

To monitor whether the PDL program resulted in changes in beneficiaries' use and cost of medical services, Mercer evaluated medical services utilization and expenditures for beneficiaries "impacted" by the PDL program as compared to beneficiaries "not impacted" by the PDL program for select PDL therapeutic drug categories.

The medical services utilization and expenditures evaluated included:

- Inpatient hospital admissions
- Emergency room visits
- Outpatient hospital visits
- Physician office visits

Mercer considered beneficiaries "not impacted" by the PDL program if they did not experience a change in drug therapy within a PDL therapeutic drug category. "Not impacted" beneficiaries were taking preferred medications within the same PDL therapeutic drug category. Mercer defined beneficiaries as "impacted" by the PDL program if they changed drug therapies within a PDL therapeutic drug category. "Impacted" beneficiaries were taking non-preferred medications then switched to preferred medications within the same PDL therapeutic drug category.

Mercer's criteria for selecting the PDL therapeutic drug categories included:

- PDL categories with a relatively large market shift from non-preferred medications before the PDL program's implementation to preferred medications after implementation
- PDL categories used as long-term maintenance therapies for chronic disease treatment

Based on these criteria, Mercer selected the following PDL categories to evaluate:

- Lipotropics and statins used to treat beneficiaries with high cholesterol
- Inhaled glucocorticoids used to treat beneficiaries with asthma
- Hypoglycemics, insulins, and related agents used to treat beneficiaries with diabetes

Mercer has included the data and graphs referenced for this evaluation in the following appendices:

- Appendix B contains graphs of the selected PDL drug categories illustrating *utilization per beneficiary* for the selected medical services categories.

- Appendix C contains graphs of the selected PDL drug categories illustrating *paid amount per beneficiary* for the selected medical services categories.

Mercer performed a time series comparative analysis of the three selected PDL therapeutic drug categories. The pre-PDL implementation time period was March 15, 2010 through September 14, 2010. The study time period was SFY 2012 through SFY 2013 (July 1, 2011 through June 30, 2013). These time periods were aggregated and used as the data points on the graphs:

- Pre-implementation period:
  - March 15, 2010 to June 14, 2010
  - June 15, 2010 to September 14, 2010

- Study Period:
  - July 1, 2011 to September 30, 2011
  - October 1, 2011 to December 31, 2011
  - January 1, 2012 to March 31, 2012
  - April 1, 2012 to June 30, 2012
  - July 1, 2012 to September 30, 2012
  - October 1, 2012 to December 31, 2012
  - January 1, 2013 to March 31, 2013
  - April 1, 2013 to June 30, 2013

The vertical line on each graph indicates the date of the PDL program's implementation — September 15, 2010.

Observations

- As shown by the graphs in Appendix B, the overall utilization for medical services was relatively low for the selected PDL categories and for each population group.
  - The utilization by population group followed similar experience patterns between the pre-implementation period and study period for the selected PDL categories that Mercer reviewed.

- In Appendix C, the paid amount per beneficiary was also generally similar across time periods by population group and medical services category.

- The graphs show a significant decrease in utilization and paid amount per beneficiary in Q4 SFY 2013 as a result of limited paid claims data. Mercer summarized data paid through June 30, 2013 for this report. Additional data were not available due to the State's conversion to a new claims adjudication platform on July 1, 2013.

Conclusion

In general, the utilization and paid amount per beneficiary experience were similar across time periods by population group and medical services categories. However, since the analysis was not a controlled randomized study, no direct statistical correlation should be made between Medicaid beneficiaries' medical services utilization and expenditures and the impact of the PDL program's implementation.

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Estimated Savings

Mercer calculated the estimated PDL program savings across all therapeutic drug categories effective during SFY 2013. The savings estimate calculation accounts for:

1. PDL savings, which are the cost benefit of denied point-of-sale outpatient pharmacy claims for non-preferred PDL medications, net of the Centers for Medicare & Medicaid Services (CMS) rebates. The PDL savings also includes offsets in savings due to alternative (i.e., preferred) drug therapies dispensed and SmartPA© cost avoidance. SmartPA© was administered by Xerox State Healthcare, LLC during the study period. SmartPA© is a real-time PA platform that streamlines and alleviates prescriber claim responses as well as PA call center requests.

2. Market shift savings, which is the savings, net of CMS rebates, achieved from the sentinel effect of beneficiaries switching from a non-preferred medication to a preferred medication without a denied payment claim at the pharmacy.

3. Supplemental rebates collected from manufacturers as reported by the State's supplemental rebate vendor.

4. Administrative costs.

In addition, Mercer estimated clinical PA savings realized during SFY 2013. The clinical PA program requires PA for certain drugs prescribed to Medicaid beneficiaries to ensure appropriate clinical criteria adherence, independent of the supplemental rebate program.

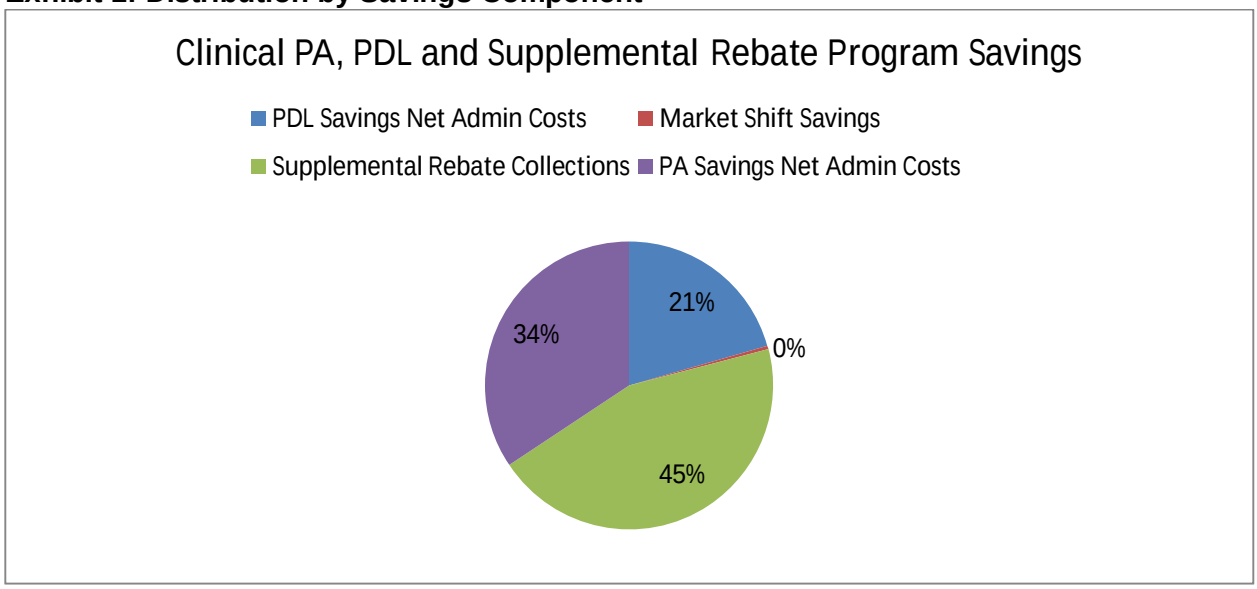
Estimated Total Net Savings

Mercer estimates the total net savings for the clinical PA, PDL, and supplemental rebate programs were *$132.1 million* (State share of $45.7 million). Of the total savings, approximately *$45.4 million* (State share of approximately $15.7 million) can be attributed to the clinical PA program and *$86.7 million* (State share of approximately $30.0 million) can be attributed to the State's PDL and supplemental rebate program. This equates to an overall return on investment of *21:1* for the PDL and supplemental rebate program. A breakout of the savings components, including both State and federal allocations, is represented in the table and exhibit below.

Table 1: Clinical PA, PDL, and Supplemental Rebate Program Net Savings

	Total	% of Total	State Share	Federal Share
PDL savings	$31,300,000	n/a	$10,800,000	$20,500,000
Administrative costs	($4,100,000)	n/a	($1,400,000)	($2,700,000)
PDL savings net admin costs	**$27,200,000**	**21%**	**$9,400,000**	**$17,800,000**
Market shift savings	$500,000	0%	$200,000	$300,000
Supplemental rebate collections	$59,000,000	45%	$20,400,000	$38,600,000
Net PDL savings	**$86,700,000**	**n/a**	**$30,000,000**	**$56,700,000**
Net clinical PA savings	$45,400,000	34%	$15,700,000	$29,700,000
Total net PDL and clinical PA savings	**$132,100,000**	**100%**	**$45,700,000**	**$86,400,000**

Exhibit 1: Distribution by Savings Component



Preferred Drug List Savings and Market Shift Savings

For SFY 2013, Mercer estimated the total PDL savings (item 1 described above) to be $31.3 million and the market shift savings (item 2 described above) to be $0.5 million for a combined total of *$31.8 million* (State share of approximately $11.0 million), not including consideration for administrative costs.

The therapeutic drug categories with the largest combined PDL and market shift savings during the study period included:

- Hypoglycemics and incretin mimetics/enhancers (diabetes)
- Skeletal muscle relaxants (muscle relaxation)
- Proton pump inhibitors (stomach ulcers, Gastro-esophageal Reflux Disease (GERD))
- Lipotropics, Other (cholesterol lowering agents)

Administrative Costs

In order to effectively administer the PDL program, the State incurs additional costs in the form of staff salaries and benefits, payments to contracted vendors, as well as Medicaid beneficiary PA hearings and appeals costs associated with the PDL program.

In SFY 2013, the State reimbursed their contracted vendors a total of approximately $3.66 million for processing claims and PA reviews related to the PDL as well as negotiating, invoicing, and collecting supplemental rebates from contracted pharmaceutical manufacturers. In addition, the State's staff salaries and benefits related to PDL program operations for the study period were approximately $400,000. Lastly, the State incurred costs of approximately $30,000 as a result of Medicaid beneficiary hearings and appeals for denied payment for non-preferred prescription claims related to the PDL. Total administrative costs associated with the PDL and supplemental rebate program for the study period were *$4.1 million* (State share of approximately $1.4 million).

Table 2: Total PDL and Supplemental Rebate Program Administrative Costs

	Total	State Share	Federal Share
Staff salary and benefits	($400,000)	($140,000)	($260,000)
Hearings and appeals costs	($30,000)	($10,000)	($20,000)
Contracted vendor costs	($3,660,000)	($1,260,000)	($2,400,000)
Total administrative costs	**($4,090,000)**	**($1,410,000)**	**($2,680,000)**

Supplemental Rebate Collections

The supplemental rebates for preferred medications collected from pharmaceutical manufacturers in SFY 2013 were approximately *$59.0 million* (State share of approximately $20.4 million). The supplemental rebates for preferred medications dispensed during the study period continue to be collected and, as such, the total amount of supplemental rebates will continue to increase as those collections continue.

Limitations of Analysis

Please note that Mercer summarized and analyzed pharmacy and medical claims data from SFY 2013 paid through June 30, 2013 for this report. Additional data were not available due to the State's conversion to a new claims adjudication platform on July 1, 2013. The limited paid claims data likely impacts the results for the second half of SFY 2013.

For our analysis, Mercer relied on data, information and other sources of data as described in this report. We have relied upon these data without an independent audit. Although we have

reviewed the data for reasonableness and consistency, we have not audited or otherwise verified these data. It should also be noted that our review of data may not always reveal imperfections. If the data or information are inaccurate or incomplete, our findings and conclusions may need to be revised.

All estimates are based upon the information available at a point in time, and are subject to unforeseen and random events. Therefore, any projection must be interpreted as having a likely range of variability from the estimate. Any estimate or projection may not be used or relied upon by any other party or for any other purpose than for which it was issued by Mercer. Mercer is not responsible for the consequences of any unauthorized use.

APPENDIX A

Exhibits for Assessment of Beneficiaries' Access to Preferred Drug List Program Medications

Exhibit 1 – Top 10 PDL Drug Categories by Count of Beneficiaries Who Reverted to Non Preferred Drug

PDL Therapeutic Drug Category	Count of Beneficiaries with Continuous Eligibility who Reverted to Non Preferred	Total Beneficiaries with Continuous Eligibility	% of Continuously Eligible Beneficiaries
Neuropathic pain	846	61,976	1.4%
Intranasal rhinitis agents	274	99,057	0.3%
Bronchodilators, beta agonist	208	196,760	0.1%
Antihistamines, minimally sedating	160	225,763	0.1%
Proton pump inhibitors	149	73,225	0.2%
Lipotropics, other	116	7,724	1.5%
NSAIDs	115	145,005	0.1%
COPD agents	110	13,476	0.8%
Analgesics, narcotics short	54	160,092	0.0%
Skeletal muscle relaxants	52	55,206	0.1%
Total for Top 10 PDL Categories	**2,084**	**1,038,284**	**0.2%**
Total for All PDL Categories	**2,428**	**2,559,106**	**0.1%**

Exhibit 2 – Top 10 PDL Drug Categories by Total Beneficiary Count Who Had Prescription Claim Payment Denied and No Subsequent Paid Claims

PDL Therapeutic Drug Category	Count of Continuously Eligible Beneficiaries with a Denied Claim Payment and No Subsequent Claims	Total Beneficiaries with Continuous Eligibility	% of Continuously Eligible Beneficiaries
Bronchodilators, beta agonist	16,668	178,446	9.3%
Antihistamines, minimally sedating	13,553	222,344	6.1%
Skeletal muscle relaxants	3,094	53,839	5.7%
Proton pump inhibitors	3,000	71,760	4.2%
Antibiotics, topical	2,605	40,171	6.5%
Intranasal rhinitis agents	2,533	97,359	2.6%
Fluoroquinolones, oral	2,172	34,895	6.2%
Ophthalmics for allergic conjunctivitis	2,063	24,738	8.3%
Steroids, topical high	1,836	65,438	2.8%
Acne agents, topical	1,706	22,045	7.7%
Total for Top 10 PDL Categories	**49,230**	**811,035**	**6.1%**
Total for All PDL Categories	**67,530**	**2,734,053**	**2.5%**

Exhibit 3 - Top 10 PDL Drug Categories by Percentage Point Increase in Compliance

PDL Therapeutic Drug Category	Preferred % Q4 SFY 2012	Preferred % Q1 SFY 2013	Preferred % Q2 SFY 2013	Preferred % Q3 SFY 2013	Preferred % Q4 SFY 2013	% Difference from Q4 SFY 2012 to Q4 SFY 2013
Hepatitis C agents	82.4%	83.8%	92.0%	98.9%	99.9%	17.5%
Pancreatic enzymes	84.2%	84.3%	89.3%	95.8%	95.3%	11.1%
Lipotropics, statins	88.8%	88.8%	89.6%	92.4%	92.7%	3.9%
Bone resorption suppression and related agents	87.5%	88.0%	89.2%	90.6%	91.3%	3.8%
Bladder relaxant preparations	86.9%	88.1%	89.4%	90.0%	89.9%	3.0%
Anticoagulants	96.3%	96.1%	96.8%	98.6%	99.0%	2.7%
Hypoglycemics, incretin mimetics/enhancers	85.1%	86.3%	87.2%	88.4%	87.7%	2.6%
Fluoroquinolones, oral	97.5%	97.2%	91.5%	99.0%	99.1%	1.6%
NSAIDs	97.7%	98.9%	99.0%	99.1%	99.1%	1.4%
Phosphate binders	97.0%	96.4%	97.1%	97.9%	98.1%	1.1%
Total Compliance for All PDL Categories	**96.6%**	**96.7%**	**96.6%**	**96.4%**	**96.2%**	**-0.4%**

Exhibit 4 - Top 10 PDL Drug Categories by Percentage Point Decrease in Compliance

PDL Therapeutic Drug Category	Preferred % Q4 SFY 2012	Preferred % Q1 SFY 2013	Preferred % Q2 SFY 2013	Preferred % Q3 SFY 2013	Preferred % Q4 SFY 2013	% Difference from Q4 SFY 2012 to Q4 SFY 2013
Neuropathic pain	84.1%	84.0%	84.3%	0.0%	0.0%	-84.1%
PAH agents, injectable	100.0%	100.0%	68.1%	26.3%	30.5%	-69.5%
Antivirals, topical	92.3%	92.7%	90.9%	91.1%	71.2%	-21.1%
Anticonvulsants	100.0%	100.0%	99.6%	88.7%	88.6%	-11.4%
Proton pump inhibitors	89.3%	89.5%	85.9%	80.5%	80.0%	-9.3%
Opiate dependence treatments	91.5%	91.4%	88.8%	87.0%	82.3%	-9.2%
Multiple sclerosis agents	82.4%	79.0%	77.6%	80.4%	74.1%	-8.3%
Cytokine and cam antagonists	96.0%	90.0%	90.0%	89.5%	89.3%	-6.7%
Growth hormone	93.8%	94.4%	78.9%	77.0%	87.6%	-6.2%
Angiotensin modulator combinations	99.7%	99.7%	96.5%	93.1%	93.6%	-6.1%
Total Compliance for All PDL Categories	**96.6%**	**96.7%**	**96.6%**	**96.4%**	**96.2%**	**-0.4%**

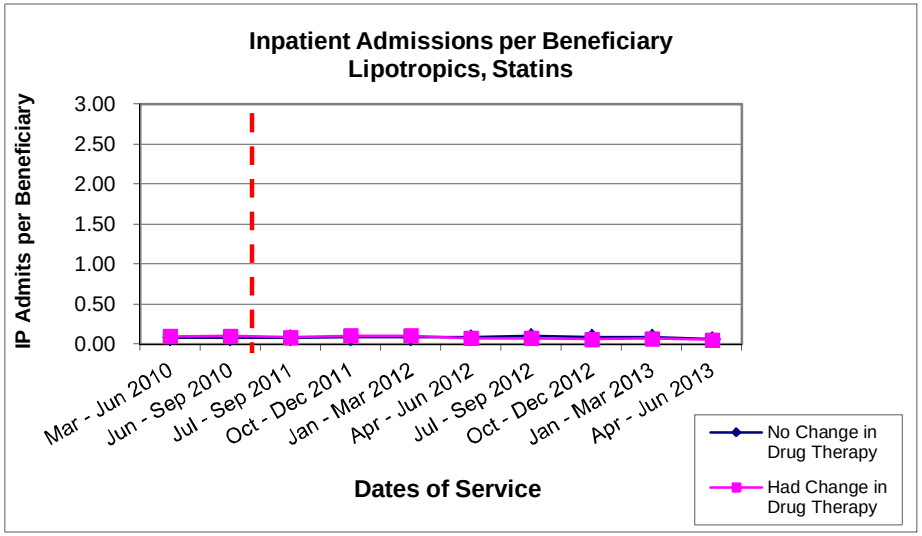
Exhibit 5 – Top 10 PDL Categories by PA Call Center Requests

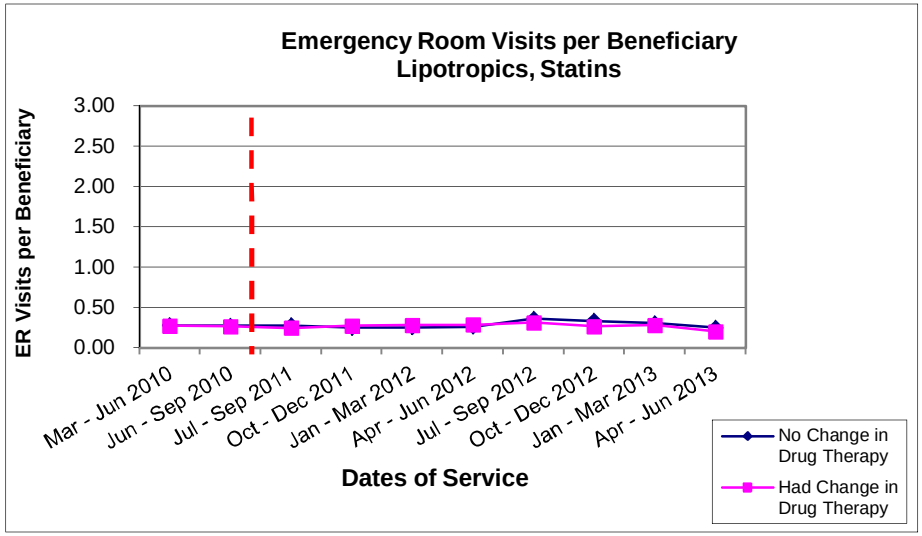
PDL Therapeutic Drug Category	PDL PA Call Center Requests	Approved	Denied	Approval %	Denial %
Antipsychotics	23,925	23,924	1	100.0%	0.0%
Proton pump inhibitors	10,866	8,702	2,164	80.1%	19.9%
Antihistamines, minimally sedating	4,970	4,760	210	95.8%	4.2%
Bronchodilators, beta agonist	4,080	3,809	271	93.4%	6.6%
Angiotensin modulators	3,639	3,184	455	87.5%	12.5%
Analgesics, narcotics long	3,558	3,208	350	90.2%	9.8%
Skeletal muscle relaxants	2,971	2,072	899	69.7%	30.3%
Hypoglycemics, incretin mimetics/enhancers	2,470	2,133	337	86.4%	13.6%
Intranasal rhinitis agents	2,362	2,045	317	86.6%	13.4%
Lipotropics, other	1,455	952	503	65.4%	34.6%
Total for Top 10 PDL Categories	**60,296**	**54,789**	**5,507**	**90.9%**	**9.1%**
Total for All PDL Categories	**79,673**	**70,676**	**8,997**	**88.7%**	**11.3%**

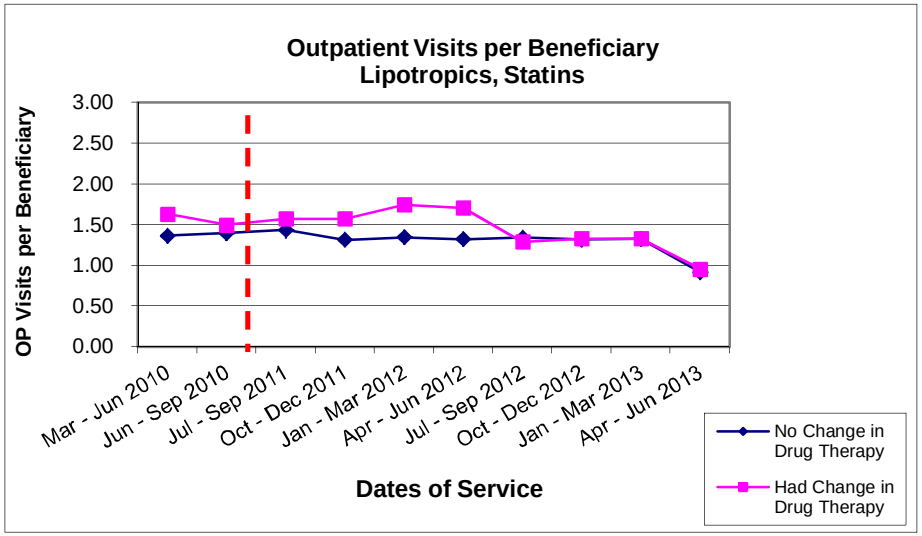
APPENDIX B

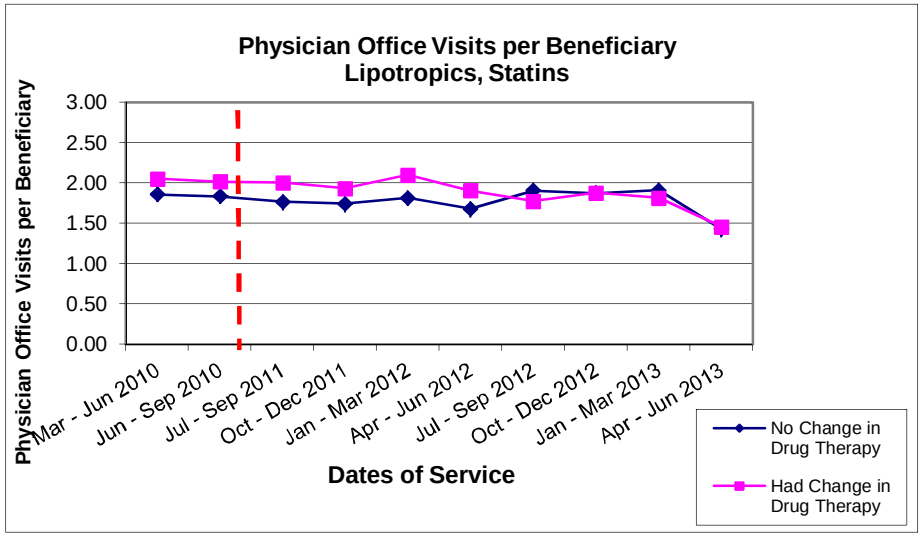
Graphs of Medical Services Utilization

Lipotropics, Statins

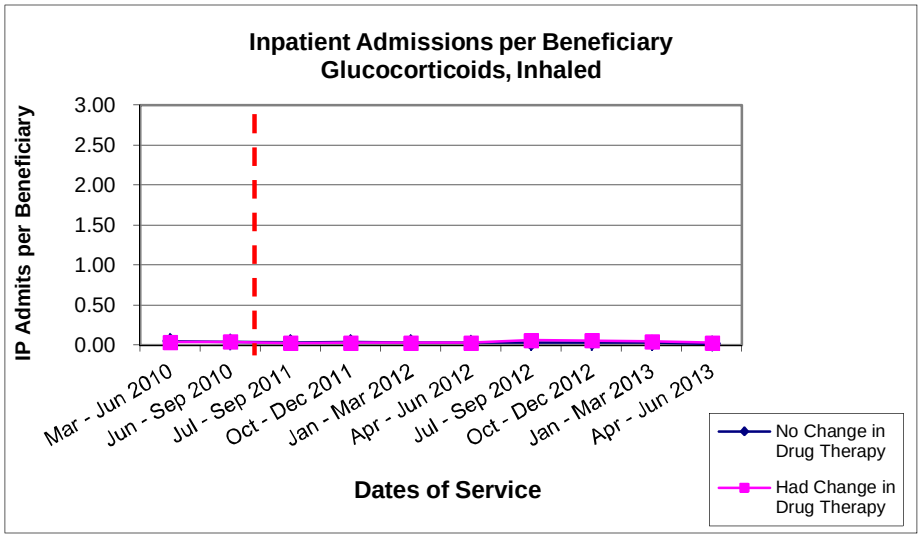


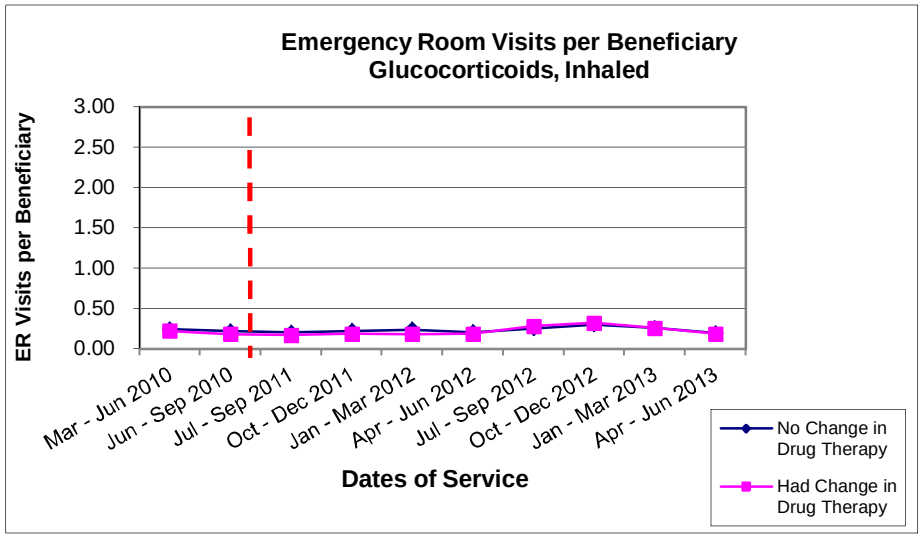


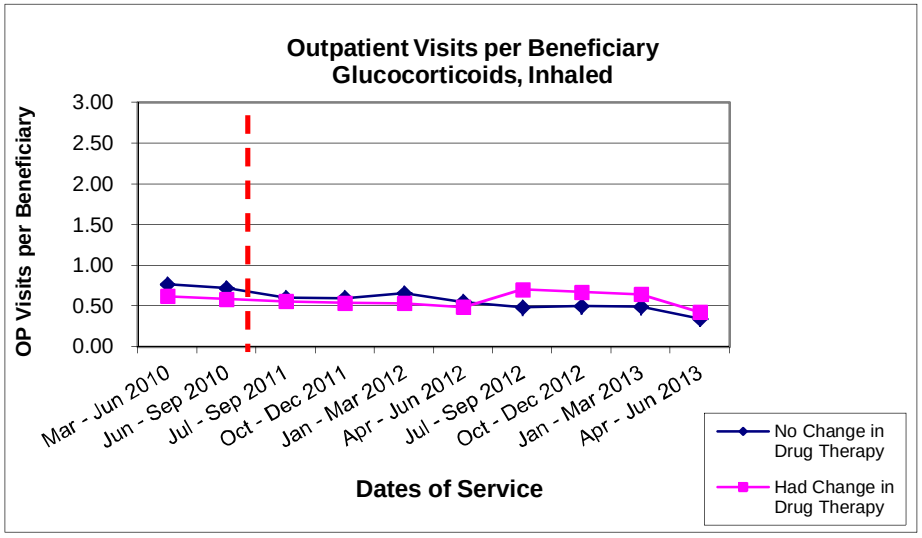


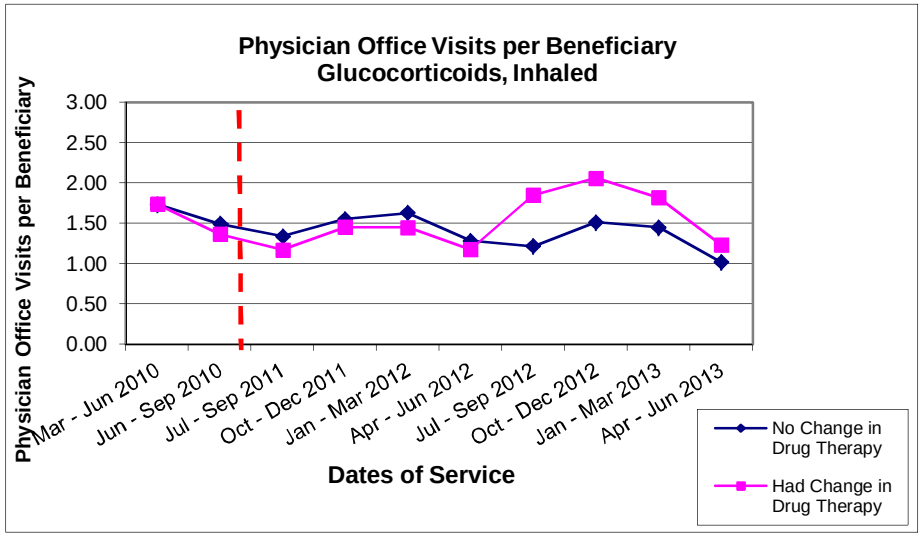


Glucocorticoids, Inhaled

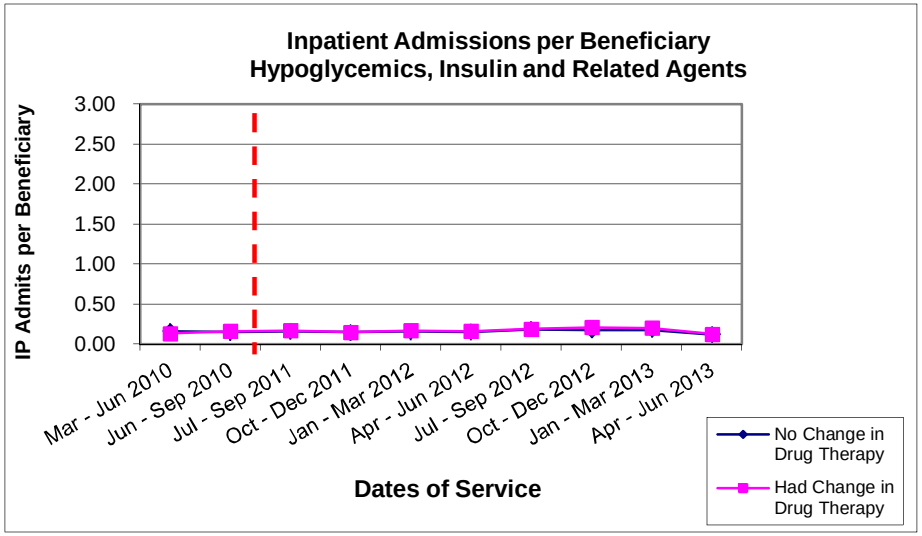


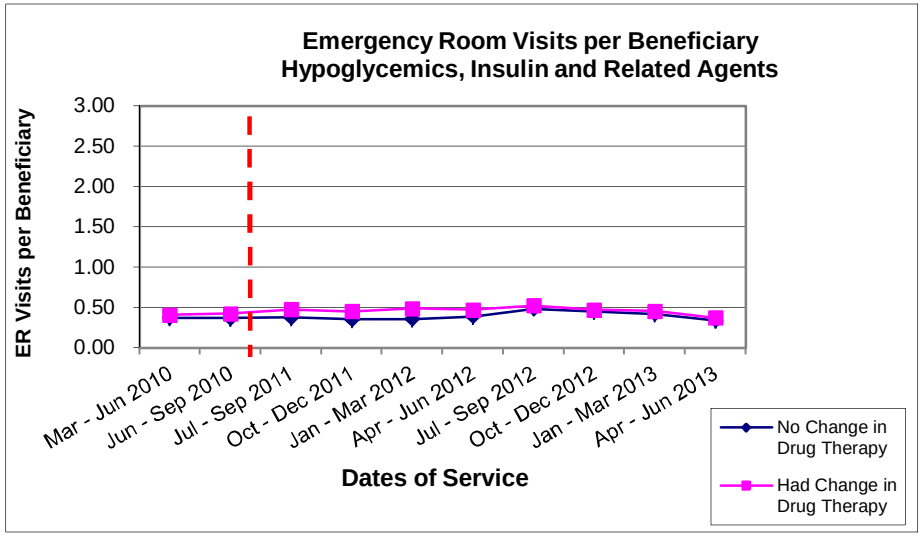


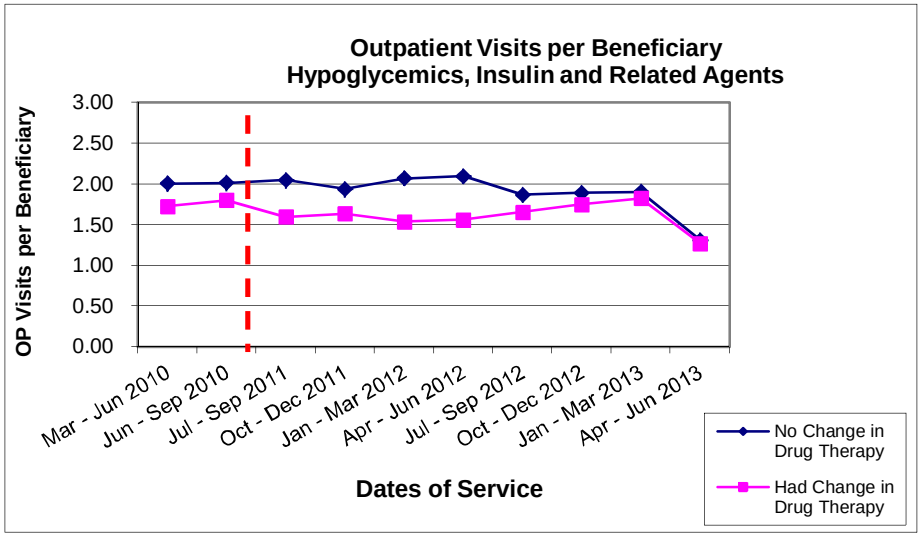


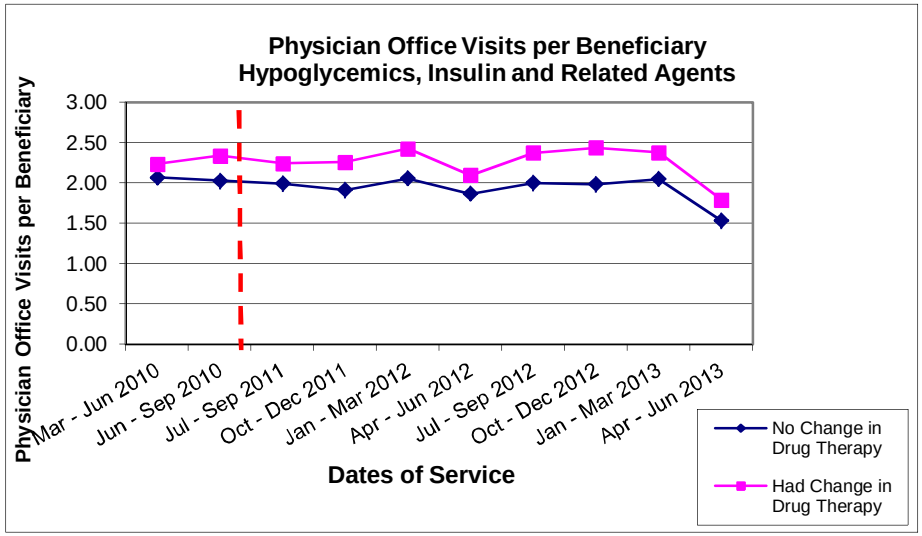


Hypoglycemics, Insulin and Related Agents





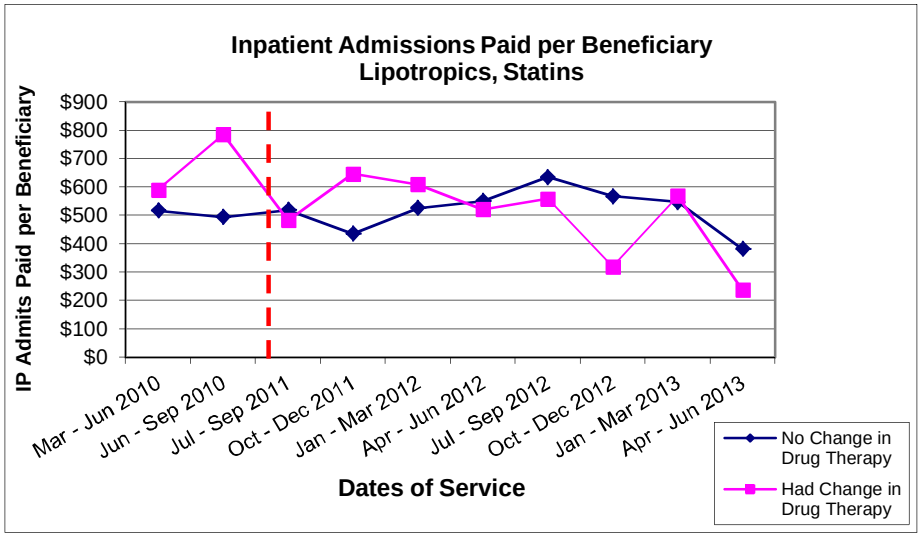


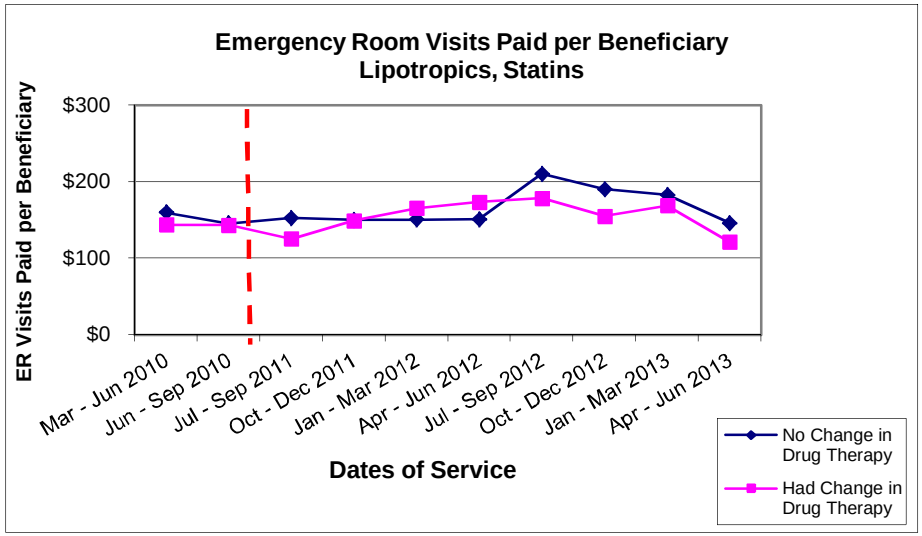


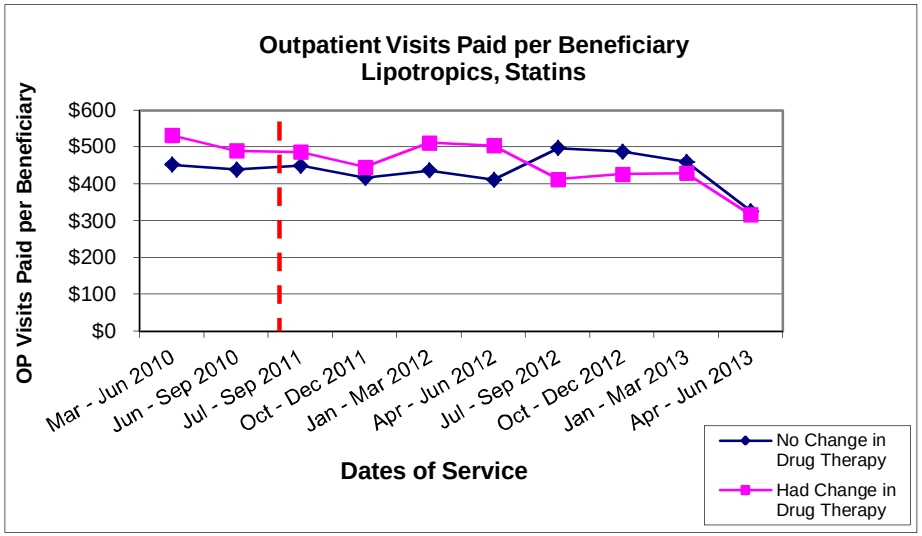
APPENDIX C

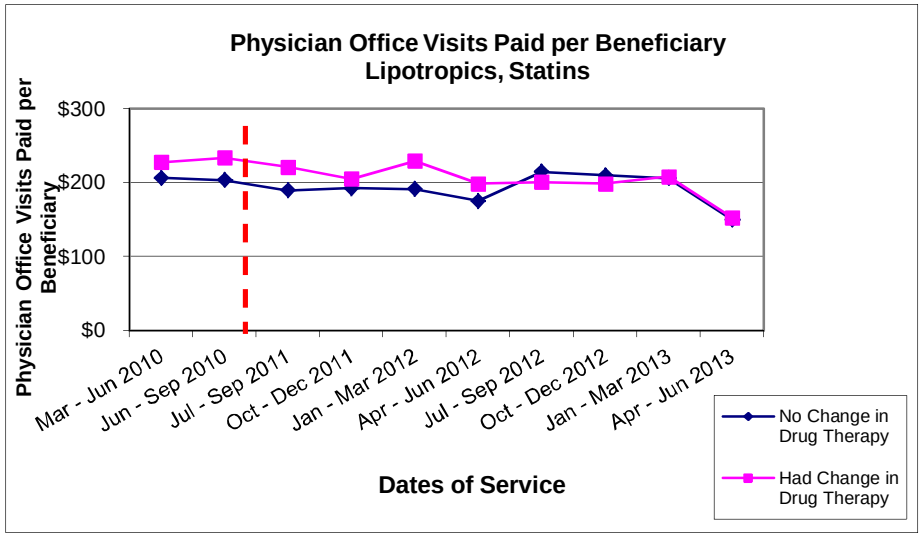
Graphs of Medical Services Expenditures

Lipotropics, Statins

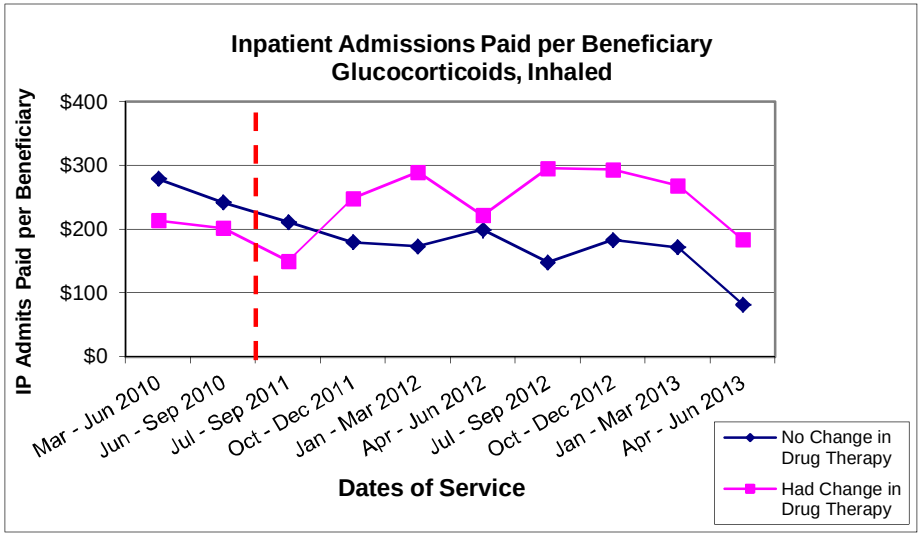


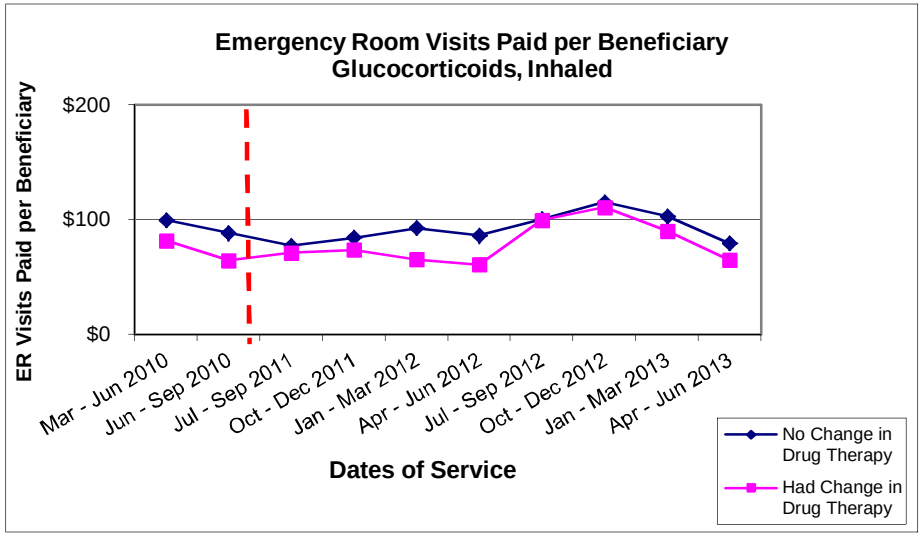


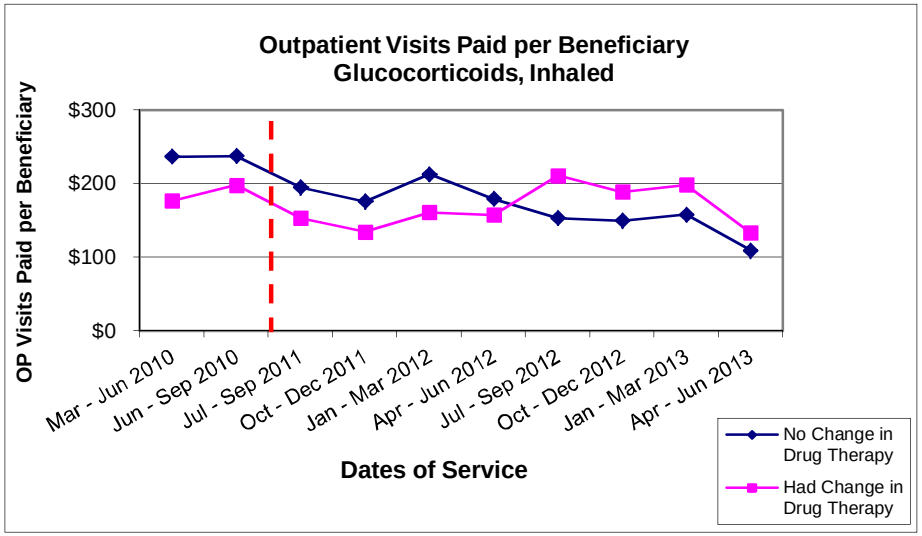


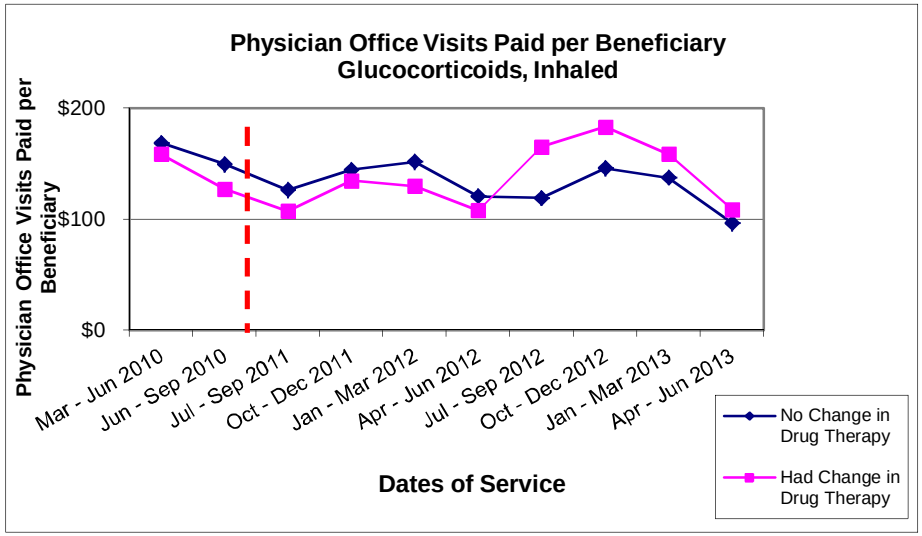


Glucocorticoids, Inhaled

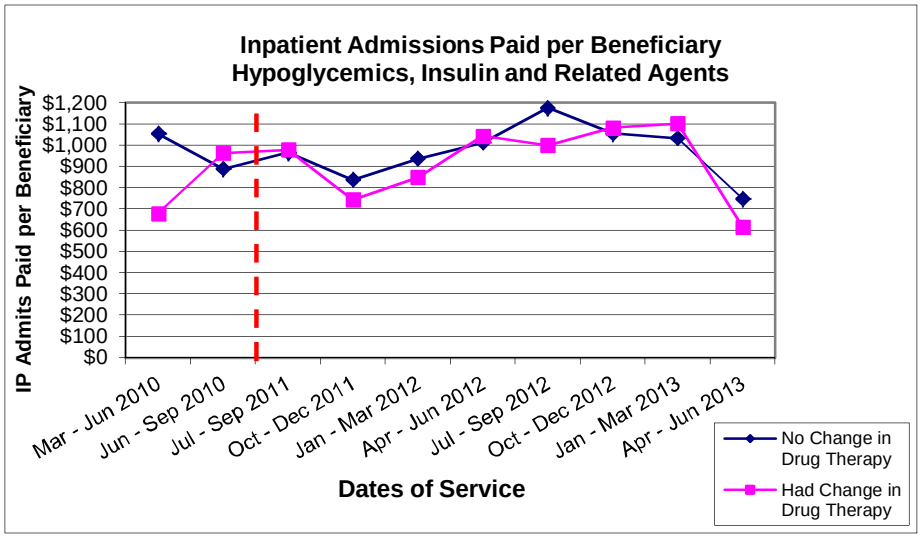


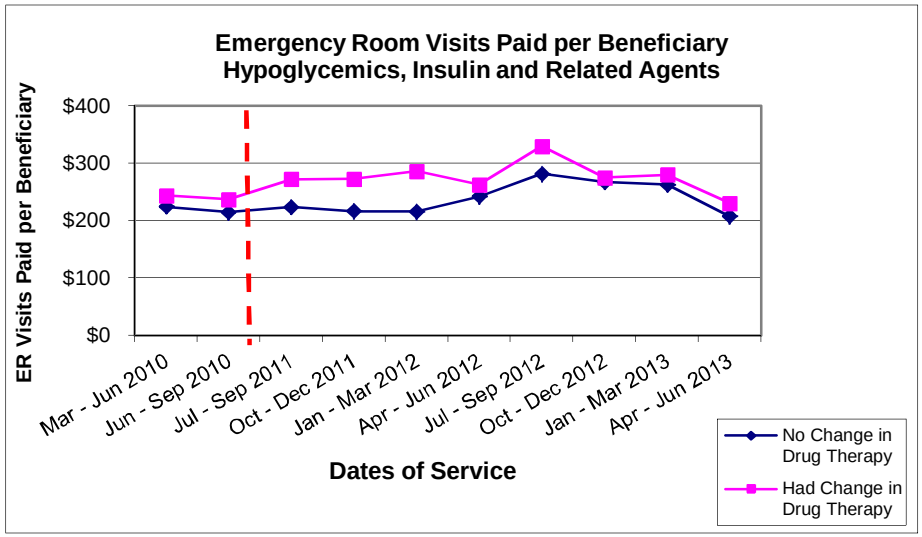


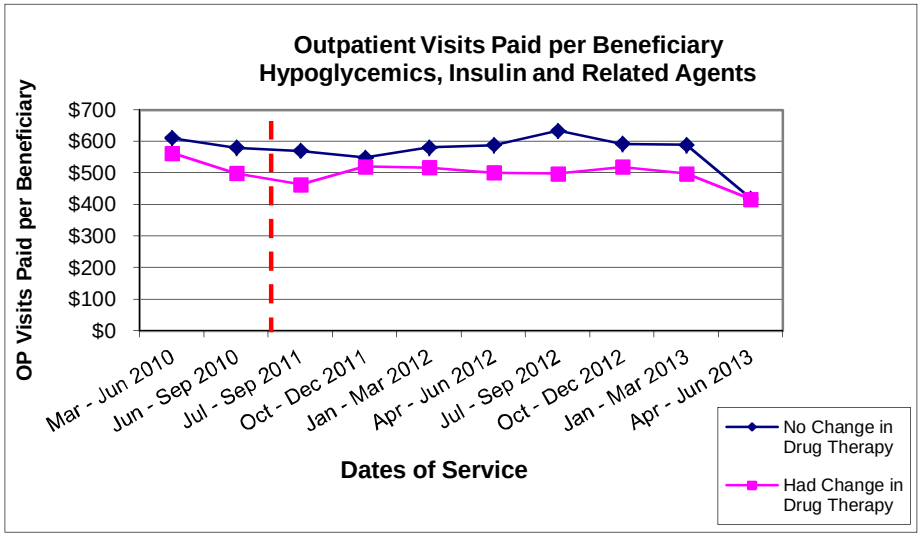


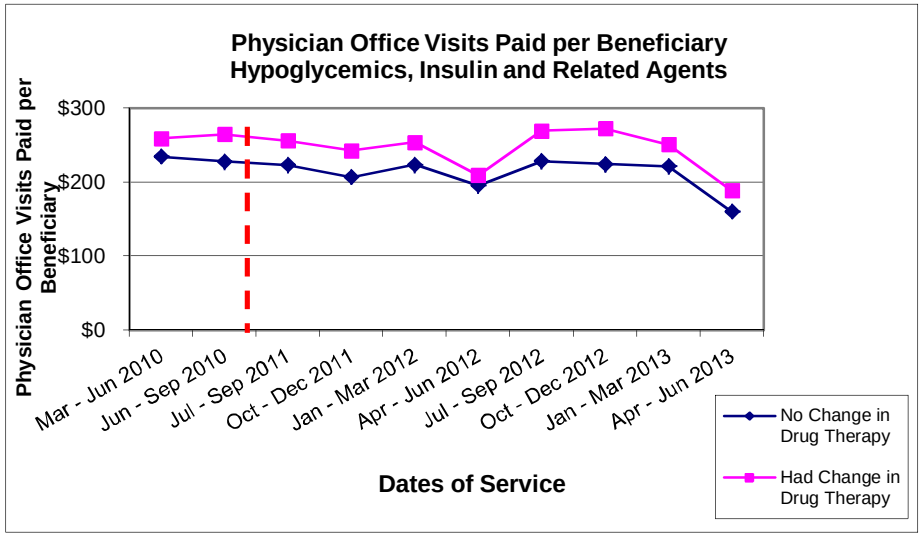


Hypoglycemics, Insulin and Related Agents









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