

PHARMACY AND COB

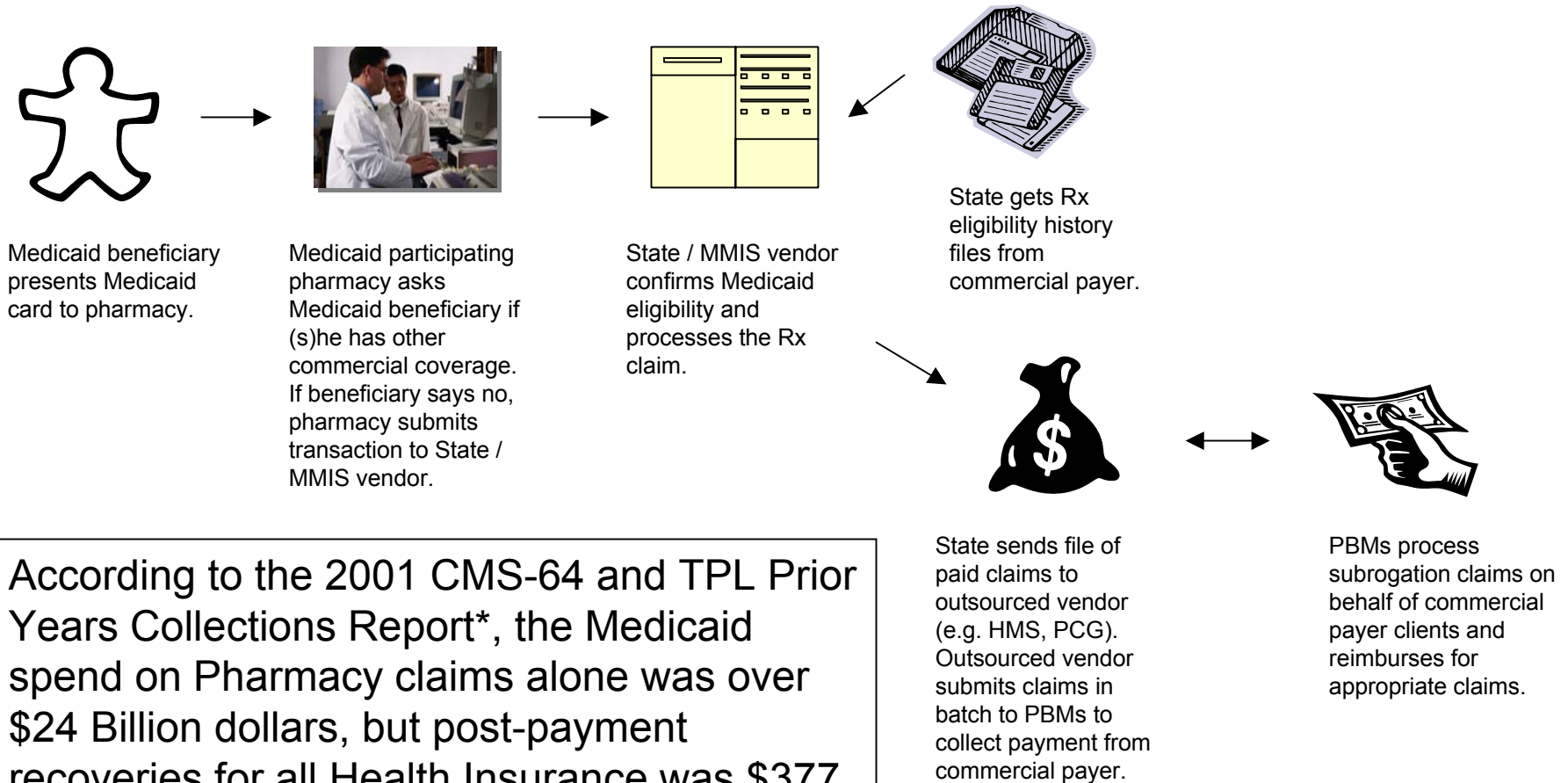
TECHNOLOGICAL ADVANCEMENTS

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September 13, 2006

Current Subrogation Approach: State, often through outsourced vendor, recovers payment from commercial payer months/years after the State paid the Rx claim.



According to the 2001 CMS-64 and TPL Prior Years Collections Report*, the Medicaid spend on Pharmacy claims alone was over \$24 Billion dollars, but post-payment recoveries for all Health Insurance was \$377 Million. The recovered amount is effectively even lower since most states pay \$0.03 to \$0.08 per dollar recovered in recovery fees.

* Report updated May 21, 2003

* Prior to 2006 Part D implementation

Real-time Eligibility Benefits

- **Real-Time advantages**
 - Central hub for most up-to-date pharmacy eligibility information
 - Queries for any primary coverage for Medicaid Participants
 - Identifies all available commercial coverages for the member if they exist
 - Allows the pharmacy to redirect charge to the commercial payer
 - Allows for third party billing when patient does not have prescription benefit card
- **Technology (current)**
 - Pharmacy and PBM technology exists today
 - Pharmacies use real-time connections to adjudicate claims – same infrastructure
 - Supports standard NCPDP “E1” eligibility transaction
- **COB and other capabilities**
 - Supports coordination of benefits
 - Supports e-Prescribing

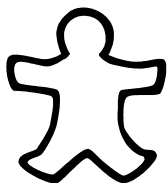
Cost Avoidance at Point-of-Sale: Checks commercial Rx payer eligibility real-time via RxHub at point-of-sale; State would avoid paying Rx claims.

contains eligibility information of 150 million patients whose Rx benefits are administered by participating PBMs



Option 1

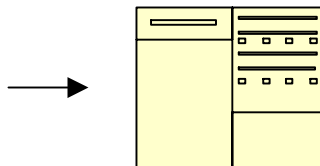
Option 2



Medicaid beneficiary presents Medicaid card to pharmacy.



Medicaid participating pharmacy checks RxHub for other commercial coverage (through other hub connectivity such as eRx) and only submits those Rx claims to the State / MMIS vendor where there are no commercial payer. RxHub transaction can be kept for auditing purposes.



State / MMIS vendor checks RxHub for other commercial coverage and processes only those Rx claims where there is no commercial payer.

According to the TPL Prior Years Cost Avoidance report, in 2001 \$2.7 Billion dollars in Health Insurance claims were cost avoided. This is a 700% increase over the recovery rate for the same time period.

From 2001 to 2004, Pharmacy spend increased 62%, according to CMS-64 reporting.

With a real-time eligibility transaction the effective cost avoidance rate should increase significantly.

* Report updated May 21, 2003

* Prior to 2006 Part D implementation

Option 1: Pharmacy obtains real-time eligibility information through a switch (e.g., eRx).

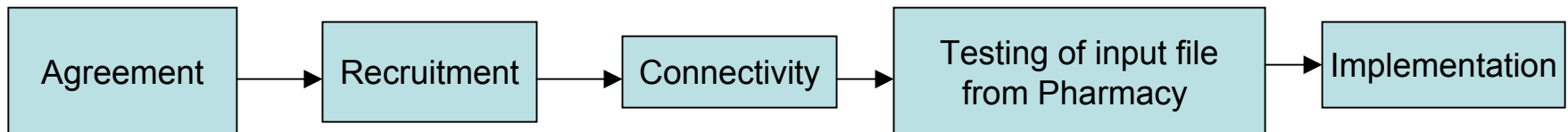
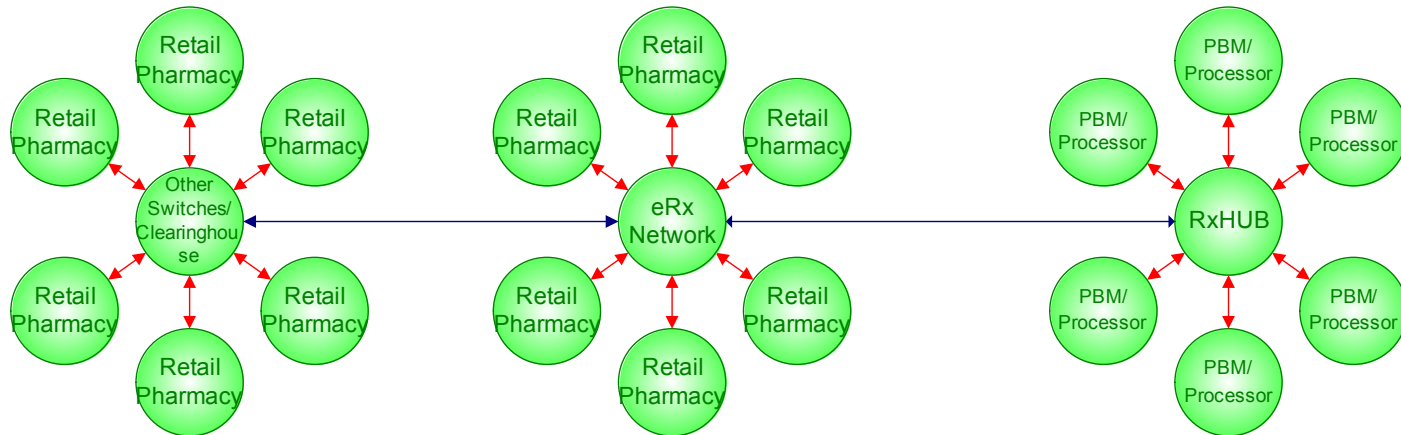
Considerations:

Eligibility response time

Eligibility response fee

Setup time

Process Flow



Option 2: Pharmacy obtains real-time eligibility through State / MMIS vendor.

Considerations:

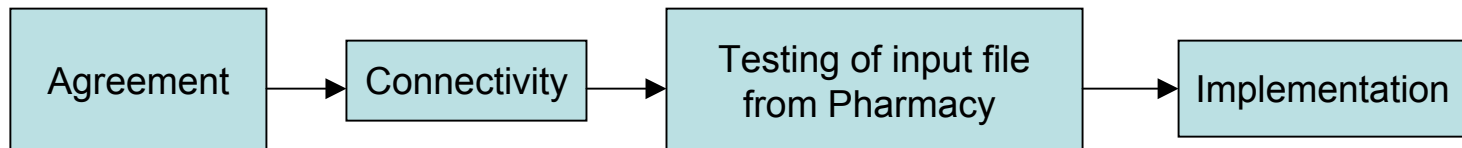
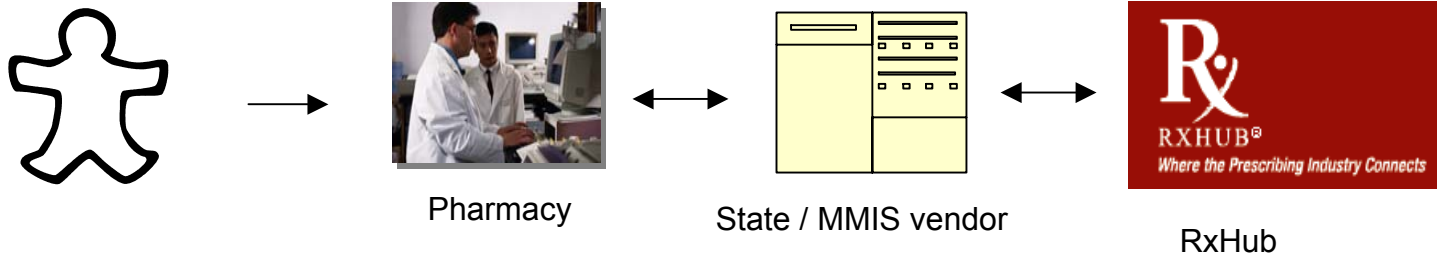
Eligibility response fee

Development costs

Frequency of eligibility requests

Setup time

Process Flow





Current state:

- Enable prescribers to access real-time commercial patient eligibility, formulary, benefit and medication history information
- Access pharmacy eligibility for 150 million Americans with commercial pharmacy benefits (= approximately 75% of commercial population)
- Has relationships with 90% of the retail pharmacy network in the continental US through eRx and Per Se
- Eligibility response time is less than 3.0 seconds
- Plug & Play approach that supports e-Prescribing
- Eligibility response fee



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