



PHARMACY BENEFIT SOLUTIONS 2010 TREND REPORT



Presenting our PBM
trend performance
for the past year and a
glimpse into the future.



OUR PRODUCT OFFERINGS ENCOMPASS THE FULL SCOPE OF PHARMACY CARE AND FOCUS ON IMPROVING HEALTH OUTCOMES, LOWERING OVERALL HEALTHCARE COSTS AND PROVIDING GREATER CONVENIENCE AND CHOICE FOR PATIENTS. IN FACT, WALGREENS HAS BEEN RANKED AMONG THE TOP 10 MOST INNOVATIVE COMPANIES IN HEALTHCARE IN 2010 BY *FAST COMPANY*, A BUSINESS MAGAZINE FOCUSING ON CUTTING-EDGE COMPANIES.¹ IN THIS REPORT, WE PRESENT A LOOK BACK AT OUR ACCOMPLISHMENTS AND SHARE INSIGHTS FOR THE FUTURE.

Walgreens Health Initiatives tracks changes in prescription drug developments and marketplace availability on an ongoing basis. Key industry developments, including new medication approvals, first-time generics and pipeline medications, are summarized in this section.

NEW MEDICATIONS A number of new medications were approved by the U.S. FDA in 2009. Two of the notable approvals for 2009 were Effient® (prasugrel), indicated for the management of acute coronary syndrome, and Multaq® (dronedarone), indicated for arrhythmias. These agents expand treatment options for cardiac therapeutic classes and are expected to have a significant impact on future trends.^{2,3}

FIRST-TIME GENERICS A number of generic medications that treat a wide range of health conditions were approved by the FDA in 2009. First-time generics are a considerable source of cost savings. The approval of generic formulations of Depakote® ER and Topamax® showed a significant impact on generic utilization. This contributed to a 21.4% increase in the generic dispensing rate (GDR) within the anticonvulsant class of medications from 2008 to 2009. Conversely, the approval of generic Prevacid® showed only a slight impact in generic utilization among medications for the treatment of ulcers, due to its late release in 2009 (**Table 1**).⁴⁻⁶ Most of the impact of Prevacid on generic utilization is expected to occur in 2010.

Table 1. Selected First-Time Generic Medication Approvals, 2009

Therapeutic Use	Brand Name (Manufacturer)	Generic Name	FDA Approval/ Availability Date
Antiviral	Valtrex® (GlaxoSmithKline)	valacyclovir	12/09
Asthma	Pulmicort Respules® (AstraZeneca)	budesonide	12/09
Attention deficit hyperactivity disorder	Adderall XR® (Shire)	amphetamine and dextroamphetamine salts	04/09
Cancer	Casodex® (AstraZeneca)	bicalutamide	07/09
Organ transplant	CellCept® (Roche)	mycophenolate mofetil	05/09
	Prograf® (Astellas)	tacrolimus	08/09
Seizure disorders	Depakote® ER (Abbott)	divalproex extended release	01/09
	Topamax® (Ortho-McNeil-Janssen Pharmaceuticals, Inc.)	topiramate	04/09
Ulcers	Prevacid® (Takeda)	lansoprazole	11/09

PIPELINE MEDICATIONS Selected pipeline medications that are expected to have a high impact on prescription costs over the next two years are listed below (**Table 2**).⁷⁻⁹

Table 2. Selected Medications in the Pipeline, 2010 and 2011				
Therapeutic Use	Brand Name (Manufacturer)	Generic Name	Comments	Status
Nonspecialty Medications				
Anticoagulation and platelet inhibitors	Brilinta™ (AstraZeneca)	ticagrelor	Oral antiplatelet treatment	Under FDA review
	Pradaxa® (Boehringer Ingelheim)	dabigatran	Oral direct thrombin inhibitor; needs less monitoring than warfarin	In Phase III studies
	Xarelto® (Bayer)	rivaroxaban	Once-daily oral anticoagulant; needs less monitoring than warfarin	Under FDA review
Cholesterol lowering	N/A (Merck)	anacetrapib	Primarily increases HDL cholesterol	In Phase III studies
Specialty Medications				
Osteoporosis	Prolia™ (Amgen)	denosumab	Twice-yearly self-injectable therapy	Under FDA review

GENERIC UTILIZATION INCREASES SAVINGS

Based on a client with 10,000 covered lives, we have estimated potential savings of \$180,000 for every 1% increase in generic utilization. When comparing our 71.8% GDR with the industry average of 68.0%, our 3.8 percentage point difference in GDR leads to approximately \$684,000 in aggregate savings, which translates into savings of \$3.84 per prescription or up to 7.4% savings in plan costs (**Figure 1**).

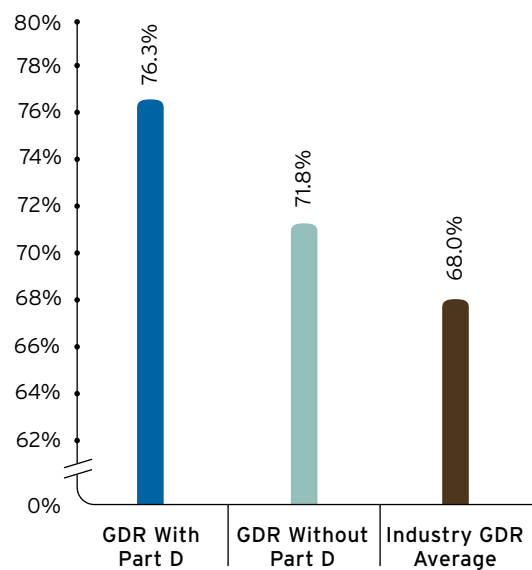
Non-Medicare savings are calculated below:

WALGREENS HEALTH INITIATIVES GDR: 71.8%

CURRENT INDUSTRY AVERAGE GDR: – 68.0%

COMPARISON IMPROVEMENT: **3.8%**

FIGURE 1. 2009 WALGREENS HEALTH INITIATIVES GDR COMPARISON TO THE INDUSTRY*



* Average industry GDR of top three pharmacy benefit managers from yearly reports on Form 10-K for 2009.

This achievement was accomplished through performance-based contracts with Walgreens Health Initiatives network pharmacies and formulary management, which encourages the utilization of generic medications and clinical programs. These include our step care therapy and prior authorization programs, which help ensure appropriate and cost-effective medication utilization. In addition, our 90-day retail programs (Advantage90® and Walgreens90™) support increased adherence through face-to-face interaction with a community pharmacist.

We have noted that, based on our expert advice, as our clients adopt more strategic management of their plans, there is a corresponding drop in trend. For example, increases in GDR and effective clinical management in highly utilized therapeutic classes have shown significant impact on moderating the growth of prescription spend, as shown in **Figure 2**.

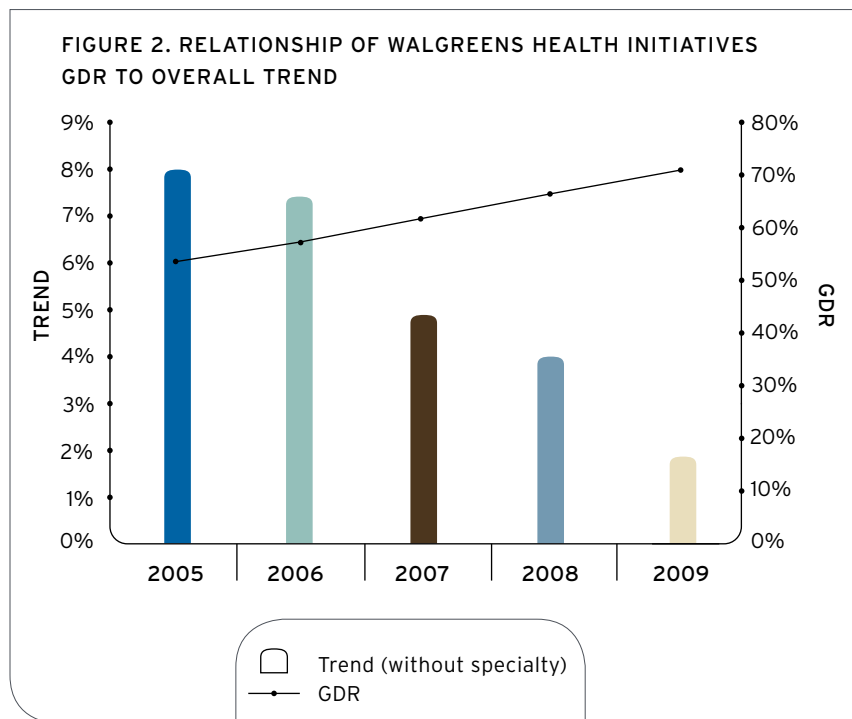
Our GDR is 3.8 percentage points higher than the industry average.

The results are influenced by the following:

- Cost of brands were 6.3 times higher than their generic counterparts in 2009.
- Average ingredient costs between brands and generics increased from \$121 in 2008 to \$134 in 2009.
- Average brand ingredient costs rose from \$146 in 2008 to \$159 in 2009; generic ingredient costs remained unchanged from 2008 to 2009.

Over the next three years, there will be much opportunity for cost savings as brand patents expire.

Generics are expected to save from 1.7% to 4.2% in drug costs over the next three years, with the largest increases peaking in 2012, due to late-year 2011 patent expirations for a number of highly utilized medications.



ANALYSIS OF OVERALL TREND REVEALS NEW OPPORTUNITIES TO ACHIEVE COST SAVINGS

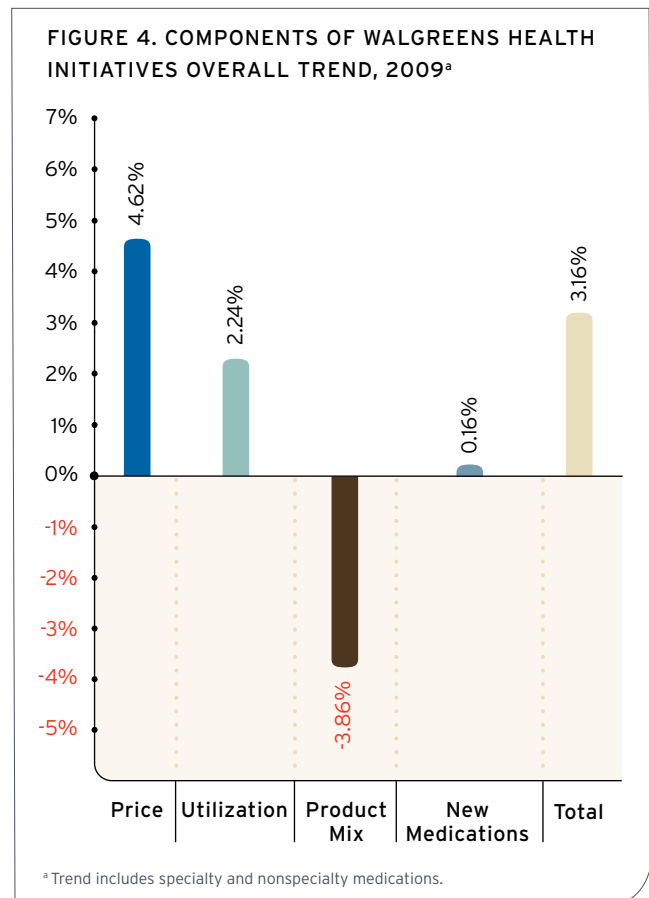
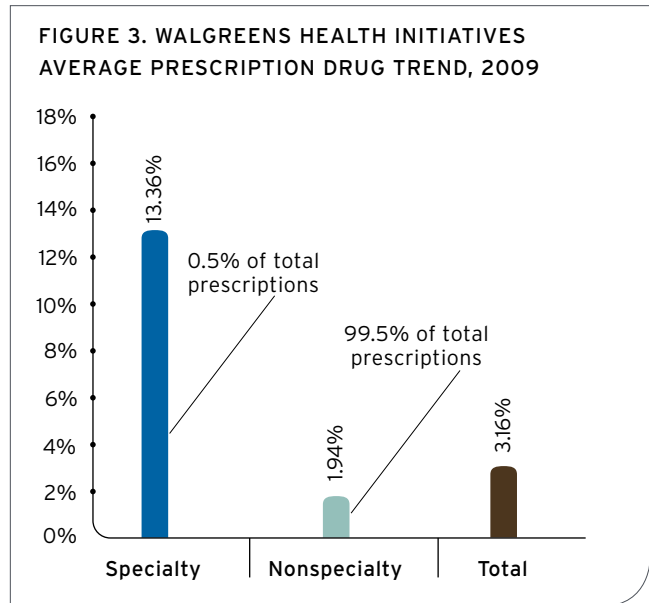
Every year we analyze changes in our clients' prescription drug expenditures to identify cost drivers and strategies to achieve savings. Our findings are described in this section.

We delivered a single-digit trend for clients for the sixth consecutive year, the slowest growth ever reported by our company. The average total prescription drug costs trend, excluding specialty drugs, was 1.94% in 2009, compared with 4.10% in 2008. Average total prescription drug cost trend, including specialty drugs, was 3.16% in 2009 (Figure 3) compared with 5.6% in 2008. This compares favorably to the 5.2% expected increase in national prescription medication costs as reported by AHIP (America's Health Insurance Plans) for 2009.¹⁰ It's important to note that while specialty prescriptions represent only 0.5% of total prescriptions, they account for 13.36% of total trend, making it a priority in our management strategy for our clients.

COMPONENTS OF OVERALL TREND Trend was calculated based on the change in the total cost per eligible member per year from 2008 to 2009. Trend is influenced by changes in drug prices, utilization, product mix and the introduction of new medications, as defined below:

- **Price:** manufacturers' price changes (inflation) and changes in contractual rates for medications
- **Utilization:** change in quantities of medications dispensed
- **Product mix:** measurement of contribution of changes in types of medications dispensed (higher-cost to lower-cost drugs, including brand to generic shifts)
- **New medications:** new agents in the market

Specific components of overall trend are reported in Figure 4.





MAINTAINING A DELICATE BALANCE While utilization increased in 2009, corresponding components of trend were kept in balance to minimize overall trend growth. In this instance, we were able to reduce product mix by 3.86% through shifts from higher-cost medications to lower-cost medications. Decreases in product mix were noted in eight of the top 10 therapeutic classes in 2009. It is this type of expertise that our clients rely on to help manage costs while continuing to provide their members with needed medications. This contributes to overall long-term health and potentially leads to an improved quality of life.

TREND AND SHARE OF SPEND FOR THE TOP 10 BRANDS AND THERAPEUTIC CLASSES

Total drug spend for the top 10 therapeutic classes decreased from 57.2% in 2008 to 56.1% in 2009 (Table 3).

Therapeutic Class	Rank by Spend	Share of Total Spend	Trend	Rank by No. of Rx's	Impact of Product Mix	Impact of Utilization	Impact of Price
Cholesterol lowering	1	9.2%	3.1%	2	-6.2%	5.6%	3.7%
Blood pressure lowering	2	7.1%	-1.9%	1	-4.0%	3.1%	-1.0%
Antidiabetics	3	6.8%	13.6%	5	1.8%	2.9%	8.9%
Antidepressants	4	6.1%	2.3%	3	-3.6%	2.5%	3.4%
Ulcers	5	6.0%	1.6%	7	-6.6%	1.4%	6.8%
Antiasthmatics	6	5.8%	9.2%	6	-0.1%	0.3%	9.0%
Analgesics/ Anti-inflammatories	7	4.8%	11.5%	12	3.8%	-0.2%	7.4%
Antivirals ^a	8	4.3%	14.8%	28	-3.6%	7.6%	10.8%
Analgesics/Narcotics	9	3.2%	10.2%	4	-0.2%	3.6%	6.9%
Anticonvulsants ^b	10	2.8%	-25.7%	14	-17.3%	-3.7%	-5.0%

^aIncreased spend was influenced by the increased utilization of antivirals Tamiflu® and Relenza® in 2009 for the treatment of seasonal flu and H1N1.

^bPatent expirations for Depakote® ER and Topamax® contributed to decreased trend in this class.

The top 10 brands accounted for 17.7% of the total share of spend in 2009 as compared with 17.6% in 2008 (Table 4).

Brand	Therapeutic Class	Rank, 2009	Share of Total Spend, 2009	Rank, 2008	Share of Total Spend, 2008	Trend
Lipitor®	Cholesterol lowering	1	3.2%	1	3.5%	-3.4%
Prevacid®	Ulcer medications	2	1.9%	2	2.3%	-12.6%
Enbrel®	Analgesics/ Anti-inflammatories	3	1.8%	4	1.8%	8.2%
Nexium®	Ulcer medications	4	1.8%	3	1.8%	4.0%
Plavix® ^a	Anticoagulants	5	1.7%	7	1.5%	14.9%
Singulair®	Antiasthmatics	6	1.6%	6	1.6%	6.3%
Advair Diskus®	Antiasthmatics	7	1.5%	5	1.6%	3.4%
Crestor® ^b	Cholesterol lowering	8	1.5%	11	1.2%	32.6%
Humira® ^c	Analgesics/ Anti-inflammatories	9	1.4%	13	1.2%	29.8%
Actos®	Antidiabetics	10	1.4%	9	1.4%	7.4%

^a Plavix® (14.9%): Longer treatment duration with Plavix after coronary stent placement increased trend and share of spend in 2009.

^b Crestor® (32.6%): Recent Crestor study supports using Crestor in "lower-risk" patients to significantly reduce the risk of heart attacks and strokes. The increase in trend reflects the use of Crestor in patients who were not previously considered candidates for statin therapy.

^c Humira® (29.8%): Humira received two additional indications in 2008 for the treatment of chronic plaque psoriasis and juvenile rheumatoid arthritis. These expanded indications contributed to the increased trend.

IMPACT OF SPECIALTY MEDICATIONS ON TREND Specialty medications are used in the treatment of chronic and complex conditions and can have a dramatic effect on patient quality of life. Our unique fulfillment model has made Walgreens a leading, national provider of injectable, infused and oral specialty medications. Our enhanced pharmacy network now includes community pharmacies, local infusion pharmacies, and outpatient pharmacies located within academic medical centers, community hospitals and medical office buildings. Patients can choose the convenience of one of these local sites or can have medications delivered to their homes through our central fulfillment pharmacies, depending on their insurance coverage. Specialty medications had a substantial impact on trend in 2009 as the average cost for a specialty drug was \$2,213 in 2009, *approximately 28 times more than the average cost for a nonspecialty drug*. This reinforces the need for strategic management of specialty medications as they are a disproportionately small percentage of overall prescriptions dispensed, but represent an equally disproportionately large share of spend.

The quantity of drugs dispensed per specialty utilizer increased 4.5% in 2009, as compared with a 0.3% decrease in the quantity of drugs dispensed per nonspecialty utilizer. Specialty medications represent 0.5% of total prescriptions and account for 11.8% of total spend. The top five specialty drugs accounted for 44.4% of the total specialty spend in 2009 (Table 5).

Table 5. Walgreens Health Initiatives Share of Total Specialty Spend for Top 5 Specialty Medications, 2009						
Specialty Brand	Specialty Therapeutic Class	Rank, 2009	Share of Total Specialty Spend, 2009	Rank, 2008	Share of Total Specialty Spend, 2008	Specialty Brand Trend
Enbrel®	Biologic response modifiers	1	15.4%	1	16.5%	8.2%
Humira®	Biologic response modifiers	2	12.1%	2	10.8%	29.7%
Copaxone®	Multiple sclerosis	3	7.8%	3	6.6%	37.1%
Avonex®	Multiple sclerosis	4	4.9%	4	5.4%	6.6%
Gleevec®	Oral chemotherapy	5	4.3%	6	3.6%	36.1%

FORGING AHEAD TO MAXIMIZE SAVINGS OPPORTUNITIES

IMPACT OF BRAND EXPIRATIONS Our projections are largely dependent on brand patent expirations. The impact of brand patent expirations is estimated to decrease annual drug costs. However, brand inflation is expected to outpace generic prices, driven in large part by specialty drugs and higher-than-normal increases on brands close to patent expiration. This is expected to continue. Ongoing patent litigation may affect generic release dates. Late-year patent expirations may shift most of the savings to the following calendar year. Clients with aggressive clinical programs that drive the use of generics can expect savings even greater than those presented below (Table 6).

Table 6. Walgreens Health Initiatives Projected Cost Savings Attributable to Selected Patent Expirations, 2010-2012		
Projected Aggregate Savings	Year of Patent Expiration	Brand
2.2%-2.6%	2010	Cozaar®, Effexor® XR, Flomax®, Hyzaar®
1.7%-2.2%	2011	Actos®, Lipitor®, TriCor®
3.7%-4.2%	2012	Boniva®, Diovan®, Diovan® HCT, Evista®, Lexapro®, Plavix®, Seroquel®, Singulair®

Growth in spend will continue to increase as economic conditions improve, new specialty drugs come onto the market and existing medications receive new indications. Our trend projections are primarily based upon these factors and are summarized in **Table 7**. The rate of increase will be significantly lower in 2012 as a result of brand patent expirations in 2011 for highly utilized medications, including Actos[®], Lipitor[®] and TriCor[®].

Year	Total	Nonspecialty	Specialty ^b
2010	3.0%-4.0%	1.5%-2.5%	14.9%-16.6%
2011	4.1%-5.1%	2.4%-3.4%	15.5%-17.5%
2012	1.7%-2.7%	0.3%-1.3%	15.7%-17.8%

^a Actual client performance will vary based on degree of clinical management, member cost-sharing provisions and other plan design and demographic attributes.

^b Specialty drugs are used to treat complex or chronic conditions. They usually require 1) special handling and administration, 2) unique inventory management, 3) a high level of patient monitoring and 4) more intense support than conventional therapies.

MANAGING COST IS MORE THAN MANAGING SPEND

Prescription drug spending, among other areas of the U.S. economy, has been affected by the economic recession that Americans still face today. Although the overall decline in prescriptions dispensed nationwide was less than 1% in 2008, it was the first downturn after more than 10 years of steady increases in prescription volume.¹¹ Studies showed that many uninsured people as well as those with private, employer-sponsored health insurance went without prescribed medications because of cost-related concerns.

Despite these challenges, the quantities of specialty and nonspecialty medications dispensed per prescription for our members increased 2.7% from 59.6 units in 2008 to 61.2 units in 2009, partly due to an increase in 90-day dispensing. This likely contributed to improved patient adherence—a key factor in moderating long-term healthcare costs. Managing the entire healthcare continuum can be accomplished through a variety of programs. These programs can range from preventive screenings to the management of chronic conditions by our multidisciplinary, disease-focused clinical experts.

THE TRUE COST OF CHRONIC CONDITIONS Chronic conditions are responsible for 77% (\$1.7 trillion annually) of U.S. healthcare spend. Among these chronic conditions are cancer, heart disease, stroke and diabetes.¹² Although Walgreens offers a broad spectrum of products for a number of chronic conditions, diabetes, with its growing prevalence and strong association with cardiovascular disease,^{13,14} including heart attack and stroke, is one example of how our programs can benefit you and your members. Twenty-four million Americans (8% of the U.S. population) have diabetes today^{13,15} and 50 million Americans are expected to have diabetes by 2025.¹⁵

Walgreens helps manage costs associated with chronic conditions—77% of annual healthcare spend.



As shown in **Table 3**, Page 7, antidiabetics are ranked third in spend for the top 10 therapeutic classes—up from fifth in 2008—showing a significant trend increase of 13.6%. Studies show that decreased patient adherence to diabetes medications can lead to poor blood glucose control, which can then lead to diabetes-related complications, decreased quality of life, reduced function and premature death. In 2007, annual healthcare costs for those patients whose primary condition is diabetes were estimated to be \$11,744 a year per patient, of which \$6,649 is attributed to diabetes.¹⁶ In addition, on average for every \$1 employers spend on worker medical or pharmacy costs, they absorb at least \$2 to \$4 dollars of health-related productivity costs.¹⁷

WALGREENS SOLUTIONS Recognizing that managing costs is more than managing spend, Walgreens has developed several programs to help members better manage their conditions and the associated costs they and their plans incur.

Walgreens90™: Launched in late 2008, Walgreens90 allows members the flexibility of obtaining a 90-day supply of their maintenance medications at nearly 7,500 Walgreens community pharmacies or through mail service. Using Walgreens90, plans and their members can realize the same competitive pricing for a 90-day supply of their maintenance medications at retail or mail. Members pay the same copay at retail as they would for mail service, and plan sponsors benefit from lower pharmacy benefit costs.

Because virtually all diabetes prescriptions are eligible for a 90-day supply, we report the following for those using Walgreens90 to obtain their antidiabetic medications:

- A 10% increase in medication adherence when compared with utilizers on the 30-day program, realizing a net savings (medical and pharmacy) of \$537 per member per year
- Total cost savings of \$13.13 for every new 90-day prescription

Our Walgreens90 Program drove a 10% increase in adherence for antidiabetics.

Walgreens Optimal Wellness™: Making its debut in 2010, Walgreens Optimal Wellness is a face-to-face, innovative self-care educational program for people with diabetes. Participating members have access to multiple points of care, receive education on managing their condition and are given the resources needed to make healthy, impactful decisions, including health coaching and diabetes counseling from specially trained Walgreens pharmacists or Take Care ClinicSM nurse practitioners. These activities are offered in conjunction with the patient's primary care provider. Programs to support other chronic conditions are currently being designed.

Walgreens recognizes that closing clinical gaps in healthcare can occur only when trust exists between clinicians and their patients. The role of the community pharmacist has enormous potential in positively impacting healthcare. “The Gallup poll reaffirms what patients know—that pharmacists are trusted advisors and partners in helping improve medication use and advancing patient care. Every day, pharmacists across the country make a difference in their patients’ lives, and they have earned this position of trust.”¹⁸

Diabetes Awareness: To help raise the public’s awareness of the prevalence of diabetes, Walgreens community pharmacies and Take Care Clinics hosted diabetes wellness events at its more than 1,600 24-hour stores this past November. Benefits included free blood glucose and A1C tests, as well as a follow-up consultation with a pharmacist for patients with and without diabetes. This event drew more than 85,000 people, of which nearly 27% were identified to be at risk for diabetes. Patients who take their medications as directed are less likely to develop the short- and long-term complications that can result in the need for expensive care. Annual combined drug and medical costs for the least adherent patients with diabetes average \$8,867, whereas those most adherent patients average almost half that expense at \$4,570.¹⁹

HERE IS ONE PATIENT’S STORY: A patient with diabetes visited Walgreens for the diabetes wellness event and told the pharmacist that he had run out of his insulin weeks ago. He said he was not checking his blood sugar at home. Because we had the opportunity for face-to-face interaction, the Walgreens pharmacist immediately measured his A1C levels. His readings were so high that he called 911 and sent him to the hospital emergency room right away. A day later, the patient thanked us profusely, saying that the doctor he saw said he would have been in a diabetic coma if he had waited another day!

In February, Walgreens, the leader in community pharmacy, joined with one of the most powerful voices in television to heighten diabetes awareness and prevention. As announced on the Oprah Winfrey Show February 4, 2010, all 24-hour Walgreens and Take Care Clinics offered free blood glucose testing on February 5. Approximately 80,000 tests were performed that day. Not wanting to limit the potential benefit and striving to test as many people as possible, Walgreens extended the offer for free testing through February 18, which resulted in the administration of approximately 120,000 blood glucose tests.

Alternate Treatment Sites (ATS): For those members who require assistance with the administration of their medications, we present a unique solution where injection training, injections, infusions, line placement and port and catheter care are provided in a clinically appropriate, cost-effective setting. These settings include select Take Care Clinics, infusion centers and specialty care centers. In addition, many Walgreens stores have dedicated space ready for conversion to infusion suites. The level of service and treatment location are determined by patient acuity and the complexity of the specific therapy involved (**Table 8**). For patients who need specialty infusible and injectable medications, our network provides a solution tailored to their individual needs.

Located throughout the country, Walgreens ATS are supported by our specialized team of clinicians who provide individualized care and support. This includes monitoring of patients' progress, communicating their status to their physicians and providing patient and caregiver education. At every site, we emphasize consistent clinical support and therapy management to help increase medication adherence levels, reduce costs and improve quality of life.

Table 8. Scope of Services by Site		
Take Care Clinics	Infusion Centers	Specialty Care Centers
<ul style="list-style-type: none"> • Injections • Injection training for self injectables • Low-complexity, short-duration infusion <p>Example therapies: anticoagulants, osteoporosis treatments</p>	<ul style="list-style-type: none"> • Injections • Injection training for self injectables • Low-complexity infusion • Moderate-complexity infusion • Port maintenance <p>Example therapies: antibiotics, biologic response modifiers</p>	<ul style="list-style-type: none"> • Injections • Injection training for self injectables • Low-complexity infusion • Moderate-complexity infusion • High-complexity infusion • Port maintenance • Mid/PICC line placement <p>Example therapies: certain multiple sclerosis medications, chemotherapy</p>

Walgreens ATS provide the following benefits to health plans, employers and members through:

- Broadened access to a cost-effective alternative that offers best-in-class care
- Decreased risk of infection when compared to the acute care setting
- Reduced absenteeism at work and school

“With Walgreens, all I have to do is schedule my appointment—it’s much easier. I like the convenience and the exceptional care I get.”

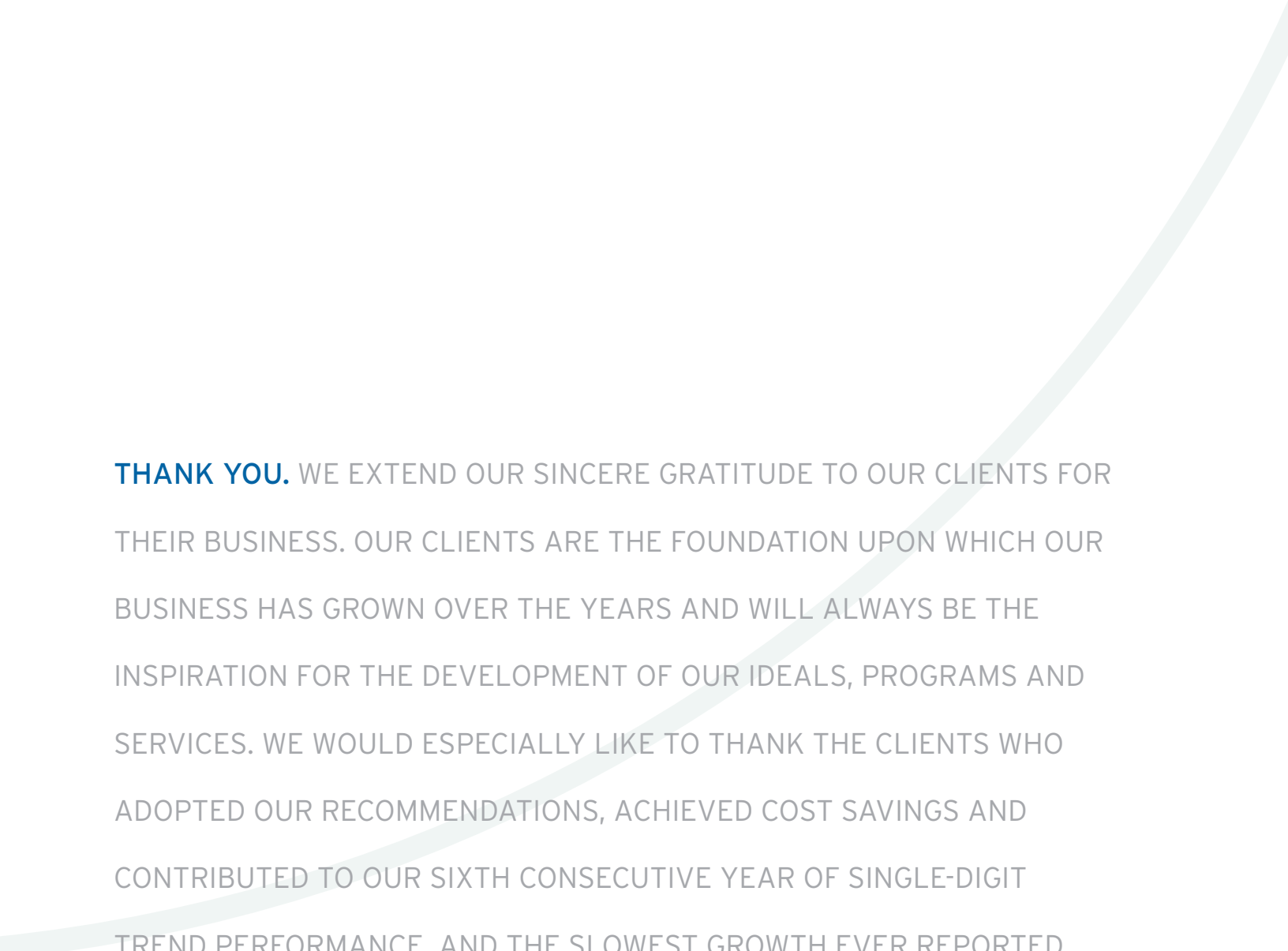
-Jodie



THE IMPACT OF WALGREENS ATS STRATEGY The Montana University System (MUS) and State of Montana Quality Care Choices Infusion Therapy Program was developed to encourage participation by members in the treatment of their conditions through the use of incentives. Due to the ability of Walgreens infusion services to support this program, members now have a more convenient and cost-effective option to receive their specialty infused medications. Here is one patient’s story:

Jodie, a mother of two children, was diagnosed in 1995 with Crohn’s disease, an inflammatory bowel disorder. She was prescribed Remicade® in 2002, a specialty medication that is administered intravenously. Although the medication helped Jodie’s condition tremendously, each treatment requires medical supervision and can take from two to four hours to administer. Costs can be prohibitive—more than \$10,000 per infusion treatment. In addition, Jodie needed to take off a full day of work every eight weeks so she could travel 90 miles to a hospital willing to participate in a specialty pharmacy program. Through the MUS and State of Montana Quality Care Choices Infusion Therapy Program—and supported by the Walgreens ATS model—Jodie receives her Remicade just a few blocks away from work at a Walgreens infusion center.

This program provides benefits not only for Jodie, but for her employer and the health plan. The cost savings for MUS and the state of Montana are significant. For Remicade alone, the plan forecasts approximately \$750,000 a year in savings, with additional estimated annual savings of \$3 million for all specialty infused medications. Jodie now enjoys a better quality of life and appreciates the convenience and exceptional care she receives from Walgreens.



THANK YOU. WE EXTEND OUR SINCERE GRATITUDE TO OUR CLIENTS FOR THEIR BUSINESS. OUR CLIENTS ARE THE FOUNDATION UPON WHICH OUR BUSINESS HAS GROWN OVER THE YEARS AND WILL ALWAYS BE THE INSPIRATION FOR THE DEVELOPMENT OF OUR IDEALS, PROGRAMS AND SERVICES. WE WOULD ESPECIALLY LIKE TO THANK THE CLIENTS WHO ADOPTED OUR RECOMMENDATIONS, ACHIEVED COST SAVINGS AND CONTRIBUTED TO OUR SIXTH CONSECUTIVE YEAR OF SINGLE-DIGIT TREND PERFORMANCE, AND THE SLOWEST GROWTH EVER REPORTED BY OUR COMPANY.

METHODOLOGY

- Trends were calculated based on the change in the total cost per eligible member per year from 2008 to 2009.
- Overall trend is based on all the prescription medications dispensed to eligible plan members in 2008 and 2009, including specialty products.
- Trend projections for Walgreens Health Initiatives clients are calculated at the gross ingredient cost level, after discounts and dispensing fees but before any administrative fees, rebates or member cost share.
- Average wholesale price (AWP) was not used as a unit of analysis because it does not reflect the true price. Total cost of a medication to our clients is usually lower than its AWP. Total cost accounts for a discounted AWP, but does not account for manufacturer rebates.

$$\begin{array}{l} \text{Total cost} \begin{array}{l} \curvearrowright = \text{AWP} - \text{discount} + \text{dispensing fee} \\ \curvearrowright = \text{client cost} + \text{member cost} \end{array} \end{array}$$

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