

Pharmacy Benefit Management (PBM) Overview



Agenda

- Introductions to ARMSRx Team & Services
 - Stephanie Cormier
 - Christine Heutinck
- The PBM history and role in healthcare
- CIS key performance indicators (KPIs)
- Pharmacy Industry Updates
 - Increase in compounding and generics
 - Specialty pharmacy & management strategies
- CIS PBM project review
- ARMSRx services for CIS

Stephanie Cormier

Mrs. Cormier has 30 years of experience in the health insurance and pharmacy benefit industries and has been with ARMSRx since 2004.

Stephanie's core responsibilities include:

- Developing custom RFPs and managing the distribution and evaluation process.
- Providing CIS with implementation and account management support



Christine Heutinck

Christine offers her clients over 20 years' expertise and experience in the pharmacy benefit industry and has been with ARMSRx since 2012.

Christine's core responsibilities include:

- Evaluating the financials for CIS. This evaluation includes a comprehensive examination of their current PBM contract, definitions, pharmacy discounts, and services
- Monitoring CIS contractual financial guarantees



PBM's role in healthcare

- PBM History
- PBM Core Functions:
 - Adjudicate pharmacy claims
 - Load benefit logic
 - Retail Pharmacy Network
 - Mail Order
 - Specialty Pharmacy
 - Customer Service
 - Reporting
 - Clinical programs
 - Formulary and rebates

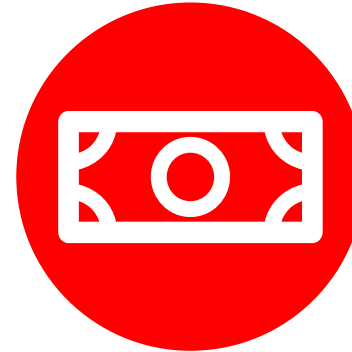
Pharmacy Benefit Facts

- Rx is the most highly utilized employee benefit
- Pharmacy costs continue to increase
- Rx is the most visible benefit
- Strategic pharmacy benefit management and oversight is critical
 - Generic inflation and utilization
 - Brand inflation
 - Specialty pipeline
 - PBM and drug manufacturer mergers

Pharmacy is the most widely used health benefit



68% of chronic and complex patients are driving ...



95% of total pharmacy spend

**National Average

Pharmacy services require partners to help control and educate members

- Specialty Pharmacy
- PCSK9 Inhibitors
- Biosimilars
- Hepatitis C
- Compound Drugs
- Drug Price Inflation
- High-Cost Generics
- Mail Order Pharmacy
- Narrow Pharmacy Networks
- Formulary exclusions
- 17% of US adults with high LDL are untreated

CIS Generic Dispensing Rate (GDR)



GENERIC FILL RATE (GFR)

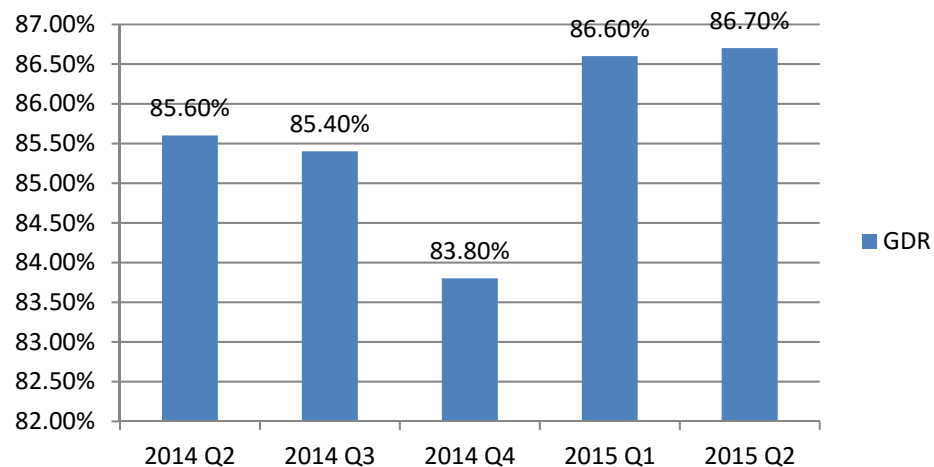


Potential total savings: **\$2.1M**

Top traditional categories

Indication	Current GFR	Potential GFR	Savings
High blood cholesterol	90%	99%	\$286K
Pain and inflammatory	96%	99%	\$280K
Attention disorders	66%	93%	\$139K

GDR



Top Therapeutic Classes

			Jan 15 - Jun 15								
Curr Rank	Prev Rank	Therapeutic Class Name	Plan Paid	Utilizers	Rxs	Plan Paid per Rx	GDR	Plan Paid PMPM	Avg Plan Paid Pct Change	Rxs PMPM Pct Change	Plan Paid PMPM Pct Change
1	1	Chronic Inflammatory Disease	\$1,028,213	80	338	\$3,042.05	0.0%	\$8.44	30.6%	10.9%	44.9%
2	3	Insulin	\$584,414	235	1,051	\$556.06	0.0%	\$4.80	21.8%	2.1%	24.4%
3	2	Multiple Sclerosis	\$537,603	24	107	\$5,024.33	0.0%	\$4.41	12.0%	-16.9%	-7.0%
4	4	Inhaled Asthma/ COPD Agents	\$422,321	1,371	2,990	\$141.24	6.5%	\$3.47	-2.2%	12.7%	10.1%
5	5	Hepatitis C	\$367,696	5	12	\$30,641.31	0.0%	\$3.02	158.3%	-48.1%	34.0%
6	6	ADHD & Narcolepsy Medications	\$281,334	428	1,828	\$153.90	64.4%	\$2.31	17.4%	5.2%	23.5%
7	8	Opioid Agonists & Combos	\$199,168	2,454	6,843	\$29.11	96.8%	\$1.64	10.6%	-14.2%	-5.1%
8	7	Antidepressants, SSRI/SNRI	\$167,400	1,892	6,998	\$23.92	98.0%	\$1.37	-18.6%	-3.3%	-21.2%
9	9	Atypical Antipsychotics	\$165,349	133	541	\$305.64	71.2%	\$1.36	-10.6%	22.2%	9.3%
10	10	HMG CoA Reductase Inhibitors & Combos	\$152,070	1,694	6,188	\$24.57	91.3%	\$1.25	11.2%	-2.9%	8.0%
Totals:			\$3,905,569		26,896	\$145.21	77.6%	\$32.07	20.7%	-3.6%	16.3%
Plan Totals:			\$7,281,352		111,922	\$65.06	86.7%	\$59.79	13.0%	-1.1%	11.8%

Top Specialty Therapeutic Classes

Top Specialty Categories

Disease Indications	Number of Patients	Spend
Inflammatory conditions	152	\$2.4M
Multiple sclerosis	29	\$1.3M
Hepatitis C	8	\$527K

Claims data range: 7/2014 to 6/2015

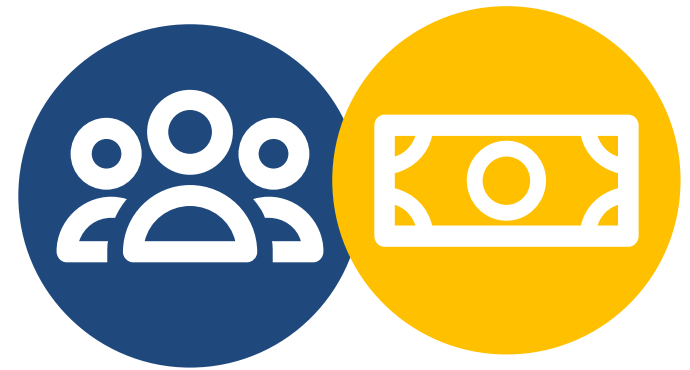
Types of Medication

- **Acute** : Acute medications often refers to an illness that is of short duration, rapidly progressive, and in need of urgent care.
- **Maintenance**: Maintenance drugs are medications prescribed for chronic, long-term conditions and are taken on a regular, recurring basis. Examples of chronic conditions that may require maintenance drugs are: high blood pressure, high cholesterol, and diabetes.
- **Specialty medications**: Specialty drugs are high-cost prescription medications used to treat complex, chronic conditions like cancer, rheumatoid arthritis and multiple sclerosis. Specialty drugs often require special handling (like refrigeration during shipping) and administration (such as injection or infusion).

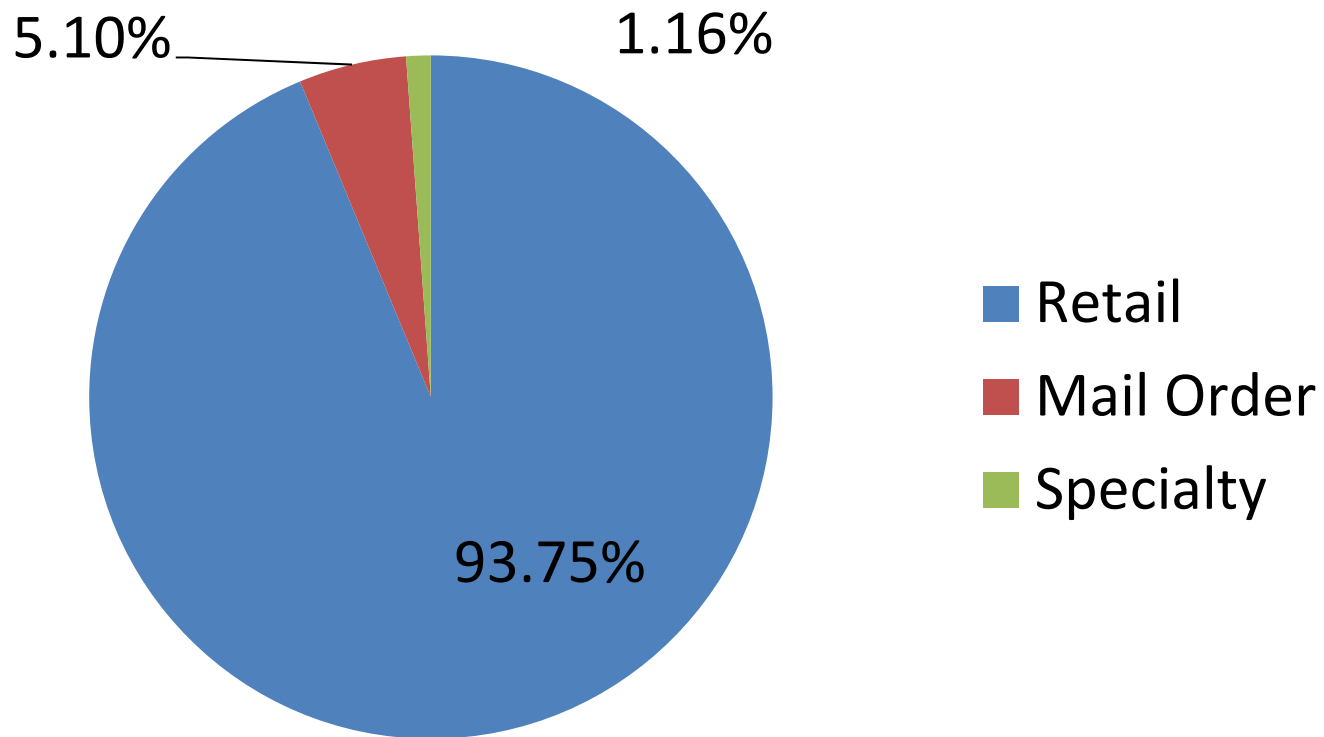


Pharmacy Channels

- **Retail 30 day supply:** Ideal for acute medications.
- **Retail 90 day supply:** Ideal for maintenance medications with a better discount.
- **Mail Order:** This channel is ideal for maintenance medications, and provides the best discounted price.
- **Specialty:** High cost prescriptions for chronic disease states.

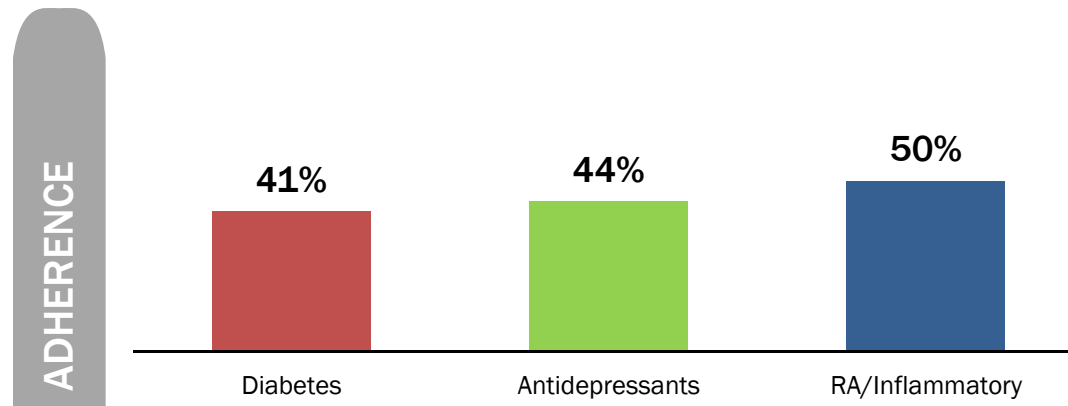


Pharmacy Channel Utilization



Dataset annualized from January- June 2015

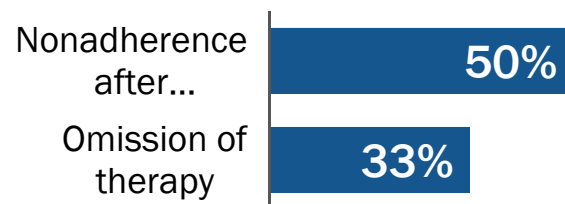
Non-Adherent Patients



\$2,430* additional annual cost for a nonadherent patient

Source: *New England Journal of Medicine*;
Express Scripts Internal Research

Inadequate therapy management often results in



A person non-adherent to oral diabetes, blood pressure and cholesterol medications may cost your plan \$4,000/patient per year in excess total healthcare costs*

Industry Updates



Retail Pharmacy Market Forecast

Pharmacy cost increases before plan design changes are projected to be:

- 9.5% in 2015
- 10% in 2016
- 10.5% in 2017

These increases are significant. The past few years had only a flat or very low, single digit increase.

Generic Prices are Rising

Several generic drugs have had tremendous inflation cost increases, contributing to overall generic cost trends. Market consolidation, regulatory challenges, and new higher priced generics are also contributing to the overall increase of generic cost.

63% of new market generics cost over \$100 per claim.

Generic Product	Cost per Unit 2013	Cost per Unit 2014	% Change
Flunisolide	\$0.05	\$0.52	884%
Digoxin	\$0.17	\$0.81	386%
Clomipramine	\$0.88	\$3.85	334%
Fluocinolone	\$0.31	\$1.34	328%
Ergocalciferol	\$0.22	\$0.86	282%

Source: Catamaran Book of Business

Compound Claims - Bulk Powder Pricing

Bulk Chemical	Product Purchase Cost per Gram	Per Gram AWP	Percent Mark-up
Clonidine HCL	\$5 – \$41	\$195	375 – 3,800%
Gabapentin Powder	\$1 – \$11	\$52	372 – 5,100%
Baclofen USP	\$3 – \$6	\$34	466 – 1,033%
Ketamine Powder	\$2 – \$8	\$32	300 – 1,500%
Lipoderm Base	\$0.12 – \$0.16	\$2	1,150 – 1,566%
Average			414 – 2,430%

Top Specialty Therapeutic Classes

In 2013, specialty spend was approximately 27% of the total pharmacy cost. In 2014, that percentage increased to 31%, and is *expected to be 37% by 2015*.

Top Specialty Therapeutic Classes	
Inflammatory Conditions	Multiple Sclerosis
Hep C/HIV	Oncology
Growth Deficiency	Pulmonary Arterial Hypertension
Hemophilia	Transplant

Specialty Management Strategies

- Days supply management
- Titration programs and dose management
- Preferred drug strategies
- Adherence programs
- Therapy management programs
- Pharmacogenomics testing

New communications are coming...

Member website

- Unique clinical outreach providing personalized, actionable alerts
- Comparison shopping for lower-cost maintenance medications
- Immediate access to a specialist pharmacist

Mobile app

- Locate pharmacies and order refills on the go
- Real-time order status updates
- Virtual ID card and medicine cabinet
- Available for Medicare Part D members

Contact centers

- 24/7, 365 days a year access
- 96.4% first call resolution
- Proactive, actionable financial and clinical opportunities provided via the Health Action Plan

ARMSRx Services for CIS

Complete Services

- Reviewed CIS pharmacy data
- Created RFP specific for CIS and received 13 PBM offers
- Evaluated pharmacy networks, dispensing fees, clinical & administration fees, specialty, and data integration fees
- Result: PBM selected

On-going Services

- Strategic client planning
- Provide account management
- Provide Implementation project management
- Monitor contractual pricing and performance guarantees

Questions



Christine Heutinck
Christine.Heutinck@armsrx.com

Stephanie Cormier
Stephanie@armsrx.com