Trend Report Shows Strong Performance in 2007

Walgreens Health Initiatives Outlook—Trend Report 2008—proves once again that when it comes to choosing a pharmacy benefit manager, it's performance that counts. With our experience, perspective, and passion, we helped deliver the strong performance our clients count on to help manage costs and increase the level of care they provide their employees.

In 2007, our clients' average total prescription medication cost increase, or drug trend, was 5.66 percent, including specialty medications. This compares favorably with the 2006 trend of 7.68 percent, and represents our fourth consecutive year of single-digit trends. The overall trend of 5.66 percent drops to 4.80 percent when specialty medications are excluded. Making these metrics even more notable is the fact that our trend is based on all clients meeting our inclusion criteria who have been with us for two full calendar years, rather than a random sampling which is not representative of the entire population, a common industry practice. The outstanding -0.07 percent trend for highly managed plans demonstrates the effectiveness of our cost-containment strategies and illustrates the enormous impact our plan design options can have.

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The Walgreens Health Initiatives generic dispensing rate increased from 56.8 percent in 2006 to 61.2 percent in 2007—always a key objective, as our analysis shows that for every 1.0 percent increase in generic utilization, clients realize approximately a 2.0 percent savings in total plan cost. And, even more impressive was our generic dispensing rate of 69.6 percent for our entire book of business including Medicare—outstanding in the PBM industry.

Ninety-day supply dispensing through our mail service and retail Advantage90® programs increased from 15.4 percent in 2006 to 15.7 percent in 2007, placing Walgreens Health Initiatives at the forefront of the industry in utilization of 90-day channels. These 90-day prescriptions, when normalized to 30-day fills, represented 36 percent of our processed prescription claims.


Value-Based Benefit Design Can Lower Costs

Our research shows that the Walgreens Health Initiatives Value-Based Pharmacy Benefit Design (VBPBD) can produce an impact on overall healthcare costs by lowering the copay, and thereby improving adherence, for three critical therapeutic classes of medication—asthma, cardiovascular, and diabetes medications.

Recent studies have documented that many members view cost as a barrier to their medications. They may skip doses, take less than prescribed, or simply ignore their doctor’s advice and never fill their prescription. This can result in higher overall healthcare costs for the plan sponsor, through increased doctor visits and hospitalizations.

VBPBD is an option increasingly being considered by many health plan sponsors because lowering—or in some cases eliminating—the copay can reduce nonadherence by as much as 7 percent to 14 percent. This, in turn, can have a long-term positive impact on physician and hospitalization costs, as well as absenteeism and quality of life.

For each of the three key categories, we have developed a list of clinically effective brand and generic medications to which the lower copay could be applied, along with a comprehensive model to evaluate the projected impact on medication costs for both you and your members. Much of the program cost incurred by a plan could be offset by the potentially lower medical costs and decreased absenteeism. For your pharmacy benefit to remain cost-neutral, your Client Services team can work with you to identify medications for which copays could be increased to offset this cost. Your Client Services team can also advise you on the additional components, such as wellness programs and other enhancements designed to promote a healthy lifestyle, that, in addition to copay reductions, a successful VBPBD will include.
New Specialty Models Offer Clinical and Operational Advantages

These new options are something to keep in mind if you’re considering plan design changes effective January 1, 2009, because now is the best time to start consulting with your account executive about any new enhancements:

Transitioning to one of the Walgreens Specialty Pharmacy Program’s two new options—enhanced dual distribution and central exclusive—offers clients the benefits of therapy management and additional prior authorization programs.

Clients who have not yet implemented the services and support from Walgreens Specialty Pharmacy do not receive the therapy management benefits that are available. By moving from the open network model to the new enhanced dual distribution option, patients would utilize Walgreens retail locations and Walgreens Specialty Pharmacy locations to obtain their specialty medications, and clients would gain the benefit of therapy management programs and prior authorization programs. Therapy management is provided for numerous conditions, including Crohn’s disease, hemophilia, hepatitis C, infertility, juvenile rheumatoid arthritis, multiple sclerosis, oral oncology, psoriasis, psoriatic arthritis, and rheumatoid arthritis. Clients also would receive new specialty prior authorization (SPA) programs for erythropoietins, Gleevec®, and hepatitis C medications, in addition to the standard SPA offering. Reporting would be available on the specialty clinical program participation and medication adherence rates. Fertility patients would be managed by Schraft’s, A Walgreens Specialty Pharmacy, where dispensing would also take place centrally.

Clients currently utilizing Walgreens Specialty Pharmacy would also gain additional benefits from adopting our new enhanced dual distribution option. Patients would utilize the Walgreens retail network and the Walgreens Specialty Pharmacy central distribution facilities for dispensing, and clients would receive the new SPA programs for erythropoietins, Gleevec, and hepatitis C medications, in addition to the standard SPA offering already in place. Two new categories, hepatitis B and oral oncology, have been classified as specialty medications, and additional management will be available for these patients. Fertility patients will be managed centrally through Schraft’s, A Walgreens Specialty Pharmacy. Injectable anticoagulants (e.g., Lovenox®, Fragmin®) will remain on the specialty medication list but will be available at Walgreens Health Initiatives network pharmacy locations.

For clients with the current dual distribution product, moving to the new central exclusive option offers them all the enhancements listed above, in addition to higher rates of therapy management program participation and medication adherence. In this option, patients would utilize the Walgreens Specialty Pharmacy central distribution facilities for dispensing.

Since specialty medications are such a growing segment of prescription spend, it’s more important than ever to take a more highly managed approach. If you are interested in transitioning to one of these new specialty models, contact your account executive.
Walgreens Specialty Pharmacy Participates in World Health Care Congress

Stan Blaylock, president of Walgreens Health Services, participated in a specialty pharmacy panel discussion at the 5th Annual World Health Care Congress in Washington, D.C. in April. The World Health Care Congress is the most prestigious meeting of top management from all sectors of healthcare. More than 1,800 chief executive officers, senior executives and government officials from the nation’s largest employers, hospitals, health systems, health plans, pharmaceutical and biotech companies, and leading government agencies convened at the 2008 conference.

Client Surveys on the Way

Watch for our annual client survey, which will head your way via email in June. Be sure to take a few moments and let us know your thoughts about your experiences with Walgreens Health Initiatives’ products and services. Your feedback is critical in evaluating our current offerings and developing new ones.

Walgreens Acquisitions of Worksite Health Centers Enhance Payor Service

While continuing the rollout of Take Care Health ClinicsSM* located at Walgreens drugstores nationwide, Walgreen Co. acquired in April one of the two leading operators of worksite health centers that it recently announced plans to acquire, I-trax, Inc. (AMEX: DMX) of Chadds Ford, Penn., parent company of CHD Meridian Healthcare, LLC. The other planned acquisition is privately held Whole Health Management of Cleveland. With these transactions, Walgreens will have more than 500 worksite and retail health centers in 40 states, including its Take Care Health Clinics. The combination of store clinics and pharmacies with worksite health centers and pharmacies is a unique offering that will allow large employers and health plans to provide care to employees and plan members at their worksites, and to dependents and retirees through our Take Care Health Clinics at local Walgreens drugstores.

“Over the last 15 years we’ve become more convenient for the customer with our ‘Main and Main’ drugstore locations,” remarked Jeff Rein, Walgreens chairman and CEO. “Today, we’re redefining ‘Main and Main’ to include the worksite and bring us that much closer to customers.” He added that these acquisitions will enhance our capabilities to be a close advisor to employers and health plans on lowering their costs while being more responsive to patients. Our transparent model provides payors with greater visibility into their health costs, resulting in better decisions and lower expenditures.

* Managed by Take Care Health Systems, LLC with services provided by local operators.
MAC List Updates
The latest significant additions and deletions to the generic medications on the Walgreens Health Initiatives Maximum Allowable Cost (MAC) List are shown in the table below. Claims for generic medications may be processed at deeper discounts than the contracted discounted average wholesale price. Our MAC list is developed to maximize savings for our clients while providing fair reimbursement to the pharmacy network. Our MAC Committee, consisting of pharmacists and other industry experts, meets regularly to determine MAC list updates based on clinical appropriateness, medication availability, relevant price statistics, market changes, and ad-hoc research, through industry sources.

<table>
<thead>
<tr>
<th>Additions</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Generic</strong></td>
<td><strong>Strength</strong></td>
</tr>
<tr>
<td>indomethacin capsule</td>
<td>25 mg, 50 mg</td>
</tr>
<tr>
<td>levonorgestrel-eth estradiol tablet</td>
<td>0.15-0.03 mg</td>
</tr>
<tr>
<td>phenytoin sodium extended capsule</td>
<td>100 mg</td>
</tr>
<tr>
<td>prednisolone solution</td>
<td>15 mg/5 ml</td>
</tr>
<tr>
<td>prednisolone sodium phosphate solution</td>
<td>15 mg/5 ml</td>
</tr>
<tr>
<td>triamcinolone acetonide ointment</td>
<td>0.1%</td>
</tr>
</tbody>
</table>

Deletions
None

Rx Drug Update
The Food and Drug Administration recently approved the following new medications:

<table>
<thead>
<tr>
<th>Drug Name</th>
<th>Company/Availability</th>
<th>Indication(s)</th>
<th>Dose Form(s)</th>
<th>Regimen</th>
<th>AWP as of May 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Simcor® (niacin extended-release/simvastatin) tablets</td>
<td>Abbott Laboratories</td>
<td>Combination product for treatment of high cholesterol</td>
<td>500 mg/20 mg, 750 mg/20 mg, and 1000/20 mg tablets</td>
<td>One to two tablets once daily</td>
<td>$2.37 per 500 mg/20 mg tablet, $3.79 per 750 mg/20 mg tablet, $4.20 per 1000 mg/20 mg tablet</td>
</tr>
<tr>
<td>Pristiq™ (Desvenlafaxine extended-release) tablets</td>
<td>Wyeth</td>
<td>Treatment of depression</td>
<td>50 mg and 100 mg tablets</td>
<td>One tablet once daily</td>
<td>$4.26 per tablet</td>
</tr>
</tbody>
</table>
New Rx Indications

The following medications have been approved by the Food and Drug Administration for new or expanded indications:

<table>
<thead>
<tr>
<th>Drug Name</th>
<th>Original Indication</th>
<th>New or Expanded Indication</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nexium® (esomeprazole delayed-release) oral suspension</td>
<td>Treatment of gastric ulcers, duodenal ulcers, and gastroesophageal reflux disease (GERD) in patients age 12 and older</td>
<td>Treatment of GERD in patients age 1 and older</td>
</tr>
<tr>
<td>Humira® (adalimumab) injection</td>
<td>Treatment of ankylosing spondylitis, Crohn's disease, psoriatic arthritis, rheumatoid arthritis, and plaque psoriasis</td>
<td>Treatment of juvenile idiopathic arthritis in patients age 4 and older</td>
</tr>
<tr>
<td>Abilify® (aripiprazole) tablets</td>
<td>Treatment of bipolar disorder, schizophrenia, and depression in adults</td>
<td>Treatment of bipolar disorder in children age 10 to 17</td>
</tr>
<tr>
<td>Avastin® (bevacizumab) injection</td>
<td>Treatment of colorectal cancer and lung cancer</td>
<td>Treatment of breast cancer</td>
</tr>
</tbody>
</table>

Mark Your Calendar

Stop by the Walgreens Health Initiatives booth at the following shows to learn more about our innovative solutions to pharmacy benefit management:

<table>
<thead>
<tr>
<th>AHIP: America's Health Insurance Plan Institute 2008</th>
<th>Florida Education Risk Management Association Summer Conference</th>
</tr>
</thead>
</table>

National Observances

Some upcoming health-related observances are listed below to help you plan health fairs and other activities. For more information, log on to the sponsoring organization's web site. For a complete listing of this year's national observances, visit the National Health Information Center's web site at www.healthfinder.gov/library/nho.

<table>
<thead>
<tr>
<th>Observance</th>
<th>Date</th>
<th>Sponsor, Web Site</th>
</tr>
</thead>
<tbody>
<tr>
<td>American Stroke Month</td>
<td>May</td>
<td>American Heart Association <a href="http://www.americanheart.org">www.americanheart.org</a></td>
</tr>
<tr>
<td>Asthma and Allergy Awareness Month</td>
<td>May</td>
<td>Asthma and Allergy Foundation of America <a href="http://www.aafa.org">www.aafa.org</a></td>
</tr>
<tr>
<td>National High Blood Pressure Education Month</td>
<td>May</td>
<td>National Heart, Lung, and Blood Institute Health <a href="http://www.nhlbiinfo@nhlbi.nih.gov">www.nhlbiinfo@nhlbi.nih.gov</a></td>
</tr>
<tr>
<td>National Cancer Survivors Day</td>
<td>June 1</td>
<td>National Cancer Survivors Day Foundation <a href="http://www.ncsdf.org">www.ncsdf.org</a></td>
</tr>
</tbody>
</table>
Medication Matters
The following article, written for your members, offers tips for staying well while traveling.

Staying Healthy When Traveling
Even paradise can be a miserable place when you’re sick. Knowing how to stay healthy while traveling can help you avoid illness and enjoy your time away.

Washing Your Hands
One of the best ways to avoid getting sick is to wash your hands properly and regularly. This is especially true when traveling, as you are more likely to be around large groups of people, sometimes in enclosed spaces where you may be exposed to germs you don’t normally encounter. The following handwashing instructions are from the Centers for Disease Control and Prevention:
- Wet your hands with clean running water and apply soap. Use warm water if it is available.
- Rub hands together to make a lather and scrub all surfaces.
- Rinse hands well under running water.
- Dry your hands using a paper towel or air dryer. If possible, use your paper towel to turn off the faucet, which may have germs on it from previous users.

If soap and clean water are not available, use an alcohol-based hand sanitizer to clean your hands. Alcohol-based hand sanitizers significantly reduce the number of germs on skin and are fast-acting. When using an alcohol-based hand sanitizer:
- Apply product to the palm of one hand.
- Rub hands together.
- Rub the product over all surfaces of hands and fingers until hands are dry.

Always keep a small bottle of alcohol-based hand sanitizer or hand wipes with you, so you can keep your hands clean wherever you go.

Managing Medications Away From Home
If you take prescription medications, thinking ahead can help you stay on track with your treatment and feel well while you’re on the road.
- Before your trip, make a list of your medications and note whether you will need any refills before you leave.
- Know the storage requirements for your medications and prepare special carrying cases for medications that must stay cold. These carrying cases are often available from the manufacturer, or you can ask your pharmacist how best to keep the medication cold.
- Keep prescription medications in the original container with your name and instructions on the label. That way they might be returned to you in case you leave them behind accidentally. And by keeping them in the original container you won’t have to worry about forgetting the instructions.

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• If you’re traveling by airplane, keep more than enough medication in your carry-on luggage in case your checked luggage is lost or delayed.
• Ask your doctor if you should adjust your treatment when traveling, especially if you are traveling across time zones.
• Remember to pack over-the-counter medications, such as pain relievers and anti-diarrhea medications, as part of a travel first-aid kit.

Preparing for International Travel
If you’re traveling to another country, you’ll need to take a few extra steps to stay healthy while you’re away.

Vaccinations
It’s important that you are up to date on routine vaccinations before an international trip. This can help protect you from illnesses that are rare in the United States but common in other parts of the world.

The need for certain routine vaccinations can depend on your health and any risk factors you might have. Routine vaccinations include:

- Flu
- Hepatitis A and B
- Herpes zoster (shingles)
- Human papillomavirus
- Measles, mumps, and rubella
- Meningitis
- Pneumonia
- Tetanus, diphtheria, and pertussis
- Varicella (chicken pox)

You may also need additional travel vaccinations, depending on your destination.

You may need some of the following vaccinations:

- Japanese encephalitis
- Polio
- Rabies
- Typhoid
- Yellow fever

Ask your doctor which vaccinations you will need. Be sure to plan ahead, because many vaccinations should be received four to six weeks before your trip.

Water and Food Safety
When traveling internationally, be careful about what you eat and drink. Some foods, particularly those from street vendors or food stands, may not be prepared or stored properly, and could make you sick. In places with poor water quality, you may also want to avoid drinking tap water to reduce the risk of diarrhea. Stick to bottled water and beverages without ice. If you are planning to travel to an area known to have poor water quality, ask your doctor if you should take prescription antibiotics along with you on your trip.

No matter where you’re traveling, a little careful planning can help ensure that your next trip isn’t interrupted by illness.
References
Medication Matters

Rx Drug Update and New Rx Indications
• Pharmaceutical News Harvest™ (www.internetdrugnews.com)

Value-Based Benefit Design Can Lower Costs

For general information about Walgreens Health Initiatives products and services, call 800-926-6779, e-mail whi@walgreens.com, or visit WalgreensHealth.com/pbm.

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