

medco[®]

AT THE HEART OF HEALTH™

Commonwealth of Virginia and Medco

together at the heart of health

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April 22, 2008



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April 18, 2008

Dan Hinderliter
Director of Contracts and Finance
Department of Human Resource Management
101 N. 14th Street, 12th Floor
Richmond, Virginia 23219

RE: Proposal Submission

Dear Mr. Hinderliter:

In response to the posted announcement on January 20, 2008, soliciting request for proposal (RFP) responses to the unsolicited proposal to provide Patient Care Coordination and Provider Coordination of Services for the State Employee Health Plan (OHB08-2), and in accordance with the Public-Private Education Facilities and Infrastructure Act of 2002 (PPEA), as amended Commonwealth of Virginia (COVA), Guidelines and Procedure, revised January 17, 2008, Medco Health Solutions herein submits our RFP response to Commonwealth's request for proposals for innovative approaches to address cost management across the healthcare system. A check to cover the RFP review fee, as required by the PPEA Act, is attached to the original submission.

Medco's proposal is based on Medco's continued delivery of PBM services. To respect the Commonwealth's request for care coordination and cost management proposals, rather than benefit administration, a detailed PBM proposal was not included. It is available upon request.

Medco, the most trusted pharmacy benefit and pharmacy care provider in the United States, and recently named one of Fortune Magazine's "Most Admired" companies, is uniquely positioned to partner with the Commonwealth to drive greater reductions in total healthcare costs and to improve the overall health of the employees of the Commonwealth of Virginia. Medco, along with its alliance partner, Healthways, have combined the leading attributes of their organizations to deliver Optimal Health, a personalized healthcare solution that drives greater improvements in health and economic outcomes.

With over 25 years of experience, Healthways offers proven capabilities in the delivery of disease management and care support solutions to state and federal health plans throughout the country.



The technology that fuels both companies' operations is one of the most sophisticated in the country, with a near real time transactional system, premier care management support systems and one of the largest single health care platforms in the industry.

Our commitment to innovation in healthcare support remains focused on further enhancing and personalizing the consumer experience, both through therapy management and healthcare support. By expanding our ability to reach and engage whole populations through multiple delivery channels with integrated, personalized, and proven evidence-based interventions, Medco and Healthways' goal is to maintain and improve the health of every individual.

With a foundation of leading world class technology, both Medco and Healthways have invested millions of dollars and years of resources in innovative development to create the infrastructure that delivers the personalized approach described above. Both companies continue to invest in technology and staff to advance their programs to deliver even greater financial and clinical outcomes, as well as an enhanced member and customer experience.

Optimal Health clients have access to the power of this information through analytic and benchmarking resources known as RationalIQ™

While technology is important, it is technology that has been designed and built based upon proven expertise (and with input from our specialists who use it everyday) that makes the difference. Medco and Healthways have been operating in sync and integrating their systems since day one. The insights gained from this process have led to real breakthroughs in technology and human process integration, resulting in Optimal Health advanced health and care support solutions.

The Optimal Health model is delivering advanced financial and clinical outcomes through:

- Faster engagement of members to take action to improved their health
 - Early identification of new members...and early engagement
 - Daily transmission and processing of members who are “new to diagnosis” yields up to a 90 day outreach advantage compared to traditional models
- More patient interactions – “touchpoints” – leading to more behavioral change
 - Registered nurses
 - Registered dieticians
 - Respiratory specialists
 - Health coaches
 - Specialist pharmacists
 - Benefit specialists

- Enhanced patient experience
 - More holistic view of patients by our Health Action Teams: nurses, health coaches, specialty pharmacists, and pharmacy benefits specialists, through integration of Medco and Healthways' data, workflow, and systems
 - Ability to leverage the right Health Action Team member at the right time through real time consults
- Unprecedented data management and analytic capabilities
 - Unique, proprietary on line inquiry and analytical capability for clients
 - Longitudinal multi-year experience and capability to normalize and benchmark data with sophisticated grouping and risk tools

The Combination of Medco and Healthways creates a unique model in the healthcare industry for the delivery of chronic care, health, and wellness programs to entire populations.

As the Commonwealth's PBM, pharmacy of choice, and provider of patient safety services through RationalMed, Medco currently manages prescription benefits and coordinates care between physicians for over 250,000 Commonwealth employees and their families. Medco understands your population, benefit management structure, and needs, -the relationships exist today, trusted relationships with proven results.

Furthermore, Medco brings the advantage of a local presence within the state of Virginia. In addition to the Commonwealth of Virginia, Medco also has several other companies and municipalities throughout the state that we service. [REDACTED]

In closing, we are confident Medco is the ideal partner to work with COVA to use innovative methods and technology for addressing cost while furthering the Commonwealth's objectives of creating a healthier, more competitive workforce.

Sincerely,

Peter Hoffman
Vice President, Sales, Care Enhancing Solutions



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Director of Contracts and Finance
Department of Human Resource Management
101 N. 14th Street, 12th Floor
Richmond, Virginia 23219

RE: Proposal Review Fee

Dear Mr. Hinderliter:

In accordance with the Public-Private Education Facilities and Infrastructure Act of 2002, as Amended, section B, subsection C, enclosed please find our check number 10071277 in the amount of \$5,000 for review of our proposal, "Patient Engagement, Health and Care Support; Improving Patient Health and Reducing Healthcare Costs for the Commonwealth of Virginia."

Please call us with any questions or if you require any further information.

Thank you for your consideration.

Sincerely,

Peter Hoffman
Vice President, Care Enhancing Solutions



All of the materials in this proposal and any materials subsequently disclosed in any media form that relate to this proposal ("Proposal Materials") are the proprietary property of Medco Health Solutions, Inc. ("Medco"), and all rights, titles and interests are vested in Medco. Having read and understood Sections D.1., D.2. and D.4. of the Commonwealth of Virginia's Guidelines and Procedures (rev. Oct. 1, 2006) ("Guidelines and Procedures") to the Public-Private Education Facilities and Infrastructure Act of 2002, as amended, Medco considers that some certain portions of these materials, which would give an advantage to a competitor or bidder if disclosed under the Commonwealth's Freedom of Information Act (FOIA), to be "TRADE SECRET" as defined in Va. Code Ann. Title 59.1., Chapter 26. Uniform Trade Secrets Act, § 59.1-336. Accordingly, Medco requests protection from disclosure for this document under Virginia Freedom of Information Act Section 2.2-3705.6, subdivision 11b (i) as "TRADE SECRET. These portions marked "TRADE SECRET" are provided for your exclusive use and for the sole purpose to evaluate Medco's Optimal Health programs proposed to the Commonwealth of Virginia ("the Commonwealth") and shall not be distributed, copied or made available for the use of any other party without prior written authorization of Medco. If you use any consultant or other party to review the Proposal Materials, you may divulge the Proposal Materials to them on the condition that each consultant or other party agrees to be bound by the restrictions Medco has placed on the use and disclosure of the Proposal Materials.

If you are a consultant or other party assisting or participating in the evaluation of these Proposal Materials on behalf of the Commonwealth, you either agree to the conditions outlined above, or you must return all Proposal Materials to Medco.

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April 22, 2008

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I. EXECUTIVE SUMMARY

Healthcare in America, and in the Commonwealth of Virginia, is at a crossroads. There is great opportunity and great concern. The historical stovepipe approach of “programs,” such as a medical benefit (program), a pharmacy benefit (program), a vision benefit (program), a dental benefit (program), a disease management program, a wellness program, a demand management program, a case management program, etc., etc., has been unable to meet the demands of today’s healthcare system. The inherent inefficiencies and lack of synergies among these many separate programs result in an inability for payors to be completely successful in controlling ever rising costs and assure quality outcomes. In addition, this approach is often difficult for the patients, and does not provide the level of advocacy many patients want today.

The time has come for a different approach! We need a new comprehensive, personalized approach to population health management. An approach that acts in accordance with the health needs for each individual beneficiary covered by the Commonwealth based on their health status, an approach that harnesses the power of information; an approach that delivers greater reduction in risk factors and greater improvements in the management of chronic conditions, and an approach that advocates for the patient and your organization at every moment and every opportunity.

Medco is the Commonwealth’s PBM, pharmacy of choice, and provider of member safety services through RationalMed, Medco currently manages prescription benefits and coordinates care between physicians for over 250,000 Commonwealth employees and their families.

As the most trusted pharmacy benefit and pharmacy care provider in the United States, and recently named one of Fortune Magazine’s “Most Admired” companies, Medco is uniquely positioned to partner with the Commonwealth to drive greater reductions in total healthcare costs and to improve the overall health of the employees of the Commonwealth of Virginia through its Optimal Health offering.

Medco, along with its alliance partner, Healthways, have combined the leading attributes of their organizations to deliver Optimal Health, a personalized healthcare solution that drives greater improvements in health and economic outcomes.

For more than 25 years, Healthways has been helping health plans, employers, hospitals and physicians to improve health, to enhance the fundamental care experience, and to reduce the cost of care. Healthways has established itself as a leader in the wellness and disease management arena, providing reliable, trusted wellness programming to the clients we serve.

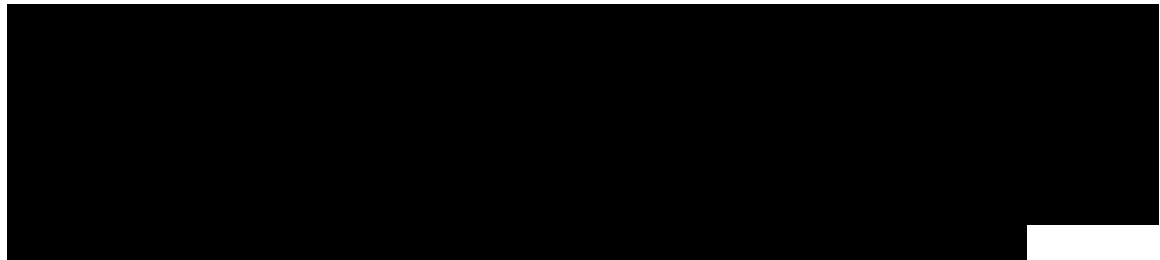
Today, Medco manages the pharmacy benefit and improves pharmacy care for over 65 million Americans- that means technology and infrastructure that processes over 550 million transactions and [REDACTED]. The technology that fuels

these operations is some of the most sophisticated in the country, and the largest single platform health care database in the PBM industry,

Over the past few years, Medco has leveraged this investment in world class, state of the art technology and advanced pharmacy to improve health and lower the total cost of care, delivering proven results today. Healthways has developed and continues to evolve a member management technology environment which is able to assist health and care support clinicians and coaches to understand, prioritize, management, and document complex members with many competing healthcare needs.

Medco's role as the PBM enables it to coordinate well with other vendors and to be able to act on the data as it becomes available. Medco's investment in online technology is unsurpassed, and our integrated data platforms provide capabilities that are critical to support patient care – both today and in the future.

Medco continues to leverage its technology and the deep experience embedded within the organization to create new models for improving health. Most recently, utilizing its technologic capabilities, Medco has realigned and physically grouped its hundreds of trained and experienced clinical pharmacist by disease state to create Therapeutic Resource Centers (TRCs). Medco's TRC's are uniquely focused and enable the capability of the highest degree of pharmaceutical care coordination in the healthcare industry. At the same time, our technology base has allowed us to individually identify into which each of 11 different TRCs across the United States each of the 60 million members will be directed when they contact Medco. A stunning capability!



Optimal Health clients have access to the power of this information through analytic and benchmarking resources known as RationalIQ™. RationalIQ™ provides visibility into health care risk factors, utilization, costs, and quality and provides access to insightful benchmarks it assesses the underlying health of your population, digs deep into problem areas, tracks performance over time, and benchmarks with external metrics to identify opportunities.

Furthermore, Medco's RationalMed® program has established communications into virtually every physician's office in the united states and more than 15+ years of actual experience coordinating care with members and physicians, with millions of health and safety interventions every year that have a record of saving both lives and money.

Our commitment to innovation in healthcare support remains focused on further enhancing and personalizing the consumer experience both through therapy management and healthcare support. By expanding our ability to reach and engage whole populations through multiple delivery channels with integrated, personalized, and proven evidenced-based interventions, Medco's goal is to maintain and improve the health of every individual, one individual at a time.

To that end, two years ago Medco entered into a ten year Alliance agreement with the most experienced disease and health management company in the industry, Healthways, to deliver health and care support services called Optimal Health®.

With over 25 years in business, Healthways brings proven experience providing disease management solutions to state and federal health plans throughout the country.

With foundations of leading, world class technology, both Medco and Healthways have invested millions of dollars and resources and years of innovative development in Optimal Health, creating the infrastructure that enables delivery personalized approach described above. Both companies continue to invest in technology and staff to advance their programs in order to deliver even greater financial and clinical outcomes, as well as an enhanced member and customer experience.

Through the alliance with Healthways, Medco successfully launched the healthcare industry's first scaled, integrated, health engagement and improvement solution that combines 25 years of proven health management experience and technology from Healthways, with the leading therapy management solutions and trusted advisor role from Medco.

By integrating real-time, member specific pharmacy services with high-touch care management outreach capabilities, we can more effectively and immediately impact behavior change, and address medication therapy issues, such as compliance and persistency, thereby better addressing a critical component of an individual's care.

The model is based on integration of both technology platforms and HUMAN processes and procedures. While technology is important, it is technology that has been designed and built based on proven experience with input from the specialists who use it everyday. Medco and Healthways have been operating in sync and integrating their systems, and the insights gained from this process have lead to a real impact on individual health via technology and human process integration. Together, we are taking meaningful steps to redefining healthcare.

Another key part of Medco's Optimal Health total population health approach is our health information and demand management solution utilizing 24 hour nurse lines. Nurses provide a 24 by 7 resource for beneficiaries, providing advice, access recommendations, and helping members get to the exact right place and person to meet their needs at that moment. The nurse line process helps each member receive a

personalized analysis and response to their needs and helps the Commonwealth more responsibly shepherd its precious financial resources.

Widely respected leadership of proven know-how in Prescription Benefits Management, Pharmacy Practice, Disease Prevention, and Disease Management are fundamental cornerstones of Optimal Health. They are also only the starting point. Our ability to deliver meaningful outcomes is amplified through this one-of-a-kind technology and process integration by enabling:

- An expansive and actionable view of an individual's health
- Appropriate health and care support whatever that individual's status
- Multiple tools, programs, and methods to engage with that individual
- Engagement in a timeframe that allows us to have the greatest possible impact on that individual's health.



The unique Optimal Health model is expected to deliver up to 20% greater savings than Healthways' historical programs due to our joint innovation:

- Faster engagement of existing members into disease management coaching
 - Early identification of new members and their engagement
 - Daily transmission and processing of new to diagnosis members yields up to a 90 day advantage compared to traditional models
- More member interactions – “touches” – leading to more members taking action to change behavior
 - Registered nurses
 - Registered dieticians
 - Respiratory specialists
 - Health coaches
- Enhanced member experience

- More holistic view of members by nurses, health coaches special pharmacists and benefits specialists resulting from integrating Medco and Healthways’ data, workflow and systems
- Ability to leverage the right Health Action Team resources at the right time through real time consults across Medco and Healthways
- Unprecedented data management and analytic capabilities
 - Unique, proprietary on line inquiry and analytical capability for clients

[REDACTED]

[REDACTED]

Optimal Health’s offers a number of unique strengths to the Commonwealth: a focus on improving the health of the entire Commonwealth of Virginia population; a commitment to encouraging individuals to take more accountability for their own health, and the resources, technology and innovation it brings to the table to support these objectives and deliver real health and financial outcomes to the Commonwealth.

To deliver on these objectives, Optimal Health is continually evaluating the population to understand evolving needs and risks. We then bring to bear the appropriate resources and capabilities to engage each individual appropriately. For the Commonwealth, this means that Optimal Health draws upon a variety of tools and an extraordinary breadth of integrated data to tailor the relationship with each individual, from initial outreach to engagement and beyond.

The Commonwealth will also be able to access to the power of this information through analytic and benchmarking resources that provides visibility into health care risk factors, utilization, costs, and quality and provides access to insightful benchmarks It assesses the underlying health of your population, digs deep into problem areas, tracks performance over time, and benchmarks with external metrics to identify opportunities.

While each individual capability or tool alone will have an impact on member health, the collective impact of the foundation of common data and analytics, and the integration of programs and services through technology, process, and organizational structure significantly amplifies the impact that Optimal Health will have on member health.

In keeping with our philosophy to improve the overall health status of the population for which we are responsible, Optimal Health offers health and care support to every individual, regardless of their health status. This ranges from immediate need to long-term chronic care support. Optimal Health includes:

- Risk assessment and health education for all
 - Outcomes-Driven Wellness: myhealthIQ
 - HRA - a member health risk assessment and personal health report
 - On-site biometric screening
 - Companion Web site
- Health support and lifestyle management for those at risk
 - Healthy Lifestyle Management (Health Coaching)
 - Smoking Cessation (QuitNet)
- Care support for those with existing conditions
 - Support for Chronic Conditions and Impact Conditions
 - High Risk Care Management
- Immediate clinical decision support for all who need it
 - A 24x7 nurse line and health information service
- Health and Safety alerts, Gaps in care, care coordination for the entire population
 - RationalMed™
- Advanced analytics to focus resources on the right areas at the right time
 - Rational IQ analytic tools for clients

The Commonwealth will have access to the full power of RationalIQ immediately, and will continue to have access to RationalIQ beyond the Optimal Health contract without any additional third party licenses required.

Commonwealth of Virginia is a valued customer of Medco. Our working relationship over the years has led to The Commonwealth maintaining low trend rates over the years by implementing various clinical program edits, mail service incentives and Medicare initiatives. Medco's depth and size brings to The Commonwealth a seasoned Account Team, and experience in servicing public sector accounts.

Medco brings the advantage of a local presence within the state of Virginia with pharmacy that does all front end processing (cognitive functions) for The Commonwealth's mail service prescriptions. In addition to the Commonwealth of Virginia, Medco also have several other companies and municipalities throughout the state that we service

This proposal highlights the innovative products and services that Medco and its partner Healthways are proposing to The Commonwealth and demonstrates why Medco is the

most knowledgeable, trusted, experienced and reliable partner for The Commonwealth to work with in using new technologies and methods for addressing cost while furthering the Commonwealth's objectives of creating a healthier, more competitive workforce.

II. QUALIFICATIONS AND EXPERIENCE

Optimal Health's qualifications go beyond the core strengths of the two organizations, each of which represent a gold standard, by combining them to deliver the most advanced and unique health and care support solution in the industry. With the launch of Optimal Health advanced health and care support solutions,. Medco and Healthways have committed to leveraging each others' unique experience and know-how to create a new model for improving health and reducing costs. This model leverages the core strengths of the two organizations.

Optimal Health already has the tools, technology, information, people, and insights to move quickly, to act deliberately and purposefully, and to engage compassionately with the individuals who need their help.

A set of distinctive capabilities are in place today and are generating results. They are continually evolving for even greater performance. Underlying these capabilities are some of the most impressive resources in the industry: real assets, real technologies and real people that are working together today, delivering an integrated offering and constantly innovating to make it even better tomorrow.

To assist The Commonwealth in understanding the breadth of the qualifications that make Medco the ideal partner for The Commonwealth the following highlights some of the unique features and capabilities of Optimal Health that are already delivering a highly personal member experience and differentiated results today.

- Optimal Health Overview
- Company overview
 - Medco Health Solutions
 - Healthways
- Relationship History
- Technologies
- Engagement capabilities
 - Member
 - Physician
 - Partner Integration
- Transparency and Reporting
- PPEA requirements

a. Overview of Qualifications

At its core, the collaboration between Medco and Healthways to create Optimal Health represents a partnership whose very establishment reflects a fundamental belief in the value of innovation and technology. The two organizations have committed to leveraging each others' unique experience and know-how to co-develop an offering whose impact on health and healthcare costs has never before been possible. That is because this 10 year partnership reflects more than the discreet benefits of proven programs, such as PBM or disease management. It represents a new approach to treating the whole health of the individual.

Medco and Healthways have combined the very best of both organizations' people, proven capabilities, years of experience, and years of learning to deliver Optimal Health, an offering that is uniquely positioned to improve the health of the individuals our clients rely upon to run their business.

Driven by the most senior leadership of both organizations, our philosophy is to improve the overall health status of the population for which we are responsible resulting in reduced health expenses for the population. We are accountable for improving the clinical outcomes of the whole identified population and for improving the total health care cost of that population.

The Optimal Health Alliance is lead by an Executive Steering Committee which is composed of top executives from both organizations. This Joint Executive Steering Committee oversees Optimal Health solutions, performance, innovation, and client satisfaction.

Executive Steering Committee

**Kenneth O. Klepper
President and Chief Operating Officer, Medco**

Mr. Kenneth O. Klepper serves as Medco's President, in addition to his role as Chief Operating Officer. Mr. Klepper is responsible for Medco's client-facing customer groups, creating end-to-end accountability at the point of contact with the customer. Mr. Klepper has executive oversight for information technology, customer service, pharmacy operations, facilities management, professional practice and change management. Mr. Klepper serves on both the Executive and Management Committees of Medco.

Mr. Klepper was appointed President of Medco in 2006. Mr. Klepper came to Medco in 2003 from WellChoice, Inc., (formerly known as Empire BlueCross BlueShield), where he held the position of Senior Vice President Process Champion from 1995 to 1999, and then held the position of Senior Vice President for Systems, Technology and Infrastructure from 1999 to 2003.

Mr. Leedle

President and Chief Executive Officer of Healthways

For the past ten years, he has led the development, marketing, sales, implementation and operations of Healthways' health plan products, a comprehensive care enhancement system designed to serve health plans' entire membership, not just the chronically ill.

Mr. Leedle joined the company in July 1985 as an Exercise Physiologist/Certified Diabetes Educator with the Diabetes Center of Excellence at St. Joseph Medical Center in Wichita, Kansas. Three years later, he was promoted to Program Manager, responsible for site operations for the Diabetes Center of Excellence at Roper Hospital in Charleston, South Carolina. In 1990, Mr. Leedle was promoted to Healthways' corporate management team in Nashville, Tennessee, and has since held several positions of increasing responsibility. He was named Chief Operating Officer in 2001 and was appointed President in May 2002, before assuming his current role as Chief Executive Officer. Mr. Leedle was elected to Healthways Board of Directors in September 2003.

Mr. Leedle has been active in the American Diabetes Association at the state level in Kansas, South Carolina and Tennessee, and served as Peer Reviewer for the ADA National Recognition process.

He earned his Master of Science Degree from Emporia State University in 1985 and his Bachelor of Arts Degree in Education from Central College, Pella, Iowa, where he graduated Summa Cum Laude. In 2002, Mr. Leedle completed the Executive Education Advanced Management Program at Harvard Business School, Cambridge, Massachusetts.

Glen D. Stettin, M.D.

Senior Vice President & General Manager, Advanced Clinical Solutions

Glen Stettin, M.D., is senior vice president and general manager of the Advanced Clinical Solutions at Medco, one of the nation's leading pharmacy benefit managers.

Dr. Stettin oversees the use of Medco's powerful integrated data resources and engagement capabilities that help improve care and outcomes for members, and lower total health care costs for payors. Dr. Stettin is also a key leader in Medco's transformation of our pharmacy practice into Therapeutic Resource Centers – each a specialized pharmacy practice staffed by specialist pharmacists and dedicated to the care of people with specific chronic conditions, such as diabetes, heart disease and cancer.

Dr. Stettin's team is dedicated to helping Medco's clients better understand and manage their medical and prescription drug plans through products and services that provide analytic tools and special programs for engaging members, their physicians and pharmacists.

Dr. Stettin has been pursuing his passion for evidence-based, data-driven health care improvement for more than 20 years. Prior to joining Medco, Dr. Stettin practiced

internal and emergency medicine in New Jersey and California, and prior to 1995, he served as clinical instructor and associate physician in medicine and emergency medicine at the University of California, San Francisco.

Dr. Stettin holds a B.A. from Lehigh University and earned his M.D. from the Medical College of Pennsylvania. He served both his residency in internal Medicine and fellowship in health services research as a Robert Wood Johnson Clinical Scholar at the University of California, San Francisco. Dr. Stettin is board certified in internal medicine.



**Janet S. Calhoun - Senior Vice President
Product Development & Management**

Ms. Calhoun serves as Senior Vice President for Healthways and is the Executive Director for the Medco and Healthways New Product Development Collaborative. Since 1995, she has been instrumental in the development and evolution of Healthways' health and care support programs, responsible for product development and long-range strategy from the conceptual stages to product design and implementation.

Ms. Calhoun joined Healthways in 1989 as a Registered Dietitian and Diabetes Educator. In 1991, Ms. Calhoun was promoted to Healthways' corporate management team in Clinical Operations, where she was responsible for in-market and corporate staff development, training for clinical programs, and new product design. Prior to leading the Medco Healthways New Product Development Collaborative, she directed the design, development, and implementation of all Healthways condition management programs for the Health Plan Group, including Healthways proprietary clinical information system called PopulationWorks. In her role as Executive Director of the Medco/Healthways New Product Development Collaborative, Ms. Calhoun is responsible for leading the design and development of next generation solutions that leverage and integrate pharmacy therapy management, health, wellness, and condition management services.

Ms. Calhoun earned her Bachelor of Science Degree from Oregon State University, serving her Dietetic Internship at the University of Virginia Health Medical Center.



**Tom Cox - Senior Vice President,
Operations**

Tom Cox joined Healthways in 2006 as a Senior Vice President, Operations. Mr. Cox has responsibility for Healthways Pharmacy Benefit Channel Market Segment and Direct to Employer Market Segment.

Tom has a deep and rich background in business and healthcare management. His career path took him from a Marketing Support Analyst to President of Concentra Network Services while at Concentra, Inc. As President, he oversaw Healthcare Management, Managed Care Services and Network Services. In each area, he led revenue growth through product development, expense management and acquisitions. He served at Concentra, Inc. for a total of thirteen years.

Tom earned his Bachelor of Science in Mathematics and Master of Business Administration from Vanderbilt University. He is the immediate past chairman of the American Association of Preferred Provider Organizations and serves on the Board of Directors for Centerstone.

b. Medco Company Overview

Medco Health Solutions, Inc. (Medco) is a leader in managing prescription drug programs that are designed to drive down the cost of pharmacy healthcare for private and public employers, health plans, labor unions and government agencies of all sizes. Medco, the world's most advanced pharmacy™, operates the largest mail order and Internet pharmacies and has been recognized for setting new industry benchmarks for pharmacy dispensing quality. It is currently the only PBM capable, due to its scale and size, of surpassing the generalist pharmacy model and leveraging its expertise to personalize pharmacy care through the Medco Therapeutic Resource Centers™ and the specialist pharmacists within them. Medco is a Fortune 100 company with 2006 revenues of \$42.5 billion and is traded on the New York Stock Exchange under the symbol MHS. Medco's website address is <http://www.medco.com>

Medco Containment Services, Inc. (now Medco Health Solutions, Inc.) was formed in 1983 to help payers more effectively manage prescription drug benefit programs. That year, it acquired National Rx Services, Inc., a company offering mail-order pharmacy programs since 1969. In 1984, the company opened a second mail-order pharmacy, beginning a pattern of well-timed expansion into mail-order prescription drug dispensing that continues today.

In 1985, the company acquired its second major subsidiary, PAID Prescriptions, L.L.C. (now known as Medco, L.L.C.), a retail drug claims processor that had been formed in California in 1964 as an association of pharmacies to provide drugs on a capitated basis. The acquisition made the company the nation's first single-source provider of integrated mail-order and retail pharmacy prescription drug programs. Since the launch of the national point-of-sale electronic claims processing system, TelePAID®, in 1989, Medco has developed and managed client specific and national managed care retail networks.

In 1997, Medco established a business unit that provides direct services to special markets that include universities and school districts, local government, and employers that consist of less than 10,000 employees. The objective of this business unit is to deliver high quality, reliable, and regionally supported service to these most important market segments.

Medco continued to expand rapidly throughout the 1980s, 1990s and into the 2000s, building additional mail-order pharmacies throughout the nation, expanding the number and types of retail pharmacy networks offered, and introducing to the market important new drug management capabilities that not only reduce costs but also enhance patient care.

In August 2005, Medco completed the acquisition of Accredo Health, Incorporated; creating under the Medco umbrella the nation's largest specialty/biotech pharmacy operation to serve the needs of members with complex conditions.

On August 28, 2007, Medco announced an agreement to acquire PolyMedica Corporation – one of the nation's leading providers of diabetes care. This acquisition will help our

clients more effectively manage costs in a category where drug trend will soon eclipse that of cholesterol medicines. It also furthers our specialist pharmacists' ability to deliver advanced, specialized pharmacy services by treating members at the disease level through the Medco Therapeutic Resource Centers™.

Today, Medco fills approximately 89 million prescriptions through its national network of nine mail-order pharmacies and processes an additional 464.4 million retail claims annually through its nationwide retail network of more than 61,000 participating pharmacies. Medco and its subsidiaries employ approximately 16,000 individuals, including approximately 2,000 licensed pharmacists. The employees of Medco's subsidiaries first unionized in 1969; today, approximately 6,300 of our employees are covered under collective bargaining agreements.

Medco has made significant contributions to the pharmacy benefit management industry (PBM) over the past 40 years and expects to continue its role as an innovative leader. A summary of some of Medco's managed care innovations and recognition include the following:

- Integration of retail and mail-order onto one MIS platform - 1989
- Developed therapeutic interchange program with physicians - 1990
- Developed physician face-to-face consultations - 1992
- Developed on-line, flexible analytical information tool which has evolved into Medco's EXPER_xT[®] product - 1992
- Medco became the first prescription benefit management company to implement an open formulary program within an indemnity plan design - 1992
- Medco introduced its first incentive-based formulary program - 1993
- Compiled comprehensive physician profiles across all plan sponsors and physicians total prescribing - 1993
- Developed and introduced national performance-based retail pharmacy network in conjunction with the APhA - 1993
- Developed comprehensive disease management programs for patients, physicians and pharmacists - 1993
- Introduced the industry's only senior management program: Partners for Healthy Aging[™] program - 1994
- Began Physician Profiling Program through the acquisition of Medical Marketing Group - 1994
- Measured outcomes of disease management programs - 1995
- Installed "smart workstations" in National Customer Service Centers - 1995

- Developed and tested unique “front-end” mail dispensing platform to support higher level of patient and prescriber interventions - 1996
- Developed and implemented a state-of-the-art fully automated mail-order dispensing pharmacy - 1997
- RationalMed[®] Patient Safety Solutions program, which leverages integrated medical, drug, and lab data for health and safety interventions., launched in 1997.
- Launched Coordinated Care Plus NetworkSM, Medco’s latest standing network program, which introduces the concept of variable reimbursement based upon pharmacy performance - 1998
- Developed the industry’s first on-line Internet pharmacy - 1998
- Developed a single computerized patient profile that maintains eligibility, drug information and self-reported diagnoses and allergies - 1998
- Recorded one million Internet-based customer service transactions - 1998
- Awarded the Archstone Foundation Award Honorable Mention for Excellence in Program Innovation by the Gerontological Health Section of the American Public Health Association for Medco’s Partners for Health Aging[®] program - 1999
- Became the first PBM to receive the Verified Internet Pharmacy Practice Sites (VIPPS) certification from the National Association of Boards of Pharmacy (NABP) for our interactive website - 1999
- Launched the Physician Service Center, a toll-free resource manned by a specially trained and dedicated staff of physicians, pharmacists, and representatives who assist physicians with queries relating to patients and their prescription drug benefit - 2000.
- Launched Generics First[®], a physician education program designed to increase awareness of the value of generic drugs; increase use of the step therapy approach to treatment and improve awareness of products that are generically available - 2000.
- Together with our technology partners, Medco launched RxHub, L.L.C. a new venture that will develop an electronic exchange enabling physicians who use electronic prescribing technology to link to the pharmacies, pharmacy benefit managers (PBMs) and health plans which their patients use - 2001
- First Internet pharmacy to reach \$1 billion in sales - 2001
- Medco made its inaugural appearance on *Fortune* magazine's America's Most Admired Companies list, leading the PBM industry and capturing the fourth position in the healthcare sector - 2005

- Medco completed the acquisition of Accredo Health, Incorporated; creating under the Medco umbrella the nation's largest specialty/biotech pharmacy operation to serve the needs of patients with complex conditions. - 2005
- A collaboration between Medco and Healthways, Inc., the industry leader in health and care support, resulted in Optimal Health[®], a comprehensive disease management and care support program that is more successful at engaging members and helping them change their behavior to manage their conditions and improve health. - 2006
- Medco revolutionized the industry with the introduction of its advanced pharmacy model, a clinical enhancement to the pharmacy benefit which includes the specialist pharmacists who work within the Medco Therapeutic Resource Centers established throughout its mail-order pharmacy network. The specialist pharmacists and Therapeutic Resource Centers are designated by specific disease states and provide customized clinical care and support across all patient populations. – 2006
- J.D. Power and Associates ranked Medco highest in overall customer satisfaction with prescription drug benefits and services an unprecedented four times in a row (1998, 1999, 2000 and 2002) and in 2007 Medco achieved third in the mail-order segment for client satisfaction.¹
- The national survey conducted by Wilson Health Information, L.L.C. ranked Medco as the #1, or tied for #1, pharmacy benefit manager in customer satisfaction for mail-order and online pharmacy service six years in a row (2002, 2003, 2004, 2005, 2006 and 2007).

The Therapeutic Resource Center model for Pharmacy and Pharmacy Benefit Management

The current pharmacy benefit management approach is to treat all patients the same regardless of their condition. Patients with chronic and complex conditions receive the same treatment process as patients with acute needs, PBMs provide a prescription-centric model of care, and patients with chronic conditions are forced to navigate alone within a complex health care delivery system.

A generalist approach to pharmacy management may have worked in the past, but with the number of patients with chronic and complex conditions increasing year-over-year, in addition to the changes in how medicine is practiced, a generalist approach will no longer provide optimal results from both a care and savings perspective. Medco research has shown that 50% of a client's members can generate more than 95% of the pharmacy costs. To address these issues, Medco's new standard of care will focus on patients with chronic

¹ J.D. Power and Associates 2002 Pharmacy Benefit ReportSM. 2002 report based on responses from 16,312 managed care members in 16 of the top U.S. markets. 1998, 1999 and 2000 study conducted by CareData (acquired by J.D. Power and Associates in 2001). 2007 J.D. Power & Associates: 2007 Retail Pharmacy Customer Satisfaction Study. www.jdpower.com

and complex conditions. Patients with acute needs will continue to receive effective care in their current settings.

Medco's commitment to new health management capabilities has led to a transformation of Medco's core pharmacy capability into the truly innovative and health oriented Therapeutic Resource Center model of pharmacy.

Medco's revolutionary service model is a breakthrough innovation in pharmacy practice delivered to The Commonwealth's members through specialist pharmacists who are experts dedicated to the care and treatment of people with specific chronic and complex conditions. These uniquely-qualified pharmacists work in pharmacies dedicated to cognitive services for conditions such as diabetes, cancer, high blood pressure, asthma, heart conditions, high cholesterol and mental wellness. We refer to this advanced pharmacy practice model as Medco Therapeutic Resource Centers™.

The Medco specialist pharmacist practice has received URAC's Drug Therapy Management Accreditation for its success at improving pharmacy care and prescription drug safety. The advanced pharmacy practice approach of the Therapeutic Resource Centers improves member health and lowers the total cost of care, something no other PBM is able to replicate.

The Centers' specialist practices are designed to rapidly incorporate emerging evidence for improving care, while generating their own insights and best practices. Our specialists are charged with identifying new opportunities for improving the quality and affordability of pharmacy care in their specialty. Our specialists' practice development work is measured, validated, and managed through our Six Sigma process, to continually improve our precision and patient oversight.

As our specialist pharmacists validate discoveries for improving care for their patients, their learning is rapidly deployed across their practice, our network and our client base. These innovations support your members through New and better clinical alerts and practice protocols and recommendations that are critical-to-quality and the affordability of your members' care.

Through our specialization and scale we expect to change the status quo, to leverage the role of our specialist pharmacists within a member's care experience, and drive a substantially different outcome in our patients' lives and client trend.

c. Healthways Background

Founded in 1981, Healthways, Inc. has been helping health plans, employers, hospitals and physicians improve health, enhance the fundamental care experience and reduce the cost of care. Our specialized health management solutions employ rigorous principles of evidence-based medicine and recognized standards of care in support of minimizing risk and/or improving the health of individuals.

As a public company traded on the NASDAQ under the symbol HWAY, Healthways provides both transparency and a proven track record of financial stability and growth. Employing over 4,000 health professionals nationwide, Healthways is among Fortune, Forbes and BusinessWeek's fastest growing companies in America.

Healthways is the leading and largest health management company delivering specialized health and care management solutions to over 27 million individuals that represent over 185 million lives nationwide. Our clients are health plans (including 35 individual Blues plans), hospitals, municipalities, corporations, and employers in multiple sectors, e.g. universities, financial institutions, retail, transportation and the hospitality industry.

Healthways' significant growth in lives under management over the last five years is due to market expansion, proven outcomes, customer satisfaction and the ability to deliver quality programs at scale.

We have designed our industry-leading programs to provide a better way to health and wellness through sustained, empathetic, personal connections. Our flexible and adaptable approach is the key to achieving real-life behavior change, resulting in measurably better outcomes across the health continuum. At the same time, we recognize that each participant plays a variety of roles in their pursuit of health and care support, often simultaneously. By providing fully integrated services to meet each participant's specific needs, our interventions reflect the unique needs of each consumer at any stage of their life.

Representative examples of Healthways' accomplishments and industry recognition include:

- Inclusion on FORTUNE's 2008 list of "100 Best Companies to Work For." The Company ranked No. 80 on the 11th annual list. Recognition is based on the results of the most extensive employee survey in corporate America. The survey is conducted by the Great Place to Work Institute, a global research and consulting firm. Two-thirds of each company's score is based on the results of the survey which is sent to a minimum of 400 randomly selected employees and asks questions about management credibility, job satisfaction and camaraderie. The remaining one-third of the scoring is based on the company's responses to the Institute's Culture Audit which includes detailed questions about pay and benefit programs, hiring practices, internal communications, training, recognition programs and diversity efforts.

- 2007, Healthways Ranked No. 14 on Forbes List of America's Best Small Companies. This marked Healthways' third appearance on the Forbes list. To be eligible, companies must have revenues between \$5 million and \$750 million and share prices above \$5 as of a certain date. Companies also are ranked according to return on equity, as well as sustained sales and net profit growth over 12-month and five-year periods.
- Disease Management Leadership Award, 2006: Healthways, in partnership with the National Minority Health Month Foundation (NMHMF), received recognition from the Disease Management Association of America (DMAA) for its groundbreaking research project that analyzed the impact of Care Support programs in mitigating well-recognized health disparities, particularly among the country's minority populations. The study was carried out by the Healthways Center for Health Research in conjunction with the NMHMF. Findings demonstrate significant disparities in care among participants living in Health Disparity Zones (HDZ) – geographic areas with higher than average disease prevalence, which also frequently contain a higher proportion of minorities. The study shows that despite these disparities, Healthways' industry-leading diabetes Care Support program closed gaps in care among those living in HDZs at a rate greater than that of the general population.
- Excellence in Practice Citation for Valuing Differences, 2006: The American Society for Training & Development (ASTD) presented this award for our Instructional Design Approach to Overcome Age Bias in Health Care Professionals training module. This program was also developed as part of the training for Medicare Health Support nurses.
- Best-Practice Example for Improving Care Quality and Affordability, June 2005: With our Blue Cross and Blue Shield of Minnesota partner, we were recognized by Harvard Medical School's Department of Healthcare Policy for our nation-leading program to improve the quality of care delivered to chronic illness patients. The program is the nation's most extensive, now supporting nearly 200,000 members with any one of 42 conditions including asthma, diabetes, heart disease, low back pain, fibromyalgia, nine forms of cancer, and several dozen others including depression. The conditions covered by this program afflict nearly 20 percent of the population, and those persons account for roughly 80 percent of health care claims dollars. The program is innovative, with consumer-focused solutions that help support quality care decisions between patients and their doctors.
- Baseline 500, 2004: We ranked No. 166 overall and No. 6 among health-care organizations in the inaugural Baseline magazine ranking of the 500 American Companies That Manage Information Best Companies in the ranking are drawn from 2,500 publicly traded companies with at least \$100 million in revenue. They are ranked according to Information

Value-Added and Information Productivity, two formulas designed by Paul A. Strassmann, president of the Information Economics Press. These indicators gauge how a company manages its information to create productivity and competitive advantage.

- Comprehensive Disease Management Company Leadership Award: The Disease Management Association of America (DMAA) presented Healthways with this award in 2001, 2002 and 2005 recognizing the Company's continuous innovation and commitment to program excellence.

d. Powerful Existing Relationships

As the Commonwealth’s PBM, pharmacy of choice, and provider of member safety services through RationalMed, Medco currently manages prescription benefits and coordinates care between physicians for over 250,000 Commonwealth employees. Medco understands your population, benefit management structure, and needs.

We know each other people and capabilities – the relationships exist today, trusted relationships with proven results. In addition to relationships with COVA, Medco’s existing working relationships and connectivity with your other healthcare partners mean that Medco is ready to go today. We are confident we will deliver an offering that advances your health strategy and believe that Medco’s Optimal Health care and support team is uniquely qualified to be the Commonwealth’s partner in improving the health of its employees.

Account Team

Optimal Health is one of the cornerstones of Medco’s Advanced Clinical Solutions Group. This group is led by Dr. Glen Stettin, an internist by training and accomplished business executive at Medco.

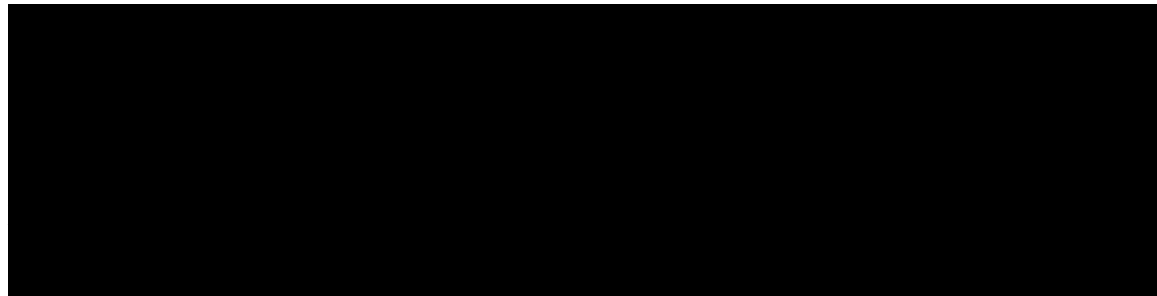


Medco will support the Commonwealth with experts from our Optimal Health care and health support team, and your existing Medco Account Team. All Medco and Healthways individuals supporting The Commonwealth in the installation and ongoing service for the Optimal Health programs offered herein have extensive experience with Medco’s Health and Care Support solutions, Optimal Health programs, and have long-term experience working directly with our clients supporting their ongoing PBM and RationalMed® service needs. An Optimal Health extended team, including well-versed colleagues from our alliance partner, Healthways, directly contributes to the program’s implementation, ongoing service, and daily program management

We deploy experienced account teams that emphasize a non-disruptive, ease-of-implementation, and ease-of-operation approach.



Vice President, General Manager - Key Accounts



[Redacted]

[Redacted]

[Redacted]

National Account Executive

[Redacted]

[Redacted]

[Redacted]

Vice President, Clinical Services, Key Accounts

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

Senior Director, RationalMed and Optimal Health Clinical Services

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[REDACTED]

Vice President, Sales, Care Enhancing Solutions

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Relationships - Members

Medco's unique position in healthcare has afforded us a trusted, professional relationship with our Commonwealth members. As the PBM and pharmacy for millions, Medco has more frequent touch points with members in the healthcare system; thus we have more "teachable moments" to improve their care. [REDACTED]

[REDACTED] Of these patients, they average over four contacts with nearly all having a direct conversation with a Medco pharmacist or customer service representative. These moments provide a

great opportunity to engage members and their physicians on a broad set of health-related issues including prescription drug use, safety, lifestyle choices, and cost considerations. The massive number of existing teachable moments are unique only to Medco as your PBM and with Optimal Health. Moreover, with our real-time data systems and specialized approach to pharmacy care, Medco interacts with members during these important “teachable moments”, especially as they are first diagnosed or beginning treatment and when they may be most receptive to coaching.

e. **Breadth of the Integrated offering**

Medco's goal is to maintain and improve the health of every individual. This is accomplished through a set of programs and analytics that profile the population, defining characteristics and stratifying the population by need and risk. Based on specific health status and risk, individuals can participate in one of the interconnected programs designed specifically for that level of risk and adapted to the member's profile.

Optimal Health's ability to deliver is enabled via powerful technology platforms and the delivery of a breadth of combined capabilities. Optimal Health® integrates real-time, member-specific pharmacy information with medical, lab, and member-reported data. Because all Optimal Health and Medco programs work off of the same foundations and integrated infrastructure, they are able to share not just the same data, but a shared history of interactions. This shared history, combined with the integrated team at the Medco Center for Health Action, creates a stable long-term relationship between the member and the Optimal Health team that remains consistent, regardless of an individual's health status, specific enrollment at any point in time, or medical carrier/health plan.

While each individual program or tool alone will have an impact on member health, the collective impact of the foundation of common data and analytics and the integration of programs and services through technology, process, and organizational structure significantly amplifies the impact that Optimal Health will have on member health.

The uniqueness of the integration of our health and care support services with Medco's Therapeutic Resource Centers provides a common view of member's profile/opportunities across nurse, health coaches and specialist pharmacists at a level that is not available in the typical "cross-vendor" data exchange. This common view of timely information and active leveraging of many teachable moments with Commonwealth employees create significantly more engagement and behavioral change opportunities for The Commonwealth's members and their physicians, as well as a more coordinated and satisfying experience

Furthermore, because of its integration with Medco's pharmacy transaction systems and data warehouses, only Medco can fully utilize the thousands of existing pharmacist and service representative interactions already happening today with Commonwealth members to encourage engagement and pull through appropriate care opportunities.

Integration with Medco PBM Programs

Therapeutic Resource Center Integration

Optimal Health further benefits by its integration with Medco's industry leading commitment to advanced pharmacy care, through Therapeutic Resource Center specialist pharmacists who are trained in specific chronic and complex disease states. The two systems are integrated with a holistic member view of pharmacy and care support systems, so that a member will have access to coordinated care at all points of engagement.

For example:

[Redacted]

[Redacted]

My RxChoices (member level savings opportunities driven by plan design)

[Redacted]

[Redacted]

RationalMed Patient Safety Solution

The Optimal Health nurses and coaches have access to these important health and safety alerts to leverage in their member coaching sessions.

f. Technology

Optimal Health has combined the very best technology solutions from Medco and Healthways, built upon those solutions, and in so doing provided the uniquely configured Optimal Health Health Action Teams with the ability to act upon an extraordinarily comprehensive view of a member's health. These platforms, based on hundreds of years of experience from two market leaders, are working together today and e [REDACTED]

In 2006 and 2007, unique integration capabilities included, but are not limited to:

[REDACTED]

Through Medco's ability to capture and analyze pharmacy claims data in near real time Optimal Health teams can engage members new to diagnosis as early as 3 days after the initial prescription, with the majority identified and reached out to within 14 days. These are the days immediately following awareness, diagnosis, or the introduction of a new therapy when research suggests that individuals are often most willing to work with a health team to change behaviors and improve their health, IT is within this critical timeframe that meaningful engagement can significantly reduce longer term health complications, not to mention the potentially significant costs associated with emergency care or hospitalizations.

In 2008 and beyond, we will continue to expand our health and care support solutions through additional joint development. The first innovation of 2008, the Medco Health Center for Health Action in San Antonio, TX. , is already in operation. This state of the art center integrates both information and operational systems across companies and programs, so that nurses, coaches, benefit specialists, and specialist pharmacists all work together in real time, and draw from shared member information and with the ability to capture and share experiences, to support a personalized member experience.

Medco, together with our alliance partner Healthways, will continue to invest in programs, people and tools to help provide the most comprehensive integrated health and care support offering in the marketplace. We will continue to accelerate our ability to provide personalized, comprehensive and integrated programs to entire populations, one person at a time. Each strategic investment helps bring us closer to our goal of fully leveraging the potential of whole innovation to provide value to every person in a population.

And as both organizations continue to expand the Optimal Health offering, our clients will see even greater waves of technical innovation. Our Health Action teams will increasingly rely not only on shared data, but on shared applications, further enhancing the integration of information that yields health benefits for all.

Medco Technology

Medco's financial strength and stability provides us with significant opportunity to invest in the future, ultimately creating added value to all of our constituents while enabling us to maintain our leadership position in the marketplace. [REDACTED]

At the core of Medco's integrated care, health, and wellness products is the same feed used for PBM processing, augmented by medical claims and other integrated data (pharmacy, medical & hospital, eligibility, even lab results). Analytics and transactions share the same data engine, which crunches the information on our infrastructure. This data, used for real time service delivery and transactions, demands a level of speed and accuracy unparalleled in a pure data warehousing model.

By integrating real-time, member specific pharmacy services with high-touch outreach capabilities, we can more effectively and immediately impact medication therapy issues such as compliance and persistency thereby better addressing a critical component of an individual's care. This integration will enable us to achieve a level of timely, individualized support and outcomes.

Solid Hardware and Software Foundation for Today and Tomorrow's Business Needs

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

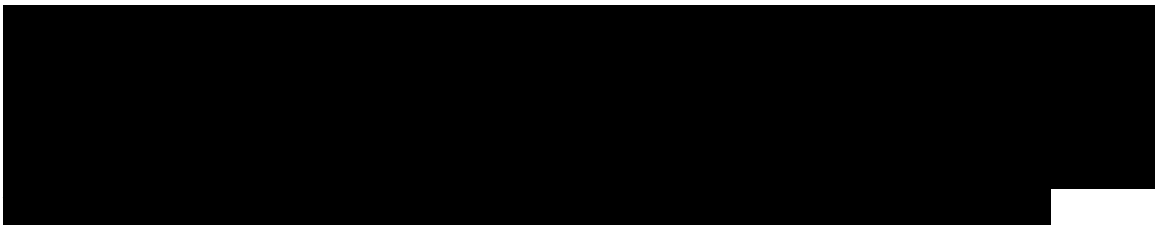


Back-up Procedures and Redundancy Surpass Industry Standards

Medco's extensive back-up and redundant systems surpass industry standards and ensure our clients of the most secure, reliable systems possible. Medco operates a sophisticated Data Center with a high degree of constant internal monitoring and redundancy that protects the data center in case of an interruption or disaster. Medco's Data Center Continuity (disaster recovery) plan is structured to respond to various emergency scenarios, from a short-term interruption to full-scale facility shutdown. The length of recovery time will vary depending on the type of data center interruption encountered. Our plan is comprised of robust procedures to include a restore time objective of 24 hours for the recovery of critical business processes as well as our mainframe and distributed platforms, and includes internal and external network infrastructure requirements. Furthermore, our network is engineered to provide telecommunications between our hot site service and many Medco campus locations. In addition to having the production data synchronized between the Information Processing Center and the disaster recovery site all critical files are backed up on a nightly basis and archived off-site in a secured vault. Exercises are conducted throughout the year to ensure both staff and equipment preparedness.

Disaster Recovery

Medco's Data Center Continuity (disaster recovery) plans are structured to respond to various emergency scenarios, from a short-term interruption to full scale facility shutdown. The length of recovery time will vary depending on the type of data center interruption encountered.



Security

Medco operates a sophisticated Data Center with a high degree of security. Access to the center is controlled by a 24-hour-a-day guard service, a proximity based card access system and turnstiles. The entire site is also monitored by an automated closed-circuit television system. Once inside the Data Center, access to specific critical areas, such as the CPU and DASD area, is further restricted to only authorized personnel via a card access system.

Network security of computer facilities is provided by RACF software, VTAM user tables and operating in a private network environment.

Flexible Interface Capabilities

It is Medco's policy to accommodate the interface requirements specified by a client, rather than to dictate constraints on points of contact. Medco's systems interface extensively with carriers, plan sponsors and third party claims analysis firms, including 49 host-to-host connections for on-line data exchange. We currently support SNA, LU6.2, BYSYNC, TCP/IP and X.25 protocols.

Data Warehouse

[REDACTED]

[REDACTED]

[REDACTED]

Healthways Technology

Healthways' robust information systems collect, store, manage and report various types of data used in the health and care planning process. Our platform serves as the repository for data provided by Medco, which includes eligibility, medical claims, pharmacy claims, laboratory information, pharmacy benefit information. The Platform also utilizes Health Risk Assessment data, work site collected biometric screening data and other data made available to Medco by the plan sponsor medical carriers or other healthcare vendors. The platform integrates and transforms a wide variety of data sources across many distinct groups. The system is built on an Oracle database running on Hewlett Packard Superdome Itanium servers and its open architecture allows us to receive data directly from any number of devices or vendors (real time or batch). Once data is loaded, individual electronic data records for each member are created and the electronic data records of individuals identified for the various program offerings are loaded into our proprietary Clinical Information System (CIS)

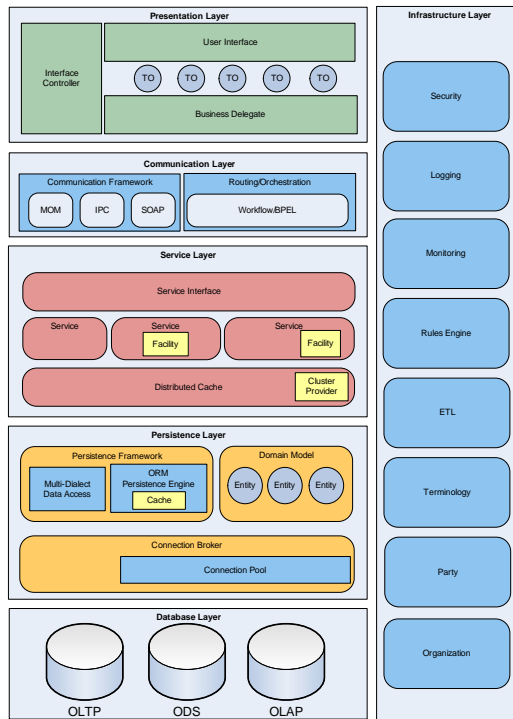
Once loaded into the CIS, additional member-specific data is captured and added to the member's record. Participant-specific data includes biometric readings, utilization information, answers to online health risk assessment, and self-reported information collected during telephonic interventions and coaching sessions with the member. The CIS serves as a central repository for multiple types of data and has the ability to capture over 5,000 data points.

This integrated data set, used in combination with a list of clinical rules refined from over 87 million member months of experience, is applied to the data to assist our nurse clinicians and coaches in devising personalized care plans that determine the required assessments and general interventions, regardless of condition, for each member. Predictive modeling is applied to the same data set to establish risk scores and stratification levels. The member's data record is accessed by the nurse clinician through our proprietary, robust health management systems.

Our health management systems presents the member's integrated data record to the nurse clinician/coach in a user-friendly format that facilitates the interventions with members. The system prioritizes member needs and facilitates problem-specific assessments and interventions, inpatient management, educational materials fulfillment and scheduling of future care calls to members. In addition, the system is combined with an advanced telephony system that permits automatic dialing and skills-based routing of calls. The system automatically presents the member's record to the nurse clinician/coach at the start of a care call. If the call is inbound from the member's home phone, the number is recognized by the system and the member's chart will pop up on the screen of the nurse clinician taking the call.

Data received and collected from our health management systems are compiled in our data warehouse for reporting purposes. The data warehouse provides performance reporting and OLAP analysis capabilities. Ad-hoc reporting is also available. Data exports are available in several formats – Excel with plain text, CSV file, Excel with formatting, HTML and plain text delimited.

In 2009, Healthways will be deploying our next generation technology platform. Healthways is committed to innovation and responsiveness to the marketplace to better serve our clients and their members. Consistent with this, we have embarked over the past several years on a revolutionary and expansive new SOA based platform. The reference architecture (depicted below) provides the following value:



- Provides a model to ensure architecture changes and additions are consistent with future vision
- Allows codification of standard architecture patterns to reduce effort in creating and deploying quality solutions yielding faster-to-market functionality
- Provides layered view of future architecture giving opportunities to plug-n-play technologies to meet business need or reduce cost
- Represents end-to-end view of enterprise encompassing data, functionality, and

presentation

- Provides a model to ensure architecture changes and additions are consistent with future vision

Key technical features of this revolutionary platform are based on Service Oriented Architecture standards comprised of the following layers:

- Designing a single centralized Healthways common data model:
 - Eliminates duplication of data
 - Reduces the number of quality checks that are required as data moves across the delivery chain
 - Improves the overall value and quality of data that is used by application services



- Service layer in SOA architecture :
 - Provides the layer by which services can be configured
 - Provides the layer by which a consumer of a service (a web application for example) can learn how to interact with the service
 - Provides the layer by which services can be load balanced to support high volume usage
- Communication layer in SOA architecture :
 - Provides a location for service aggregation and business process definition.
- Presentation layer in SOA architecture :
 - Standard defined presentation layer with supporting layers will provide for rapid application development by providing reuse of available services and configuration of those services to provide immediate customer value.
 - Capitalizing on a common web platform for exposure of our services over the Internet
 - Provides a layer that acts as a translation between the communication layer and what an end user (clinician, coach, member, Provider, Employer, etc.) interacts.

In addition to the Technology Feature of this new Next Generation platform, other key features include:

[REDACTED]

- Operation Features:
 - Embedded operational metrics and reporting
 - Proactive population management ability
 - Simplified acuity setting and scheduling Technology Features

g. Engagement Capabilities

Member Engagement

Helping members become proactive in identifying and addressing their health and care needs is a central theme to our engagement approach. We have found that the best way to do this is through a focus on the achievement of sustained behavior change, which we encourage through the development of trusting relationships with each member.

Communication and support needs are driven by individual situations as much as by health status. Our Health Action Teams are trained to listen carefully to what the member is saying about his or her unique health circumstances and capture that information within our clinical information systems so that it can be used by the entire team to personalize engagement further.

Our technology platform is one of the key enablers to our ability to engage members. This platform accepts data from multiple data sources (medical claims, pharmacy claims, lab information, biometric data, self-reported conditions, and information relating to factors such as lifestyle, stress, and readiness to change.) It then uses an advanced rules engine to create a Personal Health and Care Plan for each member, based on the data and information unique to that Participant. So from the first telephonic engagement onward, the Health Action Team has the deepest level of insight into what health and care support issues this member may be facing. This also allows the Health Action Team member to take the time to listen; to understand; and then to educate, motivate, and counsel the individual about his or her particular health challenges and risks...rather than just collecting data.

Our engagement process is also highly dynamic. During the course of any telephonic interaction, the Health Action Team Member may uncover new information that indicates a participant is at increased risk for an adverse outcome. Immediately after entering this data into the system, the member's Personal Health and Care plan is updated. The rules engine immediately recalculates the Participants needs and provides next steps for the Health Action Team Member to follow. This could include but is not limited to immediate outreach to the Participants Physician, referral to a Specialist Pharmacist, referral to Health Plan Case Management or increased outreach call frequency. Our rules engine currently has thousands of rules that are in place today.

David's Story

Sitting in San Antonio, a nurse on a regularly scheduled care call begins the counseling session by reviewing the previously established care goals for David, who was diagnosed with diabetes three months ago. The breadth of health information that this nurse has available, applied against the system's proven health engagement rules logic, together reinforce the need to focus heavily on exercise-centric goals for David so that he can start to reduce the risks of weight-related complications tied to his diabetes. (Note that these previously established goals had been published automatically to David's personalized Web Companion after they were agreed upon in the last call.)

Because the nurse also has visibility into new medications that David has been taking, she asks if the previously established goal of “walking 3 miles a day...3 times a week” has been impacted by the side effects of his new medication, which can include nausea. David indicates that he has in fact not been exercising. The nurse notes in a graphic representation of David’s health risks that he faces a real risk of complications associated with an excessively high BMI biometric measurement reading three months ago. The nurse counsels David on the importance of adhering to this exercise objective, but she also brings a specialist pharmacist sitting next to her into the conversation real time to advise David on how he can better manage his nausea.

This pharmacist has full visibility into the same health information that the nurse was working from, including his medication regimen, HRA results, biometric test results, care goals, etc. This pharmacist is able to provide tips to David on how he should take this medication immediately before meal times, significantly minimizing nausea (and perhaps even more importantly helping to ensure that David continues to take his medication.)

After the call, the nurse and pharmacist agree that they will seek some additional input from a nutritionist on the next engagement call so that they can focus additional attention on his diet. These next steps are captured in the system so that David’s Health Action Team can collaborate effectively going forward.

Daisy Story

The impact of real-time pharmacy data allows a dramatic improvement in the timing of engagement (and program performance) since we are able to identify and engage members up to 90 days faster, allowing us to identify and engage members as early as 6 to 14 days, almost three times sooner than traditional programs.

Here is an actual example:

Faster Identification and Engagement of Newly Diagnosed Patient

History

Female member who was recently diagnosed with diabetes

Issue

New diagnoses with diabetes

Action

- Her prescription for metformin was filled on 4/23.

- Medco identified her as new to diagnosis for diabetes, and alerted the Optimal Health nurse.
- Optimal Health nurse called her on 4/26 and began coaching her immediately in this call, as she had not started to take her metformin and she was not monitoring her blood glucose as she did not own a glucometer.
- Nurse reinforced the importance of taking essential medication and provided a toll-free number to inquire about getting a glucometer.
- Self-care goal was set by the member to secure a glucometer. Self-care goal was mailed to member by the nurse.
- Follow-up call scheduled with member.
- Benefit
- Only through Medco's role as the pharmacy and PBM (speed to identify off of prescription and also superior member contact info), we began care coaching in 3 days from new to diagnosis, or up to 60-90 days faster than traditional disease management programs that would have likely waited for 2 claims, including one medical diagnosis claim code.
- Reinforced the importance of adherence to essential medication right from the start, during the most critical timeframe when a member's self-care behavior develops.
- Reinforced and facilitated important monitoring of blood glucose.
- Patient felt good about the experience and care support provided.

Like other programs, Optimal Health's nurses and coaches outreach to members to engage them to take action. Optimal Health, however, has a truly unique advantage which is leveraging the vast inbound

[REDACTED] No other competitive offering is able to leverage these existing inbound contacts to Medco to increase member engagement and health action. Optimal Health does, and it delivers this substantial engagement capability by functioning as a trusted advisor at a time the member is more likely to engage on their health (and that are calling Medco related to the therapy or health benefit.) This, combined with Healthways proven nurse and health coach outreach, yields greater engagement...and great engagement leads to better outcomes.



Another key aspect of our engagement centers around when Participants need us and in a manner that works for them. Participants can access our team telephonically 24 hours day/7 days a week. Our technology platform allows us to establish a “best way to reach and best time to call” profile for each Participant. This assures that we reach Participants when it is convenient for them.

Our next generation engagement approach will leverage the success of our current model, and will incorporate “Microsegmentation”. Microsegmentation will allow us to develop highly specific rules for targeted outreach and engagement that utilize the constellation of demographics, psychographics, and readiness for change in combination with traditional medical and pharmacy based data elements. New rules are being built that will further result in even more highly Personalized Health and Care Action Plans for our Participants. In addition, Participants will have increased access via the Web to their Health and Care Support teams.

Optimal Health Disease and Lifestyle Management Web Companion

Everyone taking the on-line the MyhealthIQ HRA or participating in telephonic Care Support or Lifestyle Management services will have access to a personalizable web companion site that offers:

- General health and wellness information education and resources
- Health and wellness planning tools and trackers
- Links to myhealthIQ, virtual health and wellness communities, and on-line smoking cessation
- Links to and from external sites and resources such as www.medco.com or <http://www.dhrm.state.va.us/hbenefits/employeeestoc.html>

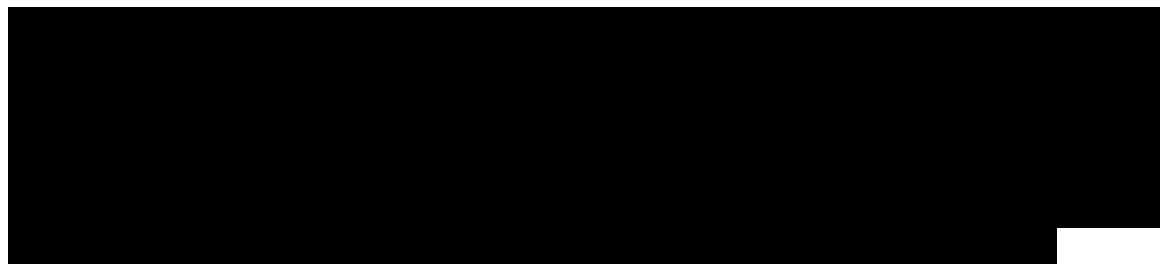
The Web Companion offers an easy-to-navigate taxonomy and navigation structure, along with a dynamic search capability, so that these individuals can engage in their own self-directed health research.

The Optimal Health Web Companion also compliments the telephonic care programs that are delivered by our Health Action Teams. Individuals who enroll in any of the Optimal Health Lifestyle or Care Support programs are encouraged to revisit and personalize their uniquely configured site on an on-going basis so that it could function effectively as

constant source of support for information gathering and communication as part of their comprehensive program participation.

In alignment with the personalized approach that our Health Action Teams incorporate in their engagement with the individual, the design of the Web Companion emphasizes customization and personalization, ease-of-navigation and ease-of-discovery to minimize the work required by the individual to find the information that is meaningful to him or her. For someone doing a quick search for a healthy recipe or a new weight loss tracking tool, this is important. We want to provide solutions or answers at the moment when they are contemplating a change.

For someone who has just been diagnosed with a disease, it is absolutely critical that the desired information is delivered readily to their fingertips...and that this information is accurate. Healthways has been incorporating content from Healthwise© into our programs for many years, and our on-line education pieces are supported by in-depth education content, easily accessible via the Optimal Health Web Companion. Healthwise© health and wellness content is consistent across all touch points (print, web and health coaches) and can be accessed or delivered at a specific moment in care, for example “Recently Diagnosed with Diabetes” versus “Foot Care for Diabetics. Participants can access educational information on a wide variety of topics, and search literally thousands of articles via an intuitive search engine.



Physician Engagement- and Coordination of Care

In addition to different outreach channels and methodologies for engaging members, we facilitate communication between clinical professionals and the member.

The Optimal Health programs were designed to support the physician-patient relationship by understanding physician needs, providing them with evidenced-based protocols, educating them about patient needs and supporting them in their everyday clinical practice. Influencing physician behavior while simultaneously maintaining their support is a fundamental component of the Optimal Health program.

Ability to Integrate with Partners/Relationships with Partners

Vendor integration is a valuable tool that enables vendors to collaborate and deliver a unified program that addresses each member's individual's needs.

Optimal Health regularly integrates with third-party vendors in all of our contracts with clients, including major health plans, medical management services, EAPs, behavioral health care, worker's compensation, disability, behavioral health programs, and other wellness programs or offerings.

Because The Commonwealth is already a client of RationalMed, an established mechanism of obtaining data is in place utilizing the single integrated data base maintained by DHRM's consultant, Aon.

Integration with other partners – providing information to partners

Medco is able and willing to work with The Commonwealth and your health care partners to develop a coordinated approach to health and care improvement on those issues/opportunities that matter most to The Commonwealth. For example, Medco has the ability, experience, and willingness to:

- Share data and alert information with third parties
- Provide access to expert pharmacists to support other vendors and the members they are assisting
- Share risk scoring and other analytics that may be very beneficial in your other program's stratification processes
- Coordinate the support of care for individuals with high-cost injectables.

At the time of initial launch, we will work with The Commonwealth to review your clinical structure and identify strategic partnerships, along with the types and methods of communication. Together, we will develop specific standard operating guidelines to guide the communications with other clinical providers where coordination of care will be needed.

The following are some of the ways Medco's Optimal Health programs and data will or can be integrated with other partners

Integration with Benefit and Health Education Portals for consistent delivery of messages and further engagement

Medco and Optimal Health will also work with existing Commonwealth, CommonHealth or general benefit portals to create a smooth experience for members. Single sign on capability where employees can launch directly to Medco.com or the Optimal Health Web Companion is available today, In addition, Medco can work with the Commonwealth to develop additional functionality as a separate project. Specific possibilities that have been designed for other clients and might be of interest:

Other Wellness Programs

The Commonwealth already offers a dynamic mix of local CommonHealth health and wellness programs. The Optimal Health® technology platform, has full capabilities to provide information and referrals to these valuable services such that the health support team will be able to identify which appropriate CommonHealth programs are best suited for individual, leveraging The Commonwealth's investment in programs and community based experience.

Partner Support Tools and Technologies

Medco offers multiple tools to provide outside vendors with access to member information appropriate to need.

Healthway's Sponsor Gateway will allow Commonwealth program managers and administrators to view Optimal Health program information through a web-based, portal-centric interface.

The Sponsor Gateway provides access to enrollment, engagement, and participation reports, offering yet another view into Optimal Health program activity for Commonwealth program managers. Outcomes reports are also available from the Sponsor Gateway.

- Rational Connect allows other vendors, such as case management vendors, to have real-time access to pharmacy claims data and the RationalMed® safety and health alert message.
- Medco also currently works with The Commonwealth to integrate and provide data and/or information that can be leveraged by your medical vendors, services, and existing programs (examples: Case management) to enhance these services.

h. Reporting/Transparency

More than 30 years of experience in working with our clients has revealed that program transparency is one of the most important factors behind the establishment of a partnership that yields genuine improvements in member health. Medco employs several techniques to ensure a conservative savings approach and minimize the volatility of savings and the impact of important confounding variables; underlying the entire methodology is a fundamental commitment that savings are driven by what the data say occurred – not what research postulates might or should occur. As a result, we have designed and evolved a series of reports over the years that collectively go beyond the mere delivery of data to provide real insights into program progress, member health, and associated cost savings.

Optimal Health offers a combination of standard reports that provide views into on-going operations, engagement, and outcomes-centric progress. These reports monitor the level of participation the program is achieving across the population, including program participation by level of engagement and telephonic coaching metrics.

There are a series of reports that provide visibility into the Optimal Health implementation and day-to-day operations. They provide insights into program launch dynamics, enrollment, participation, levels of engagement, data quality, outreach frequency, self-care goals completed, and other key operating metrics so that the Commonwealth can maintain an overview of the “delivery fundamentals.”

Outcomes reports track cumulative member behavioral change, including clinical and utilization outcomes and financial metrics. In addition, these report reflect survey findings on members’ overall satisfaction, track adherence to evidence-based guidelines, and establish consensus-based outcomes measures that follow DMAA guidelines for patient satisfaction.

These reports provide a transparent view not only into the financial or health outcomes we are achieving...they also provide data on how we are achieving them. We truly believe that a partner who understands both what we are achieving and how we are achieving it is one with whom we can collaborate most effectively to generate the best possible outcomes. The Commonwealth would therefore have a continuous view into how our program delivery is matching-up against the expectations established on day one.

While we feel that our current inventory of program reports is a comprehensive one, we are also constantly looking to enhance this aspect of Optimal Health. New “standard” reports will be rolled out to the Commonwealth on an on-going basis as they are introduced.

i. Additional PPEA requirements

Please see Appendix A for details to specific requirements.

III. PROGRAM OVERVIEW/PROJECT CHARACTERISTICS

a. Umbrella Offering Overview

Optimal Health has a number of unique strengths to deliver real health and financial outcomes to the Commonwealth: a focus on improving the health of the entire The Commonwealth population; a commitment to encouraging individuals to take more accountability for their own health, an emphasis on linking activity to results; and the resources, technology and commitment to innovation to make it happen.

To deliver on these objectives, Optimal Health is continually assessing and evaluating the population to understand and respond to their evolving needs through a series of programs and analytics that profile, define, and stratify the population by need and risk. We then bring to bear the appropriate resources and capabilities to engage each individual appropriately in one of the interconnected support services designed specifically for the member's risk profile. Optimal Health draws upon a variety of tools and an extraordinary breadth of integrated data to tailor the relationship with each individual, from initial outreach to engagement and beyond.

While each individual program or tool alone has an impact on member health, the collective impact of the foundation of common data and analytics, and the integration of services through technology, process, and organizational structure, significantly amplifies the impact that Optimal Health will have on member health. Medco's Optimal Health offers the breadth and depth, as well as the flexibility, to tailor an overall solution that meets your specific needs by incorporating programs for health needs across the population as well as targeted programs for members at risk.

In keeping with our philosophy to improve the overall health status of the population for which we are responsible, Optimal Health offers health and care support to every individual, regardless of their health status. This ranges from immediate need to long-term chronic care support. Immediate acute support comes from the 24/7 Nurseline, whose tools and data are integrated with Medco TRCs and Optimal Health. Nurses therefore have visibility into member history and can connect individuals with the appropriate benefit resources, and will facilitate engagement with Health and Care support resources.

Overview of Optimal Health components:

- Risk assessment and health education for all
 - Outcomes-Driven Wellness: myhealthIQ
 - HRA - a member health risk assessment and personal health report
 - Biometric screening
 - Optimal Health Companion web site

- Health support and lifestyle management for those at risk
 - Healthy Lifestyle Management (Health Coaching)
 - Smoking Cessation (QuitNet)
- Care support for those with existing conditions
 - Support for Chronic conditions and Impact Conditions
 - High Risk Care Management
- Immediate clinical decision support for all who need it
 - A 24 x 7 nurse line and health information service
- Health and Safety alerts, gaps in care, care coordination for the entire population
 - RationalMed
- Advanced analytics to focus resources on the right areas at the right time
 - Rational IQ™. analytic tools for clients

**Risk Assessment and Health Education for all- Outcomes-Driven Wellness:
myhealthIQ**

MyHealth IQ provides a comprehensive population risk assessment that can be used as a road map to help you best determine where to invest your healthcare dollars. The program includes two components by which we identify health risk factors and provide support to help members achieve improved health awareness and long-term health:

- Health Risk Assessment (HRA)
- Onsite medical and biometric screening

The myhealthIQ HRA and biometrics screening allows Optimal Health Action Teams to develop accurate and actionable insights into the health and health risks of the Commonwealth’s member population. The HRA and biometrics screening program also address the significant percentage of a population that seldom file healthcare claims but have undetected risk factors. Ultimately, if these health risks are not identified, understood, and addressed, they can develop into costly conditions such as diabetes, heart disease, and cancer.

The myhealthIQ HRA and biometrics screening is easy to administer, and it is easy for members to understand. We baseline, monitor, and report changes in members’ health status from year-to-year. It is also one of the critical tools we utilize to develop a better view into that individual’s health risk so that we can engage effectively in a timeframe that allows us to maximize our impact on health maintenance, risk reduction, or disease management.

The myhealthIQ HRA is a self-reported health and behavior questionnaire comprised of approximately eighty questions. It addresses categories such as demographics, current conditions and lifestyles (including safety, smoking, exercise, nutrition, stress, depression, prevention habits, and health care use), worksite environment and productivity, and stages of readiness for change. Self-reported HRA data is used to provide members with a personal health profile that indicates the impact (low, medium, or high) of lifestyle or family health history on developing diseases and conditions like heart disease, diabetes, hypertension, cancer, and depression.

The HRA also includes questions that assess a member's "readiness to change." Based on the member's "readiness," personalized engagement and coaching programs can be tailored to align with that individual's state-of-mind. Optimal Health's programs don't only target members who are ready to change. They also focus on moving ambivalent, contemplative, or even reluctant segments of the population closer to the "action" stage where healthy behaviors can be embraced and sustained.

The myhealthIQ HRA can be administered to all associates, spouses and retirees over the age of 18 (based upon the Commonwealth's needs) and can be completed on-line or telephonically through IVR – interactive voice response.

In addition to a question-based HRA, the Optimal Health program includes a workplace biometric screening with on-site counseling to enable more quantitative information gathering around a member's health and health risk.

Members participating in the workplace biometrics program receive a health risk score (0-100) that is based on self-reported information, objective biometric measurements, and lab test results obtained during the worksite medical screening event. Our proprietary model weighs individual risk factors that include, but are not limited to: blood pressure, cholesterol and triglycerides, nicotine use, combination of BMI and body fat, and glucose. The member receives (via electronic means) a confidential and comprehensive report with a thorough and easy-to-understand explanation of the results on the data collected, along with suggestions on how to improve his or her score.

On-site counseling is a critical aspect in the Optimal Health engagement program, as we have historically seen very significant increases in levels of member interest and participation when our clinicians and coaches are together able to review the individual's results at the time the results are delivered.

The same-day health counseling session can include education on risk factors and results; introduction to the appropriate education resources; enrollment in lifestyle or Care Support programs; referral to a physician or other caregiver; or education on other Commonwealth health benefits and programs that may be appropriate based on the member's results and needs.

Below are some revealing statistics drawn from a random sample of 12,000 members who completed the myhealthIQ HRA and medical screening:

- 74% did not know their cholesterol levels, blood pressure, and body fat.
- 33% reported “good or excellent” health but had three or more clinical risk factors.
- 28% reported “good eating habits” but had dangerous body fat levels.

From identification to engagement

Optimal Health Engagement Approach

At the core of our strategy for improving health and reducing costs is our Health Action Teams’ commitment to changing behavior through the education and empowerment of the individual. The focus of Optimal Health engagement is on driving a commitment on the part of the individual to take action to change behavior. Our focus on empowering individuals to change their own health behaviors and outcomes works; it leads to sustained behavior change.

When we are delivering worksite biometric screening programs, this engagement literally begins with an exit counseling session. This is a very important enabler of Health Action Team engagement, as we’ve found a very strong correlation between an individual’s willingness to engage on health improvement and the duration of time between 1) awareness of health status/issues and 2) initial outreach. Through our on-site exit counseling sessions, we are literally outreaching within minutes.

One of the most significant capabilities that differentiates Optimal Health engagement approach centers on Medco’s innovative ability to capture and analyze pharmacy claims data in near real time. Members of the Optimal Health team are alerted to the need for member outreach literally within days of receipt of a pharmacy claim, as opposed to months, which is often the (unfortunate) standard in the industry. For those with a specific health risk or condition, this time is frequently referred to as the “teachable moment,” the days immediately following awareness, diagnosis, or the introduction of a new therapy when individuals are often most willing to work with a health team to change behaviors and improve their health.

As a result, our Health Action Team is able to engage with a member at a time when we can maximize our impact. Our research and experience confirms this: meaningful engagement in the early days following the identification of a new or emerging condition can significantly reduce longer term health complications, not to mention the potentially significant costs associated with emergency care or hospitalizations.

We have found the best way to achieve sustained behavior change is to build trusting relationships with each member. So from the first telephonic engagement onward, the Health Action Team takes the time to listen, understand, and then educate the individual about his or her particular health challenges and risks. The Health Action Team member

verifies adherence to existing standards of care and sets achievable goals with the individual.

The Health Action Team's ability to engage effectively is enhanced even further through the shared view of a member's health information that is visible to the entire team. This view, again enabled through the integration of systems and data between Medco and Healthways, is another key enabler of Optimal Health's ability to engage an individual via an approach that addresses the entire person.

Optimal Health Action Teams are trained to identify and help close gaps in care that pose a current or future risk to the health of an individual and raise the likelihood of increased healthcare costs for the Commonwealth down the road.

Our interventions are customized according to a view of the individual's unique needs that are identified via assessments conducted by the Health Action Team and documented in the common platform and set of integrated data behind all Optimal Health's Health Action Teams. During each coaching call, the Health Action Team determines the member's needs by conducting various assessments (e.g. general health, condition-specific, behavioral health, etc.) The assessment responses trigger and prioritize individualized interventions. During the call, the Health Action Team also views the member's electronic health information record that is stored in our clinical information system. This provides the Health Action Team with an expansive view of an individual's health, including medications, test results, tests that are due, co-morbid conditions, self-care goals that have been established, notes from previous calls, etc. This information allows the Health Action Team to provide the right intervention to the right person at the right time.

Optimal Health takes a multi-tiered approach to communicating with members, including scheduled calls, delivery of supporting educational materials, and 24/7 access to Health Action Teams and Internet companion resources. Our approach enables frequent and consistent contact to all members over time to drive sustained engagement levels.

Healthy Lifestyle Management – Lifestyle Management

Optimal Health places a heavy emphasis on effective lifestyle management programs, which include a combination of general health and wellness coaching and more focused disease prevention efforts. Why the focus on “keeping healthy individuals healthy?” Increased risk correlates to increased cost.

- 72% of all disease is preventable.
- Smokers average \$3,391 per year in excess medical claims.
- The risk of death from cardiovascular disease increases by 30% if an individual smokes.
- High blood pressure is the leading cause of disability and death from stroke, heart attack/failure, and kidney failure.

- Cholesterol is a leading indicator of heart disease. A 10% reduction can lower risk of cardiovascular disease by 30%.
- Obese members spend 77% more on medications.
- One in three adults has a lifetime risk of diabetes, and people with diabetes miss seven times as many days of work than those without diabetes.
- Average medical claims for those with diabetes are \$13,243, vs. \$2,560 for those without diabetes.

Our Health Lifestyle Management programs focus on addressing modifiable risk factors, such as those listed above, that can lead to the presence of increased acute and chronic disease within the Commonwealth's member population. This intensive prevention focus in turn contributes to a variety of health improvement opportunities for the Commonwealth.

One pillar of our Lifestyle Management program is a focus on tailoring our engagement around that individual's readiness to change. In many cases, individuals have a real intent to make long-term lifestyle modifications following the identification of health risks, but they lack the know-how or the motivation (or both) to act on these intentions. Our empathetic Health Action Teams are trained in the principles and processes of behavior change, helping to ensure that goal setting is appropriate and realistic. This focus on blending our proven and evidence-based health coaching programs with an empathetic emphasis on an individual's unique readiness to change allows our Health Action Teams to maximize the impact of their engagement with every individual.

A second pillar of our Lifestyle Management approach is an emphasis on behavior change, enabled via the delivery of health education and a focus on individual empowerment.

Behavior modification is achieved through the collaborative development of a goal-oriented behavior change plan, one where each member is asked to "contract" to meet mutually agreed upon objectives. With these goals in mind, the member's Health Action Team provides monitoring, guidance, and encouragement, be it focused on general health coaching or on the prevention of disease complications associated with specific risk factors.

Our customized approach increases the likelihood for success by allowing our coaches to develop and tailor the most effective coaching style or approach; to identify and remove barriers to success; and to establish a relationship based on trust. The information gathered by our Health Action Teams to enable this relationship includes: demographics (key data points include gender, age, and ethnicity); geographics (urban vs. rural may affect ability to access community resources or support); learning style; support; readiness to change; and health metrics. Members of an individual's Health Action Team conduct the coaching session using the most appropriate technique and will adapt their

approach based on a member's progress, evolving readiness to change, and accomplishments to date.

Over the length of the health coaching or disease prevention programs (6 or 12 months), members and Health Action Teams work on as many risks as the member is willing to address. This serves as the foundation for our advising techniques and is supported by our Clinical Information System supported counseling and documentation system.

We know that there is no “one size fits all” solution for Lifestyle Management. Optimal Health Action Teams therefore segment the population to identify members who would benefit from the programs below:

Lifestyle Management Health Coaching- for members who are candidates for increased health risk

Healthy lifestyle coaching delivers telephonic coaching for individuals whose HRA results, biometric lab data, claims data, or self-referrals have distinguished them as candidates for increased health risk if they do not take steps to modify lifestyle behaviors to reduce risk factors. Our general health coaching programs focus on “fundamental” lifestyle issues such as physical activity, nutrition, stress management, etc.

We have found that proactive engagement on topics such as general health maintenance, fitness, stress management, or nutrition is an extremely effective way to prevent the increases in risk)down the road...which in turn leaves individuals exposed to the onset of a condition that could have been avoided through early prevention.

Disease Prevention Health Coaching- for members who already have a high risk of potential disease onset

For individuals whose health status, history, biometric results, or profile indicate a higher risk of potential disease onset, Optimal Health Action Teams can deploy more intense coaching that focuses on specific behaviors or risk factors that have a high correlation to the onset of specific diseases. These risk factors include cholesterol, smoking, obesity, or high blood pressure.

The approach to telephonic engagement and behavior change modification remains the same... however the emphasis of the Health Action Team is adjusted and intensified as necessary to engage specifically on focused disease prevention. Medication adherence, monitoring, and management are also key components in disease prevention coaching.

Given the integration of pharmacists within Optimal Health Action Teams, we are uniquely positioned to deliver superior and timely pharmacy information to individuals. Individuals who have questions about medication therapies, side effects, or alternatives can be immediately “warm consulted” to a pharmacist on the Health Action team. In addition to the actual member call being transferred, critical member information is also delivered in real time to the pharmacists, allowing for the impact of that interaction with the member to be maximized.

An Added Emphasis on Smoking

We also offer an additional program to target smoking, one of the most entrenched high risk factors for the onset of disease: Based on the unique needs of the individual, and support from the Commonwealth, our Health Action Teams can offer “Comprehensive Smoking Cessation” programs to individuals whose risk profile and readiness to change indicate that they would benefit from participation. This program offers intense support and community to individuals who have already fully engaged in core health coaching and disease prevention programs and are seeing successes around behavior change, realistic goal setting, and the value of incremental achievements in risk reduction and are therefore well positioned to benefit meaningfully from enrollment in these focused programs.

Individuals who want to focus specifically on smoking cessation can have their Disease Prevention Health Coaching experience centered on this intensive cessation program from the very beginning as well.

Care support for those with existing conditions

Support for Chronic conditions and Impact Conditions

For those individuals across the Commonwealth’s population who are already dealing with a condition or disease, Care Support is a genuine enabler of risk reduction and health improvement.

These include:

- High Risk Asthma
- Chronic Obstructive Pulmonary Disease (COPD)
- Comprehensive Back Pain
- Coronary Artery Disease
- Chronic Kidney Disease
- Depression
- Diabetes
- Heart Failure
- Impact Conditions
 - Acid Related Stomach Disorders
 - Atrial Fibrillation
 - Fibromyalgia
 - Hepatitis C
 - Inflammatory Bowel Disease

- Irritable Bowel Syndrome
- Osteoarthritis
- Osteoporosis

One of the most significant capabilities that differentiates Optimal Health is Medco’s innovative ability to capture and analyze pharmacy claims data in near real time. Members of the Optimal Health team are alerted to the need for member outreach literally within days of receipt of a pharmacy claim, as opposed to months, which is often the (unfortunate) standard in the industry. For those with a specific health risk or condition, this time is frequently referred to as the “teachable moment,” the days immediately following awareness, diagnosis, or the introduction of a new therapy when individuals are often most willing to work with a health team to change behaviors and improve their health.

As a result, our Health Action Team is able to engage with a member at a time when we can maximize our impact. Our research and experience confirms this: meaningful engagement in the early days following the identification of a new or emerging condition can significantly reduce longer term health complications, not to mention the potentially significant costs associated with emergency care or hospitalizations.

Optimal Health also relies on our established and time-tested approach to the identification of candidates through pharmacy and medical claims analysis algorithms so that we can in turn reach out to the broadest subset of the Commonwealth’s population that would benefit from outreach at program launch. Additionally, an individual’s answers in the HRA or biometric results can trigger outreach for Care Support .

Combined with our ability to draw upon medical claims, HRA results, and biometric lab data, our pharmacy claims-enabled accelerated outreach is another of the many innovative capabilities we can offer to the Commonwealth and that we believe truly substantiates our claim to provide total population management.

Optimal Health High Risk Care Management

For those individuals in the Commonwealth identified as “high risk for hospitalization,” we can offer High Risk Care Management. [REDACTED]

This is an advanced disease-agnostic care component of Optimal Health that can be delivered to a client’s highest risk members, those who are living with medically complex conditions and require short-term, intensive, and individualized one-on-one health action planning to avoid imminent hospitalization. Our proprietary predictive model allows us to identify with a high degree of specificity those members likely to be hospitalized in the next twelve months. Our experience has shown that this population has traditionally fallen through the cracks within Health Plans.

The goal is to reduce overall health care cost trends by preventing avoidable hospitalizations and emergency room visits, to improve an individual’s functional status,

and to optimize care for a population's most at risk and needy members. In addition, our program will provide pre-admission and post-discharge preparation and counseling for Commonwealth employees and members who have scheduled procedures or hospitalizations. We have found that this intervention significantly optimizes the preparation for (and recovery from) these events.

Optimal Health Disease and Lifestyle Management Companion Web Site

Everyone taking the on-line the myhealthIQ HRA or participating in Care Support or Lifestyle Management services will have access to a personalizable companion site that offers:

- General health and wellness information education and resources
- Health and wellness planning tools and trackers
- Links to myhealthIQ, virtual health and wellness communities, and on-line smoking cessation
- Links to and from external sites and resources such as www.medco.com or <http://www.dhrm.state.va.us/hbenefits/employeestoc.html>

The Web Companion offers an easy-to-navigate taxonomy and navigation structure, along with a dynamic search capability, so that these individuals can engage in their own self-directed health research.

The Optimal Health Web Companion also compliments the telephonic care delivered by our Health Action Teams. Individuals who participate in any Optimal Health Lifestyle or Care Support service are encouraged to revisit and personalize their uniquely configured site on a regular basis so that it functions effectively as a constant source of support for information gathering and communication as part of their comprehensive participation.

In alignment with the personalized approach that our Health Action Teams incorporate in their engagement with the individual, the design of the Web Companion emphasizes customization and personalization, ease-of-navigation and ease-of-discovery to minimize the work required by the individual to find the information that is meaningful to him or her. For someone doing a quick search for a healthy recipe or a new weight loss tracking tool, this is important. We want to provide solutions or answers at the moment when they are contemplating a change.

For someone who has just been diagnosed with a disease, it is absolutely critical that the desired information is delivered readily to their fingertips. Healthways has been incorporating content from Healthwise® as part of the in-depth education resources that are accessible via the Optimal Health Web Companion. Healthwise health and wellness content is consistent across all touch points (print, web and health coaches) and can be accessed or delivered at a specific moment in care, for example "Recently Diagnosed with Diabetes" versus "Foot Care for Diabetics. Participants can access educational information on a wide variety of topics and search literally thousands of articles via an intuitive search engine.

The next release of functionality to be delivered in early 2009 will focus primarily on the sharing of clinical information between a member and his or her Health Action Team. This on-going, personalized, and Internet-based exchange of information between a member and his/her health team serves as a compliment to the phone-based coaching experience. Progress against goals, updated test results, prescription drug information updates, general health information, questions or concerns, etc. can all be communicated and/or tracked by the member and his or her health team.

Immediate Clinical Decision Support for all who Need it

A 24 x 7 nurse line and health information service

A 24 x 7 nurse line and health information services encourage members to understand available healthcare resources and provide easy access to the most appropriate services and programs. Empowering members to make informed healthcare decisions improves appropriate utilization of healthcare resources while lowering healthcare costs. Whether it's a case of the flu, a sprained ankle or something more serious, our nurse line service can help members to relax and to determine the most appropriate plan for care.

Medco's nursing division, is a leading provider of health call center services in the United States. Founded in 1997, [REDACTED]

[REDACTED] Our nurses average 19 years of varied clinical experience and [REDACTED] Our experience has produced great results – [REDACTED]

The 24/7 telephonic service is staffed by registered nurses who assist members with finding appropriate healthcare services. Our nurses use online clinical guidelines and medical content to ensure that they handle each call appropriately, efficiently, and accurately based on callers' reported symptoms.

The nurseline is supported a highly flexible infrastructure that supports the dynamic customization of calls and external messaging at a level not commonly seen in standard demand management or triage systems. The open-architecture platform is content and vendor neutral, enabling the nurseline to work with any clinical knowledge base and other non Medco and non-Healthways third party vendors

These technical capabilities, which facilitate improved communication within the care team, enable our vision of patient relationship management: to serve as the "member concierge," helping individual healthcare consumers make the best use of the resources available to them through information and decision support.

Because of the rigor of Medco's technology and infrastructure, clients often chose to use the 24/7 nurseline service as an initial point of contact, rather than incorporate yet another layer of health advocacy services.

Specific capabilities

Nurse Triage

The telephone triage component of the nurse line allows members with symptomatic issues to obtain health information and advice at the most appropriate level of care, increasing the appropriate use of healthcare resources. Callers with serious problems are encouraged to seek help immediately, avoiding dangerous and costly delays in initiating necessary care, whereas callers who do not require immediate medical care are able to avoid unnecessary trips to emergency rooms and physician offices.

Immediate Health Support

Employees receive immediate coaching, both around specific medical concerns and general physician-patient communications. Nurses educate members about their medical situation so they feel more confident about asking questions and pursuing appropriate healthcare options including choosing a doctor that's right for them or asking their doctor questions about their condition or treatment options. Because nurses have access to the same information as Medco and Optimal Health, nurses will know if a member is already engaged with a Health Action team, or is eligible for an Optimal Health coach, and will facilitate that connection.

Health Information

Some callers may simply need general information on chronic conditions, prevention and wellness, treatments, and other topics. Our nurse-advice line product includes access to an audio library of health information from an industry-leading vendor, Healthwise; and nurses can also review up-to-date, reliable health information using the Healthwise Knowledgebase and fax or mail information to members.

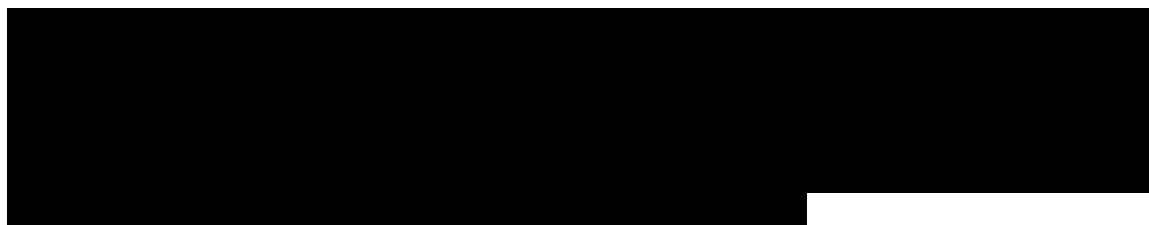
Healthways also uses Healthwise, so the same content is available to lifestyle coaching, disease prevention, and care support members. Members receive consistent information from every channel, and Optimal Health's ability to deliver an integrated and unified experience to the Commonwealth's members is further enhanced.

The Healthwise medical content database provides nurses with information on over 5,500 topics on health conditions, medical tests and procedures, medications, and everyday health and wellness issues. Healthwise offers the following benefits:

- Healthwise is a commercially unbiased non-profit organization
- Content is reviewed by a medical board
- The database is updated regularly as new research is reported

Health and Safety alerts, and Care Coordination for the Entire Population: RationalMed

RationalMed[®] is the industry leading evidence-based system that leverages integrated medical, pharmacy and laboratory claims for all members to identify member safety risks. In an increasingly fragmented healthcare environment, members may be following multiple treatment regimens prescribed by multiple providers dispensed by multiple pharmacies. Lack of timely coordination among these professionals may lead to errors and gaps in care including serious—even life threatening—illness and hospitalization. Errors and gaps in care can contribute not only to inadvertent member harm, but to costly unnecessary plan expenditures.



RationalMed[®] works in sync with Optimal Health to achieve clinical and financial outcomes incremental to traditional PBM, health plan and disease management. The connections and information that fuel RationalMed are shared via the same data infrastructure to Optimal Health, so that all Medco TRC and Optimal Health team members have visibility to RationalMed alerts, and can act upon and reinforce the health and safety messages. A key component of RationalMed[®] are the integrated member profiles which include medical claims, prescription drug claims, laboratory test results, HRA and other self-reported information.

Following a RationalMed[®] alert, 38% of physicians make a change in treatment that addresses the gap or error identified. The net effect of these changes are significant savings in healthcare costs - savings that accrue from both a reduction in avoidable hospitalizations and from the more thoughtful and cost-effective use of pharmaceuticals. RationalMed[®] solution interventions are generally organized into three broad categories: Adverse Drug Risk, Coordination of Care and Omission of Essential Care.

Medco's **pharmacy savings** methodology has been independently recognized as one of the best in the industry. This methodology quantifies the value of changes in therapy net of member cost share; ensures no double counting of savings across Medco's clinical programs; and quantifies savings only for the period that a member is eligible. **Hospital savings** are achieved from avoidance of drug-related hospitalizations, by effecting therapy changes that reduce the risk of hospitalization across the population.

RationalMed includes the following health and safety alerts.

Adverse Drug Risk

- Adverse drug disease consideration

- Adverse drug interaction
- Dose duration/Duration consideration
- Drug age consideration
- Drug therapy duplication
- Excessive dosing
- Quantity consideration

Coordination of Care

- Potential misuse/abuse
- Polypharmacy

Omission of Care

- Omission of essential diagnostics
- Omission of Essential drug-related testing
- Omission of essential therapy
- Under dosing
- Omission of essential testing
- Adherence
- Suboptimal control (requires lab values)

Advanced analytics to focus resources on the right areas at the right time

- Rational IQ®. analytic tools for clients

In addition to the solid foundation of integrated data that feeds all of Optimal Health, Medco offers a set of advanced client- oriented analytic and benchmarking resources known as RationalIQ®

The RationalIQ™ service examines your total health care risk factors, utilization, costs, and quality. It assesses the underlying health of your population, digs deep into problem areas, tracks performance over time, and benchmarks with external metrics to identify opportunities. RationalIQ leverages Medco’s deep expertise in pharmaceuticals and the impact of therapy management on your overall outcomes and costs.

RationalIQ’s Annual Opportunity Assessment, typically performed at the beginning of each contract year, sets the stage by finding “actionable insights” specific to your data, trends, gaps. If you have particular areas of interest, the Assessment can look at those too. Dimensions of this assessment normally include:

- Demographics and risk factors
- Conditions/diseases of note
- Clinical concerns & opportunities
- Efficiency concerns & opportunities
- Areas of concern identified by the Client

Rather than just reports that you are left to interpret on your own, our Opportunity Assessment recommends actions that you can take based on those findings specific to your population and your needs that can cover a wide range of important questions such as:

- Where are our dollars going? Can we drill down into the cost drivers?
- Are my members using the appropriate channels and sites of care? How are costs affected? Are the efficiency opportunities significant?
- Are our members sicker than other populations? In which ways? How can we improve their care? Are we identifying them soon enough to intervene effectively?
- How will today's diseases affect tomorrow's cost of our entire population or of certain groups? Can I see what's driving those costs?
- Are the right drugs prescribed for high risk members? What's the impact of off-label drug use?
- Are my members suitably monitored by MDs when using drugs with significant risks and side effects? What is the potential impact of insufficient supervision?
- In what ways can a few catastrophic cases affect our spend? Are there patients among them that we could manage more effectively?
- How effectively are our programs and interventions performing? Are they identifying the most important members-at-risk, and are they finding them soon enough to affect their risk?

Because RationalIQ™ can break down the drivers of healthcare expenses and in many cases can model and forecast their future impact, it helps you to prioritize actions with limited resources amongst the many possibilities being constantly promoted. These solutions might include screening improvements to find at-risk members sooner; provider identification and management; benefit design and payment policy improvements; medication therapy management (monitoring dosing efficacy, toxicity, etc.), and disease management.

RationalIQ™ continually accesses current data. It becomes the repository for an ever growing, ever green portfolio of analysis, problem solving, and performance

measurement. That value compounds over time, because in addition to an ever growing portfolio of analytics, any custom models we build can be refreshed as new data become available.

RationalIQ™s Query tool enables you or us to find the nuggets in your data using visual decision trees and point-and-click filtering. Not simply a report writer or graph displayer, RationalIQ™ Query can build alerts that can scour your data each time you load a profile to suggest opportunities for improvement, and provides powerful scenario modeling to measure the “what if” impact of potential actions. A single query can link multiple domains of your data.

To encourage you to get the maximum value out of RationalIQ™, a set of consulting hours are included with the service.

Project Execution

Our client management team, working directly with your PBM account team is comprised of key, highly qualified individuals from both Medco, and our partner, Healthways. Medco will be the contracting entity, the ultimate relationship manager for The Commonwealth, and will be accountable for exceeding The Commonwealth’s requirements.



Although the Optimal Health team has created a standard approach to product installation, workflow, and customer support, we tailor it in every client relationship based upon your specific needs. We back up our commitment to your satisfaction, by performing Optimal Health client satisfaction surveys. The Optimal Health team’s performance, including team/individual compensation, is partially based on these client survey results.

We follow a proven 90-day implementation process for our health and care support and have never missed an implementation date. Day-to-Day, specific to the implementation of Optimal Health, a work plan is followed with specific tasks assigned to Medco and the

Commonwealth. Medco will schedule weekly meetings with the Commonwealth to review the major deliverables, roles and timeframes associated with a success and on-time program implementation.

To achieve a successful implementation, a strong commitment and dedicated resources by both parties are essential. Initial collaboration includes the following events.

- **Fully understanding the client's needs.** We spend considerable time with the client to understand their needs and goals for the program. Particular attention is placed on analyzing the client's claims data to determine summary level baseline cost for the client's population.
- **Establishing an Implementation Team.** A team is established to facilitate the implementation process and is typically led by the client's medical director or an assigned project manager. Team members include the plan's key department managers and the corresponding Business Unit team members.
- **Program kick-off meeting.** At the beginning of implementation, a kick-off meeting takes place during which initial education about the program is provided to the client's department managers. Interviews are conducted with key representatives from Health Services, Case Management, Quality Management, Member Services, Provider Relations, Information Technology, Finance/Health Economics, and Sales and Marketing. These interviews are designed to fully understand the detailed operations of the plan and identify possible issues needing attention.
- **Developing a work plan.** A 90-day work plan template is provided by Healthways and is collaboratively modified as required to address all activities required to implement the program. Activities from the implementation plan are reviewed via conference call by the Implementation Team. The implementation plan is received and updated on an ongoing basis throughout the implementation process to assure completion of all activities.
- **Customization of operating guidelines.** Healthways and the client's clinicians and quality management staff review our policies and procedures. These P & P's clearly define all the procedures, protocols, standards and communication flows related to the Care Support as well as how/when Healthways' and the client's clinical staff will interact.

- A kickoff meeting will be scheduled with the Commonwealth and Medco within one week of confirmation of sale and will continue weekly thereafter. At the kickoff meeting the Commonwealth will be presented with all communication materials (patient/physician).
- The Commonwealth will be responsible to review and approve all the materials or provide custom requirements to Medco within 30 days from the kick off meeting.
- Medco will provide drafts to the Commonwealth within 15 business days from receiving approved materials from the Commonwealth.
- Materials will be produced within 60 to 90 days from go live date.
- First Welcome Mailing will mail 14 days from the implementation date.

Also during the kickoff meeting workflows for Provider/Member complaints will be distributed to the Commonwealth. A process will need to be established for the appropriate handling of member or provider complaints. Workflows will need to be complete within 15 days of go live date.

Medco will meet with vendors as required within 20 business days from go live date. Meetings will identify contacts at Medco, the Commonwealth and vendor. Dates and times will be established for biweekly calls with vendor. Data must be received 30 days prior to go live date.

Expectations and requirements of COVA

The Commonwealth will need resources committed to attend all program and/or vendor meetings. The Commonwealth will review all communication materials and coordinate any data that will be required by Medco for the installation and delivery of Optimal Health®. A work plan is established and weekly meetings are scheduled to review all tasks within the work plan. The meetings will include Medco's operational work group, account management and The Commonwealth staff.

Medco requires 36 months of medical claims, pharmacy (existing Medco claims data may be leveraged) and eligibility data (24 months plus six months run out) for the most recent period available. Because the Commonwealth is already a client of RationalMed, an established mechanism of obtaining data is in place utilizing the single integrated data base maintained by DHRM's consultant, Aon.

We will apply the disease algorithms against that data to identify the population eligible for one or more of the programs. Medco further requests access to medical and pharmacy claims, as well as eligibility, at minimum, on a monthly basis. In order to improve member identification and engagement earlier, Medco can accept medical claims as frequently as bi-weekly.

Medco will work with the Commonwealth and your designated healthcare partners to develop a coordinated approach to health and care improvement on those issues/opportunities that matter most to you. Medco has significant experience integrating our systems and procedures with third parties, [REDACTED]

[REDACTED] We will meet with you and your partners early in the process to demonstrate our commitment to collaboration to deliver enhanced value to you and your members.

In addition to Medco's significant experience integrating with various vendors and services on behalf of our clients, our alliance partner, Healthways, integrates with other vendors on behalf of nearly all of their clients. We both have extensive experience working with representatives from various vendors to develop standard operating guidelines for seamless integration addressing data transfers, referral processes, and customization. For example, we will also warm transfer participants to other programs as desired. Our Clinical Information System is designed to support a customized workflow-based front-end allowing for rapid development to support new business requirements.

We welcome the Commonwealth's suggestions and feedback through the entire implementation and delivery experience in order that Medco can meet and exceed the Commonwealth's needs and, together, we can deliver "best in class" and services to the Commonwealth's employees.

Your account team will work with the Commonwealth's staff to ensure successful promotion of Optimal Health. The team will work with members of the Commonwealth's communication team to first determine your specific requirements and develop a strategic plan of action to effectively promote your Care Support program.

We also propose working with your vendor partners to create a cohesive marketing platform that addresses all of your product offerings. We strongly recommend convening as a collective group of vendors working on the Commonwealth's behalf, developing a strategy, and meeting quarterly thereafter to review the progress of our cross marketing efforts.

IV. PROJECT ECONOMICS/PROJECT FINANCING

This section provides detail on Medco's value proposition for the Commonwealth. The proposed pricing and value proposition in this document is based on an analysis of RationalMed data for the Commonwealth's population from 2006 and 2007, an analysis authorized by the Commonwealth. Detailed assumptions are provided in each subsection.

While Optimal Health addresses the population in its entirety, results and performance are measured differently depending on the member's health status and type of engagement.

For members with existing chronic conditions, the objectives of improved outcomes and reduced costs are clear. Medco's guaranteed results align with these metrics. For members with identified risks, who have not yet incurred significant healthcare costs, the objectives are to reduce risk and avoid costs, and the performance guarantees and metrics are different. The metrics for an acute nurse line are very different from the metrics for chronic care.



Summary of Project Economics – [REDACTED]

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
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[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[Redacted text block]

1. Risk Assessment and Health Education for All

Outcomes-Driven Wellness: MyhealthIQ including:

- a. HRA - a member health risk assessment
- b. On-site biometric screening

• **Deliverables and Expected Benefits**

Our health risk assessment, “myhealthIQ” provides a comprehensive population risk assessment to sponsors that helps identify members of the population whose lifestyle, health risk factors, or disease conditions could be affected positively through enrollment in a Lifestyle Management or Care Support program. The program includes two components by which we identify health risk factors and provide support to help members achieve improved health awareness and long-term health:

- Health Risk Assessment (HRA)
- Onsite medical and biometric screening

For those individuals in the Commonwealth who participate in the myhealthIQ HRA and biometric screening offerings, the primary benefits revolve around increased awareness of health status and health risk. The myhealthIQ HRA is a self-reported health and behavior questionnaire comprised of approximately eighty questions. It addresses categories such as demographics, current conditions and lifestyles (including safety, smoking, exercise, nutrition, stress, depression, prevention habits, and health care use), worksite environment and productivity, and stages of readiness for change.

Self-reported HRA data is used to provide members with a personal health profile that indicates the impact (low, medium, or high) of lifestyle or family health history on developing conditions like heart disease, diabetes, hypertension, cancer and depression.

[REDACTED]

[REDACTED]

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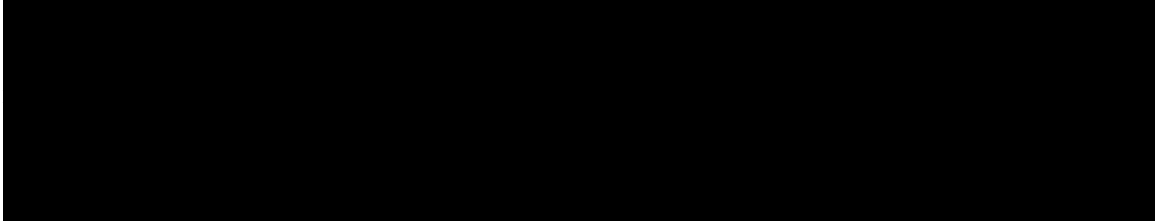
All participants also have access to a personalizable web portal and companion site that offers:

- General health and wellness information education and resources
- Health and wellness planning tools and trackers
- Links to myhealthIQ, virtual health and wellness communities, and on-line smoking cessation
- Links to and from external sites and resources such as www.medco.com or <http://www.dhrm.state.va.us/hbenefits/employeeestoc.html>

The Web Companion offers an easy-to-navigate taxonomy and navigation structure, along with a dynamic search capability, so that these individuals can engage in their own self-directed health research with the results of their HRA and biometric screening in hand.

[REDACTED]

[REDACTED]



Guarantees (where relevant)

Not applicable.

Pricing



2. Health support and lifestyle management for those at risk

- Healthy Lifestyle Management (Health Coaching)
- Smoking Cessation (QuitNet)

Expected benefits

Optimal Health places a heavy emphasis on the delivery of effective lifestyle management programs, which includes a combination of general health and wellness coaching and more focused disease prevention efforts. Why this focus on “keeping healthy individuals healthy?” We have verifiable data that correlates increased risk to increased cost:

- 72% of all disease is preventable.
- Smokers average \$3,391 per year in excess medical claims.
- The risk of death from cardiovascular disease increases by 30% if an individual smokes.
- High blood pressure is the leading cause of disability and death from stroke, heart attack/failure, and kidney failure.
- Cholesterol is a leading indicator of heart disease. A 10% reduction can lower risk of cardiovascular disease by 30%.
- Obese members spend 77% more on medications.
- One in three adults has a lifetime risk of diabetes, and people with diabetes miss seven times as many days of work than those without diabetes.
- Average medical claims for those with diabetes are \$13,243, vs. \$2,560 for those without diabetes.

Source: Centers for Disease Control and Prevention (CDC)

Our breadth of Lifestyle Management programs focus on addressing modifiable risk factors, such as those listed above, that can lead to the presence of increased acute and chronic disease within the Commonwealth’s participant population. This intensive prevention focus in turn yields a variety of health care cost reduction opportunities for the Commonwealth: medical claims, pharmacy claims, absenteeism/presenteeism, hospitalization, emergency room visits, etc.



Lifestyle Management Services



[Redacted text block]

- [Redacted text block]

- [Redacted text block]

How the Personal Health Coaching Program Works

[Redacted text block]

- [Redacted text block]

- **Smoking Cessation**

We realize that the Commonwealth already has a smoking cessation program in place, but we are reviewing our program here in the event you want to have all these programs under one management. This is an optional part of the Optimal Health offering and has been broken out as such in the economic table

We provide an online program for employees who use tobacco and want to quit. Our program brings proven scientific methods and services to the phone and internet and our services are built on the approaches and practices recommended by the U.S. Surgeon General: personalized content, expert counseling, social support, and help selecting and using FDA-approved smoking-cessation medications.

Our site is host to a thriving online community of thousands of smokers and ex-smokers who support each other with practical tips and celebrations of milestones. In addition to this supportive global community, the site provides a suite of interactive tools and features that participants can use 24 hours a day for as long as they need it.

Tools available include:

- Interactive questionnaires to classify smokers by stage of change and generate tailored information specific to each member's stage and circumstance
- Personal quit stats, certificates of achievement and humor to keep members engaged and motivated
- Trained counselors to provide ongoing support and advice
- Personalized Quit guide including tips, journal, and calendar to track progress

While phone support is limited to five pro-active calls, web support and personalized email delivery continue for years. Experience has shown that many users continue to access support long after they've quit in order to maintain their quit. [REDACTED]

Overall participation rates vary by customer and depend on a number of factors including the following: a) the level of promotion, b) type of enrollment (whether it is pro-active or not) and c) incentives.

Our fully integrated solution of smoking cessation services can be customized for the Commonwealth. We provide follow-up surveys and reporting detailing demographics and utilization patterns across interventions.

Methodologies and Metrics

[REDACTED]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

Reporting

[Redacted]

[Redacted]

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Performance Guarantees

[Redacted]

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[Redacted]

Pricing

[Redacted]

[Redacted]

3. Care Support for Chronic Conditions and High Risk Case Management

Expected Benefits

At Healthways, an outcome can include clinical improvement, financial improvement, reduction in utilization of services, program satisfaction, and adherence to evidence-based standards of care. The metrics used to measure the success of our diabetes, coronary artery disease, heart failure, COPD and asthma programs are based on the Standard Outcome Metrics and Evaluation Methodology for Disease Management Programs published by Johns Hopkins and Healthways in 2003. Metrics for all other conditions are based on evidence-based medicine and interventions intended to improve clinical outcomes for individuals suffering from these specific illnesses.

Methodologies and Metrics

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

4. Nurseline Performance and Reporting

Expected Benefits

Twenty-four a day, seven days a week nurse line and health information services encourage members to understand available healthcare resources and provides easy access to the most appropriate services and programs. Empowering members to make informed healthcare decisions, improves appropriate utilization of healthcare resources while lowering healthcare costs. Whether it's a case of the flu, a sprained ankle or something more serious, our nurse line service can relax members and help them to determine the most appropriate plan for care.

Methodologies and Metrics

Utilization

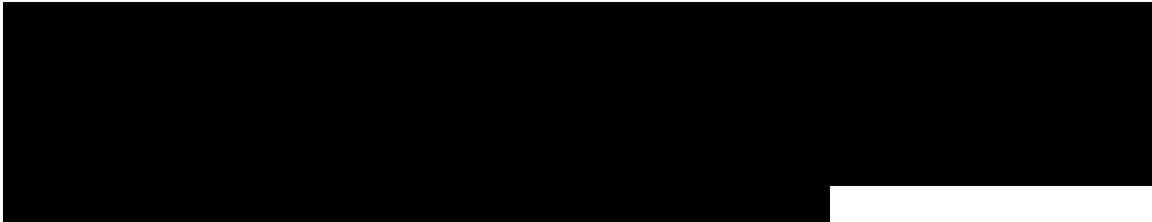



Clinical and operational data captured and tracked


When members are referred to their physician for care, Optimal Health can supply a triage encounter document (TED) at the conclusion of each call to the primary care physician on file. The TED includes a detailed summary of the call including member name and ID, reason for call and clinical guideline used. Additionally, Optimal Health offers a Standard Reporting Package, including Reason for Call, Date/time of call, etc. Optimal Health also has the ability to provide custom reporting at the client's request. By integrating the nurse line with our Optimal Health disease management programs, we are able to quickly identify and enroll members who call in to the nurse line who may also be candidates for any of our programs.

Nurseline ROI




Program effectiveness- Member satisfaction

Optimal Health conducts caller satisfaction surveys that are fielded monthly via a phone survey. The standard satisfaction survey focuses on collecting caller satisfaction regarding the quality of service provided and the impact the information had on the callers' ability to make informed healthcare decisions. 

 Results of satisfaction surveys are shared quarterly with our Quality Improvement Review Committee, a clinical advisory board, and other management operations teams who then collaborate to develop ongoing or immediate action plans to address issues discovered from specific member comments or adverse trends in aggregate reporting. Clients have the option of adding up to three custom questions to be asked of their callers. Satisfaction results are reported to the client on an annual basis.

Reports

Optimal Health delivers quarterly nurseline utilization reports that include call summary and management statistics, referral detail, member satisfaction and redirection analysis. Performance metrics in the standard reporting package includes call metrics such as average speed to answer, abandonment rate, blockage rate and average callback time.

In addition, clients receive standard call management reports on a monthly basis. All transactions are fully documented within the nurseline application and can be transferred electronically, on diskette/CD-ROM, or through a secure FTP connection. In addition, report data can be exported into common office applications, such as MS Excel. Designated report packages may also be sent in hard copy to the designated client contact(s). The protection of personally identifiable health information is absolutely critical, and Optimal Health takes great care to ensure that patient-level data is maintained in a confidential, secure manner.

Financials



5. Advanced Client Analytics- RationalIQ®

The RationalIQ™ service examines your total health care risk factors, utilization, costs, and quality. It assesses the underlying health of your population, digs deep into problem areas, tracks performance over time, and benchmarks with external metrics to identify opportunities. RationalIQ™ leverages Medco’s deep expertise in pharmaceuticals and the impact of therapy management on your overall outcomes and costs.

RationalIQ™’s Annual Opportunity Assessment, typically performed at the beginning of each contract year, sets the stage by finding “actionable insights” specific to your data, trends, gaps.

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[REDACTED]

[REDACTED]

[REDACTED]

Assumptions, terms and conditions

Here are the key assumptions and qualifications that support Medco's financial offer:

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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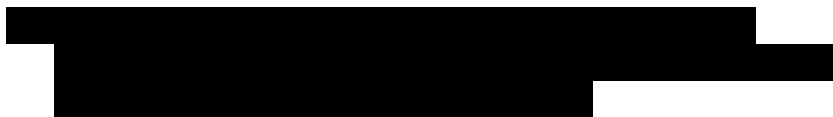


Exhibit B [REDACTED]

**Optimal Health Clinical Outcomes Metrics
Methodology for Care Support**

[REDACTED]

Exhibit C [REDACTED]

**Optimal Health Reports and Frequency
Description for Care Support**

[REDACTED]

[REDACTED]

V. PROJECT BENEFITS AND COMPATIBILITY

We understand the challenges that the Commonwealth wants to address. Healthcare in America, and in the Commonwealth of Virginia, is at a crossroads. There is great opportunity and great concern over the rising costs of healthcare and unidentified risks that will drive healthcare costs even higher. The historical stovepipe approach of “programs,” has been unable to meet the demands of today’s healthcare system. The inherent inefficiencies and lack of synergies among these many separate programs result in an inability for payors to be completely successful in controlling ever rising costs and assure quality outcomes.

The Commonwealth needs to be able to take effective steps to understand, control, and minimize the impact of the array of costs associated with employee and member health and wellness to take meaningful and informed steps to reduce the exposure to unidentified health risks in the population, and to provide solutions that provide the means and motivation for members to assume greater responsibility for their own health and wellness.

Optimal Health offers a real opportunity for the Commonwealth to address all of these issues, and in so doing have a real impact on the health the Commonwealth’s employees and their families. Optimal Health is designed to increase dramatically the number of members engaged in understanding and improving their health.

Optimal Health empowers participants to make the best possible healthcare decisions, enables improved coordination of care, and enhances the overall member experience for citizens of the Commonwealth.

As outlined Section IV, Optimal Health provides positive net benefits and a guaranteed ROI from year one. However Optimal Health is not simply a temporary solution for cost management or cost control. It is *not* a short term band-aid. It is an innovative solution that takes a uniquely comprehensive approach to engaging with your entire employee population and their families. It offers a uniquely personalized approach to engaging with the individual. And it enables a uniquely meaningful, transparent, and *sustainable* impact on all aspects of health, be it the well-being of the individual or the health of the Commonwealth’s bottom line.

Benefits for the Commonwealth’s Employees and Their Families

In keeping with the Optimal Health philosophy of improving the overall health status of the population for which we are responsible, the offering is designed to provide health and care support to every individual, regardless of their health status. This ranges from immediate need to long-term chronic care support. Optimal Health’s ability to deliver support to the entire population is enabled via the delivery of a breadth of combined capabilities that positions our care teams to partner with an individual whose unique health needs often require a unique set of solutions.

Due to their frequent and personalized interaction around all health-related issues, our coaches and clinicians build a close trusting relationship with participants. We recognize and foster this relationship as a critical element in a model of shared decision making that finds a careful balance between evidence-based wellness and treatment recommendations and individual participant preferences. Our interactions help the participant to comprehend relevant clinical information and to clarify and communicate their own personal values to their provider. Optimal Health teams facilitate informed medical decision-making through the delivery of telephonic counseling, paper and on-line resources that provide detailed information about the benefits and risks of treatment options for our members engaging participants in an ongoing, shared decision-making process in the form of clinical counseling

Ultimately, we put the right tools in the hands of the right people at the right time, allowing our uniquely integrated care teams to have the greatest possible impact on the health of the individual.

Financial and Economic Development Benefits for the Commonwealth

As described in Section IV, Optimal Health provides positive net benefits and a guaranteed ROI. This return increases over time, and continues to provide additional indirect benefits in terms of improvements in absenteeism, presenteeism, and productivity.

Optimal Health provides the resources and capabilities to understand, control, and minimize the impact of the array of costs associated with employee health and wellness (pharmacy, medical, disability, absenteeism, etc.); the expertise to take meaningful and informed steps to reduce the exposure to un-identified health risks in the populations, and the engagement tools to provide the means and motivation for their employees to assume greater responsibility for their own health and wellness.

In addition to the direct benefits delivered through Optimal Health, the Commonwealth will have access to Medco's RationalIQ™ analytic and benchmarking resources. RationalIQ™ provides visibility into health care risk factors, utilization, costs, and quality and provides access to insightful benchmarks. It assesses the underlying health of your population, digs deep into problem areas, tracks performance over time, and benchmarks with external metrics to identify opportunities. Because RationalIQ™ can break down the drivers of healthcare expenses and in many cases can model and forecast their future impact, it helps you to prioritize actions with limited resources.

The Commonwealth will have access to the full power of RationalIQ immediately upon implementation, and will continue to have access beyond the time of the proposed Optimal Health contract without any additional third party licenses required.

Why this is a Winning Proposition for the Commonwealth

As the Commonwealth's PBM, pharmacy of choice, and provider of patient safety services through RationalMed, Medco is also your trusted advisor for new ideas to meet the challenges that come before us in the ever changing healthcare industry. We know each other's people and capabilities – the relationships exist today, trusted relationships with proven results.

Throughout this proposal, Medco and Healthways have clearly outlined their differentiated approach to improving the health of the beneficiaries of the Commonwealth. At our core, we truly believe that this approach is the wave of the future. Optimal Health is not just a new layer of technology fueled gate keeping, but a real commitment to transforming behavior and improving health to reduce future risk.

The collaboration between Medco and Healthways represents a partnership whose very establishment reflects a fundamental belief in the value of innovation. The two organizations have committed to leveraging each others' unique experience and know-how to co-develop an offering whose innovative impact on health and on cost savings has never before been felt.

Asking the Commonwealth to put its trust in our ability to deliver positive health outcomes and cost savings would be an unreasonable request to make if we were, in turn, unable or unwilling to provide a clear, consistent, and continuous view into how we were achieving these outcomes. As a result, we have established integrity and transparency as core fixtures of the Optimal Health offering.

Furthermore, Medco brings the advantage of a local presence within the state of Virginia. In addition to the Commonwealth of Virginia, Medco also have several other companies and municipalities throughout the state that we service. Medco services a significant percentage of the state's population, and has several hundreds of employees in Virginia.

In closing, with our historical relationship with the Commonwealth of Virginia, Medco understands your population, benefit management structure, and needs. We are confident Medco is the ideal partner to work with the Commonwealth, to use technology and new methods for addressing cost while furthering the Commonwealth's objectives of creating a healthier, more competitive workforce.

APPENDIX A – REQUIREMENTS

Appendix A- PPEA requirements outlined for Qualifications and Experience

1 Qualification and Experience

- a. **Identify the legal structure of the firm or consortium of firms making the proposal. Identify the organizational structure for the project, the management approach and how each partner and major subcontractor (\$1 million or more) in the structure fits into the overall team. All members of the offeror's team, including major subcontractors known to the proposer must be identified at the time a proposal is submitted for the Conceptual Stage. Include the status of the Virginia license of each partner, proposer, contractor, and major subcontractor. Identified team members, including major subcontractors (over \$5 million), may not be substituted or replaced once a project is approved and comprehensive agreement executed without the written approval of the responsible Agency.**

Medco is a Fortune 100 company with 2006 revenues of \$42.5 billion and is traded on the New York Stock Exchange under the symbol MHS. Healthways is As a public company traded on the NASDAQ under the symbol HWAY,

- b. **Describe the experience of the firm or consortium of firms making the proposal and the key principals involved in the proposed project including experience with projects of comparable size and complexity. Describe the length of time in business, business experience, public sector experience and other engagements of the firm or consortium of firms. Describe the past safety performance record and current safety capabilities of the firm or consortium of firms. Describe the past technical performance history on recent projects of comparable size and complexity, including disclosure of any legal claims, of the firm or consortium of firms. Include the identity of any firms that will provide design, construction and completion guarantees and warranties and a description of such guarantees and warranties.**

Please refer to Medco's proposal response. There are no legal claims on any comparable offering.

- c. **For each firm or major subcontractor (\$1 million or more) that will be utilized in the project, provide a statement listing all of the firm's prior projects and clients for the past 3 years with contact information for such clients (names/addresses/telephone numbers). If a firm has worked on more than ten (10) projects during this period, it may limit its prior project list to ten (10), but shall first include all projects similar in scope and size to the proposed project and, second, it shall include as many of its most recent projects as possible. Each firm or major subcontractor shall be required to submit all performance evaluation reports or other documents in its possession evaluating the firm's performance during the preceding three years in terms of cost, quality, schedule, safety and other matters relevant to the successful project development, operation, and completion.**

Healthways is the leading and largest health management company delivering specialized health and care management solutions to over 27 million individuals that represent over 185 million lives nationwide. Our clients are health plans (including 35 individual Blues plans), hospitals, municipalities, corporations, and employers in multiple sectors, e.g. universities, financial institutions, retail, transportation and the hospitality industry.

- d. **Provide the names, addresses, and telephone numbers of persons within the firm or consortium of firms who may be contacted for further information.**



- e. **Provide a current or most recently audited financial statement of the firm or firms and each partner with an equity interest of twenty percent or greater.**

Medco's 2007 Annual Report is provided in the Attachments.

- f. **Identify any persons known to the proposer who would be obligated to disqualify themselves from participation in any transaction arising from or in connection to the project pursuant to The Virginia State and Local Government Conflict of Interest Act, Chapter 31 (§ 2.2-3100 et seq.) of Title 2.2.**

There are no known persons to Medco.

- g. **Identify proposed plan for obtaining sufficient numbers of qualified workers in all trades or crafts required for the project.**

Sufficient resources are already in place.

- h. Provide information on any training programs, including but not limited to apprenticeship programs registered with the U.S. Department of Labor or a State Apprenticeship Council, in place for employees of the firm and employees of any member of a consortium of firms.**

Medco has a leadership and professional development curriculum that targets leadership, compliance and skill development courses that link directly to Medco's strategic imperatives, values and competencies. The curriculum is organized by the role individuals play in the organization and has a mandatory and elective curriculum for each role. Courses are delivered through classroom, e-learning, and blended deliveries. Medco also offers a total customer service and account management training curriculum focused on the unique on-the-job training needs for those employees.

- i. Provide information on the level of commitment by the firm or consortium of firms to use Department of Minority Business Enterprise certified firms in developing and implementing the project.**

The Medco Supplier Diversity Program

Our mission:

As a highly successful enterprise, Medco is fortunate for its ability to contribute to the growth of minority- and women-owned businesses, in both number and economic strength. Medco developed its Supplier Diversity Program (SDP) as part of its mission of advocating the development and use of minority enterprises as contractors and subcontractors, as well as providers of goods and services.

Because Medco operates in many American cities, we have myriad opportunities to work with small and minority- and women-owned local businesses. Not only does working with a diverse group of qualified suppliers support our business objectives, it also strengthens the communities in which we operate. In addition, Medco benefits from new and varied ideas that are often outside the purview of the traditional business model. These opportunities enhance our ability to creatively respond to the needs of our customers, as well as their members.

Our policy:

Our SDP policy is founded on the principals of fair and equitable business practices and seeks to:

- Identify and develop successful relationships with qualified minority-owned, women-owned, veteran- and disabled veteran-owned, and small businesses.
- Foster economic growth within the communities where these suppliers reside.
- Use qualified suppliers from all segments of the business community.

- Maintain business relationships with minority-owned, women-owned, veteran- and disabled veteran-owned, and small business enterprises, resulting in increased expenditures annually.

Medco has developed print collateral and added a special section to its corporate website in order to meet the following goals:

- Identify potential qualified suppliers.
- Add quality minority- and women-owned businesses to its list of diverse suppliers.
- Include diverse suppliers in its sourcing initiatives.
- Increase the number of diverse suppliers, as well as the amount of business given to diverse suppliers.
- Provide direction and tools to Medco's sourcing personnel to assist them with identifying and including diverse suppliers in the procurement process.
- Track, monitor, and report Medco's SDP objectives.
- Make known to employees and the community how Medco's diverse suppliers contribute to the local and national economy.

Medco Suppliers

In addition to our print and Web collateral, Medco's Director of Strategic Sourcing and Supplier Diversity actively reaches out to the minority business community to apprise them of opportunities at Medco, and to encourage them to spread the word as well. These outreach efforts continually increase Medco's exposure to the minority business community and attest to Medco's eagerness to support quality small and minority- and women-owned business entities.

Interested diverse business owners are encouraged to register at our website, www.medco.com/supplierdiversity. As soon as the supplier registration form is completed, the minority business is added to Medco's Supplier Diversity Program database. When Medco sourcing professionals require a product or service, they immediately go to the SDP suppliers list to seek an appropriate match.

To conduct business under Medco's SDP, a company must:

- Meet Medco's quality standards
- Be cost-competitive
- Conform to Medco's insurance requirements
- Meet Medco's information technology and physical security requirements (when applicable)

- Perform employee background and drug screens (when applicable)
- Meet federal Medicare, HIPAA, and exclusion-list guidelines (when applicable)
- Be certified by a recognized certifying agency

Expectations Medco Supplier Diversity Program

What diverse suppliers can expect from Medco

Minority- and women-owned businesses that are registered with Medco's SDP can expect to have an equal opportunity to bid on business contracts with Medco, as well as to receive information about how Medco's purchasing process works. Successful bidders will receive honest and fair feedback on their performance (and other business issues), as well as equal opportunity for future contracts.

What Medco expects from suppliers

Medco has achieved great success over the last few decades by consistently providing our customers with quality products and services for a fair price. To continue meeting our customers' needs, Medco expects its suppliers to be financially viable; to provide innovative products and business solutions at competitive prices; to offer excellent customer service; to have a proven track record for on-time delivery; to demonstrate technical leadership; to keep pace with technological advancements, and to maintain valid diversity certification.

Medco recognizes diversity certification from the following agencies:

- National Minority Supplier Development Council, Inc. (NMSDC)
- Women Business Enterprise National Council (WBENC)
- The Small Business Administration (SBA)
- The Association for Service Disabled Veterans
- Applicable city and state certifications

j. For each firm or major subcontractor that will perform construction and/or design activities, provide the following information:

Not Applicable.

k. **Worker Safety Programs: Describe worker safety training programs, job-site safety programs, accident prevention programs, written safety and health plans, including incident investigation and reporting procedures.**

Medco promotes an organizational philosophy and culture that embraces safety and environmental compliance, achieves a safe work environment and acts responsibly within the communities it serves. Medco communicates a vision for safety and environmental stewardship through its mission statement and business purpose.

The success of Medco's safety program is in its organizational effectiveness and embrace of management systems to drive safety and environmental excellence. The Company's dedication to safety and environment is evidenced by its positioning of safety and environmental professionals throughout the organization, by the inclusion of safety achievement in management incentive programs and by the commitment of local and corporate management to safety. Medco recognizes safety and environmental milestones, rewards achievements through competitive programs that encourage continuous improvements and values input from all staff/employees and safety committees.

Safety and environmental issues are adequately anticipated and planned, and where necessary, the Company commits resources and capital to address concerns. Medco fulfills its safety and environmental mission by establishing goals, providing business objectives and measuring performance that is consistent with Company vision and philosophy. Expectations for safety operational performance are established through policy, procedures and guidelines, and through responsibilities for management, employees, contractors and others with whom we engage in business.

The organization identifies and manages risk to employees through prior experiences, training, accident & incident analysis, evaluation of near misses, compliance self-assessment and safety/environmental auditing. Each pharmacy is expected to address safety, health & environmental issues, including appropriate hazard assessment, training, incident/accident reporting, OSHA recordkeeping, and inspections. Involvement of management and/or safety committee is obligatory.

Medco pharmacies assess the safety and environmental impact of business operations for existing and proposed practices. Each pharmacy addresses safety, health & environmental issues including appropriate hazard assessment, training, incident/accident reporting, OSHA recordkeeping and work place inspections.

Medco has established programs to support the health and safety of its employees where hazardous chemicals are present or handled, in accordance with OSHA's Hazard Communication standard, and the proper management and disposal of hazardous waste, in accordance with EPA's Resource Conservation and Recovery Act. Written chemical hazard communication programs have been developed which include comprehensive inventories of hazardous chemicals present in the workplace and communication and training of employees of the hazards and identities of those chemicals. Programs and processes have also been developed for waste evaluation and the proper characterization of pharmaceutical and other hazardous wastes.

Emergency Management is a well established program at Medco Health Solutions, and is a primary component of Crisis Management. Our Crisis Management Program consists of three main elements: Communications, Emergency Management, and Business Integrity (continuity and recovery) programs. The Crisis Management Program is governed by several committees and process owners, as follows:

└ Crisis Management Executive Management Team is a subset of our Management Committee. This team is responsible for managing the company's efforts to avert or address a crisis/business interruption event.

└ Site Operations & Subject Experts are responsible to prepare for adverse events and ensure Sites are properly trained, staffed, and equipped to identify or address an event.

These teams are responsible for managing the company's efforts to avert or address a crisis/business interruption event. They combine with the Business Unit heads and site personnel to maintain current business continuity programs. Additionally, a Committee reviews and approves company wide programs related to Safety and Business Integrity/Continuity. As new policies and programs are approved, the operation groups receive assistance from various subject experts groups to implement programs.

The Company has numerous plans in place to address emergencies and other events that could potentially disrupt our business operations and service levels to our customers. Business Recovery Plans are in place at the Site level, and have been drawn up utilizing input from the various subject/process experts. In addition to these programs, testing of our Life Safety, Emergency Generator and Critical Support systems is provided, as well as our extensive Disaster Recovery Plan for our Data Center.

Medco embraces fire safety and planning in all aspects of our business. Fire safety starts with our original design concepts, and is present throughout our commissioning and maintenance practices. As a Company, we have extensive programs in place at all of our facilities to support these efforts. These programs ensure that we perform the appropriate design, testing and preventive maintenance to ensure Medco facilities comply with local, state and federal fire codes and ensure safe and reliable operation of life safety systems. Emergency exit requirements are established to ensure safe exit from Company buildings in the event of a fire or other emergency, in accordance with Life Safety Code, or other site specific code requirements.

Medco has several systems for reporting and tracking incidents, including accidents, injuries, hazards, spills and utility disruptions. Medco values information collected from 'near miss' reporting that has the potential of preventing unexpected incidents. These systems are effective for collecting information on deficiencies and identifying opportunity for improvement. All incidents, regardless of severity, are required to be reported to site management, including the immediate supervisor and the Site Safety/Environmental designee. Additionally, Medco facilities regularly conduct safety and environmental self-assessments, and undergo safety and environmental audits at defined frequencies to evaluate compliance against regulatory and/or corporate policy/procedural requirements.

Learning from previous incident outcomes and recommending improvements are integral to internal betterment and growth. All accidents, spills and system failures are analyzed to determine root cause in efforts to prevent further occurrence. The goal of any investigation is to develop an action plan which identifies key process improvement steps, with focus on equipment, condition, surrounding or procedure. On a periodic and ongoing basis, analysis and trending are presented to the business in the form of performance measures.

Training is provided through a variety of media options and is based on a matrix of regulatory requirement and job title. Each employee receives annual general safety training, inclusive of an assortment of regulatory and good practice communication obligations Medco is committed to. Online training with associated records tracking is used to assure all required employees receive training in a timely and documented manner. Job specific training, such as hazard communication, lock-out/tag-out and powered equipment, is provided in group settings on an established frequency. Evaluations are completed.

The programs of self audit, corporate audit and independent audit are valued components within the organization. Medco continually assesses the effectiveness of its safety, environmental and utility programs. Reporting, tracking, and analyzing incidents, senior management communication and involvement, and regular conduct and tracking of safety and environmental self-assessment and audit action plans establish accountability, management commitment, and employee ownership, and foster continuous improvement in safety and environmental programs.

All facility operations perform annual self assessment against established protocols, policy, procedure or expectation. On a frequent basis, corporate organizations will perform audits of facility safety and environmental systems. Inspections are used to identify issues on a regular basis. Validation of closed action items from previously implemented recommendation plans determines address of original intent of any findings. All open recommendations are tracked and reported until closure through several methods, which may include internally developed software or tracking systems.

ATTACHMENT

Medco Health Solutions 2007 Annual Report