

# **AIS's Pharmacy Benefit Survey Results**

## **Field Definitions and Methodology**

Updated April 2011

### **Survey Methodology**

During the last month of each quarter, each company is sent a letter and copy of their listing populated with any data that has been previously supplied by the company or obtained by AIS independent research. Companies are instructed to fill in any blanks that are relevant to their business model, and to update existing data points to the best of their ability by the quarterly deadline. Deadlines are March 31, June 30, September 30 and December 31. Survey participants may submit information to AIS via email, fax, mail or verbally over the telephone, or respondents may fill out an online survey form.

Companies are instructed to provide the "latest data available" at the time they fill out the survey form. Estimates are encouraged where explicit figures are not available. Company contacts are told in writing that any information that they do not update during the current survey update will be assumed to be correct and will be published in upcoming newsletters and analyses.

Companies that are believed to be active participants in the pharmacy benefit industry may not opt out of the database. Any relevant data not provided by the companies will be sought from other sources by AIS researchers. Surveys received after the survey deadline will be entered as a response to the next quarterly survey cycle.

Current survey responses received from a representative of the company are deemed to be the most accurate source of information. In some cases, these may conflict with news reports or SEC filings for publicly traded companies. There are many reasons for this — mainly that the survey is filled out by a different individual with access to different internal data than the individual who prepares and files official quarterly reports or press releases. The data in AIS's survey may be differently defined, calculated in a different manner, be from a different time period, or may represent a subset or expanded portion of the company compared with data that may be published elsewhere.

Data that is not updated or confirmed by a company source at least once a year is researched independently, and may be deleted if it cannot be updated or verified by any reasonable source. If there is reason to believe that any data may be inaccurate (such as when it is known to pre-date a significant acquisition), the data may be deleted even if new information is not yet available.

### **Types of Companies Surveyed**

The intent of the survey is to monitor trends in the pharmacy benefit and in the PBM industry, however, there has never been a universal definition of a PBM or of what constitutes a PBM service. In order to be able to spot trends in the industry, AIS includes any and all companies that provide any services used by health plans or health plan sponsors in offering a pharmacy benefit plan to their members. NOT ALL FIELDS ARE RELEVANT TO ALL BUSINESS MODELS OF SURVEYED COMPANIES. Currently AIS has identified the following types of vendors as participants in provision of pharmacy benefits:

- Pharmacy benefit management company (PBM)
- Pharmacy benefit administrator (PBA)
- Specialty pharmacy provider (SPP)
- Home infusion company
- Specialty infusion company
- Fiscal intermediary
- Claims processor
- Third party administrator
- Mail-order pharmacy
- Benefit design consultant
- Oncology management company

NOTE: The database includes covered lives and prescription volume for virtually ALL PBMs for which these metrics are applicable. Many of the fields in the database apply to only a few of the companies surveyed. As a result it may appear that there are numerous blank fields.

The database includes companies that are small home infusion pharmacies or other types of business models which do not measure their operations in the same manner as PBMs. These companies are included in the database because these companies provide services that are competitive with those provided by some PBMs, and large PBMs are seeking acquisitions of these types of companies and one purpose of the database is to track acquisitions.

### Survey Fields

Data fields and terms are not specifically defined by the survey. Definitions of many terms used in the pharmacy benefit are not static. For numerical fields, survey respondents are not instructed how to calculate the values sought. For numerical fields, respondents are instructed to provide the latest available figure as a snapshot in time (as in covered lives), or covering the latest available 12-month period for cumulative data (as in prescription volume). Although the survey is conducted *quarterly*, numeric figures are intended to represent *annual* data. Respondents' definitions and methods of calculating survey responses may vary from one survey cycle to another when:

- A different individual takes over as the company survey contact,
- The respondent gains new understanding or insights into terms and concepts,
- Internal data collection and calculation methods change,
- New technologies or strategies impact the meaning of a term, or
- Internal company agendas and PR strategies dictate increased or decreased levels of cooperation with the media.
- The following explanations pertain to specific survey fields that may have ambiguous interpretations or are subject to reader assumptions:
- Contact Data: The company name, parent company, company address, phone and website are as provided by the company.

**Covered Lives:** This term indicates the number of members, or patients, that the PBM serves. This does not refer strictly to the fully insured — or “covered” — members, but indicates the total number of potential members that may possibly be served by any of the PBM’s existing contracts. These contracts may be for claims processing, network access and other types of services that PBMs may provide. Because many PBMs lease network access from other PBMs, or may subcontract certain types of services from other PBMs, there is overlap in counting these members. Therefore, the total number of covered lives represented by the industry is vastly greater than the total U.S. population. There is no official definition of this term, the term “covered lives” is not defined by the survey, and there is no government source by which AIS can audit the figures reported by companies in the survey.

**Covered Lives Under Formulary Control:** The intention of this field is to determine how many members (covered lives) are served by contracts in which the PBM is contracted to design the formulary and designate coverage levels of specific drug products.

**Specialty Pharmacy/Infusion Patients per Year:** The intention of this field is to count the number of individuals/consumers/patients served by companies that do not have a business model that counts covered lives or members, per se, or by service contracts that are not structured to count covered lives.

**Prescription Volume:** The survey collects data from each participant on the number of prescriptions processed per year, broken down by those processed by retail (independent, chain) stores, mail-order facilities and specialty pharmacies. All prescription volume data is the latest available 12-month figures the source was able to provide at the time of each survey. The survey does not define any of the terms used. The survey question refers simply to the “processing” of prescriptions, but prescriptions may go through several different types of processes.

For each company, the total of its retail, mail (nonadjusted) and specialty pharmacy prescriptions should equal the total prescriptions per year. The total of a company’s prescriptions filled by independent pharmacy and chain pharmacies should equal its total retail prescriptions per year. These assumptions are clearly stated on the survey forms. If numbers provided by respondents

do not add up in the expected manner, and if an explanation or correction is not provided by the source prior to the survey cut-off deadline, AIS leaves the figures as reported.

Adjusted mail-order prescriptions represent approximately three times the base mail-order volume per year, to account for the fact that mail-order prescriptions are typically filled with a 90-day supply vs. a 30-day supply at retail. However, methods by which companies determine their adjusted mail-order figures may vary and are not dictated by the survey. The quarterly survey asks companies for both their base mail-order volume and their adjusted mail-order volume for the latest 12-month period for which figures are available. If a company provides only the base mail-order volume, AIS calculates the estimated adjusted mail-order volume as [base] x 3. If a company provides only the adjusted mail-order volume, AIS calculates the base mail-order volume as [adjusted] / 3.

Starting with the 1Q2011 survey, AIS is now collecting number of prescriptions filled via Medicare Part D, Medicaid, and commercial business. For the purposes of the survey AIS has instructed respondents that all fills that are not for Medicare Part D or Medicaid contracts are to be deemed as commercial business.

**Annual Drug Expenditures (or Drug Spend):** This field is not defined by the survey, but is presumed to mean the total amount spent on prescription drug reimbursement for the PBM's entire book of business over a 12-month period. Different PBMs may count and report their total annual drug spend over different 12-month periods. Some may recalculate the figure for each quarterly survey and some only calculate it once a year.

**Average Copays:** The member copay is the amount paid out-of-pocket by the member at the time a prescription is filled at the pharmacy. Each company is asked for the average copay amount per prescription, for each of three tiers, for its entire book of business. AIS does not specify how survey respondents are to calculate their average copay amounts per tier among varying benefit designs offered. Copay amounts refer to the copay level set by the benefit structure, not the average amount of copay revenue collected.

**Specialty Pharmacy Fields:** There is no universal definition of which products constitute specialty pharmacy. Products are categorized as specialty by survey respondents based on their own criteria. Therefore, data specific to specialty pharmacies is not necessarily directly comparable from one company to another. For this and other reasons, some specialty pharmacy fields are being discontinued as of 1Q2011 survey.

**Generic Fill Rate:** Field added as of 4<sup>th</sup> quarter 2008, intended to represent the percentage of all prescriptions that are filled with a generic product.

**Notes on New and Discontinued Fields:**

NOTE: data fields on number of pharmacies in network and on numbers of drugs in formulary have been discontinued as of 3Q2010.

NOTE: data fields on revenues, number of clients and numbers of employees have been discontinued as of 1Q2011. Annual gross revenues for specific PBM and specialty operations have become more difficult to obtain in recent years due to a wider variety of business models, consolidation within the industry, and less distinction between PBM services and related services, and available data is no longer comparative enough to be of value in this database.

NOTE: As of 1Q2011 publication, the survey spreadsheet includes checkboxes indicating type(s) of services/company descriptors used by the company to categorize its business model on our survey. Definitions may vary by respondent.

## **Survey Participation**

Survey participation varies from one survey to the next. The survey, and any portion of the survey, may be answered by different companies in different quarters. Some companies respond only once a year, some companies respond every quarter but may have no data changes, some companies do not respond in a given quarter but their records are updated from publicly available data. Companies fall off the survey database if they cease to exist, are folded into another entity due to consolidation, or if AIS researchers determine that the company does not actually fit the profile sought by the survey. In each quarter several companies are surveyed for which AIS does not yet have enough information to be sure if they are appropriate for inclusion in the database.