



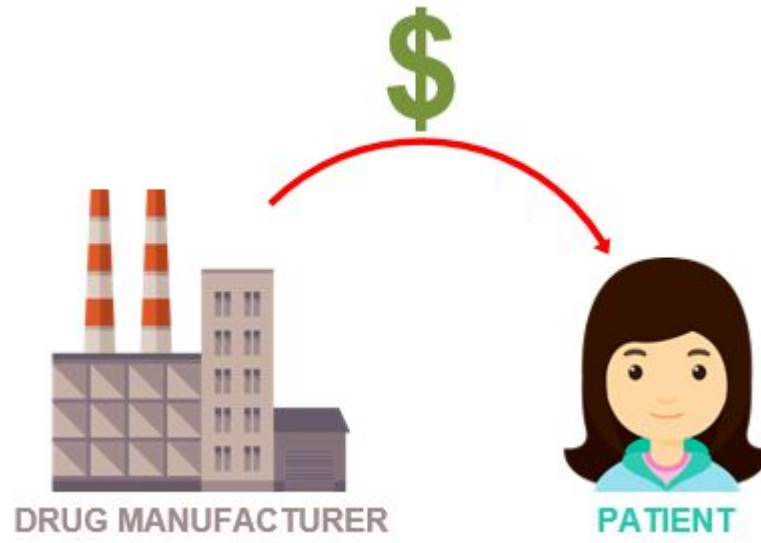
The Role of PBMs in the Economy

October 10th

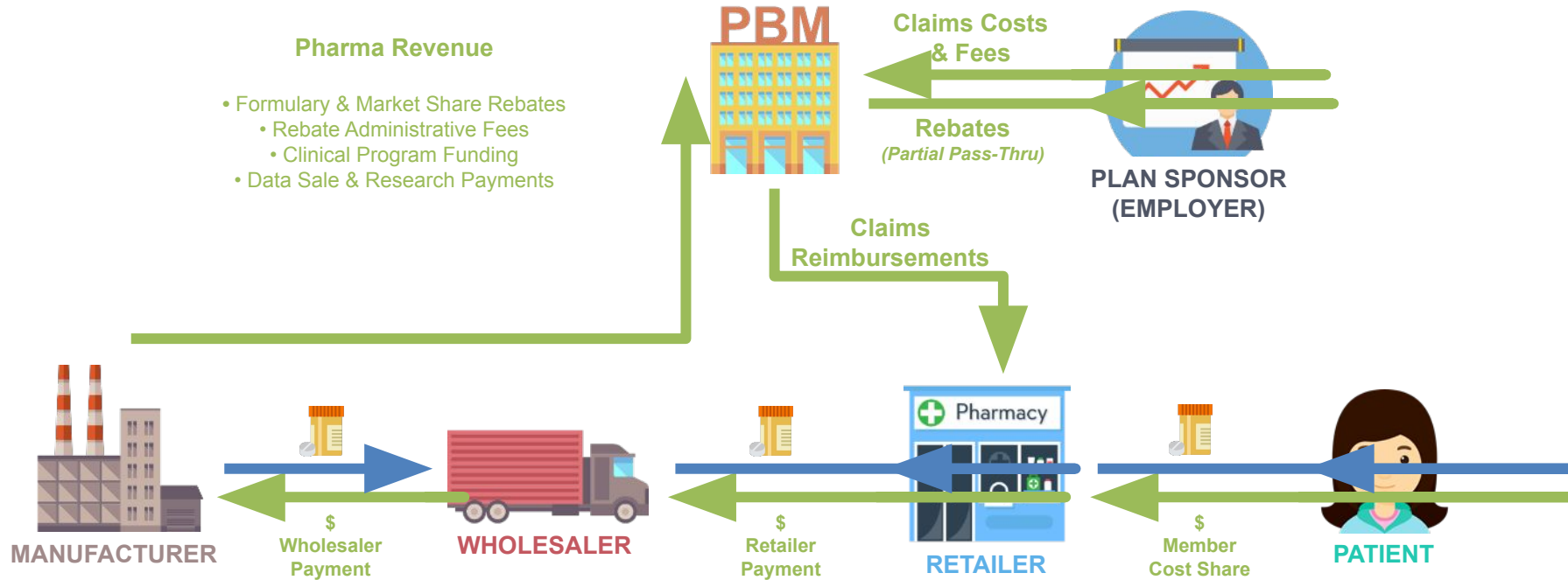


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Complex Pathway of Dealing Drugs...Legally



Pharmacy Benefits Manager (PBM)

The "Big Three"

Jumbo PBMs, all have been acquired by large health plans.



The Middle-Tier

Independently owned players, some with unique business model offerings.



The Smaller Captives

Owned by health plans. Value proposition is more compelling when client uses same vendor for medical.



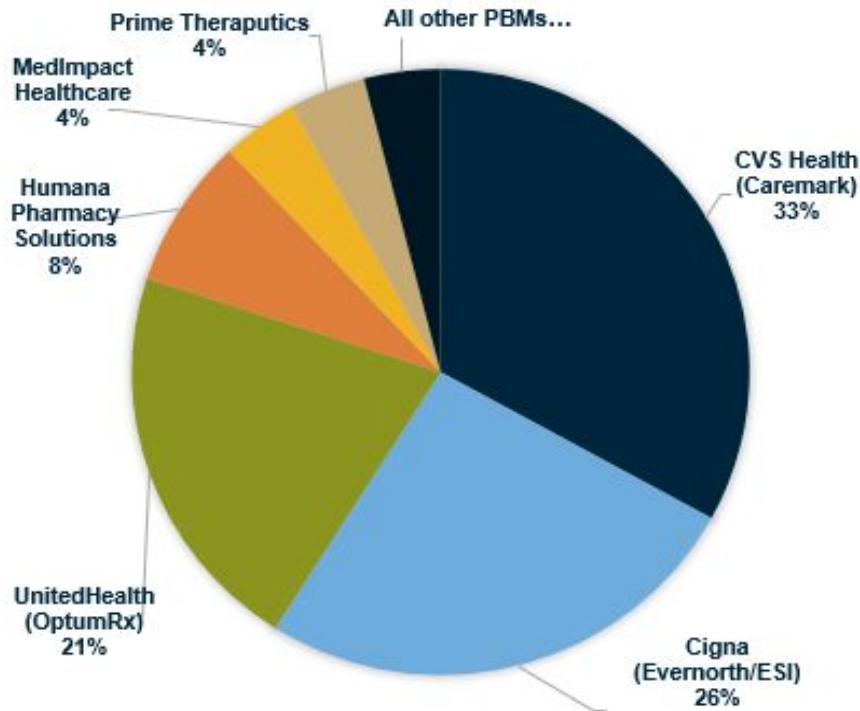
Everyone Else

Smaller "niche" vendors. Most outsource some functions. Market is crowded, but lacks differentiation.



PBM Landscape

U.S. PBM Market Share: Total Prescription Claims Managed in 2021



	Total Revenue in 2021	Specialty Growth	Traditional Growth
	\$501 Billion	7.5%	4.5%

- 60+ different PBMs in the market with the Big Three holding ~80% of market share
- Client satisfaction among Big Three is mixed
- Interest in smaller PBMs is growing, as clients skepticism of the jumbo PBM business model increases

Source: The 2022 Economic Report on U.S. Pharmacies and Pharmacy Benefit Managers, Drug Channels Institute

What is a Formulary?

Managed by the
PBM's Pharmacy &
Therapeutics
Committee

List of drugs that are
assigned different tiers
that will charge certain
copays/coinsurance
based on plan design

Rebates are an
important aspect of
most formularies to
manage costs

Utilization
management are
important to manage
drug costs

Types of Formularies

Open	Exclusionary	Closed
<ul style="list-style-type: none"> ➤ All drugs under covered drug classes are available at different tiers ➤ Lower rebates and higher plan costs are typically associated with an open formulary but is the most member friendly option among formulary types 	<ul style="list-style-type: none"> ➤ All drugs under covered drug classes are available at different tiers, with the exception of certain drugs under highly rebate-able classes ➤ If members move to the preferred alternatives, they will pay their member share as usual in order to receive their drugs ➤ If members do not want to use the preferred alternative, they can either pay for the full cost of the drug or go through a medical necessity process ➤ Although this may not be as member friendly, this approach to managing drug costs is standard in the industry 	<ul style="list-style-type: none"> ➤ Coverage of drugs are limited per drug class to mostly generics and highly rebate-able drugs ➤ Members can go through the medical necessity process for excluded drugs, pay for the full cost of the drugs or move to a covered drug ➤ Compared to the open and exclusionary formulary, this is a more tightly managed formulary with narrower drug coverage. Therefore, may not be as member friendly but is generally associated with lowest plan costs

- Information related to covered drug classes and does not include benefit exclusions that may occur such as weight loss drugs and cosmetic agents. Benefit exclusions will take priority over formulary coverage
- Information is related to drug placement on a formulary only and does not include utilization management, such as step therapy, that would required the use of a preferred drug over another before the non-preferred drug is covered
- Regardless of formulary types, decisions on tier and coverage are reviewed and managed by the PBM's Pharmacy and Therapeutic (P&T) Committee

What are Utilization Management Programs?

Step Therapy

Quantity Limits

Prior Authorization

Thank you!



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