

Blue Shield Pharmacy Benefit Management Program

Integrated pharmacy solutions for your employees

Pharmacy benefits are a critical component of your employees' healthcare coverage

Behind every Blue Shield plan, we actively manage our pharmacy benefits with a goal to maximize savings.

Blue Shield Rx benefit management allows for more comprehensive coordination of services. The Blue Shield pharmacy benefit management program offers your employees:

- National pharmacy network contracting and management
- Pharmacy and Therapeutics Committee (P&T)
- Formulary management and drug utilization review
- MAC (maximum allowable cost) pricing for generic drugs

- Drug prior authorization and medication policy adherence
- Contracts with two specialty pharmacies to provide self-administered injectable medications
- Quality improvement programs integrated with medical management programs for chronic conditions
- Pharmacy data for medical data integration to provide efficient and effective case/disease management
- Mail service program to order prescriptions by mail or online

Blue Shield's Pharmacy Benefit Management Program

Our hands-on approach as our own pharmacy benefit manager means we can coordinate and optimize our medical and pharmacy benefits.

We combine all aspects of pharmacy benefit management and medical plan value. We've got a variety of plan designs through formulary management, pharmaceutical manufacturer

rebate contracting, pharmacy network management, generic utilization programs, and cost-effective quality drug-management initiatives.

Automated prior authorization yields efficiency and cost savings

Along with helping us promote appropriate first-line therapy, drug prior authorization for medical necessity allows us to promote safe utilization of certain medications with specialized uses or significant potential for misuse or overuse.

Our formulary is a list of preferred medications containing medications approved by the Food and Drug Administration (FDA), which have been reviewed for safety, effectiveness, bioequivalency, and cost. All drugs included in the Blue Shield Drug Formulary have been approved by Blue Shield's Pharmacy and Therapeutics Committee (P&T) whose voting members include practicing physicians and pharmacists who are not Blue Shield employees. Using a drug formulary helps us maximize treatment quality while keeping prescription drug costs lower.

In addition to making decisions on drugs that will be added to the formulary, the P&T Committee has oversight responsibility for approving all medication policies as well as other policies and procedures regarding drug utilization and other drug-related programs that pertain to patient care. This ensures consistent coverage and reimbursement policies across pharmacy and medical benefits, including specialty and biological pharmaceuticals.

Physicians contact the Blue Shield pharmacy benefit management program directly to request prior authorization. Some drugs are limited to a maximum quantity based upon safety limits and require prior authorization if the P&T approved quantity limit is exceeded. Likewise, the P&T Committee may determine that the use of drugs at greater than a particular quantity may require prior authorization to review medical appropriateness.

The pharmacists and pharmacy technicians in our pharmacy benefit management program review all requests to determine if they meet the approval criteria approved by our Pharmacy and Therapeutics Committee. Decisions can be made within minutes when all information is provided for non-complex cases. While most decisions are generally made within two working days, prior authorization requests requiring additional clinical review will have a determination made in no more than five working days.

Based upon medication coverage and drug policies approved by the Blue Shield P&T Committee, drug requests for prior authorization are approved based upon the following medical necessity criteria:

- No formulary alternative is appropriate and the physician submits evidence that the requested drug, dose, and/or quantity is safe and medically necessary for the member's specific condition
- The physician submits evidence that a member has either failed or experienced adverse effects from the formulary alternative(s)
- Treatment is stable, and a change to an alternative may cause the member harm
- The requirement to use first-line drugs has been met or is not appropriate for the member

- Relevant clinical information supports the use of the requested drug, dose, and/or quantity
- Other unique member history supports the medical necessity of the drug

If we deny a request from a physician for a drug that requires prior authorization for medical necessity, we mail a denial letter to the patient specifying the reason for denial, available Blue Shield covered formulary alternatives, where appropriate, and information on member appeal rights and how to contact the Blue Shield Appeals and Grievance Department to start an appeal. The patient's physician is also sent a denial letter explaining the rationale for the denial as well as a phone number where they may contact a member of our Blue Shield Pharmacy Benefit Management Clinical Team, in order to provide any additional clinical information that may change the initial denial.

GenericSmart Program promotes generic utilization

Just as safe and effective as their brand counterparts, generic medications can save our members up to 60% on the drugs they need.

Our GenericSmart program is designed to increase generic drug usage by changing member behavior through education and incentives, and changing provider prescribing patterns through education and sampling promotions. GenericSmart also offers employers plan designs that encourage generic utilization.

Generic drugs work in exactly the same way as their brand-name counterparts and are deemed by the FDA to be equally as safe and effective. Our GenericSmart program actively promotes generic medications to our members as well as their employers, doctors, and pharmacists.

Our combined GenericSmart initiatives have led to an increase in generic use for both HMO and PPO health plan families. As of January 2008, prescriptions were being filled with generic drugs 70.3% of the time for HMO health plan members and 63.6% of the time for PPO health plan members.

Blue Shield works to create solutions that promote physician and member awareness of generic drugs through member

and physician direct mail and generic sampling. As part of the 2007–2008 generic promotion program, Blue Shield contacted more than 70,000 members taking 14 different brand-name drugs in four therapeutic categories with coupons to encourage generic utilization. This direct mail effort included a coupon to cover the amount of the first generic copayment.

Blue Shield also contracts with an external vendor to install generic sample dispensing units in physician offices. The dispensing units allow the physician to provide members with a free 30-day sample of select generic drugs. Providing generic sampling to physicians allows them to effectively promote generics, starts members on generics at the onset of their therapy, and provides savings to the member and the plan. Blue Shield is also closely aligned with its pharmacy network in the promotion of generic drugs.



Why Blue Shield?

Blue Shield of California and Blue Shield of California Life & Health Insurance Company are qualified to provide quality and affordable pharmacy benefits to our members. As a manager of pharmacy benefits, we combine all aspects of pharmacy benefit and medical plan management, helping to ensure comprehensive coordination of services.

- Valuable online self-service tools, available around the clock, including our *Ask the Pharmacist* feature
 - Mail order pharmacy for members who take stabilized doses of covered long-term maintenance medications
 - GenericSmart program, to help reduce drug costs
 - Premier clinical intervention programs, such as physician and member messaging, antidepressant management, drugs to avoid in the elderly, and other clinical programs
 - Integrated medical and pharmacy reporting and analysis
 - Market leading pricing, delivering up to 10.4% lower drug costs than nationally recognized PBM¹
 - A plan that is nationally ranked in the 95th percentile for network pharmacy discounts²
- Depend on Blue Shield to provide you and your employees with comprehensive online experience, national pharmacy network coverage, and ease of doing business.

¹ Prescription Drug Carve-Out Study: Phases 1 and 2, Guy Carpentar and Oliver Wyman, Mercer, December 10, 2007.

² Prescription Drug Discount Survey, Edward Jhu, FSA, MAAA, Consulting Actuary, Milliman, December 7, 2007.