



Discussions of Trends in Pharmacy Management November 19, 2020

About Arxcel

OUR GOAL

Arxcel's goal is to help employers manage their prescription drug checkbook, ensuring spending is appropriate, effective and properly allocated, so that employers can offer their members the highest quality, most cost-effective benefits.

OUR PHILOSOPHY

Arxcel continues to be a guiding light through a complex and ever-changing pharmaceutical industry. We strive to provide employers with simplified solutions that protect their interests.

OUR PROCESS

Arxcel evaluates prescription benefit programs with an emphasis on eliminating waste and inefficiencies and thoroughly analyzes the intricacies of the contract to uncover savings. While cost-shifting is an easy approach. Arxcel looks for programs that allow for increased value and long-term clinical outcomes, both which provide positive outcomes for the payor and the patient. Our data reviews identify components of a program that are simple to eliminate, minimally disruptive

Our Mission

“ Arxcel’s goal is to be more than a prescription benefits consultant. We strive to be a trusted confidant to those looking to navigate the complex world of prescription benefits coverage. As an independent partner, un beholden to anyone in the prescription benefits food chain, our unique and unbiased perspective allows us to advocate solely on your behalf. Ensuring that the prescription benefits plan you select is the most comprehensive and cost-effective solution available to your company. ”



IDENTIFY SAVINGS

Arxcel identifies savings opportunities that help employers and TPAs reduce their prescription medication costs.



NEGOTIATE CONTRACTS

Arxcel negotiates competitive pharmacy benefit contracts on behalf of organizations.



HELP DECISION-MAKERS

Arxcel helps leaders make informed decisions about their pharmacy benefit program.



SAVE TIME

Arxcel helps organizations save time when developing pharmacy benefit programs and contracts.

What is a Pharmacy Benefit Manager

- Pharmacy benefit managers (PBM) negotiate with drug makers and pharmacies to secure a discount and then pass the cost savings onto insurers/employers.
- These companies make money in several buckets, including up-charging the cost of drugs or keeping some of the rebates.
- The top three PBM's the industry are Express Scripts, CVS Health, and OptumRx.



PBM Ownership

Vertical Business Relationships Among Insurers, PBMs, and Specialty Pharmacies, 2019

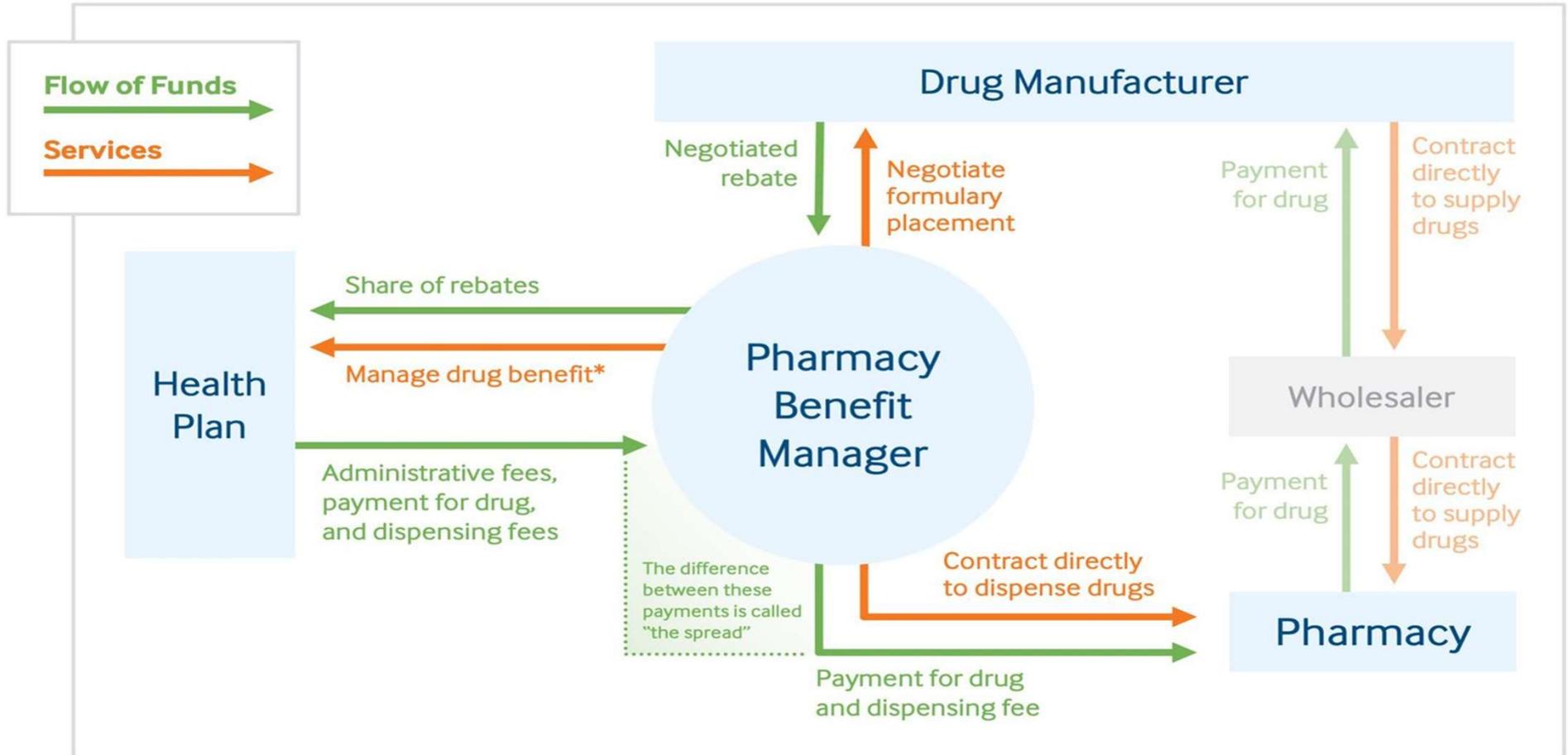


Source: Drug Channels Institute research. AllianceRx Walgreens Prime is jointly owned by Prime Therapeutics and Walgreens Boots Alliance.

This chart appears as Exhibit 77 in *The 2019 Economic Report on U.S. Pharmacies and Pharmacy Benefit Managers*, Drug Channels Institute. Available at <http://drugch.nl/pharmacy>



Follow The Money



Spread Pricing Model

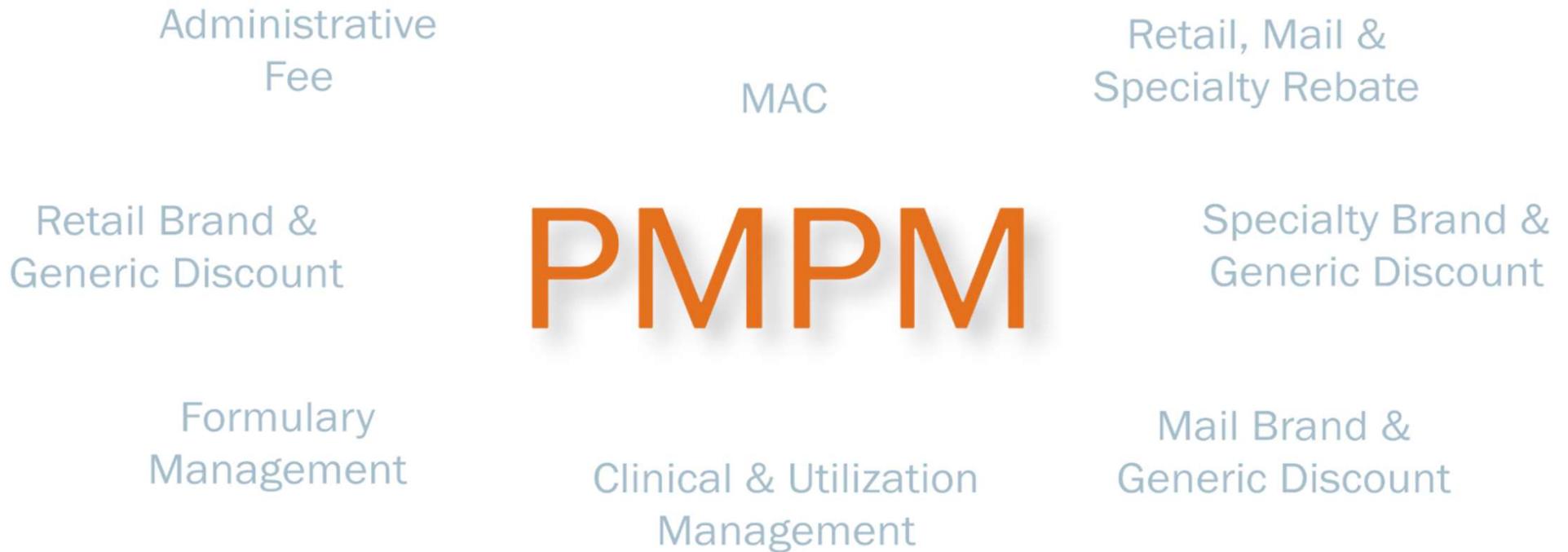
Key Components of PBM Compensation

Source	Description
Retail Network Spread	The difference between: <ul style="list-style-type: none">• Ingredient cost reimbursement received by a PBM from a payer• Ingredient cost reimbursement paid by a PBM to a network pharmacy
Pharmacy Dispensing Profit	The difference between: <ul style="list-style-type: none">• Ingredient cost reimbursement paid to the PBM by a payer• Drug acquisition cost to a PBM's mail or specialty pharmacy
Retained Rebates	Percentage of rebates from brand-name manufacturers retained by PBM instead of being passed through to plan sponsor
Retained Price Protection	Percentage of price protection payment received from brand-name manufacturers that is retained by PBM instead of being passed through to plan sponsor
Administrative Fees	Per-claim processing fees
Service Revenues	For-fee services provided to, or performance-based payments received from, pharmaceutical manufacturers

Source: *The 2018 Economic Report on U.S. Pharmacies and Pharmacy Benefit Managers*, Drug Channels Institute, 2018, Exhibit 88. Available at <http://drugch.nl/pharmacy>

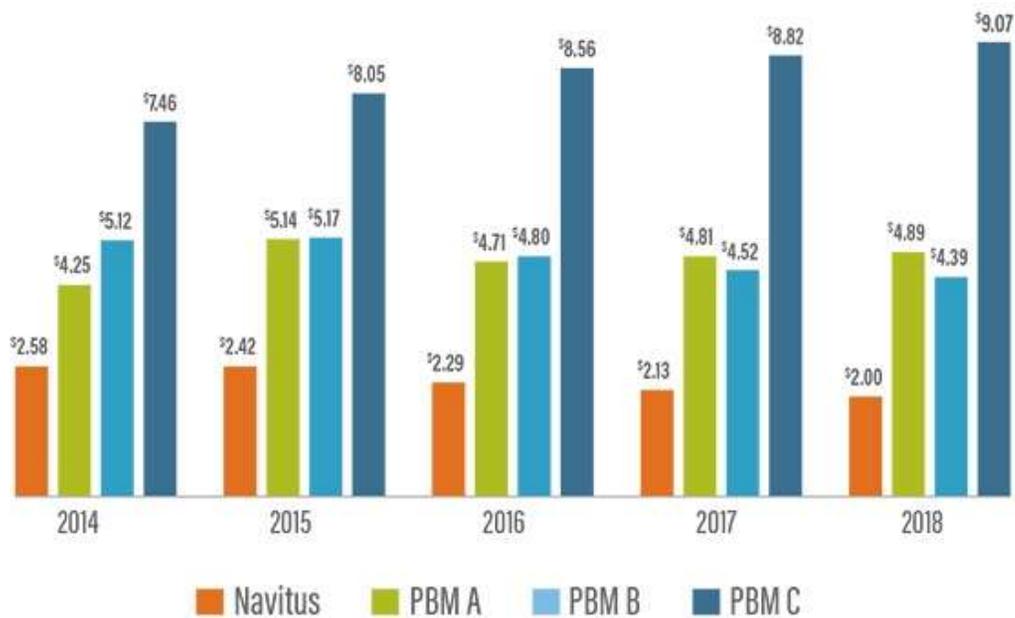


Pass Through Pricing Model



PDM Model Financial Impact

Painting a Clear Picture: PBM Gross Profit Per Claim



Information based on published SEC filings. Navitus information based on internal data.

Opportunities for Cost Savings



- How do you effectively evaluate a PBM?
 - Discounts
 - Rebates
 - Services
 - Contractual Terms
- Levers to pull to control drug spend
 - Clinical Interventions
 - Copay Assistance
 - Diabetes

Spreadsheet Flaws

- AWP discounts are metrics that don't factor in starting point of the price being discounted
 - Higher discounts will always look greater when your initial drug spend are more expensive meds
- Rebate guarantees stated in \$/claim terms often contain language that reduces the denominator thereby creating an optically high resultant value.
 - These claims without rebates are excluded from the guarantee calculation using qualification language, but the total amount of rebate dollars available to a client remains unchanged
- Fees aren't comprehensive (ID cards, formulary management, clinical program)
- Doesn't take into account utilization management approval rates and clinical program strategy
 - Traditional, non-transparent PBMs make money when a prescription is dispensed

Picking a PBM based upon deepest discounts and highest rebates is intellectually lazy

RIGHTRX

Right Rx Program Results

On average, clients experience:

Non-Specialty

\$6 – \$18

PMPM Net Savings ¹

Specialty

15% – 30%

Lower Cost ²

35%

Initial Physician
Approval Rate
60% After Year 1

95%

Patient Participation
Rate Based on
Physician Approved Changes

Client Example: Rx Savings Analysis

Based on 03/01/2019 to 02/29/2020		PMPM Cost	12 Month PMPM Fee			
Non-Specialty Claims Processed:	61,699		\$1.75	\$78,855		
Plan Rx Cost:	\$2,989,232					
Targeted Switches:	9% 5,434					
Targeted Clinical Cost:	\$1,425,868					
Less Average Alternate Cost:	\$174,084					
Estimated Potential Savings for 12M at 100%:	<u>\$1,251,784</u>					
		Members	3,755			
		Generic Fill Rate	84%			
Estimated Potential Savings						
Prescriber - Member Approval %		20%	30%	50%	65%	100%
Projected 12 Month Potential Savings		\$250,357	\$375,535	\$625,892	\$813,660	\$1,251,784
Less Rebate Impact		\$112,339	\$168,509	\$280,848	\$365,103	\$561,697
Less KPCM Fee @ \$1.75 PMPM		\$78,855	\$78,855	\$78,855	\$78,855	\$78,855
Net Potential Savings		\$59,162	\$128,171	\$266,189	\$369,702	\$611,232
Net PMPM		\$1.31	\$2.84	\$5.91	\$8.20	\$13.56
Note: Estimated savings are based on current data that does not include any increased utilization or future trend increases						

Client Savings Examples

Target Medication	Rx Count	Target Plan Paid	Target Cost Per Rx	Alternative Medication	Alternative Plan Paid	Alternative Cost Per Rx	Dollar Savings	Percent Savings
Canasa	13	\$23,808	\$1,831	Balsalazide	\$6,766	\$520	\$17,042	71.58%
Nuvaring	52	\$17,341	\$333	Ethinyl Estradiol Norethindrone	\$1,760	\$34	\$15,581	89.85%
Lyrica	22	\$13,557	\$616	Gabapentin	\$425	\$19	\$13,132	96.86%
Wellbutrin XL	3	\$13,036	\$4,345	Bupropion ER	\$104	\$35	\$12,932	99.20%
Latuda	11	\$13,009	\$1,183	Risperidone	\$49	\$4	\$12,959	99.62%
Lialda	5	\$10,600	\$2,120	Balsalazide	\$1,876	\$375	\$8,724	82.30%
Absorica	5	\$9,468	\$1,894	Clavaris	\$3,898	\$780	\$5,570	58.83%
Chantix Continuing Month Pak	15	\$6,071	\$405	Bupropion SR	\$3,643	\$243	\$2,428	40.00%
Mometasone Furoate	16	\$5,552	\$347	Fluticasone Nasal	\$120	\$8	\$5,431	97.83%
Vesicare	7	\$5,047	\$721	Oxybutynin	\$159	\$23	\$4,889	96.85%
Total:		\$117,490			\$18,801			

Right Rx Program Benefits

- Real and sustainable **cost-savings**
 - Plan sponsor savings of 10% or more on average
 - Member savings of 30% or more on average
 - Measurable ROI within the first year
 - Detailed management reports
- **Low impact** on benefit administrator
- Short implementation timeline (60 to 90 days)
- Can be implemented off plan/calendar year
- Can be layered onto any PBM arrangement
- **Non-disruptive** to members
- Aggressive guarantee – **zero dollars at risk** for the program



Right Rx Program Results

- Regional Initiative in Western Pennsylvania
 - Over 60,000 covered patients
 - All employer types
 - Manufacturing/Bargained Benefits
 - Schools
 - Hospitality
 - Professional
- **High impact** – employer savings
 - Over \$6m
 - >2.5 ROI
- **Non-disruptive** to members
 - In excess of \$1m in copay savings
 - Less than 1% do not agree to switches
- **Beneficial to Physicians**
 - >60% of responding physicians agree with recommendations
 - Long term sentinel affect will help community



Pittsburgh
Business Group
ON HEALTH

COPAY ASSISTANCE PROGRAM

Making the Most of Your Dollars

Pharmaceutical drugs are expensive -- that's why they're fueled by copay assistance programs. *These programs can get the patient cost to \$0, but what about the employer or sponsor?* This specialty copay assistance program captures the available dollars from manufacturers to reduce employee cost AND sponsor costs.

Why Specialty Co-Pay



**EXPENSIVE
SPECIALTY**



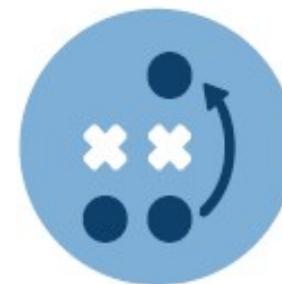
**PBMS ARE
RELUCTANT**



**CUSTOM
REPORTING**



**TRUE COPAY
ACCUMULATION**



**DEDICATED
SERVICE TEAM**

Claim Example | Otezla for Psoriasis

CLAIM WITHOUT COPAY ASSISTANCE

(\$50 SPECIALITY COPAY)



TOTAL COST **\$2,965**

CLAIM WITH COPAY ASSISTANCE

(30% SPECIALITY COPAY)



TOTAL COST **\$2,965**

SAVINGS PER CLAIM =
\$839.50

Savings Analysis

Drug Name	Total Patient Count	Nbr Claims	Total Cost	30% Coinsurance			Manufacturer Member OOP Amount
				Plan Pay Amount	Claim Copay Amount	Manufacturer Pay Amount	
BETASERON	1	11	\$81,068	\$63,173	\$3,395	\$14,500	\$0
HUMIRA	4	42	\$198,994	\$150,245	\$4,627	\$44,121	\$210
IMBRUVICA	1	10	\$117,741	\$92,511	\$630	\$24,600	\$100
OTEZLA	1	1	\$3,409	\$1,020	\$2,389	\$0	\$0
PULMOZYME	1	9	\$31,279	\$21,896	\$630	\$8,754	\$270
REPATHA	1	4	\$4,038	\$1,996	\$1,404	\$639	\$20
SIMPONI	2	3	\$13,397	\$7,911	\$4,238	\$1,248	\$15
STELARA	1	3	\$32,730	\$22,911	\$1,455	\$8,364	\$15
TECFIDERA	2	17	\$123,101	\$85,146	\$5,897	\$32,059	\$0
TRUVADA	1	10	\$16,852	\$10,917	\$1,595	\$4,340	\$0
TYMLOS	1	4	\$19,481	\$12,297	\$2,770	\$4,414	\$16
VALCHLOR	1	1	\$4,148	\$2,904	\$70	\$1,174	\$10
XELJANZ	1	2	\$24,770	\$17,339	\$70	\$7,361	\$0
	18	117	\$671,008	\$490,264	\$29,170	\$151,574	

Estimated Savings	30% Coinsurance
Total Drug Count	13
Total Patient Count	18
Total Claim Count	117
Total Cost	\$671,008
Plan Cost	\$490,264
Claim Copay Amount	\$29,170
Manufacturer Share	\$151,574
Service Charge	\$37,893
Estimated Net Savings	\$113,680

DIABETES MANAGEMENT

LivingConnected

LivingConnected Platform



Smart Biometric Devices

Cellular or Bluetooth-enabled glucose meters track blood glucose levels, and much more.

24/7 Live Monitoring, Intervention & Coaching

Real-time, live interventions led by Registered Nurses immediately upon the receipt of an adverse reading or trend.

Clinical Diabetes Education

AADE-accredited Diabetes Education Program for those who need additional support.

Care Team Coordination

Members may instantly share their glucose results and trends with their families, caregivers, and physicians.

Feedback & Goal Setting

Web portal application is provided for the member, caregivers, health plan, etc.

Reporting & Analytics

Clinical and financial outcomes reporting provided to all stakeholders.



LivingConnected – Savings Example

Total Members	2,741	5%	38%
Members with Diabetes	144	% with Diabetes	% Currently Checking
Members with Diabetes Currently Checking	54		

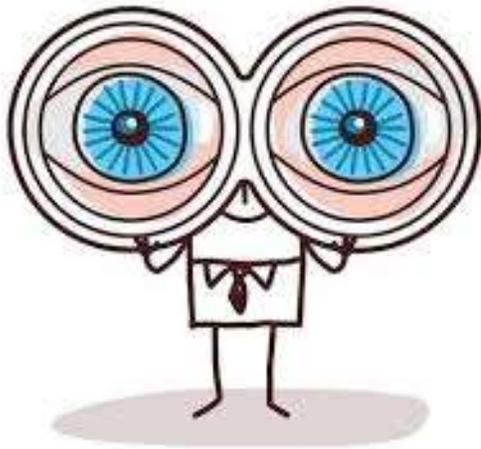
	Current Cost	LivingConnected	Savings Per Box	Current Utilization (Boxes)
Test Strips	\$71.88	\$55.00	\$16.88	383
Lancets	\$13.96	\$7.50	\$6.46	26

*Proper testing
and engagement
produces
significant savings
in medical costs*

ANNUAL COST OF SUPPLIES			
	Current Pricing	LivingConnected	Annual Savings
Current Utilization	\$27,920	\$21,281	\$6,639
at 50% Engagement	\$46,503	\$36,223	\$10,279
at 70% Engagement	\$65,104	\$50,713	\$14,391

ENGAGEMENT RATE	ENGAGED MEMBERS	AVERAGE ANNUAL SAVINGS PER ENGAGED MEMBER*	ESTIMATED ANNUAL SAVINGS	ESTIMATED ANNUAL NET SAVINGS
38% ▶	54	\$1,646	\$88,884	\$95,523
50% ▶	72	\$2,084	\$150,048	\$160,327
70% ▶	101	\$2,623	\$264,398.40	\$278,789

Closing Thoughts



- A very difficult industry to understand
- PBM's are important to controlling costs
- Bigger isn't always better
- Spreadsheets do not tell the whole story
- Words mean things in contracts
- Levers to pull to control costs without changing PBM without cost shifting
- Needs to be a point of accountability and validation for all PBM Agreements



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Thank You!