UNITEDHEALTH GROUP®

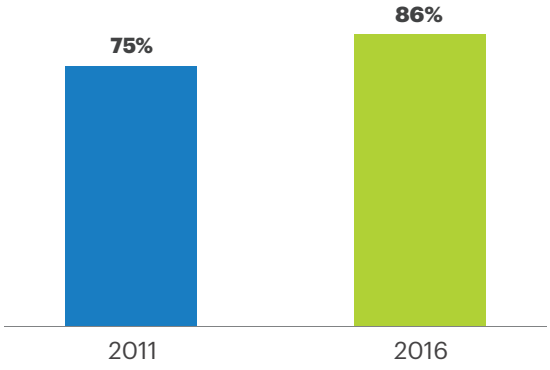
Pharmacy Benefit Managers Generate More Savings for States by Driving Higher Generic Use

One of the biggest issues facing the United States health care system is the rising costs of prescription drugs. During a period when pharmaceutical manufacturers have been aggressively increasing drug prices, Pharmacy Benefit Managers (PBMs) have been at the forefront of promoting generic utilization to protect consumers from the high price of brand drugs and reduce overall health system spending. Today, generics make up 89% of prescriptions, but only 27% of the spending.

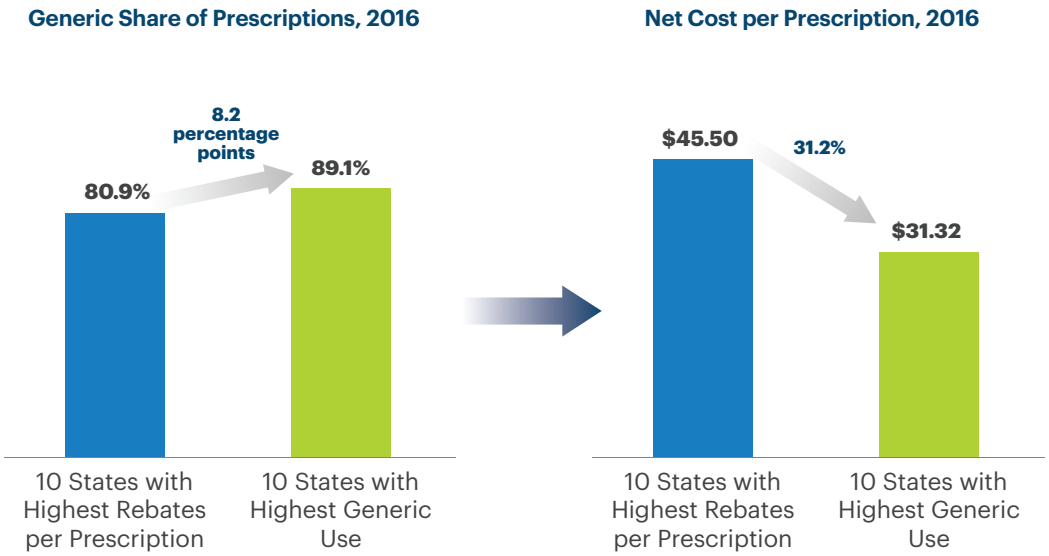
Pharmacy benefit management has resulted in a robust increase in the use of lower-cost generic drugs, thereby driving significant savings for Medicaid drug programs.

- In 2016, 86% of all Medicaid prescriptions were filled using generics, up from 75% of all Medicaid prescriptions in 2011.
- From 2011-2016, increase in the generic drug use was a contributing factor in limiting the growth in Medicaid's net price per prescription to an average of 1.25% per year – one-third of the national average annual increase in after-rebate net drug prices of 3.6% in the same time period – despite the rapid increases in drug prices and the introduction of new, high-priced specialty drugs.

Generic Share of Medicaid Prescriptions, 2011-2016



Pharmacy Benefit Managers (PBMs) drive use of the highest therapeutic quality, lowest-cost brand and generic drugs and shift utilization from brands to generics as clinically appropriate. Both of these activities result in lower total rebates. The foregone rebates, however, are much smaller than the savings realized from driving greater generic use.



- In 2016, the ten states with the highest generic utilization had a 31.2% lower net cost per prescription ($31.32) than the ten states with the highest rebates per prescription ($45.50).
- Notably, in the ten states with the highest generic utilization, PBMs had latitude over the preferred drug list (PDL) and advanced an 89% generic utilization rate for Medicaid health plans, whereas in the ten states with the highest rebates, PBMs lacked PDL latitude and the states experienced an 81% generic utilization rate in their Medicaid health plans.

With the significant price difference between brands and generics, shifting utilization from brands to generics can drive considerable savings for Medicaid.

- In 2016, the net cost per brand drug ($182.15) was approximately *8 times* the net cost per generic drug ($23.27) in Medicaid fee-for-service drug programs.
- Over 10 years (2019-2028), Medicaid can save $106 billion through the optimal use of all PBM tools and capabilities for all Medicaid prescriptions; $40 billion of these savings can be realized through greater use of generics.

For more detail on additional ways in which PBMs generate savings for Medicaid drug programs, please refer to: **www.unitedhealthgroup.com/pcs**