

Fact Sheet
Study finds Prime has lowest ingredient cost per prescription

Pharmacy benefit arrangements are notoriously complicated. It can be tricky to distinguish drug costs from program expenses. Rebates and “spread” pricing arrangements can obscure actual costs and the accuracy of reported savings. And while drug trend can show how much and how quickly costs are growing, it can’t reveal how those actual costs compare.

Ingredient cost measure offers a clearer view into pharmacy spending

By stripping away administrative and other program-related fees, ingredient cost offers a clearer view into pharmacy spending. With rebates included, the “net” ingredient cost per prescription provides a precise picture of the cost of drugs used by plan members.

Because it is based on actual drug costs, ingredient cost is useful in monitoring plan performance. It is also the best way to compare the performance of different pharmacy benefit managers (PBMs).

Independent study finds Prime and its clients outperform the industry in ingredient cost

Prime commissioned a study of the prescription drug costs of leading PBMs. Generic rates, network discounts and ingredient costs were compared against those of Prime’s commercial book of business.

Key Results

*The study found Prime had a **\$6.74 lower net ingredient cost per prescription than the competitor average.***

*Over the past three years, Prime has **consistently** achieved lower net ingredient costs.*

The study found that Prime’s net ingredient cost was the lowest – beating the competitor average by more than \$6 per prescription. Analysis over three years showed that Prime’s net ingredient costs were consistently the lowest (Figure 1).

Fig. 1 Net ingredient cost per prescription (Rx)

	Competitor avg.	Prime	Savings per Rx
2011	\$61.77	\$55.86	\$5.91
2012	\$62.13	\$58.50	\$3.63
2013	\$63.58	\$56.84	\$6.74

Low net ingredient costs a result of Blue + Prime collaboration

Prime works with several leading Blue Cross and Blue Shield Plans across the nation. These plans hold strong positions within their regional health care markets. Prime focuses this market dominance and uses it to negotiate extremely competitive discounts with pharmacies and manufacturers. Blue Plans also influence key formulary, utilization management and benefit decisions that help control drug costs.

Trust, alignment and cooperation between Blue Plans and Prime help make medicine more affordable. On average, Blue + Prime members and clients collectively saved \$6.74 (over what they might have paid using a competing benefit manager) on every prescription in 2013.

Generics help generate low ingredient costs

High generic dispensing rates and strong generic discounts contribute to Prime's low ingredient costs. Competitors were found to have higher discounts on traditional brand-name drugs. But with ever-smaller numbers of brand-name drugs being dispensed, brand discounts did not alter the results.

Drug costs a growing factor in health care spending

Prescription drugs are a key part of total health care costs. Drugs account for nearly one-quarter of all health care spending (Figure 2).¹

Health spending in the United States has risen quickly over the past several years, and is expected to continue to grow. Drug spending is increasing as more high-cost specialty drugs are being used to treat a wide range of chronic illnesses.

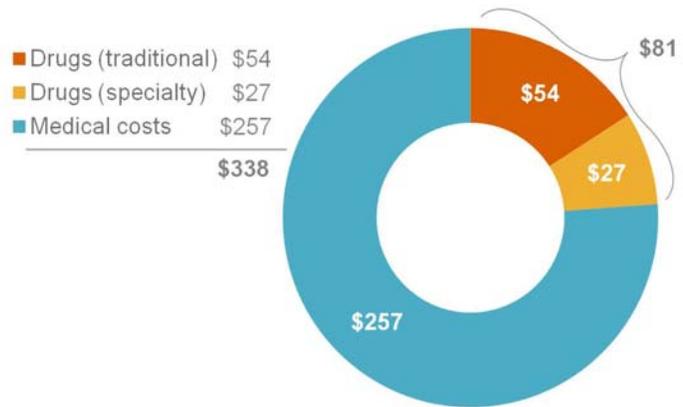
Plan sponsors are looking to effective pharmacy benefit management as a way to tame growing health care expenses. And one of the easiest ways to cut spending is to *start with the lowest costs possible*.

Affordable medicine is part of Prime's purpose

Keeping costs down is just one of the ways Prime helps people get the medicine they need to feel better and live well. Prime follows a straightforward approach to deliver lower costs in a high-quality environment. We use our unique connections with Blue Plans to manage pharmacy in the context of total health. These efforts make a big difference in our members' and clients' health care costs.

To learn more about how Prime fulfills its commitment to make medicine more affordable, talk to your Prime representative or visit PrimeTherapeutics.com today.

Fig. 2 Average health care costs per member per month



About the study

Prime commissioned an independent third-party consultant to study the prescription drug costs of three national stand-alone PBMs and one captive PBM.

Using data from the consultant's proprietary data warehouse, the study compared blinded data against Prime's full-service commercial book of business.

The study looked at the first quarters of 2011 through 2013. To ensure consistency, all prescriptions were classified as brand-name or generic based on Medi-Span definitions. Claim counts were adjusted to reflect consistent days' supply.

¹ Average for Prime's full-service commercial book of business, FY 2012; derived using combined medical and pharmacy data.