

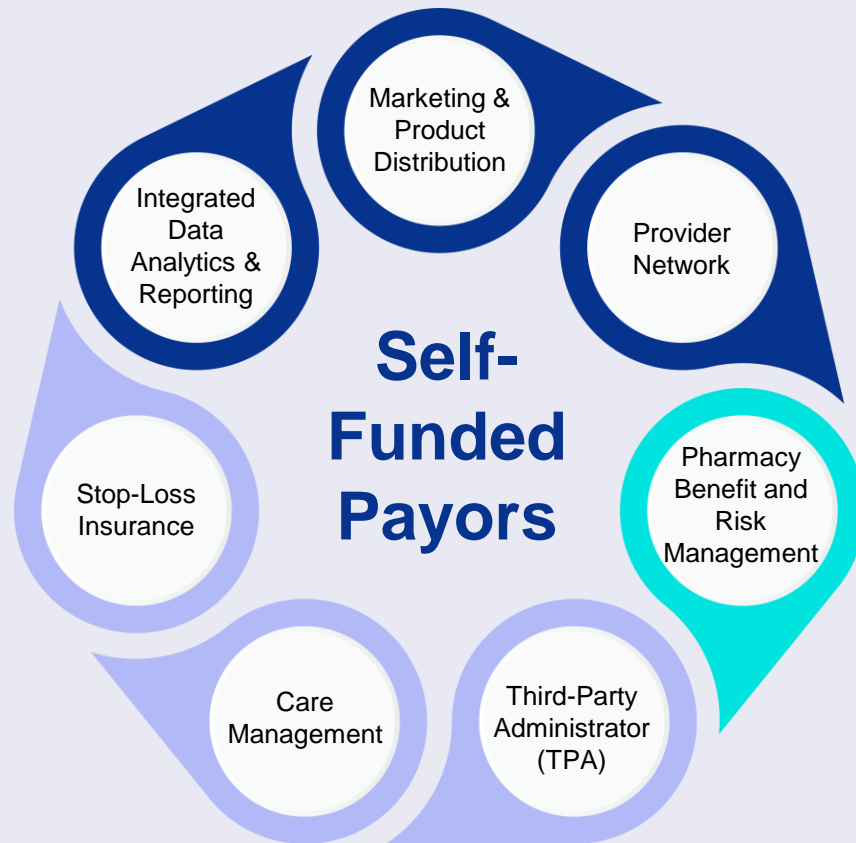


Pharmacy Benefit Manager – Understanding All of the Hidden Costs in your Pharmacy Program

January 31, 2024



What is a Pharmacy Benefit Manager?

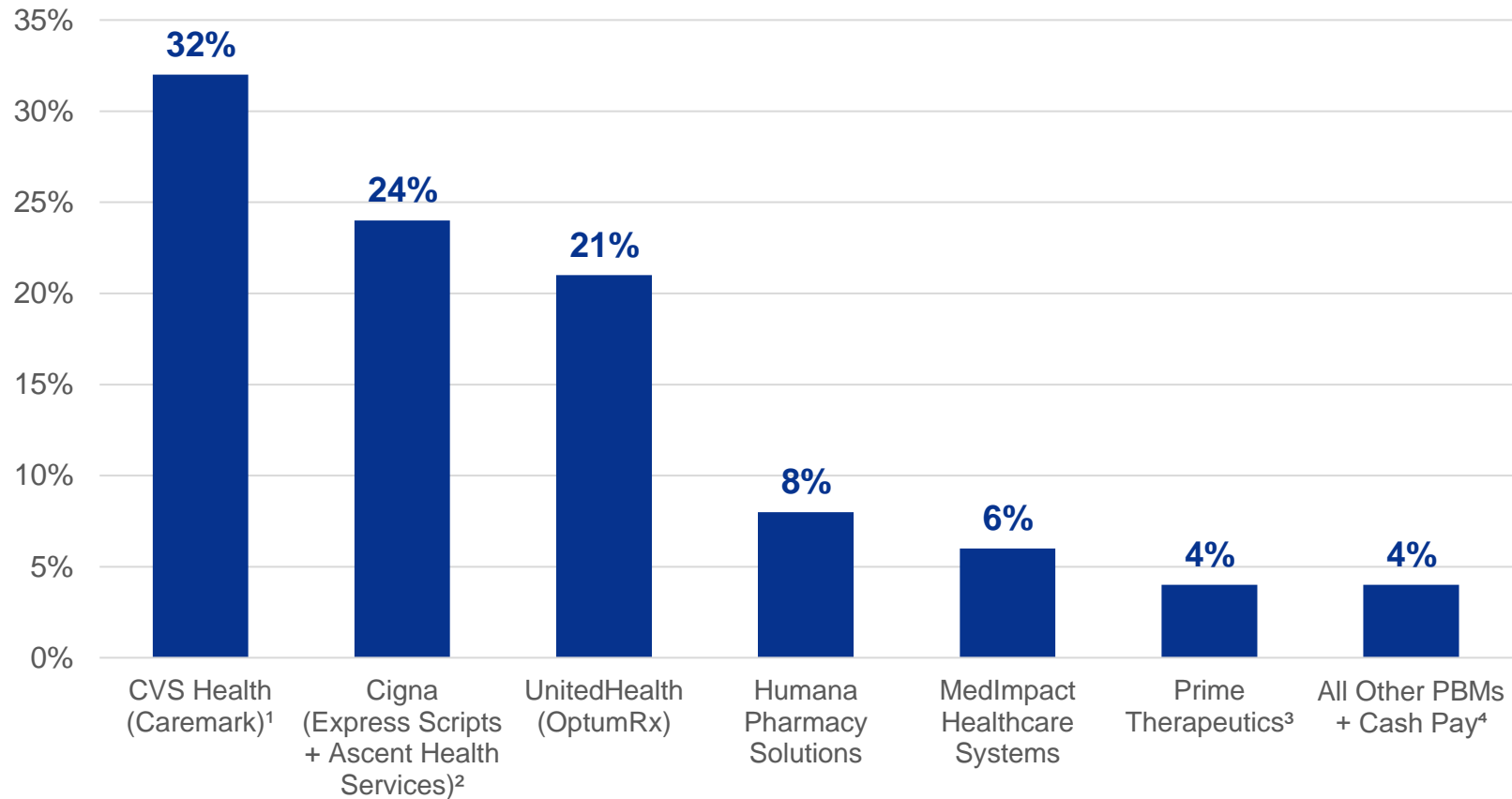


PBMs are “fairly” equal in the basic services they provide.

- Adjudicates Claims
- Checks Eligibility
- Manages Pharmacy Networks
- Establishes Formularies
- Consolidates Billing
- Pays Pharmacy Claims
- Reporting
- Customer Service
- Clinical Programs

PBM Market Share

PBM Market Share
By Total Equivalent Prescription Claims Managed



Nearly
80%
of PBM market share
is with the Big 3 –
vertically integrated
healthcare plans.

The problem with prescription drugs

Drug Channel and Managed Care Companies on the 2019 *Fortune* 500 List

Company (stock symbol)	Primary Role(s) in U.S. Drug Channels ¹	2019 <i>Fortune</i> 500 Rank	Revenues (\$B)	Revenues, % vs. 2017	Revenue per Employee (\$M)	Profit as % of Revenues	Profit as % of Assets	Annualized Return to Investors (2008-2018)	Total Return to Investors (2018)	Employees (000s)
UnitedHealth Group (UHS)	Insurer/PBM	6	\$226.2	+12.5%	\$0.8	5.3%	7.9%	+26.7%	+14.5%	300.0
McKesson (MCK)	Wholesaler	7	\$208.4	+4.9%	\$3.1	0.0%	0.1%	+12.0%	-28.4%	68.0
CVS Health ² (CVS)	Pharmacy/PBM	8	\$194.6	+5.3%	\$0.7	-0.3%	-0.3%	+10.4%	-7.0%	295.0
AmerisourceBergen (ABC)	Wholesaler	10	\$167.9	+9.7%	\$8.2	1.0%	4.4%	+17.0%	-17.6%	20.5
Cardinal Health (CAH)	Wholesaler	16	\$136.8	+5.3%	\$2.7	0.2%	0.6%	-8.4%	-24.8%	50.2
Walgreens Boots Alliance (WBA)	Pharmacy	17	\$131.5	+11.3%	\$0.4	3.8%	7.4%	+13.0%	-3.7%	299.0
Humana (HUM)	Insurer/PBM	56	\$56.9	+5.8%	\$1.7	3.0%	6.6%	+23.5%	+16.2%	41.6
Cigna ³ (CI)	Insurer/PBM	65	\$48.7	+16.9%	\$0.7	5.4%	1.7%	-6.5%	+27.5%	73.8
Rite Aid (RAD)	Pharmacy/PBM	107	\$30.2	-8.0%	\$0.6	3.1%	10.5%	+8.6%	-64.0%	48.4
Magellan Health (MGLN)	Insurer/PBM	417	\$7.3	+25.3%	\$0.3	0.3%	0.8%	+3.8%	-41.1%	10.5
Average: Drug Channels		28	\$144.9	+4.8%	\$2.6	1.3%	3.8%	+8.8%	-24.3%	130
Average: Managed Care		136	\$84.8	+15.1%	\$0.9	3.5%	4.3%	+11.9%	+4.3%	106

“Drug channel companies are MUCH bigger than manufacturers.”

- Adam Fein, PhD

The sky is the limit



**Traditional
PBMs
Experience
Unlimited
Revenue**



**Liviniti's Sole
Source of
Revenue is the
Administrative
Fee Only**

Are PBMs and Payors Aligned?

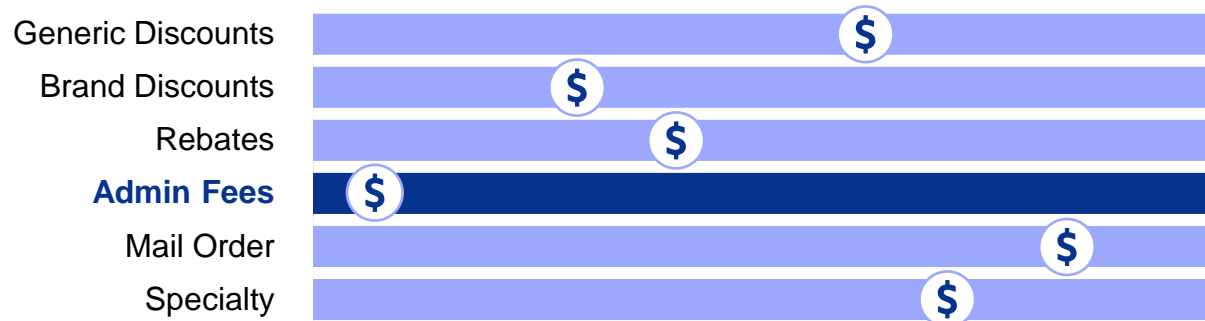
“Relatively few employers believe the goals of their PBMs strongly align with their own goals for managing employee health, productivity, and costs...”



What to watch for: multiple ways that PBMs get paid

PBM Profit Levers

Traditional Model



Pass-through Model



- Who benefits from a traditional pricing model?
- Multiple profit levers create complexity for the buyer – with numerous paths for a PBM to make money from your contract
- Ensure all PBM fees are clearly disclosed to the client

PBM Average Wholesale Prices: A Non-Constant

There are 40 total AWP's for Nexium 40mg ranging in price from \$78 - >\$10,000

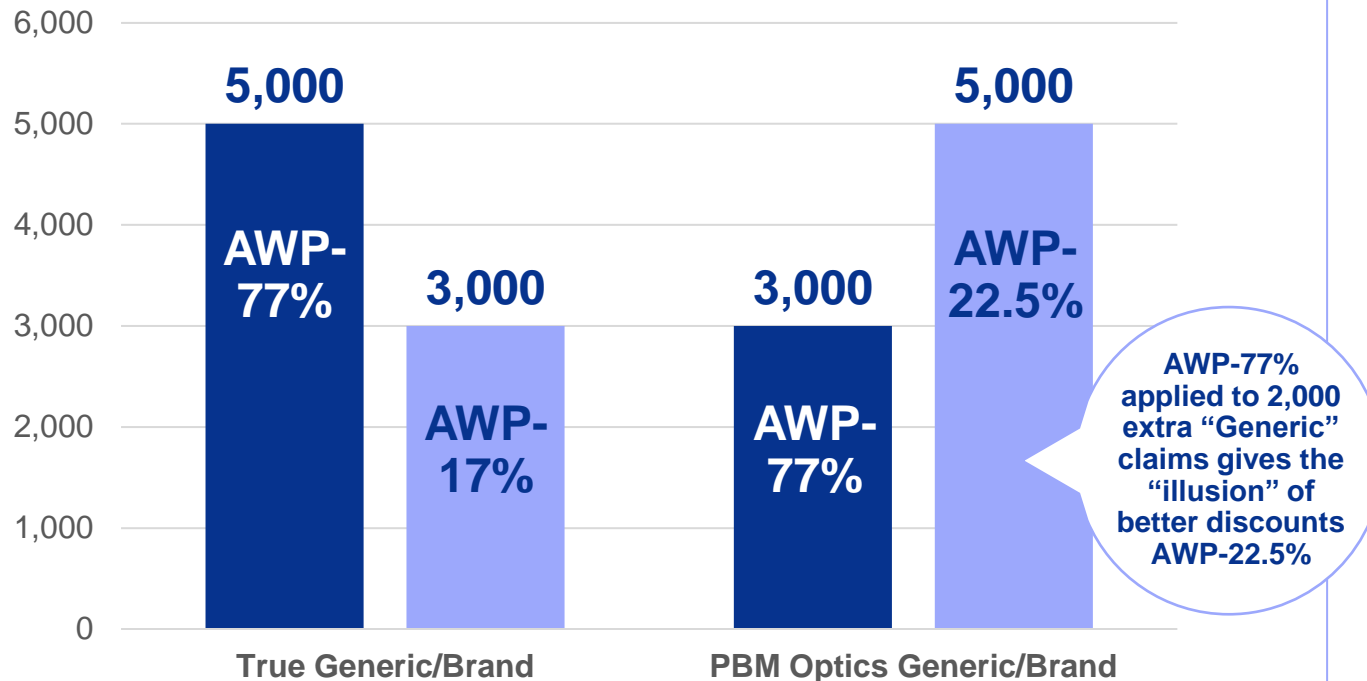
Nexium 40mg (AstraZeneca)			Quantity: 30 Pills			
PBM	NDC Code	AWP	AWP for 30	Discount	Disp. Fee	Total Rx Cost
PBM A	00440786190	\$10.51	\$315.30	-15%	\$1.50	\$269.51
PBM B	54868451003	\$8.60	\$258.00	-16%	\$1.00	\$217.72
PBM C	50436312101	\$13.25	\$397.50	-17%	\$0.75	\$330.68
PBM D	68115086730	\$9.52	\$285.60	-24%	\$0.00	\$217.06
PBM E	47463054030	\$14.13	\$423.90	-40%	\$0.00	\$254.34
ASTRAZENECA	00186504225	\$7.52				
Fiduciary PBM	00186504225	\$7.52	\$225.60	-15%	\$3.00	\$194.76

Fallacy of Average Wholesale Price (AWP) Contracting

- AWP's have no relevance in projecting final client costs from PBM to PBM; therefore, the intent of any employer should be to procure medications at the lowest cost per pill.

What to watch for: inflated savings optics

Shifting generic claims into the brand category for “inflated savings” optics



Example: Moved 2,000 claims that processed at AWP-77% into the brand category that has a guarantee of only AWP-17%. This falsely gives the client the impression of a successful and competitive contract.

Common contract language

“Brand Drug” means a prescription drug identified as such in ABC’s master drug file using indicators from First Databank (or other source nationally recognized in the prescription drug industry used by ABC for all clients) on the basis of a standard Brand/Generic Algorithm utilized by ABC for all its clients, a copy of which may be made available for review by Administrator, Client, or its Auditor upon request. Notwithstanding the foregoing, certain prescription drug medications that are licensed and then currently marketed as brand name drugs, where there exists at least one (1) competing prescription medication that is a generic equivalent and interchangeable with the marketed brand name drug, may process as “Generic Drugs” for Prescription Drug Claim adjudication and Member Copayment purposes.

Beware of this contract language!

- First, the pricing source is open-ended and allows PBM to pick the better unit cost price between various providers (e.g., MediSpan and FDB).
- Allows a PBM to move a large number of generic claims (AWP -7.50%) to the brand category (AWP- 17%) for guarantee purposes. This falsely “inflates” the brand category and makes it appear brands are achieving a higher discount when in reality PBM is moving generic claims that processed at AWP-77% to the brand category which raises the overall effective rate.
- The line that states “There exists at least one competing medication” is not in the clients’ best interest. This allows PBM to move the majority of drugs to another category for guarantee purposes; many PBMs state that medications must be produced by more than 2 manufacturers.
- The last line indicates that the **adjudication logic is not consistent with the guarantee logic.**

If your PBM can't agree to this contract language...

- **Brand Drug Product** shall mean a Covered Product with a proprietary name or trademark that has been determined a Covered “brand” Product by Liviniti using MediSpan MultiSource and Brand Name Code Indicators (MNOY).
- **Generic Drug Product** means a drug identified by its chemical or non-proprietary name considered to be bioequivalent to the Brand Drug Product that has been determined to be a Covered “generic” Product by Liviniti using MediSpan MultiSource and Brand Name Code Indicators (MNOY).
- **Rebate(s)** shall mean any and all manufacturer-derived revenue such as rebates, discounts, administrative fees, and any other revenue earned by Customer as provided for through the rebate aggregator for a particular pharmaceutical product provided by the drug manufacturer for placement of the manufacturer’s pharmaceutical product on the Applicable Plan Formulary.
- **Pass-Through** shall mean the method of charging Customer no more than the amount Liviniti paid to a Network Pharmacy, including all discounts, professional fees, taxes and dispensing fees, and is applicable to all participating Network Pharmacies. Regarding Rebates, Pass-Through shall mean all Rebate earnings received by Liviniti from manufacturers or rebate aggregators, including administrative fees, will be retained by the Customer.



Don't sign the contract!

If your PBM is earning revenues because they are in fact the ultimate decision maker regarding:

- What Drugs Do Your Members Take
- Where the Drugs Come From
- How Much They Cost

How can you be certain your interests are aligned?

What will you pay your PBM?



2011

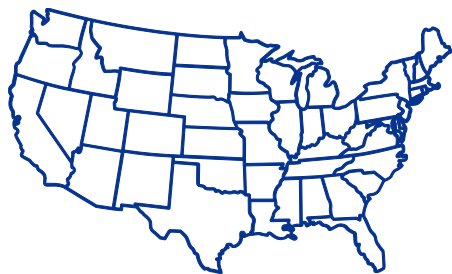
Founded 12 years ago with a philosophy of transparency

750,000

Plan members served through TPA, broker and direct relationships

400

Dedicated, experienced and mission-driven employees



Serving small, mid-sized and large clients across the country



Clinical depth and expertise



Industry-leading innovation

Our commitment is deep savings and high value

It's typical for a new client to see 23-26% savings over their prior PBM in year one.



Savings from Pass-through Pricing

We return 100% of network discounts and rebates.



Clinical Savings

Low-net cost clinical approach ensures you pay the lowest amount.



Drug Procurement Savings

Innovations in drug procurement create additional savings.

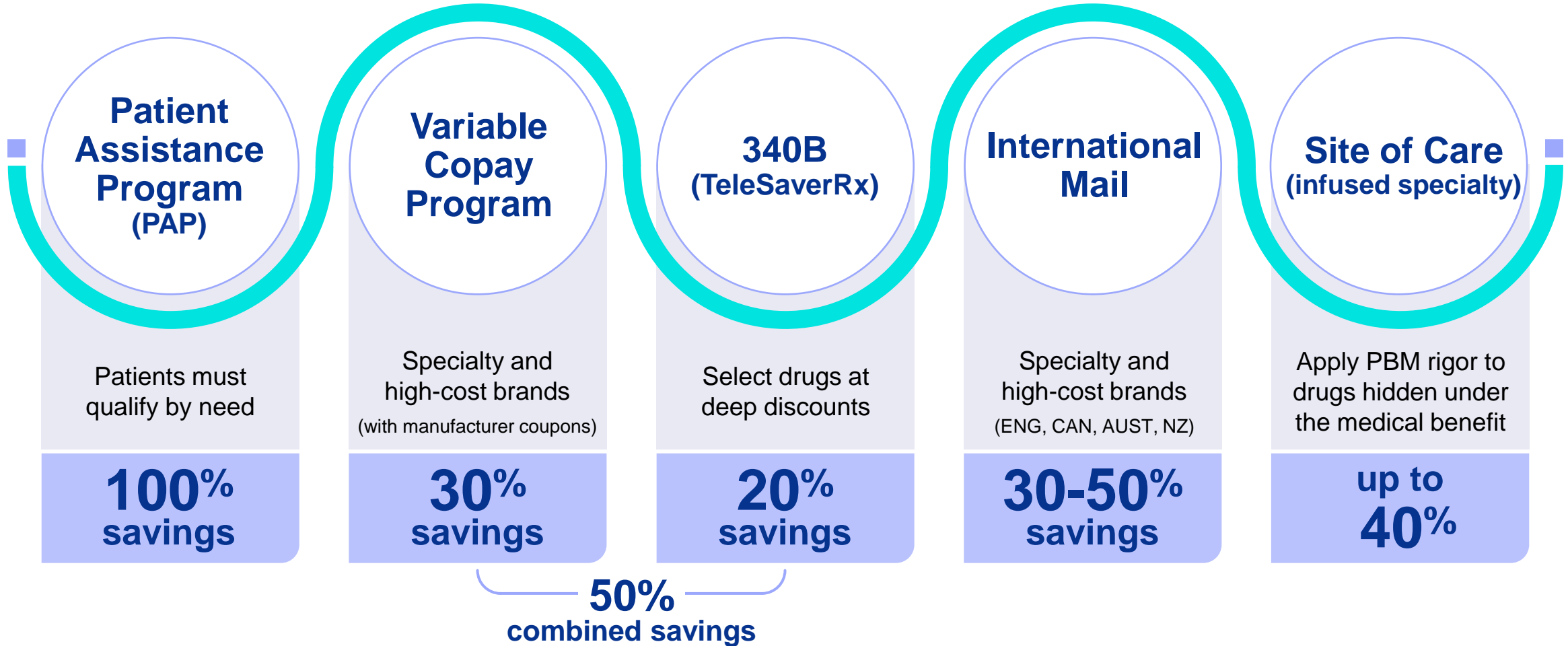
Compass

RxCompass is your road-map to significant savings through our unique, best-in-class specialty and high-cost maintenance drug management program. Our comprehensive pharmacy benefit program guides your members through various drug savings pathways and clinical support processes to maximize savings.



Finding the best price for the drug = deep savings

A Care Navigator is assigned to support each patient



RxCompass savings are significant

- Our RealTime Pricing tool reveals potential savings in seconds.
- View the best price with full rebate transparency.
- Care Navigators advise patients on options and support them throughout the process.
- This tool is available to you today.

[View the tool at:
pricing.myrxcompass.com](https://pricing.myrxcompass.com)

Copaxone		
Est. Pricing: DATE		
NDC: 68576032E12	Quantity: 12	
Strength: 10 MG/M L - SOSY	Days Supply: 28	
Program	Est. Price	Est. Price After Rebate
Discounts & Rebates	\$5,740.19	\$4,082.99
Variable Copay	\$5,230.08	\$3,572.87
Alternative Drug Sourcing - Rebates not available		
Program	Est. Price	
International Mail	\$1,560.00	
Patient Assistance	\$0.00	
340B (TeleSaverRx)	\$3,548.96	

– ACTUAL DRUG PRICING DATA SHOWN –

Service matters

- Reach a live person every time
- No IVR or telephone prompts
- Based in the U.S. – 24/7/365
- Our service system was built so we can provide fast, accurate answers
- Members and clients can use our portal for easy self-service
- Dedicated phone number

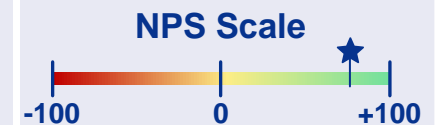
<15 sec.
average speed
of answer

96%
client retention

85 NPS
Net Promoter Score
Client Services

<1%
calls abandoned

~5:30 min.
average call
handle time



2022 Service Team Data

A proven and trusted partner



+ 1900 More

Proudly Serving

Hospitals | Grocers | Municipalities | Wholesalers | Distributors | Manufacturers | Oil & Gas | Shipyards | Technology | Education | Health Services Medical Trusts | Financial | Truck Transportation | Native American Tribes | Food Services | Construction | Religious Organizations



Thank you!