A year of important progress

Welcome to Coventry’s 2017 Drug Trends Series. We are once again happy to report a drop in opioid use and continued success in curbing prescription drug costs.

Continuing a trend we’ve seen throughout this decade, we posted a substantial decrease in opioid usage thanks in part to strong partnerships between our Pharmacy Benefit Management (PBM) program, First Script, and our clients. A decline of 10.7% in opioid utilization in our retail and mail-order business followed a 6.6% drop in the average morphine equivalent dose (MED) per prescription.

The reductions in our opioid numbers are great news for injured workers and clients alike because increased safety leads to better outcomes. These and other inroads are essential in the national effort to curtail opioid misuse and the immeasurable toll it exacts on individuals and society.

Our results showcase 2017 as a year of further decreases in overall prescription drug utilization and cost per claim. The broad-based improvements range from an uptick in use of generic medications to steep drops in compound drug utilization and spending. These and other achievements act as safeguards against a seemingly inexorable rise in wholesale drug prices.

The 2017 data in the complete drug trends series will reflect all calendar-year transactions billed through First Script as well as transactions from medical bill review to represent the total pharmacy experience of our clients. This first volume focuses solely on the traditional view and is intended to serve as a benchmark for conventional industry reports as well as First Script’s historical reporting.

We hope and expect that the important accomplishments we saw in 2017 are harbingers of further success. At the same time, the results underscore the need for continued collaboration with our clients to ensure as many prescriptions as possible are funneled to the PBM network so we can most effectively leverage critical controls on safety and cost.

You can look forward to upcoming publications focused on the managed and unmanaged views of the prescription drug landscape. And, of course, we will wrap up the 2017 series with our annual drug trends webinar. Enjoy!
The 2017 Drug Trends Series is based on all calendar year transactions billed through First Script, as well as transactions from medical bill review to reflect the total pharmacy experience for our client base.

The traditional view includes First Script retail and mail-order prescription data and accounts for 69.6% of the total pharmacy transactions and 71.2% of the paid amount. This view represents a benchmark for traditional industry reports including First Script’s historical reporting. Non-traditional channels including physician dispensing, repackaging, third-party billers, compounding, and specialty pharmacies are addressed later in this series.

The traditional view represents

- Of the total pharmacy transactions: 69.6%
- Of the total paid amount: 71.2%

*The non-traditional view will be discussed in our next report in this year’s drug trends series.
### Overall Prescription Trends

<table>
<thead>
<tr>
<th>Category</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decrease in cost per claim</td>
<td>6.8%</td>
</tr>
<tr>
<td>Decrease in utilization</td>
<td>6.7%</td>
</tr>
</tbody>
</table>

### Average Wholesale Price (AWP)

<table>
<thead>
<tr>
<th>Category</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in AWP</td>
<td>4.4%</td>
</tr>
</tbody>
</table>

### Morphine Equivalent Dose (MED)

<table>
<thead>
<tr>
<th>Category</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decrease in average MED per prescription</td>
<td>6.6%</td>
</tr>
</tbody>
</table>

### Generic Utilization

<table>
<thead>
<tr>
<th>Category</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in use of generics</td>
<td>1.0% point</td>
</tr>
</tbody>
</table>

The 1.6% points decline in opioid prescriptions with MED over 100, in addition to the 6.6% decline in overall MED per prescription, represented the largest drop in the last three years; this is great news for our clients and patients alike. This significant decline in opioid utilization throughout our book of business is attributed to a variety of factors, with the single most important being the strong partnerships between First Script and our clients. We have worked diligently together to build robust clinical programs that have continuously reduced MED over the last seven years.
Traditional View — Key Trends

Utilization and Cost Trend Changes – 2016 to 2017

Overall prescription cost per claim decreased 6.8% from 2016 to 2017, driven by a 6.7% decline in usage.

Top 10 Drug Classes

7 of the top 10 Classes experienced a decrease in cost per claim

NSAIDs*

5.5%
Decrease in cost per claim

Compounds

60.0%
Decline in cost per claim, driven by decreases in both cost per prescription (15.4%) and utilization (52.7%)

Opioids

14.4%
Decline in cost per claim, driven by a 10.7% drop in utilization

Anticonvulsants

6.3%
Increase in cost per claim, due to a 6.8% increase in cost per prescription

Topicals

1.7%
Increase in cost per claim, resulting from a 7.5% increase in cost per prescription, mitigated by a 5.4% decrease in utilization

*NSAIDs: Nonsteroidal anti-inflammatory drugs
In 2017, the rate of overall inflation decreased 1.5% points from the prior year. The 2.5% points decline in brand AWP inflation was responsible for 68.1% of the decline in overall AWP inflation.

**OxyContin®**

8.0%

Increase in AWP, down from the 10.5% increase in 2016. This is the most expensive and utilized sustained-release opioid brand medication.

**Lyrica®**

15.2%

Increase in AWP, up from the 13.7% increase in 2016. This is the most expensive and utilized brand medication in our book-of-business.
Average Wholesale Price (AWP) Trends

Brand AWP Increases by Year — Top 5 Therapeutic Classes

<table>
<thead>
<tr>
<th>Therapeutic Class</th>
<th>2016 AWP Increase</th>
<th>2017 AWP Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustained-Release Opioids</td>
<td>8.5%</td>
<td>11.0%</td>
</tr>
<tr>
<td>Anticonvulsants</td>
<td>14.1%</td>
<td>15.0%</td>
</tr>
<tr>
<td>Short-Acting Opioids</td>
<td>9.9%</td>
<td>14.0%</td>
</tr>
<tr>
<td>Topicals</td>
<td>12.8%</td>
<td>17.4%</td>
</tr>
<tr>
<td>NSAIDs</td>
<td>20.7%</td>
<td>21.4%</td>
</tr>
</tbody>
</table>

**Short-Acting Opioids**
- Percocet®: 8.8%
  - AWP increase, down from 28.3% in 2016
- Nucynta®: 14.0%
  - AWP increase, down from 24.3% in 2016

**Topicals**
- Flector®: 13.1%
  - AWP increase, down from 17.4% in 2016
- Pennsaid®: 22.7%
  - AWP increase, down from 27.0% in 2016

**NSAIDs**
- Duexis®: 24.5%
  - AWP increase, down from 26.4% in 2016
- Vimovo®: 26.8%
  - AWP increase, up from 23.8% in 2016
Morphine Equivalent Dose (MED) Trends

Percentage of Opioid Prescriptions with 100+ MED

- 2015: 15.9%
- 2016: 14.4%
- 2017: 12.8%

1.6% points
The most significant decrease in the last 3 years

Percentage of Opioid Claims with Long-Term High MED Usage*

- 2015: 8.0%
- 2016: 7.0%
- 2017: 6.5%

0.5% points
Claims with 90+ days of opioid use with MED 100+ continue to trend downwards

*Claims receiving a consistent daily MED of at least 100 milligrams for 90 days or more

The usage of opioid prescriptions with an MED of 100+ has tapered off across all claim ages.

A 6.6% decline in overall MED per prescription represents the largest drop in the last three years.
Brand and Generic Trends

Utilization

<table>
<thead>
<tr>
<th>Year</th>
<th>Generic</th>
<th>Brand</th>
<th>Brand with Generic Available</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>84.4%</td>
<td>12.7%</td>
<td>2.9%</td>
</tr>
<tr>
<td>2016</td>
<td>85.6%</td>
<td>11.6%</td>
<td>2.7%</td>
</tr>
<tr>
<td>2017</td>
<td>86.7%</td>
<td>10.9%</td>
<td>2.4%</td>
</tr>
</tbody>
</table>

Cost

<table>
<thead>
<tr>
<th>Year</th>
<th>Generic</th>
<th>Brand</th>
<th>Brand with Generic Available</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>51.0%</td>
<td>39.7%</td>
<td>9.2%</td>
</tr>
<tr>
<td>2016</td>
<td>51.1%</td>
<td>39.3%</td>
<td>9.6%</td>
</tr>
<tr>
<td>2017</td>
<td>51.1%</td>
<td>39.0%</td>
<td>9.9%</td>
</tr>
</tbody>
</table>

Generic Utilization

- **1.0% point**
  (85.6% to 86.7%)

Generic Efficiency (GE)

- **0.4% points**
  (96.9% to 97.3%)

*Difference due to rounding*
Conclusion & Recommendations

It is encouraging to see the continued decline in overall pharmaceutical utilization and costs in 2017, including decreasing trends within the opioid drug class as well as average MED. The traditional space highlighted in this first report represents the area of pharmacy exposure where the PBM program can have the greatest clinical and cost impacts due to knowledge of the prescriptions prior to dispensing.

• Opioid trends continue to move in a positive direction with a significant drop in utilization and the average MED per script. It would appear that the expanded efforts by all stakeholders to reduce opioid utilization and increase patient safety are paying off.

• It is critical to work continuously to ensure the maximum number of prescriptions is guided into the PBM network to take advantage of the many pre-fill clinical and cost controls that are not available post-fill.

• Targeting high-cost medications and ensuring that first-line, evidence-based therapies are deployed prior to prescribing more complex or costly drugs is essential. The importance of proper formulary enforcement and identification of therapeutic alternatives prior to a drug being dispensed confirm the need for adjusters to pay careful attention to prior authorization recommendations.

• Improved collaboration between the payers and their PBM partners is essential in improving overall outcomes to continue these positive trends.

In our next installment of the Drug Trends Series, we will share the managed and unmanaged views.
Coventry Connect® Mobile

Industry leading care and cost management solutions on the go

Coventry Connect technology works with Coventry’s integrated suite of solutions to help adjusters and case managers make informed pharmacy decisions that lead to better outcomes.

First Script online tools in Coventry Connect make adjuster and case manager job duties easier, supporting better decision making for all aspects of pharmacy utilization. Coventry Connect’s features were directly influenced by our customers’ input and improve efficiency and effectiveness.

Comprehensive View: Decisions made in real-time

Online Chat

Access to priority tasks

Proactive approvals & denials

Quick enrollment options

Mobile app for phones or tablets
First Script is the Pharmacy Benefit and Drug Utilization Management Program offered as part of the Coventry suite of products. First Script offers an end-to-end program designed specifically for workers’ compensation. We realize that getting 100% of the prescriptions into the network isn’t the end game; it’s what you do with those prescriptions that matters. Early triage of each injured worker ensures that injured workers know how and where to get a prescription filled, and permits us to intervene aggressively on potentially problematic opioid utilization at the earliest point possible. Through integration with our bill review and case management programs, we are positioned to capture all prescription activity for utilization and total pharmacy risk management, ensuring that we manage not only the First Script, but Every Script.

Coventry is the leading provider of care and cost management solutions for workers' comp, disability and auto insurance carriers, third-party administrators, and self-insured employers. We design best-in-class products and services to help our partners return injured workers to work, to play, and to life as quickly and as cost effectively as possible. We accomplish this by developing and maintaining consultative partnerships with our clients and stakeholders, built on a foundation of trust that supports the claims management process.