OPTUM TOTAL CARE MANAGEMENT
SHAPING INDUSTRY TRENDS FOR WORKERS’ COMPENSATION
A 2018 review of the prevailing industry influences impacting claim outcomes
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2018 INDUSTRY TRENDS

2018 proved to be another successful year and led to positive outcomes for our payers and for the industry. Our Optum programs and services helped control overall pharmacy utilization and costs including a substantial and continued drop in opioid utilization. As we review our 2018 pharmacy results, we will also expand on how this may impact ancillary, PPO and settlement solutions.

With our years of experience and expertise in the workers’ compensation and auto no-fault industries, we understand an injured person’s medical treatment often requires more than just a prescription. This is why the Optum focus is on Total Care Management.

TO HELP PEOPLE LIVE HEALTHIER LIVES
AND TO HELP MAKE THE HEALTH SYSTEM
WORK BETTER FOR EVERYONE.
With Total Care Management, the Optum solution helps to manage all the possible treatments in a claimant’s care, from the prescription, to a leg brace, to physical therapy, to a visit to a specialist, to home health services, all the way to claim resolution.

We are poised to help manage an injured person’s entire treatment through the complete claim lifecycle. This holistic view of an injured person’s care includes pharmacy care, ancillary services, PPO network services and settlement services all of which help claims professionals make well-informed clinical decisions and lead to overall positive clinical and financial outcomes.
THE OPTUM TOTAL CARE MANAGEMENT SOLUTION

The Optum solution is driven by an expanding network, proprietary data analytics, comprehensive clinical care management and industry-leading technology that can help you:

- Shorten claim duration
- Make well-informed clinical decisions
- Improve clinical outcomes
- Lower claim costs
- Reduce risks
- Streamline processes

As we look back on 2018, you will see the influence of Total Care Management as our services and programs intertwine to make sure that every injured person has the right treatment, for the right duration and at the right cost.
PHARMACY CARE SERVICES
AVERAGE PRESCRIPTION COST REACHES 10-YEAR LOW

The impact of the Optum pharmacy care services helped lead to good news for our payers as we saw an 8.3% decrease in average cost per claim. This is the highest decrease in average prescription cost we have reported in over 10 years.

Average prescription cost per claim

↓ 8.3%

Average wholesale price  Change in utilization  Change in product and claim mix

↑ 4.1%  ↓ 7.3%  ↓ 5.1%

THIS SUBSTANTIAL DROP WAS DRIVEN BY A FEW FACTORS

A 4.1% increase in Average Wholesale Price (AWP) is the lowest drug inflation increase that we’ve seen in 10 years.

A 7.3% decrease in utilization highlights a trend of overall decreasing medication use.

A 5.1% decrease in product and claim mix is the direct result of our clinical programs as we alert and intervene on claims to improve key areas, such as the use of generic medications and less costly medication alternatives, or to promote more favorable clinical changes to the treatment regimen.

• Our pharmacy results were derived from paid workers’ compensation transactions covering 2017 and 2018

• More than 850,000 claims and about nine million prescriptions were analyzed

• The data includes in-network prescriptions captured through the application of our network enforcement solutions for our workers’ compensation

• The data excludes clients who have had less than a two-year history with our company
While the opioid epidemic continues in the United States and our industry, Optum has made many positive strides to take control of this issue to lower costs, lower risks, provide effective care and promote safety for the injured person.

- Our **ever-expanding network** of pharmacies and providers helps ensure that every injured person has access to the appropriate medication, ancillary service and specialist or clinic to help them manage their pain.

- Our **industry-leading pool of data** from prescribers and injured parties, help us look closely and holistically at every claim to identify those that are high-risk and then alert the provider, payer or injured person of alternative therapies as appropriate.

- Our **comprehensive clinical care management** program provides continuous options and interventions to ensure treatments are effective, safe, and follow evidence-based clinical guidelines.

- Our **proprietary and easy-to-use technology** provides the appropriate actionable alerts, recommendations, and information on every claim so that claims professionals can make well-informed decisions and track an injured person’s treatment history and progress.

The impact of our complete program led to a 6.9% decrease in morphine equivalent dose (MED) per claim and a 3.3% decrease in opioid utilization.
IMPACTING THE OPIOID EPIDEMIC

With all of these components working together, including aggressive formulary management, clinical interventions, communications with prescribers, regulatory actions, provider and injured person education and overall public awareness, we were able to achieve a **7.1% decrease in opioid spend** in relation to opioid claims. When all claims were considered, we saw an **18.8% decrease in overall opioid spend**. We also continued our multi-year decrease of the percentage of claims using opioid analgesics.

**Opioid spend**

\[ \downarrow 7.1\% \]

*Calculated by opioid spend divided by opioid claims.*

**Overall opioid spend**

\[ \downarrow 18.8\% \]

*Calculated by opioid spend divided by all claims.*

**Percentage of claims using opioid analgesics**

- **64.2%** in 2012
- **62.3%** in 2013
- **60.4%** in 2014
- **57.7%** in 2015
- **53.7%** in 2016
- **49.4%** in 2017
- **43.3%** in 2018
In 2018, our generic utilization and generic efficiency percentage rates remain steady and high at 86.2% and 99.7% respectively. Highlighting the importance of these numbers is the fact that, with every 1% increase in generic utilization there is a 3.5% decrease in spend.
THE IMPACT OF CLAIM AGE REMAINS STEADY

As in previous years, we found that our highest percentage of claims falls in those one year and under (51.8%). But, the claims with the highest cost are those that are 10+ years in duration (60.1%). The longer a claim remains active and treatments continue and progress, the greater the possibility the claim will become severe with more complex treatments, multiple medications, comorbid conditions, multiple providers and potential complications.

THE IMPACT OF AN AGING POPULATION

As we monitor overall claim duration, we also consider and monitor the age of an injured person as that can impact medications and treatments. By 2022, it is projected that 31.9% of those ages 65-75 will still be working. Our clinical care management program recognizes and helps to manage these aging individuals and the medications and treatments that are appropriate for their age and injury.
COMPOUNDED AND SPECIALTY MEDICATIONS

Similar to 2017, both specialty and compounded medications continue to make up less than 1% of total prescriptions, but the costs for these medications tend to remain high and require more diligent management and review. The Optum Clinical Care Management program is aligned with the unique nature of these medication types with actionable alerts, clinical letters and medication reviews in place to help inform claims professionals of potential alternatives and to monitor their utilization. This ensures that these medication(s) remain an effective form of treatment for an injured person.

In 2018, specialty medications made up 0.5% of total prescriptions in our book of business. These high-cost and high-touch medications did see an additional increase in cost per script of 4.1%.

The Optum Clinical Care Management program reviews compounded medications at the ingredient level, giving us clearer insight into several potential clinical issues including drug/drug interaction and medication duplication. Overall in 2018, compounded medications made up 0.2% of total prescriptions and 0.8% of total spend. While these numbers are similar to 2017, our program and focus on these medications helped us to achieve a 0.1% point drop in injured people using compounded medications (from 0.5% in 2017 to 0.4% in 2018.) We also saw a dramatic 36.5% decrease in compounded medication spend and a 28.1% decrease in total compounded medications prescribed.

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<th>Specialty medications</th>
<th>Compounded medications</th>
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<tr>
<td>0.5%</td>
<td>0.2%</td>
</tr>
<tr>
<td>of total prescriptions</td>
<td>of total prescriptions</td>
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SPECIALTY AND COMPOUNDED MEDICATIONS MAKE UP LESS THAN 1% OF TOTAL PRESCRIPTIONS
Opioids still remain the top medication class by spend at 26.6% in 2018, down from 29.2% in 2017. But through our efforts and the overall industry push to control their utilization, you can see that our second highest medication class is non-steroidal anti-inflammatory drugs (NSAIDs) which are also used to control pain. Our data showed an uptick in this medication class to 15.8% in 2018, up from 14.7% in 2017.
THE IMPACT TO OTHER SERVICES
FOCUSING ON COMPLETE CARE

Our book of business data shows that injured parties are taking fewer medications – especially opioid analgesics. What does this mean? How are injured persons controlling their pain?

This is where the power of the Optum Total Care Management really comes into play. We are focusing on the complete care of the injured person; not just managing and monitoring the medications they are prescribed, but also making sure that all their ancillary services, specialists, and hospital and clinical services are reviewed and managed to make sure they are clinically appropriate and effective – along with helping you control all treatment costs. All of this helps ensure a simpler transition to claim resolution or settlement as needed.

As we review our outcomes from 2018, as overall prescription use – and opioid use – decrease, we believe other ancillary services will become a larger part of an injured person’s treatment plan. From physical therapy to help with balance and strength, a TENS unit to help control pain, a brace to add stability, a specialist or clinic for additional care, we anticipate we will continue to see a move from the prescription pad to the addition of alternate therapies.
ANCILLARY SERVICES
Optum offers a complete range of ancillary services. In 2018, we began to see an increase in the utilization of some of these services and due to cost inflation, there was a 7.1% increase in their overall ancillary treatment cost. And as previously noted, as opioids decrease, we anticipate an increase in other treatment plans and therapies.

ANCILLARY GLOBAL TRENDS

Overall treatment cost increase

↑ 7.1%

DME inflation  Electromedical devices inflation  Physical therapy utilization

↑ 13.0%  ↑ 5.1%  ↑ 3.0%
SETTLEMENT SERVICES
THE IMPACT OF FEWER SCRIPTS ON CLAIM RESOLUTION

The impact of a lower prescription utilization and a higher ancillary and other treatment utilization is also seen in claim resolution and settlement.

In 2018, our total settlement value was at $1.76B, **down from $1.9B in 2017** and the number of settlements was **up 1% from last year**. This is largely due to the lower prescription rate and higher ancillary treatments.

<table>
<thead>
<tr>
<th>Total settlement value</th>
<th>Total settlement count</th>
<th>Average settlement value</th>
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<tr>
<td>$1.76B</td>
<td>↑ 1.0%</td>
<td>↓ 10.4%</td>
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This trend continued with Medicare Set-Asides (MSAs). Our total MSA value in 2018 was **$711M, down slightly** from 2017 and our MSA count was also **down 2.2%** from last year, but due to an **11.2% increase** in treatments other than prescriptions, the average MSA value was **up 5.1%**.

<table>
<thead>
<tr>
<th>Total MSA value</th>
<th>Total MSA count</th>
<th>Average MSA value</th>
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<tr>
<td>$711.7M</td>
<td>↓ 2.2%</td>
<td>↑ 5.1%</td>
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Finally, the impact of this trend is extending to the Centers for Medicare & Medicaid Services (CMS). In 2018, our total CMS value was $150.8M, which was up from 2017. While our total CMS count remained flat from last year, the average CMS value was up almost 9.5%. As additional treatments are becoming more prevalent with injured person care, CMS is asking payers for the appropriate funds to cover these treatments.

Historically, the cost of prescription medications has made up the majority of an MSA allocation at about a 60% prescription to 40% for other treatments. Over the last two years, we have seen this percentage move. In 2018, the MSA split between prescriptions and other medical treatments was much closer to 50/50 and we expect this trend to continue for the near future.
LOOKING FORWARD

As we move forward in 2019 and beyond, Optum will continue to focus on our Total Care Management approach, which benefits our payers, the workers’ compensation and auto no-fault industry and, most importantly, the injured person. Here are a few of our current initiatives:

A CONTINUING ENHANCEMENT TO OUR PPO NETWORK TO DRIVE INDUSTRY-LEADING, COMPETITIVE SAVINGS AND PENETRATION. OUR PPO NETWORK WILL:

• Provide exclusive access to the OneNet Network, the UnitedHealthcare workers’ compensation network. Currently we are the sole distributor of this network in: Washington D.C., Delaware, Florida, Georgia, Maryland, North Carolina, Pennsylvania, South Carolina, Tennessee, Virginia and West Virginia and we have plans to expand to other states as well.

• Implement a Physician Dispensing Program integrated with pharmacy to measure not only the physician behavior change, but what that means to the injured person in medication dispensed, additional scripts and overall total cost.

• Continue to improve our provider demographics and provider communication.
LOOKING FORWARD

INNOVATION AND ADVANCEMENTS TO OUR ANCILLARY PROGRAM THROUGH AN AGILE WORK ENVIRONMENT.

As we continue to see an increase in non-prescription treatments, we are focusing on our ancillary services with enhancements to VitalPoint® claims portal to provide product conversions, an injury-based formulary, recommendations from prescription data, point-of-care alerts and options, and clinical alerts, all of which will help us proactively manage the complete claim.

A CLOSER LOOK AT BEHAVIORAL HEALTH AND ITS IMPACT ON CHRONIC PAIN AND OVERALL CLAIM MANAGEMENT.

There is a rising concern related to the impact of mental illness on society today with nearly one in five Americans experiencing a mental health issue every year. Furthermore, mental illness results in lost earnings of $193 billion dollars annually. For workers’ compensation and auto no-fault claimants, this concern is elevated as up to 60% of patients suffering from pain have mental health challenges such as substance use disorder, anxiety and depression.

We are investigating a pilot program that uses medication and lab triggers and risk scoring to identify claimants who may benefit from a comprehensive bio psychosocial evaluation and multi-faceted treatment plan to resolve high-risk and high-cost issues of long-term opioid therapy. By acting early in the claim, the program could help improve clinical outcomes, transition the claimant from opioid analgesics, and facilitate claim resolution.
ONE OPTUM. ONE SOLUTION.
TOTAL CARE MANAGEMENT.
The **Optum Total Care Management** is an industry-defining and thought-leading approach to care that benefits our payers, the workers’ compensation and auto no-fault industry and, most importantly, the injured person. Our expanding network and enforcement programs, the largest data bank in the industry and proprietary analytic tools, a comprehensive clinical care management program and proprietary, easy-to-use technology, combined with our industry expertise, government affairs advocacy, and a targeted focus on the care of the injured person – will help you achieve positive change and positive outcomes.
About Optum Workers' Comp and Auto No-fault Solutions

Optum Workers' Comp and Auto No-fault Solutions collaborates with clients to lower costs while improving health outcomes for the claimants we serve. Our comprehensive pharmacy, ancillary and managed care services, including settlement solutions, combine data, analytics, and extensive clinical expertise with innovative technology to ensure claimants receive safe, efficacious and cost-effective care throughout the lifecycle of a claim. For more information, email us at expectmore@optum.com.

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