

FELLOW AND FUTURE MEMBERS

SEPTEMBER 1, 2011

PTRX, the Fund's Pharmacy Benefit Management Company gave us a performance summary that ended on March 31, 2011.

It was noted that if we had not transitioned to mail order with PTRX the projected cost to the Fund from inception would have been \$10.4 million. The cost of medications resulting from transitioning to mail order during this same period came to \$8.4 million. A savings of approximately \$2.0 million was realized.

One point of interest: we would like our members to know that negotiations are going on all the time trying to lower service fees on contracts. An example is the cost of PTRX services. The initial service charge by PTRX for our mail service was \$5.00 per member per month. Staff has negotiated the present fee to \$2.00 per member per month. This translates to a sizable saving.

The use of Generics has increased only 1% in the last 9 months. The total contribution to total claims cost are as follows: Brand names amounted to 69%; Generics amounted to 23% and Specialty drugs amounted to 8% of all medication costs.

Brand name medications cost the Fund per member/ per month \$113.54, while costing the member \$32.34. On the other hand, Generics cost the Fund per member/per month \$47.79 and the member pays nothing if in-network. This illustration shows the tremendous savings generated by using Generics.

During the period covered 1/11/2011 to 3/31/11 (79 days), Cardiovascular Disease cost a total of \$567,760, Diabetes cost \$219,836, and reflux disease (heart burn) & Ulcers \$121,966. These are the three therapies that cost the Fund the most in benefits. Coincidentally, these illnesses are directly related to life style. Exercise and a sensible diet can make a world of difference in the lives of our members that suffer from the above-mentioned maladies. These simple changes can dramatically impact benefits costs.

This being said I will do something I have never done before. I will reprint a copy of a Grapevine issue printed in May 1, 2010. It pertains to Generics, their make up and their efficacy.

This is my experience: I had been taking Lipitor for many years. I complained to my doctor of having aches and pains. He suggested that I change from Lipitor, a medication for high cholesterol, to Simvastatin, a Generic.

I took the billing statement that came with the first delivery of Simvastatin to the Fund office, not bothering to open it. A staff member told me that there was nothing to apply to the deductible. Then I realized that I had not paid anything for the drug.

Previous to this, when I was on Lipitor, I would be charged about \$90.00 as my part for a three-month supply. The Fund probably paid in excess of \$300.00 for each prescription. The cost of my prescription to the Fund for Simvastatin was about \$8.00.

This one transaction exemplifies the tremendous saving not only to the member, but also the Fund. I don't know if the change of medication had anything to do with it, but my last physical showed all my cholesterol levels had improved.

I had misgivings about using Generics for my medication. I felt that they were sort of a secondhand, less effective medication. However, after hearing presentations and doing some research on Generics, I found some interesting facts about Generics.

A Generic drug is identical, or bioequivalent, to a brand name drug in dosage form, safety, strength, route of administration, quality and performance characteristics and intended use. The FDA requires drug manufacturers to show that the Generic version enters the bloodstream the same way, contains the same amount of active ingredient and comes in the same dosage form as the brand name drug. Also all drug manufacturers go through a strict FDA quality control review process to ensure the Generic version has the exact same safety and efficacy profile as the original brand medication.

I was always skeptical because a Generic drug did not look the same as its brand counterpart. The reason for this is that the U.S. Trademark law protects the look and appearance of brand-name drugs, by prohibiting two medications from looking identical. Other than appearance, Generics are the same as brand names.

We ask our members to consult with their doctor about using Generic medications. The decision to use Generics is solely yours with the advise of your doctor.

Presently there are many initiatives in motion that can seriously impact our Fund. All pension and health funds are under a huge

microscope. There is a general perception among the general population that all funds have run away with the bank. Adding seriousness to this misconception is the fact that medical costs are still rising at alarming rates. The Fund Trustees are continuously looking at ways to cut costs. We are doing our best at being proactive in meeting the actuarial assumptions of the Fund. We cannot do this alone. We need everybody's help.

We know and we want our members to know that one of the biggest money savers is the use of Generics. We have come to the point where we must all do our share. We can all start doing our part by transitioning to Generics. Let's all work together to bring Generic utilization to a higher percentage. It will save the members a lot of money and help postpone the possibility of having to decrease benefits.