Emerging Employer Health Plan Trends & Cost Containment Strategies

Presented By:

Terriann Procida
Ryan Kastner
Ask a Question

Up-Vote a Question

Respond to Polls when they appear
Innovative Benefit Planning

Boutique privately-owned benefit brokerage firm delivering Fortune 500 solutions to the middle market.

- Employee Benefits
- Retirement Plan / Fiduciary
- Human Resources / Compensation
- Wellness Planning

Largest Partnership of Independent Insurance Firms with National Reach and Resources.

Copyright © Innovative Benefit Planning LLC 2015. All Rights Reserved.
What Can I Expect To Learn Today?

- Benchmarking
- Tiered/Narrow Networks
- Alternative Funding Mechanisms
- Wellness Programs / Results Based Plan Designs
- Population Health Initiatives / Health Coaching
- Provider Transparency
- Prescription Drug Carve-Outs
- Miscellaneous
Cost

Employer Plans

Average Annual Premiums for Single and Family Coverage, 1999-2016

* Estimate is statistically different from estimate for the previous year shown (p < .05).

Total Annual Cost Per Employee- by Region

- **Northeast**: $11,607
- **Southeast**: $8,846
- **North Central**: $10,539
- **Central**: $8,764
- **West**: $9,774
Total Annual Cost Per Employee - by Region

<table>
<thead>
<tr>
<th>Region</th>
<th>Annual Cost Per Employee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northeast</td>
<td>$7,510</td>
</tr>
<tr>
<td>Southeast</td>
<td>$5,204</td>
</tr>
<tr>
<td>North Central</td>
<td>$7,314</td>
</tr>
<tr>
<td>Central</td>
<td>$5,338</td>
</tr>
<tr>
<td>West</td>
<td>$6,059</td>
</tr>
</tbody>
</table>
Total Annual Cost Per Employee - by Region

Employee Cost

Northeast: $4,097
Southeast: $3,642
North Central: $3,225
Central: $3,426
West: $3,715
Annual Cost Per Employee - Total Cost by Industry (Nationally)

- Manufacturing: $9,909
- Wholesale/Retail: $9,500
- Prof./Scientific/Tech Svcs.: $10,170
- Health Care/Social Assist.: $9,646
- Finance/Insur./Real Est.: $10,735
- Gov’t./Education/Utilities: $11,936
- Info./Arts/Accom. & Food: $8,798
- Constr./Agri./Mining/Trans.: $9,446
- All Other Services: $9,508

Copyright © Innovative Benefit Planning LLC 2017. All Rights Reserved.
Poll: What was the initial % increase at your last renewal?
Poll: What was your final renewal increase at your last renewal?
Changes to Total Monthly Premiums

- Initial Offer - Last Plan Anniversary:
  - 25th Percentile: 4.1%
  - Median: 8.9%
  - 75th Percentile: 10.7%
  - Average: 15.0%

- Final Change - Last Plan Anniversary:
  - 25th Percentile: 1.7%
  - Median: 6.0%
  - 75th Percentile: 10.0%
  - Average: 6.6%
Average Percentage Increase Last Plan Anniversary By Employee Group Size

- 3 - 24: 7.4%
- 25 - 49: 6.7%
- 50 - 99: 6.6%
- 100 - 199: 5.8%
- 200 - 499: 5.8%
- 500 - 999: 5.8%
- 1000+: 4.5%

Employee Size

Percent Increase
Cost Containment

Salary Based Contributions
Salary Based Contributions

- The Affordable Care Act imposes penalties for employers with insurance premiums exceeding 9.66% of an employees’ household income.
- To avoid such penalties, some employers are moving toward a salary-based contribution plan design in which means *if you earn more, you pay more*
Benchmarking

Plan Design
Average Copays (Nationally)

- PCP: $27
- SCP: $44
- Urgent Care Center: $57
- Emergency Room: $223
- Per Admission Copay or Deductible: $419
In-Network Employee Deductibles

- Single:
  - 25th Percentile: $1,000
  - Median: $2,000
  - 75th Percentile: $3,000
  - Average: $2,248

- Family:
  - 25th Percentile: $2,200
  - Median: $4,000
  - 75th Percentile: $6,000
  - Average: $4,827
In-Network Out-of-Pocket Maximums

<table>
<thead>
<tr>
<th></th>
<th>25th Percentile</th>
<th>Median</th>
<th>75th Percentile</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>$3,000</td>
<td>$5,000</td>
<td>$6,350</td>
<td>$4,648</td>
</tr>
<tr>
<td>Family</td>
<td></td>
<td></td>
<td>$10,000</td>
<td>$12,700</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$10,831</td>
</tr>
</tbody>
</table>

Copyright © Innovative Benefit Planning LLC 2017. All Rights Reserved.
Cost Containment

Tiered / Narrow Networks
What is a Tiered Network?

• A **Tiered Network** offers employers and members opportunities to save cost by utilizing preferred providers determined by cost and quality.

• The tiers often consist of:
  
  • **Tier 1** – Highest benefit level, most cost effective for member, but tied to a narrow network of providers
  
  • **Tier 2** – Option to select providers from the broader network but at a higher out-of-pocket expense
  
  • **Tier 3** – Typically out-of-network providers and coverage levels
## Sample Tiered Network

<table>
<thead>
<tr>
<th>In-Network</th>
<th>Tier 1 Network</th>
<th>Tier 2 Network</th>
</tr>
</thead>
<tbody>
<tr>
<td>- primary care physician</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>- referrals for specialist</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>- coinsurance</td>
<td>100%</td>
<td>80%</td>
</tr>
<tr>
<td>- calendar year deductible indv/Fam</td>
<td>N/A</td>
<td>$1,500/$3,000</td>
</tr>
<tr>
<td>- calendar year out-of-pocket max. Indv/Fam</td>
<td>$2,500/$5,000</td>
<td>$4,500/$9,000</td>
</tr>
<tr>
<td>- primary care physician visit</td>
<td>$5 copay</td>
<td>$20 copay</td>
</tr>
<tr>
<td>- specialist visit</td>
<td>$15 copay</td>
<td>$30 copay</td>
</tr>
<tr>
<td>- preventive care</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>- inpatient hospital benefit</td>
<td>$250 per day/5 day max per admission</td>
<td>80% after deductible</td>
</tr>
<tr>
<td>- outpatient services</td>
<td>$150 copay in hospital setting; $100 copay at freestanding surgery center</td>
<td>80% after deductible</td>
</tr>
<tr>
<td>- routine radiology</td>
<td>100% at independent Radiology center; 100% after $15 copay in outpatient facility</td>
<td>100% at independent Radiology center; 80% after deductible in outpatient facility</td>
</tr>
<tr>
<td>- complex imaging</td>
<td>100% (Labcorp in NJ)</td>
<td>100% (Labcorp in NJ)</td>
</tr>
<tr>
<td>- lab services</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>- durable medical equipment</td>
<td>$100 copay</td>
<td>$100 copay</td>
</tr>
<tr>
<td>- emergency room facility</td>
<td>Included in $100 copay</td>
<td>80% after deductible then $100 copay</td>
</tr>
<tr>
<td>- emergency room providers</td>
<td>Unlimited</td>
<td>Unlimited</td>
</tr>
<tr>
<td>- benefit maximum</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
A study by the Leonard Davis Institute of Health Economics at the University of Pennsylvania revealed that narrow networks (defined as covering care by less than 10% of physicians) charged 6.7% lower premiums than plans with networks covered by up to 60% of physicians. A New York Times (NYT) article noted that the lower premium amounts resulted in annual savings for individuals of between $212 and $339, depending on age and family size. For a family of four, savings could reach nearly $700 per year.
# Pros & Cons

## Pros
- Lower premium rates
- Employees have financial implications of healthcare decisions
- Providers chosen based on cost & quality metrics (competition)
- Employees still have choice (albeit costly)

## Cons
- Employee confusion & loss of choice
- Out-of-area employees
- Carriers control tier structure
- Few providers have even levels of quality across services; Not a commodity
- Large providers may not “play ball”
Cost Containment

Alternative Funding
How Many Employers Self-Fund?

Percentages of Covered Workers in Self-Funded Plans, By Firm Size

- Small Companies (3-199 employees): 15%
- Midsize Companies (200-999 employees): 52%
- Large Companies (1,000-4,999): 78%
- Jumbo Companies (5,000 employees +): 93%
- All Companies: 60%
What Are the Different Types of Self-Funding?

1. Health Reimbursement Account
2. Captive / Consortium Solutions
3. Level-Funding
4. Traditional Self-Funding
Self-Funding

• A self-funded plan is one in which the employer assumes partial financial risk for providing healthcare benefits to its employees.

• The employer decides on a plan of benefits and elects to fund the risk up to a certain level where a Reinsurance (or Stop-Loss) Carrier is brought in.
  • Specific & Aggregate

• The amount of risk to be insured is a function of the employers size, financial experience, and risk tolerance.

• Typically a Third Party Administrator is used to administer the plan.
  • Independent TPA vs. Carrier TPA
Understand how self-funded plans can produce savings and cap risk.
## Potential 12-Month Tax Impact

*Your current, estimated fully insured premium is $7,603,641.*

<table>
<thead>
<tr>
<th></th>
<th>FULLY INSURED</th>
<th>SELF-FUNDED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Insurance Tax</td>
<td>$152,073</td>
<td>$0</td>
</tr>
<tr>
<td>Transitional Reinsurance Program Fee</td>
<td>$27,000</td>
<td>$27,000</td>
</tr>
<tr>
<td>Patient-Centered Outcomes Research Institute Fee</td>
<td>$2,170</td>
<td>$2,170</td>
</tr>
<tr>
<td>Premium Tax</td>
<td>$152,073</td>
<td>$18,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$333,316</strong></td>
<td><strong>$47,170</strong></td>
</tr>
</tbody>
</table>

*Your self-funded plan tax savings could be:* **$286,146**

**Health Insurance Tax:** An insurer tax on the cost of health care coverage, which is typically 2% of annual premium.

**Transitional Reinsurance Program Fee:** A fee required by the Affordable Care Act, which is $2.25 per covered life per month for 2016.

**Patient-Centered Outcomes Research Institute Fee:** A annual fee required by the Affordable Care Act. The fee is $2.17 per covered life for 2016.

**Premium Tax:** An employer tax on the cost of health insurance or stop-loss insurance. It varies by state and typically ranges from .4% of premium to 7.5% of premium.
Alternative Funding Considerations

• **Risk Tolerance**
  - Understand risks within arrangement
  - Are you prepared to take steps to mitigate the risk?

• **Financials**
  - HR & Finance need to work together
  - Do not jump in without reserves!
  - *Long-term strategy!*

• **Compliance**
  - You are a fiduciary!

• **Administration**
  - Much more involved than fully-insured
Benchmarking

Wellness Programs
Poll: Are you offering an wellness program with incentives?
PERCENTAGE OF EMPLOYERS OFFERING WELLNESS BY REGION

Northeast: 36.76%
Southeast: 19.87%
North Central: 24.35%
Central: 9.77%
West: 24.90%
National Wellness Programs and Incentives

- 23.4% % Offering Wellness Program
- 36.8% Cash to Premium, 401(k), FSA, etc.
- 25.8% Extra Paid Time Off
- 28.4% Gift Certificates or Health Club Dues

Incentives Included
Integrated Benefit Institute

• Established in 1995
• Use research, data, tools, and education to:
  – Understand the toll that illness takes on workers’ productivity
  – Recognize the competitive advantages of helping employees get and stay healthy
• Believe employers must “re-focus” from direct medical costs to productivity costs:
  – Absenteeism
  – Disability
  – Job Performance

*Thomas Parry – Integrated Benefits Institute
The Total Cost of Health

- Medical: 50%
- Pharmacy: 11%
- Wage Replacements: 17%
- LP - Absence: 8%
- LP - Performance: 14%

*Thomas Parry – Integrated Benefits Institute
Educational Wellness Program

• Designed to provide **general health information** to employee’s and/or their family
• Make information available without requiring employees to engage in any activity
• Typically designed to promote healthy lifestyle choices.
• **Examples:**

![Image of 10 Tips to Building a Healthy Plate]

---

Copyright © Innovative Benefit Planning LLC 2017. All Rights Reserved.
Participatory Program

- Involves employee participation
- Reward cannot be based on the results of the participation or a standard related to a health factor
  - Example: Reward for attending a health seminar

Bottom Line
- 10% to 50% employee participation
- Mostly Healthy Employees Participate
- ROI difficult to measure
- Wellness Data not used to Measure Risk
- Lifestyle Management
Health-Contingent Programs

• Require an individual to satisfy a standard related to a health factor to obtain a reward
• Often developed based on data

Bottom Line
• Introduced in 2001; Final in 2008
• Rules are stringent and onerous
• Premium contribution/benefit differentials
• 90% to 99.9% employee participation
• Most often large employers and typically self-funded
Outcomes/Results-Based Programs

Drivers with fewer tickets and accidents pay less.
Non-smokers pay less for life insurance.
Homeowners with security alarms pay less.

*How about a good driver discount for group healthcare?*
# Results-Based Plan Design

## Participants Contribute Based on Results

Must Participate in Biometric Screenings

<table>
<thead>
<tr>
<th>Risk Category</th>
<th>Lab Value Goals</th>
<th>Payroll Deduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Participation in Wellness</td>
<td>N/A</td>
<td>$130</td>
</tr>
<tr>
<td>&quot;At Risk&quot; Results</td>
<td>Tobacco/Nicotine = “Positive”</td>
<td>$90</td>
</tr>
<tr>
<td></td>
<td>LDL Cholesterol ≥160</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Blood Glucose ≥126</td>
<td></td>
</tr>
<tr>
<td>Standard Results</td>
<td>Lab Values are not “At Risk”</td>
<td>$50</td>
</tr>
</tbody>
</table>

Copyright © Innovative Benefit Planning LLC 2017. All Rights Reserved.
Results-Based Plan Designs

Results-Based Programs

• Goals
  – Provide employees an opportunity to know their overall health
  – Utilize data to determine most effective strategies for population health
  – Encourage a culture where employees take ownership of their health outcomes

• What happens with the data?
  – Combine the data with prior claims in order to “predict” future claims
  – Unknown claims risk is uncovered. Strategies are put in place
  – Targeted outreach to “at-risk” employees

Copyright © Innovative Benefit Planning LLC 2017. All Rights Reserved.
Cost Containment

Claims Analytics
&
Predictive Modeling
Claims Analytics

• Concurrent/Retrospective Claims
  – Current and previous years claims can be analyzed to understand areas of weakness and exposure
  – These claims can serve as a predictor of future claims (to a degree)
  – These claims can help identify trends within your claims/population behavior

• Prospective Claims
  – Uses data from previous year’s claims and employee data to predict future claims
  – Unknown claims risks are uncovered. Strategies are put in place at the employer and employee level
  – Targeted outreach to “at-risk” employees
What is it?
Medical spend waste is spend that could be eliminated without negatively impacting quality of care.

Personal Choice
- Use of emergency room instead of primary care
- Demanding differential testing even if treatment will be the same
- Filling prescriptions, but not taking as prescribed
- Choosing a brand name drug over generic alternative
- Use of higher cost options for care
  - Labs
  - Imaging
  - Outpatient service centers
- Poor management of chronic conditions
  - Diabetes

Clinical
- Promotion of unnecessary screenings that can result in false positives (ex. heart scans)
- Poor execution and/or lack of best practices
- Overuse or misuse of treatments (including medications)
- Poor care coordination or lack of primary care
- Poor management of chronic conditions
- Use of vendor services/programs that show no impact on health (ex. wellness, onsite clinics, disease/case management)
Predictive Modeling
Combining various components (i.e. biometric screening results, health risk assessment data, claims data) increases accuracy more than just the medical and Rx claims.
### Example of Data Importance

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>106</td>
<td>6</td>
<td>5</td>
<td>6</td>
<td>4</td>
<td>3</td>
<td></td>
</tr>
</tbody>
</table>

54% with no information carried significant risk
### Claims Analytics

<table>
<thead>
<tr>
<th>Reduce Admin Costs &amp; Reinsurance</th>
<th>% of Total Plan Cost</th>
<th>% Reduction</th>
<th>Reduction in Your Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>15%</td>
<td>20%</td>
<td>3%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Manage Medical &amp; Rx Claims Costs</th>
<th>% of Total Plan Cost</th>
<th>% Reduction</th>
<th>Reduction in Your Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>85%</td>
<td>20%</td>
<td>17%</td>
<td></td>
</tr>
</tbody>
</table>
Cost Containment

Population Health Initiatives
&
Targeted Health Coaching
Population Health

Wellness

Health Coaching Disease Management

Medical Case Management

Copyright © Innovative Benefit Planning LLC 2017. All Rights Reserved.
Average Cost of Conditions

• Cardiovascular Disease
  – The annual mean payment for those with heart-related claims is more than double the average payment of claims for all other conditions.

• Diabetes
  – Members with diagnosed diabetes incur average medical expenditures of about $13,700 per year.

• Smoking
  – A smoker costs a private employer in the US an extra $5,816 per year compared to a non-smoker due to healthcare costs and absenteeism/productivity costs.
Transparency is prevalent in our daily lives...

Why not Healthcare?
Current Environment

Little Incentive
Employee is basically given an unlimited credit card to purchase healthcare.

Cost Shift to Employees
Employers continue to shift costs through deductibles and coinsurance but do not provide tools for employees to become consumers.

Employees are Blind
Employees often have no idea what a procedure will cost beforehand.
There are private Provider Transparency Tools which enable employees to shop for the providers with the best outcomes at the most competitive fees.

Sometimes the least expensive providers often have the best outcomes.

According Milliman: Claims transparency will save approximately 7% of claim expenditures.
Facility costs vary so dramatically that discounts become less important than directing patients.

<table>
<thead>
<tr>
<th>MRI Brain</th>
<th>Colonoscopy</th>
<th>C-Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>43 locations</td>
<td>71 locations</td>
<td>56 locations</td>
</tr>
<tr>
<td>$425 - $3,900</td>
<td>$479 - $3,528</td>
<td>$5,165 - $16,966</td>
</tr>
</tbody>
</table>

Source: Rates taken from one of the (Cigna, United, BCBS, Aetna) contracted rate schedules in Chicago, IL
Benchmarking

Pharmacy
RX Retail Copay and Coinsurance Plan Designs

<table>
<thead>
<tr>
<th>Plan Type</th>
<th>2 Tiers</th>
<th>3 Tiers</th>
<th>4 Tiers</th>
<th>5 Tiers</th>
<th>6 Tiers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Copay Only</td>
<td>0.9%</td>
<td>17.2%</td>
<td>3.9%</td>
<td>11.2%</td>
<td></td>
</tr>
<tr>
<td>Coinsurance Only</td>
<td>0.2%</td>
<td>14.2%</td>
<td>2.3%</td>
<td>3.9%</td>
<td></td>
</tr>
<tr>
<td>Copay or Coinsurance</td>
<td>0.1%</td>
<td>3.4%</td>
<td>0.5%</td>
<td>4.1%</td>
<td></td>
</tr>
<tr>
<td>Copay &amp; Coinsurance</td>
<td>0.0%</td>
<td>15.4%</td>
<td>0.2%</td>
<td>0.3%</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

Copyright © Innovative Benefit Planning LLC 2017. All Rights Reserved.
Average RX Retail Copays by Plan Design

- **2-Tier Plan**
  - Preferred Generic: $11
  - Non-Preferred Generic: $10
  - Preferred Brand: $32
  - Non-Preferred Brand: $34
  - Specialty: $13
  - Other: $13

- **3-Tier Plan**
  - Preferred Generic: $13
  - Non-Preferred Generic: $16
  - Preferred Brand: $38
  - Non-Preferred Brand: $58
  - Specialty: $26
  - Other: $19

- **4-Tier Plan**
  - Preferred Generic: $13
  - Non-Preferred Generic: $19
  - Preferred Brand: $42
  - Non-Preferred Brand: $87
  - Specialty: $30
  - Other: $121

Copyright © Innovative Benefit Planning LLC 2017. All Rights Reserved.
Average RX Retail Copays by Plan Design

<table>
<thead>
<tr>
<th>Plan Design</th>
<th>Preferred Generic</th>
<th>Preferred Brand</th>
<th>Non-Preferred Generic</th>
<th>Non-Preferred Brand</th>
<th>Specialty</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>5-Tier Plan</td>
<td>$13</td>
<td>$47</td>
<td>$22</td>
<td>$70</td>
<td>$94</td>
<td>$141</td>
</tr>
<tr>
<td>6-Tier Plan</td>
<td>$12</td>
<td>$42</td>
<td>$21</td>
<td>$68</td>
<td>$123</td>
<td>$57</td>
</tr>
</tbody>
</table>
Separate Prescription Drug Deductible

- With Separate Rx Deductible: 12.4%
- Without Separate Rx Deductible: 87.6%

Bar chart showing:
- Single: $200
- Family: $300
Cost Containment

Pharmacy
Carving Out Prescription Drug Coverage

Source: Express Scripts Book of Business

**Percentage of Lives**
- **Fortune 500**
  - Carved out: 85%
  - Carved in: 15%

- **Fortune 250**
  - Carved out: 90%
  - Carved in: 10%

- **Fortune 100**
  - Carved out: 94%
  - Carved in: 6%

**540+ employers** have carved out to PBM over the past five years.

Of those employers, 72% have fewer than 1,500 employees.
Bundled Contract

HEALTH PLAN
Medical
Dental
Pharmacy
Vision

Employer has a single bundled contract for all services

Employer

Carve-Out

HEALTH PLAN
Medical Dental Vision

PBM
Pharmacy

Employer maintains two separate contracts/vendors each with specific and unique expertise

Employer

Copyright © Innovative Benefit Planning LLC 2017. All Rights Reserved.
Follow the money...a $240.00 drug

Plan Cost: $182 - $18 = $164

Employer/Health Plan

Sick Member

$20 Copay

$182 Invoice

$18 rebate

$181 reimbursement

Drug Manufacturer

$240 AWP Cost -16.5% PBM Discount
$201 Drug Cost

PBM

PBM Revenue: ($182 - $181) + ($20 - $18) = $3
PBM Contracting Risk

Brand/Generic Definition A

Brand/Generic Definition B

Financial Impact: $112,000 annually per 1,000 employees
Behind The Scenes – Undisclosed Carrier Profits

<table>
<thead>
<tr>
<th></th>
<th>Incumbent Carrier</th>
<th>PBM Opt. 1</th>
<th>PBM Opt. 2</th>
<th>PBM Opt. 3</th>
<th>PBM Opt. 4</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Retail</td>
<td>Mail</td>
<td>Retail</td>
<td>Mail</td>
<td>Retail</td>
</tr>
<tr>
<td>Brand Discount</td>
<td>14.57%</td>
<td>17.49%</td>
<td>16.25%</td>
<td>24.00%</td>
<td>17.25%</td>
</tr>
<tr>
<td>Generic Discount</td>
<td>55.34%</td>
<td>54.25%</td>
<td>78.00%</td>
<td>80.50%</td>
<td>77.00%</td>
</tr>
<tr>
<td>Dispensing Fee</td>
<td>$1.58</td>
<td>$0.01</td>
<td>$0.95</td>
<td>$0.00</td>
<td>$0.90</td>
</tr>
<tr>
<td>Administration Fee</td>
<td>$0.55</td>
<td>$0.55</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
</tbody>
</table>
| Brand Rebate         | $0.00   | $0.00    | $45.55    | $130.96  | $47.21    | $132.18  | $55.29    | $164.65  | $35.20    | $109.85  

- **Key contract provisions you will never see:**
  - AWP Discount Spread
  - Definitions
    - Brand
    - Generic
    - Specialty
  - Manufacture Rebates
• Savings achieved through preferred contracts with Pharmacy Benefit Managers including:
  – Improved AWP Discount Terms
  – Improved Rebate Structure
  – Removal of Key Optic Provisions
  – Removal of Administration Fees
  – Reduction in Dispensing Fees
# Rx Manufacture Profit Center Dynamic is Shifting

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Annual Sales)</td>
<td>$26.7 Billion</td>
<td>$23.9 Billion</td>
<td>$6.6 Billion</td>
<td>$6.5 Billion</td>
<td>$9.3 Billion</td>
</tr>
<tr>
<td></td>
<td>Abilify</td>
<td>Aggrenox</td>
<td>Aloxi</td>
<td>Androgel</td>
<td>Copaxone</td>
</tr>
<tr>
<td></td>
<td>Azilect</td>
<td>Azor</td>
<td>Benicar</td>
<td>Crestor</td>
<td>Cubicin</td>
</tr>
<tr>
<td></td>
<td>Butrans</td>
<td>Fanapt</td>
<td>Ivanz</td>
<td>Relpax</td>
<td>Reyataz</td>
</tr>
<tr>
<td></td>
<td>Adcirca</td>
<td>Cialis</td>
<td>Elidel</td>
<td>Levitra</td>
<td>Lexiva</td>
</tr>
<tr>
<td></td>
<td>Emend</td>
<td>Exelon Patch</td>
<td>Exjade</td>
<td>Fentora</td>
<td>Gilenya</td>
</tr>
</tbody>
</table>
Overall Rx Cost

<table>
<thead>
<tr>
<th></th>
<th>2014 Actual</th>
<th>2018 Projected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specialty Pharmacy Benefit</td>
<td>31.8%</td>
<td>50%</td>
</tr>
<tr>
<td>Traditional Pharmacy Benefit</td>
<td>68.2%</td>
<td>50%</td>
</tr>
</tbody>
</table>

Sources: Express Scripts Book of Business; Express Scripts analysis of Thomson Reuters MarketScan® Commercial Database.

Copyright © Innovative Benefit Planning LLC 2017. All Rights Reserved.
• Reference Based Pricing
• Employee Incentives
• Medical Tourism
• Circles of Excellence
• Behavioral Health Management
• Second Opinions
• Surgical Transparency Resources
Recap

- Benchmarking
- Tiered/Narrow Networks
- Alternative Funding Mechanisms
- Wellness Programs / Results Based Plan Designs
- Population Health Initiatives / Health Coaching
- Provider Transparency
- Prescription Drug Carve-Outs
- Miscellaneous
Live Content Slide

When playing as a slideshow, this slide will display live content

Social Q&A