

Dear Pharmacy Provider:

**Good news!** Humana has developed a Pay for Performance (PFP) program that is designed to reward pharmacy providers for the work they do to increase their pharmacy's generic dispense rate (GDR). Pharmacies that increase their GDR to targeted levels established by Humana will receive incentive bonus payments at the point of sale.

**Program Methodology**

The PFP program measures pharmacy GDR movement over performance periods, based on predetermined baseline generic dispense rates. Humana calculates GDR by dividing total generic prescription volume into total prescription volume. Independent pharmacies' GDR will be calculated on a regional/state basis.

Humana expects that pharmacy GDR will increase as a matter of course, as new generic drugs enter the market. Humana's *Maximize Your Benefit* (MYB) program and other generic awareness education initiatives will also help improve pharmacies' GDR. Therefore, Humana will establish GDR increase targets that account for these considerations.

The generic Pay for Performance program will run in 12-month periods. Baseline GDR rates will be recalculated prior to the beginning of each 12-month period. Incentive levels will be reviewed and reset on a 6-month basis. Pharmacies have the opportunity to receive the incentive bonus twice per 12-month period. Humana will be responsible for determining whether a pharmacy has achieved targeted goals. This program will renew and/or discontinue at Humana's sole discretion.

**Program Structure**

1. **Performance Period** - Measurement period for GDR performance
2. **Incentive Calculation Period** - Time period in which Humana reconciles pharmacy claims data and calculates a pharmacy's performance-period GDR
3. **Payout Period** - Period of time when pharmacies receive incentive bonus payments (if targeted GDR levels are achieved)

**2007-2008 PFP Program Year Dates**

	<b>2007 Program Period I</b>	<b>2008 Program Period I</b>	<b>2008 Program Period II</b>
<b>Performance period</b>	September - October 2007	March - April 2008	September - October 2008
<b>Incentive calculation period</b>	November 2007	May 2008	November 2008
<b>Payout period</b>	December 2007 -May 2008	June - December 2008	December 2008 - May 2009

Pharmacies that increase their baseline GDR to targeted levels during the first performance period can expect to receive incentive bonus payments for generic prescription fills beginning December 1, 2007. To continue to qualify for incentive payments after the first program period, the pharmacy must reach targeted GDR levels during subsequent performance periods.

**Incentive Targets**

Incentive targets are tiered according to degree of GDR growth from baseline GDR. The table below outlines the bonus incentive payment opportunity for achieving targeted growth levels.

<b>Tiered Incentive Payment Rates</b>	
<b>Target</b>	<b>Point-of-sale incentive bonus payment</b>
1	\$0.40
2	\$0.80
3	\$1.20

**How to Obtain Target and Baseline Information**

Pharmacy baseline GDR levels by state are enclosed with this letter for independent retail and long term care pharmacies. These documents as well as independent retail and long term care incentive target GDR tables are available online at [www.humana.com](http://www.humana.com). To view these documents, please access the following path:

1. Go to [www.humana.com](http://www.humana.com)
2. Click on the “Providers” option
3. Next click on “Pharmacist Resources” (located under “Quick Links”)
4. Then click on “News Bulletins”
5. You may select any of the following under “News Bulletins”
  - “Retail Independent Pharmacy Baseline GDR by State”
  - “Long Term Care Independent Pharmacy Baseline GDR by State”
  - “Retail Pharmacy Incentive Target Rates”
  - “Long Term Care Pharmacy Incentive Target Rates”

Pharmacies will also receive quarterly GDR update reports that summarize their generic dispensing performance.

We look forward to your participation in our Pay for Performance program. If you have questions about the program, please call Humana Pharmacy Network Support at (888) 204-8349.

Thank you for your continued care of our members.

Sincerely,



Will Lambert  
Manager, Pharmacy Networks  
Humana