

ARXCEL 2008

**Prescription Benefits Management
Research Survey**

September 2008



EXECUTIVE OVERVIEW

ARXCEL PRESCRIPTION BENEFITS SURVEY

September 2008

FINDINGS AND CONCLUSIONS

◆ Causes of High Prescription Benefits Costs

Among benefits, compensation, and human resources executives within corporate America, rising prescription benefits costs are seen as being caused by:

- Direct-to-consumer advertising, followed by the expense of developing new drugs
- Direct-to-consumer advertising has historically been pegged as the primary culprit in Arxcel's surveys for seven years in a row. While in the first year, it was seen as the primary culprit by 6 in 10 of respondents. Result levels declined but have since plateaued from one-third to one-half of respondents. Therefore, a steady number of benefits executives continue to place blame with pharmaceutical companies' product ads directly targeting consumers
- Close behind direct to consumer advertising, is research and development costs. This area has consistently received attention as the second leading cause over the life of this annual study.

It is interesting to note that the two responses chosen most frequently by survey participants over a seven-year period are direct functions of pharmaceutical companies, whereas other possible causes (inflation, aging of the population) are external to pharmaceutical companies' control.

◆ Possible Solutions

Corporate executives believe that the most likely solutions to escalating prescription benefits costs center around:

- Patient education and increased clinical oversight, and providing incentives for using mail order service
- The least favored potential solution selected was educating doctors and limiting coverage.
- A new option added this year, government involvement in prescription pricing was viewed unfavorably by most respondents.

◆ Member Cost Share of Prescription Drugs

This year, respondents were asked their opinion of the ideal level of co-payments for pharmaceuticals and then what level of co-pay their employees actually pay at the drugstore.

- Respondents continued to lean toward a slightly higher co-pay as being the ideal, and the levels of their company's actual co-pays stayed at the middle level (up to a 30% co-pay) 2008. Close to nine in ten respondents thought the ideal co-pay should be less than 30%.
- This year, a handful of respondents independently volunteered that their company's co-pay was more than 0 but less than 10%.

◆ Perceptions of Presidential Candidates

Since 2008 is a presidential election year, respondents were asked about the two major party candidates relative to health care.

- Neither candidate received a significant majority from our respondents. McCain and Obama were in a statistical tie on the question of which could improve health care delivery in the United States. Each garnered about one quarter of the respondents. One-fifth of the respondents could not choose either candidate, and 1 in 10 specifically chose Neither.
- On the candidate's health insurance plan description, four in ten respondents gave McCain's plan a positive rating, while about one-third gave Obama's plan a positive rating.
- McCain also received a greater percentage of responses on the question of after four years, who would be more likely to have better affected the quality and cost of health care. However, one-quarter of respondents could not choose either candidate for a response.

For detailed survey results, please see the Executive Summary, following.

EXECUTIVE SUMMARY

ANNUAL ARXCEL PRESCRIPTION BENEFITS SURVEY

September 2008

INTRODUCTION

This is the seventh annual study commissioned by Arxcel regarding the impact of and perceptions toward prescription benefits provided as a part of employee health benefits in corporate America.

To accomplish the purpose, a primary research survey among corporate executives residing in employee benefits, compensation, and human resources departments was conducted. As in past years, the population surveyed consisted of benefits-knowledgeable executives from companies that employ 1,000 or more people at all of a company's locations. Both privately-and publicly-held companies participated.

The study examined the respondents' perceptions regarding causes of high prescription benefit costs, potential solutions for slowing continuing cost increases, and premium and co-payment price points. Since this survey year is a presidential election year, participants were queried on their perceptions of the two major party candidates relative to health care delivery.

Lastly, the study captured the demographic profiles of respondents, including the number of individual lives their company's benefit plan covered, title of respondent, and geographic location.

Key findings are summarized in the following Executive Summary.

METHODOLOGY

This study was conducted during August and September of 2008. The study utilized telephone research interviews to capture the information desired. Almost 100 (97 to be exact) usable survey interviews were completed with corporate executives from companies across the United States that employ at least 1,000 employees at all of their company's locations.

The sample was randomly selected from a list of companies and executives purchased from a nationally known business list provider. While the sample is not large enough to be considered a scientific study of the total population of large U.S. companies, the sample is large enough to provide an understanding of the perceptions of this population and to identify some basic trends. Based on the population and the sample of 100, the survey has a margin of error of $\pm 10\%$.

In order to qualify as a completed interview, respondents had to be willing to complete the entire survey.

Telephone calls were placed during the working day of the four U.S. time zones and respondents represent most of the fifty states.

EXECUTIVE SUMMARY OF FINDINGS

Causes of High Prescription Benefit Costs

Respondents were read a list of causes that contribute on various levels to the escalating cost of prescription drug benefits. This is the seventh year that this question was asked with the same response choices. When asked to select the one cause that they believe plays the largest role in these escalating costs, the survey revealed that:

- Direct to consumer advertising, which had been the leading response in previous surveys, was again selected most often as the one cause playing the largest role in escalating prescription prices. 33% of the respondents chose direct to consumer advertising in 2008. Although the 2008 response level was less than 2007's, it is in keeping with the response levels for 2006, 2005 and 2003. By comparison, in previous years:
 - In 2007, 45.5% chose this as the foremost cause of escalating prices
 - In 2006, 36% of respondents chose this as the foremost cause
 - In the 2005 survey, 30% of the respondents chose direct to consumer advertising
 - In the 2004 survey, 40% of respondents chose direct to consumer advertising
 - In the 2003 survey, the number of responses was similar to 2004 results with 38.6% choosing direct to consumer advertising
 - And in the 2001 survey, the overwhelming majority of respondents (6 in 10, or 61.3%) chose this as the number one cause

Although the level of "blame" attached to this cause has decreased from the first survey in 2001 (when direct to consumer advertising was newer to the marketplace and television airwaves), it has held steady as being seen as the main culprit by at least one-third of all respondents for seven years in a row.

The remaining causes that respondents saw as contributing to escalating prescription costs were as follows:

- The expense of developing new drugs was chosen this year by 27.8% of respondents. This is close to the results from the previous four surveys, where 24.6% saw this as the primary cause in 2007; close to 26% of the respondents in 2006; 29% in 2005; and 25% in 2004
 - 17% chose this cause in 2003;
 - 20% chose it in 2001

- Aging of the population was noted as the principal cause of developing new drugs by 15.5% of 2008's respondents. This is very similar to its selection by 16.8% of the respondents in 2007 and 16% of the respondents in both 2006 and 2005.
 - 10% of the respondents chose this reason in 2004,
 - 9.9% in the 2003 survey and
 - 10.7% in the 2001 survey

It should be noted that the aging population and its impact on the United States has been a topic on the news forefront more frequently since 2006 when the first wave of baby boomers hit 60 years old.

- The increased price of medicines due to inflation was chosen by 13.4% of the respondents in 2008. This is double the response level in 2007. Only 6.9% of 2007's respondents chose this cause. However, this cause had been at 14% in 2006 and 20% in 2005
 - The 2004 research showed that 18% chose this cause
 - In 2003, this figure was 22.8%
 - In the 2001 survey, 4% chose this as the number one cause

Historical Trend: Cause Playing Largest Role in Escalating Rx Prices

Year	Direct to Consumer Ads	Research & Development Costs	Aging of Population	Inflation	Changes in Use of Pharmaceuticals
2008	33.0%	27.8%	15.5%	13.4%	10.3%
2007	45.5%	24.6%	16.8%	6.9%	6.0%
2006	36.0%	26.0%	16.0%	14.0%	8.0%
2005	30.0%	29.0%	16.0%	20.0%	5.0%
2004	40.0%	25.0%	10.0%	18.0%	10.0%
2003	38.6%	17.0%	9.9%	22.8%	4.0%

It should be noted that this survey was taken at a time when inflation earned significant media attention. During the months leading up to the survey, cost of living, particularly the cost of energy, continues to rise. For reference, the Consumer Price Index for the last 2+ years is included below.

	J	F	M	A	M	J	J	A	S	O	N	D			
2006	0.6	-0.1	0.2	0.5	0.3	0.3	0.5	0.4	-0.4	-0.5	0.1	0.6			
2007	0.1	0.3	0.5	0.3	0.5	0.3	0.2	0.0	0.4	0.3	0.9	0.4			
2008	0.4	0.0	0.3	0.2	0.6	1.1	0.8	-0.1							

Source: Bureau of Labor Statistics, U.S. Dept. of Labor

- Changes in use of pharmaceutical product was selected by 10.3% of the respondents in 2008
 - 6% of the respondents chose this cause in 2007 and 8% in 2006
 - In 2005, this cause had dropped to 5% from 2004, when it was selected by 10% of respondents
 - The 2004 result was consistent with the response received in 2003 which was 10.9%
 - This reason was chosen by 4% of respondents in the 2001 survey

Overall, the general order of “primary culprit” causes has not changed since the first survey seven years ago. Pharmaceutical company advertising continues to be seen as the most significant cause of high prescription costs, with research and development costs continuing to rank as the second or third most likely cause in rising pharmaceutical costs.

Possible Solutions for Slowing Pharmacy Cost Escalation

As in previous surveys, respondents were asked to rate a series of potential solutions on the viability of each as a solution for slowing down the cost increases in prescription benefits. They were asked to rate the solution on a scale of 1 to 4, with one meaning the solution would have the most potential impact on deescalating prices and four meaning it would have very little impact.

An individual response rating the potential solution a 1 or a 2 would be seen as a favorable or positive rating, while a rating of a 3 or 4 would be unfavorable toward the solution having any real potential as a solution to this stated problem.

The potential solutions that netted the top three most positive responses were, in order, patient education, increasing clinical oversight, with incentives to use mail order and increasing member cost share essentially tying for third in viability.

Note that there was only a twelve-point differential among the top four most favored solutions, thus indicating a lack of overwhelming enthusiasm for any one potential solution.

1. Patient education about cost effective use of medicines

- Came in as the highest rated solution with 80.4% of 2008 respondents rating this as a 1 or 2 favorable response, an upward shift of five points from the previous year.
- In 2007, 75% of respondents chose this as a 1 or 2 favorable response. 2006 had the same result.
 - In 2005, 66% rated this a 1 or 2
 - In 2004, 58% of respondents had a favorable response to this solution, rating it a 1 or 2
 - In 2003, 67.3% rated it a 1 or 2

2. Increasing clinical oversight

- This option swapped places with mail order service incentives this year
- In 2008, 73.2% gave this solution a favorable rating, close to 2006's results and higher than any other year since starting this annual research project. This continues this solution's upward trend as a possible favored solution.
- In 2007, 66.3% gave this a favorable rating of a 1 or a 2
- In 2006, 72% of respondents gave this solution a positive rating
- This continues to be up from 2005's results where there was a split decision of 53% positive versus 47% giving it a low rating of 3 or 4
- This is back up over where the results were in 2004 at a 61% positive rating and a 60.4% positive rating in 2003

3a. Providing incentives to use mail order service

- This solution was high on the list again. 69.1% of respondents rated it a 1 or a 2 in viability.
 - In 2007, 69% of respondents rated it a 1 or 2.
 - In 2006, 69% also gave this potential solution a rating of 1 or 2

This is the third year in a row that the pool of respondents was consistent in its evaluation of its potential viability.

- In 2005, 7 in 10 respondents rated it a 1 or a 2
- In 2004, 50% of the respondents rated it a 1 or 2.
- In 2003, 72.3% gave it a 1 or a 2.

For five of the last seven surveys, 69% or more of respondents saw this as a viable solution.

3b. Increasing the member's cost share through tiered co-payments or overall higher co-payments

- Was rated a 1 or a 2 by 68.1% of respondents in 2008, just one point behind mail order service incentives, hence a "tied rating."
- In 2007, 60.4% of respondents gave it positive ratings
- Although the 2008 result was a "bump up" from 2007, this result is still much lower than the original popularity rating it had of 81.2% in our first survey
- It was selected by 65% of respondents as a good potential solution in 2006
- While in 2005, 7 in 10 respondents saw this as the most viable solution with 70% rating this a 1 or a 2
 - 71% rated it a 1 or 2 in 2004
 - 81.2% gave it a 1 or 2 in 2003

4. Educating doctors on the cost of pharmaceuticals and their proper use

- In the past, except for 2007, there was little consensus on the viability of this option.
- In 2007, two-thirds, or 65% rated doctor education as a 1 or a 2.

However, this year, results are back to being split among respondents. In 2008, 56.7% rated this solution a 1 or a 2 with 43.3% saying it was not a viable solution. This is similar to previous years:

- In 2006, 54% rated this a 1 or a 2 and 46% gave it a 3 or 4
- 48% rated this a 1 or 2 in 2005 and 52% gave it a 3 or 4
- While in 2004, 46% rated this a 1 or 2 (a drop from 53.4% in 2003) and 54% rated it a 3 or 4 in 2004 (46.6% in 2003)

5. Limiting coverage for high cost medications

- Popularity of this potential solution remained unchanged from last year. In 2008, 49.5 of respondents gave it a favorable rating compared to 50.5% unfavorable.
- Likewise, in 2007, only half of respondents (49.5%) gave it a 1 or 2 positive rating
- In 2006, 64% gave this a favorable rating of a 1 or 2
- In 2005, 61% gave this a favorable rating of 1 or 2, same as 2004 and similar to 2003 at 60.4%

6. Government involvement in prescription prices

- This new option was added for this year's survey. It was the least popular among all seven choices.
- Only 37.1% gave it a positive rating while 6 in 10 respondents (62.9%) said it not a good option

Price Points and Member Cost Share

Single Employee

When asked what their company's total monthly cost was for its prescription benefit program for a single employee, again about 6 in 10 (62.9%) of the respondents could not break out this cost. This is consistent with an increase in "Don't Know / Not Sure" answers seen in the past. The reason cited by almost all those who said they did not know was that their company's prescription benefit premium was included or "carved in" with their overall health insurance premium.

By comparison, in the 2007 survey, 63.4% of respondents and in the 2006 survey, 54% of respondents said they could not name the total monthly cost for their prescription benefit for a single employee. In the 2005 survey, 70% of the respondents did not know or were not sure of this approximate figure. In the 2004 survey, only 27% could not name the figure, while in 2003, 50.5% did not know the amount of the prescription benefit portion of the total health premium.

It is a little difficult to see details of a shift in premium costs cited over the years because so many were unsure of the breakout figure. Of the total respondents and those who did have knowledge of their prescription benefits premium for a single employee:

- In 2008, 9.3% said their single employee prescription benefit cost was less than \$30
 - In 2007, 11.9% said their single employee prescription benefit cost was less than \$30
 - In 2006, 9% said their single employee prescription benefit cost was less than \$30.
 - In 2005, 10% said it was \$30 or less compared to 13% in 2004 and 15.8% in 2003
- In 2008, 17.5% said their single employee cost was between \$31 and \$45
 - In 2007, 5% said their single employee cost was between \$31 and \$45
 - In 2006, 12% said the single employee cost was between \$31 – 45
 - In 2005, 4% said it was between \$31 – 45 compared to 12% in 2004 and 13.9% in 2003
- In 2008, 6.2% said their single employee cost was between \$46 and \$60
 - In 2007, 10% cited the \$46 – \$60 range, whereas
 - In 2006, 15% cited this range
 - In 2005, 6% said it was between \$46 – \$60 compared to 29% in 2004 and 8.9% in 2003

- In 2008, 2.1% cited the next highest range of \$61 to \$74
 - In 2007, no one cited the \$61 – \$74 compared to only 5% in 2006
 - In 2005 also , No one cited the \$61 – \$74 figure range
- This year, no respondents cited the highest range of \$75 and up
 - In 2007, 7% said it was more than \$75 compared to 5% in 2006
 - 9% said it was \$75 or more in 2005 compared to 17% in 2004 and 8.9% in 2003

Employee Plus Family

The results were similar when the same question was asked relative to their company's total monthly cost for its prescription benefit program for an employee plus family. Again, in 2008, 63.9% did not know or were not certain of the answer, compared to 63.4% in 2007.

In 2006, 55% said they could not cite a figure. In the 2005 survey, 72% said they did not know or were not sure of this approximate figure. In 2004, 29% did not know and in 2003, 51.5% did not know the figure.

Among total respondents and those who did have knowledge of their prescription benefits premium for an employee plus family:

- In 2008, 9% said their family premium was less than \$75
 - In 2007, 8% said it was less than \$75 compared to 10% in 2006
 - In 2005, 8% said it was \$74 or less compared to 7% in 2004 and 17.8% in 2003
- This year, 22.7% said their employee plus family premium was \$75 to \$120
 - In 2007, 12% said their company paid between \$75 and \$120. This was the same as in 2006 and close to results in previous years
 - In 2005, 11% said it was \$75 – \$120 compared to 9% in 2004 and 10.9% in 2003
- For this year, in 2008, only 3.1% said their premium was between \$121 and \$150
 - In 2007, 4% said their company premium was between \$121 and \$150
 - In 2006, it was 14%
 - In 2005, 2% said it was between \$121 and \$150 compared to 17% last year and 4% in 2003
- In 2008, no one said their family premium was in the \$151 – 200 range
 - In 2007, 4% cited the \$151 – 200 figure in 2006 compared to 5% in 2006
 - In 2005, 2% cited between \$151 and \$200 compared to 19% in 2004 and 5% in 2003
- This year, only 1% said their employee plus family premium falls in this highest range
 - In 2007 6% said their company cost for an employee plus family was more than \$200
 - It was 6.5% in 2006
 - In 2005, 4% said it was more than \$200 compared to 17% in 2004's survey and 9.9% in the 2003 survey

Premium Increases

Respondents were asked what overall percentage increase they expected in their prescription benefit cost for calendar year 2008. Similar to past years, almost 6 in 10 (54.6%) expect an increase of up to 15%

- In 2008, 16.5% expect their premium to remain the same.
 - In 2007, 17.8% expected it to stay the same
 - Similar to the 18% for 2006 and 2005, and compared to 14% in 2004 and 18.8% in 2003
- In 2008, 40.2% expect an increase of between 1 and 10%
 - in 2007, 40.6% expected an increase of 1 – 10%, compared to 46% in 2006
 - Compared to 37% in 2005, 43% in the 2004 survey and 4.8% in 2003
- For 2008, 21% expect an 11-15% increase in premium
 - In 2007, 20% expected an increase in the 11 – 15% range
 - Compared to 14% in 2006, 21% in 2005, 26% in 2004, and similar to 24.8% in 2003's research
- Only 2.1% expect a 16-20% increase in 2008
 - 3% expect an increase of 16 – 20% in 2007, compared to 6% in 2006
 - 7% selected this response in both 2005 and 2004 compared to a drop from 19.8% in 2003
- There was a slight uptick in the 20% plus range. In 2008, 2% expect this level of increase
 - In 2007 and 2006, no one said they expect it to increase by more than 20%
 - 3% cited this level of increase in 2005, 2% in 2004 and 6.9% in 2003
- 2.1% of 2008's respondents expected a decrease, which was similar to the 1% of 2007's respondents who expected a decrease, compared to 3% in 2006, 4% in 2005 and 1% in 2004
- A greater number did not know what to expect in the way of premium increases. In 2008, 22.7% said they did not know what was coming.

Passing Along the Premium Increase

When asked how much of this cost increase would be passed on to the employee as a premium increase (if there was an increase in cost), about one-third of the companies plan to pass on to the employee 50% or less of the premium increase. A notable change came in the combination of an increase in the number of respondents who said their company would pass on the entire increase to the employee and conversely, a decrease in the number of respondents who said their company would absorb the entire premium increase.

- This year, 2008, fewer companies are planning to shield their employees from the premium increase. Only 8.2% said their company would absorb the entire increase which was a drop from most of the previous years
 - There has been a steady decrease since 2003 in the number of companies willing to absorb premium increases
 - In 2007, 11% said none of the premium would be passed on
 - In 2006, 14% said the company would absorb the whole increase so that none of it would be passed on to the employee.
 - This was a change from 12% in 2005, and especially from the 18% in 2004 and just under a quarter of respondents in 2003
- This year, one quarter (25.8%) said at least 25% of the premium increase would be passed on to the employee
 - This is a shift that reflects that more companies are planning to pass on cost sharing
 - In 2007, 44.6% said their company would pass on up to 25% of the price increase to their employees
 - This is very close to the 2006 and 2005 number of 45%
 - This was an increase from 35% in 2004 respondents, as well as an increase from 2003 respondents at about 40%
- In 2008, 4.1% will move up to half the cost share to their workforce, an increase from 2007 when only 2% said they would pass on up to half of the price increase to their employees
 - The 2007 number was a decrease from the 2006 number of 4.7% and the 2005 number of 11% who said between 26 and 50% would be passed on to the employee
 - 2005's number was a decrease from 20% in 2004 but an increase from 8.9% in 2003
- No one said they would pass on between 51 and 75%
 - compared to 2007 when 2% said their company would pass on up to three quarters of the increase
 - Compared to 3% in 2006, 1% in 2005, and 6% and 4% in 2004 and 2003 respectively
- In 2008, like both 2007 and 2006, no one said their employees would have to pick up between 76 and 99% of the increase compared to 1% in 2005, down from 4% in 2004 and 2% in 2003

- But this year, almost 10% (9.3%) of respondents said the employee would have to pick up the entire premium increase
 - 2008's number is three times that of 2007's when 3% said 100% of the premium increase would be passed along.
 - 2008's number is also ten times that of 2006, when only 1% said the employee would have to pick up all of the increase, two times the 4% result of 2005, three times that of 2004 (3%) and twice that of the 5% from 2003
- 14.4% said they did not know at this time what their company would do about a premium increase
- 37.1% of respondents were not asked the question as they had answered the previous question, saying that their company's premium would stay the same, decrease, or they did not know of any premium increase or decrease.

Historical Trend Analysis of Amount of Premium Company Plans To Pass To Employee

Year	None	1 - 25%	26 - 50%	51 - 75%	76 - 99%	100%	DK
2008	8.2%	25.8%	4.1%	0.0%	0.0%	9.3%	14.4%
2007	11.0%	44.0%	2.0%	2.0%	0.0%	3.0%	
2006	14.0%	45.0%	4.7%	3.0%	0.0%	1.0%	
2005	12.0%	45.0%	11.0%	1.0%	1.0%	4.0%	
2004	18.0%	35.0%	20.0%	6.0%	4.0%	3.0%	
2003	25.0%	40.0%	8.9%	4.0%	2.0%	5.0%	

Ideal Co-Pay Levels vs. Reality

When asked about the ideal percentage of the cost of a prescription a member should contribute as a co-payment, the respondents leaned heavily toward the lower end of the scale. In addition, for the first time in seven years, respondents cited a co-pay of less than 10% as an ideal co-pay level. This was a non-prompted question, so respondents provided the single digit percentage numbers themselves.

- In the survey this year, almost 9 in 10 respondents (88.6%) said the cost share should be at 30% or less.
 - This was an increase of 10% over the result in 2007, and a 12% increase over the results of 2006 and 2005.
 - However, in 2004, 72% of respondents provided a percentage from zero to a maximum of 20%.

In 2003's survey, the responses were similar with 78% choosing figures below 20%. Both of those were a significant increase from the 2001 survey when 39% chose a level at 20% or less, however, that audience in 2001 was of a different ilk.

This year's results are as follows:

- 2.1% said it should be zero
- 11.3% cited a number of less than 10%
- 28.9% said the co-pay should be in the 10-15% range
- 21.6% said the co-pay should be in the 16-20% range
- 24.7% said the co-pay should be in the 21 – 30% range
- No one provided a number in the 31 – 40% range
- 2.1% chose a number in the 41 – 50% range
- No one said it should be higher than 50%
- 9.3% didn't know

When asked what the reality was, which is what their employees' actual co-payment is as a percentage of the total prescription cost, 70.1% of respondents said 30% or less, thus most citing a figure not too far off from their "ideal" category. Again, this was a non-prompted question. In 2007, 77.3% thought the co-pay for a prescription should be 30% or less. This number was 74% in 2006 and 58% in 2005.

This year, for the first time, some respondents said their employees pay a co-pay level of less than 10%. It appears the level of co-pays is decreasing. This may be a function of companies not passing on much of premium increases in the past. This would also reinforce survey results where higher co-pays were selected as a positive solution to escalating costs.

- In 2008, 19.6% said their employees' co-pay was less than 10%
- In 2008, 29.9% said the co-pay was 10-15%
 - In 2007, 33.7% said their co-pay was in the 10 – 15% range
 - compared to 23% in 2006, compared to 14% in 2005, and 32% in 2004
- In 2008, 20.6% cited a co-pay level in the 16 – 20% range
 - In 2007, 21.8% said their co-pay was in the 16 – 20% range
 - compared to 20% in 2006, 19% in 2005, and 34% in 2004)
- This year, 12.4% said their employees' co-pay was between 21 and 30%
 - in 2007, 19.8% said their co-pay is in the 21 – 30% range
 - compared to 31% in 2006, 25% in 2005, 22% in 2004, and only 10.9% in 2003
- In 2008, 1% recalled a co-pay of between 31 and 40%
 - In both 2007 and 2006, 1% of respondents also said it was in the 31 – 40% range
 - compared to 15% in 2005 and 2% in 2004 and 2003
- In 2008, no one cited a number between 41 and 50%
 - In 2007, 2% cited the 41 – 50% category,
 - compared to no one in 2006, 3% in 2005 and 1% in 2004
- And no one cited a co-pay in the greater than 50% range
 - 2007's results showed 2% in the greater than 50% range
 - compared to 1% in 2006, 2% in 2005 and zero in 2004 and 2003
- Also, no one said their company's co-pay was zero
 - In 2007, 2% did so and 1% did so in 2006
- 16.5% said they were not sure or did not know their employee's co-pay level

Historical Trend Analysis of Ideal Co-Pay versus Actual Co-Pay

Survey Year	Percentage who said an ideal co-pay was 30% or less	Percentage who said actual co-pay was 30% or less	Percentage who did not know company co-pay
2008	88.6%	70.1%	16.5%
2007	78.2%	77.3%	
2006	76.0%	74.0%	
2005	76.0%	58.0%	

Perceptions of Major Presidential Candidates Relative to Healthcare Delivery

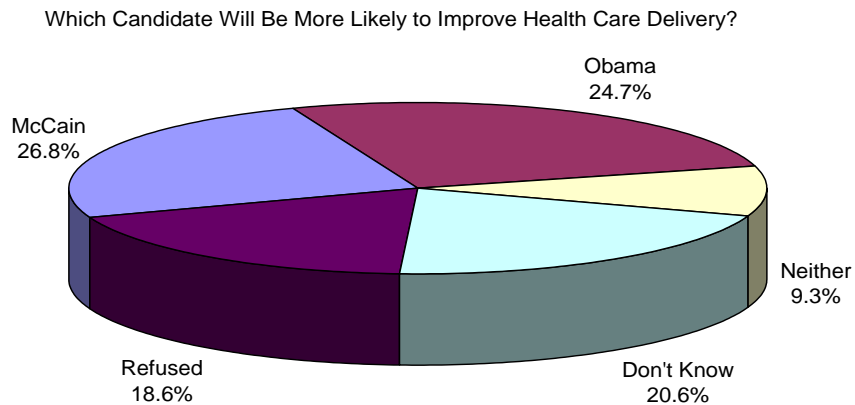
2008 was unique in the history of this survey as it is a presidential election year. We wanted to find what the survey participants thought about the major candidates relative to healthcare delivery and the cost and quality of same.

The Presidential Candidates and Healthcare Delivery, Quality and Cost

Respondents were asked which candidate they felt might be more likely to improve the healthcare delivery in the United States. This was a non-prompted question, meaning that respondents were not read a list of potential answers.

Neither of the major candidates was chosen with any degree of significance over the other.

- 26.8% of respondents felt John McCain would be more likely to improve healthcare delivery
- 24.7% of respondents felt that Barack Obama would be more likely to improve healthcare delivery
 - 9.3% said that Neither of the candidates would do so
 - 20.6% said that they did not know or were not sure which could do a better job
 - 18.6% refused to respond to the question



The Presidential Candidates and Their Healthcare Insurance Platforms

Respondents were read a description of McCain's and Obama's platforms relative to providing healthcare insurance for families and asked to rate how successful they thought the plan would be if enacted. A rating of 1 would mean very successful and a 4 would mean not successful at all. A 1 or 2 was categorized as a positive rating and a 3 or 4 was categorized as a negative rating.

- The McCain position was read to each respondent as follows:

John McCain's plan is that every family would have the option of using employer coverage OR receiving a directly refundable tax credit of \$2,500 for individuals and \$5,000 for families to offset the cost of health insurance. If enacted, on a scale of 1 to 4, with a 1 meaning very successful and a 4 meaning not successful at all, how successful do you think McCain's plan would be?

- 44.3% of respondents gave the McCain plan a positive rating of a 1 or 2
- 31.9% of respondents gave the McCain plan a negative rating of 3 or 4
 - 5.2% said they were Not Sure or Did Not Know its likelihood of success
 - 18.6% refused to respond

- The Obama position was read to each respondent as follows:

Barack Obama's plan is that employers who do not offer a meaningful contribution to the cost of health coverage for their employees will be required to contribute a percentage of their payroll toward the cost of a national plan. Small employers below certain revenue thresholds would be exempt. If enacted, on a scale of 1 to 4, with a 1 meaning very successful and a 4 meaning not successful at all, how successful do you think Obama's plan would be?

- 32.9% of respondents gave the Obama plan a positive rating of a 1 or 2
- 43.3% of respondents gave the Obama plan a negative rating of 3 or 4
 - 5.2% said they were Not Sure or Did Not Know the likelihood of success
 - 18.6% refused to respond

Which Candidate Can Affect Quality and / or Cost?

Respondents were asked about the presidential candidates' potential to positively affect the quality of healthcare.

We wanted to know if four years from now, they thought the quality of healthcare would be better if McCain or Obama was president.

- 18.6% chose Barack Obama
- 26.8% chose John McCain
- 9.3% chose Neither of the candidates
 - 25.8% said they Did Not Know
 - 19.6% refused to respond

We wanted to know if four years from now, they thought the cost of healthcare would be better if McCain or Obama was president.

- 15.5% chose Barack Obama
- 28.9% chose John McCain
- 13.4% chose Neither of the Above
 - 25.8% said they Did Not Know
 - 19.6% refused to respond

Private vs. Public Sector's Ability To Influence Healthcare Quality and Cost

Respondents were asked if they thought the government or the private sector could do a better job at controlling cost and / or quality.

- 36.1% felt that Private Insurance can best control cost and quality
- 26.8% felt that Government can best control cost but not quality
- 8.2% responded that Private Insurance can best control quality but not cost
- 6.2% said that Government can best control quality but not cost
- 5.2% thought that Government can best control cost and quality
- 5.2% also thought that Private Insurance can best control cost but not quality
- 2.1% felt that Neither could do a better job of controlling either cost or quality

Sources of Information for Decision Making

Respondents were asked which sources of information they used when seeking information for making decisions on how to manage the company's prescription benefits. Note that multiple responses were applicable.

- 88.7% said they use external consultants
- 39.2% said they look to trade and industry publications
- 28.9% use Web sites
- 22.7% said they go to conferences and seminars
- 21.6% said they use in-house experts and staff
- 15.5% use associations or industry groups
- 2.1% use the consumer and general media
- 6.2% use other sources

Those who said they used industry or consumer publications were asked which publications they use the most. Keeping in mind that industry and/or consumer publications were cited by a total of 16.9% of respondents, the publications mentioned via top of the mind awareness were USA Today, the Wall Street Journal, HR Executive, HR Magazine, Drug Topics, and Med Ad News

Demographics

Lives covered

The respondents represented an excellent cross section of company sizes across the United States.

- 43.3% of respondents' companies covered less than 5,000 lives
- 24.7 covered between 5,000 and 10,000 lives
- 10.3% covered between 10,000 – 15,000 lives
- 11.3% covered between 15,000 to 25,000 lives
- 9% covered between 25,000 to 50,000 lives
- 1% covered between 50,000 to 75,000 lives
- There were no respondents in the 75,000 – 100,000 or 100,000 or more lives categories

Respondents' Titles

Most respondents deal daily with the issues addressed by the research and were in executive positions in their companies

- Directors of Benefits and/or Compensation accounted for 14.4% of the respondents
- 17.5% were Directors of Human Resources or Director of Personnel
- 4% were at the Vice President level
- 27.8% were Managers of Personnel, Human Resources or Benefits
- 19.6% were Benefits Administrators
- 7% were Senior Benefits Analysts
- 6% were Other

Geographic Breakdown

There was a good sampling from all over the United States

- 19.6% of the respondents were from the Northeast Region of the U.S.
- 38.1% were from the Southeast
- 25.8% were from the Midwest
- 8% were from the Southwest United States
- 8.2% were from the Pacific and Northwest area

Graphs of survey responses available upon request.

Contact: Lindsay Glatz, Deveney Communication (504) 949-3999 lglatz@deveney.com