

HOW WE SHARE IN THE VALUE WE CREATE WITH CLIENTS



Express Scripts (ESI) is compensated through three pricing models in exchange for the value it delivers.

A key principle underlying ESI's pricing models is client choice. Every client can select the pricing model, or combination, that makes sense based on their organization's priorities. We work with clients to design tailored pricing arrangements to manage drug costs for covered members and, in some cases, offset or forgo fees for the PBM services we provide.

1 Pass Through Pricing

Discount type negotiated by ESI:

Discounted prescription drug pricing from pharmacies and other providers

Value sharing:

Client pays the exact discounted value that ESI negotiates with pharmacies for prescriptions

Administrative fees:

Clients pay directly

2 Spread Pricing

Discount type negotiated by ESI:

Discounted prescription drug pricing from pharmacies and other providers

Value sharing:

Client realizes predictable guaranteed rate for prescriptions. If costs are above rate, ESI covers it for the client and takes a loss. If costs are below rate, ESI retains incremental value

Administrative fees:

Client chooses to offset or forgo

3 Value Sharing Arrangements on Rebates

Discount type negotiated by ESI:

Rebates from drug manufacturers

Value sharing:

Client chooses the guaranteed rebate value they want to receive (PBM retains very little)

Administrative fees:

Client chooses to offset or forgo

2/3 of clients choose to receive 100% of the rebate amount directly

OUR ECONOMIC MODELS ARE TRANSPARENT, AND ALL CLIENTS CAN AUDIT PBM PRICING AND NETWORK CLAIMS ANNUALLY AT NO ADDITIONAL COST.

HOW PASS THROUGH PRICING WORKS

Overview

Express Scripts negotiates discounted pricing for prescription drug utilization with its network of retail pharmacies and other providers. In a pass through pricing model, clients elect to receive 100% of these discounts and pay for PBM administrative services directly.



Express Scripts contracts with pharmacies

Retail pharmacies pay wholesalers for drug supply

Express Scripts contracts with pharmacies to secure reduced prices



Clients receive 100% discount value

Clients pay exactly what Express Scripts pays pharmacies for a prescription

Clients pay Express Scripts directly for PBM administrative services



Clients use savings to benefit consumer

Shows up through lower premiums and deductibles, greater medication access and more predictability and transparency at the pharmacy counter

All clients can choose:

- 01 100% pass through
- 02 Combination of spread and pass through arrangements



A pass through model works well for clients who prefer maximum cash flow over the set pricing provided in a spread model. Many clients specifically request a pass through arrangement at the outset of their engagement with Express Scripts.

HOW SPREAD PRICING WORKS

Overview

In a spread pricing model, clients can elect to have Express Scripts share in the pharmacy savings it generates. This means we provide the client with a guaranteed discount to the average prescription price and take on the risk associated with securing that value in our pharmacy network negotiations.

Express Scripts clients have the option to choose either a spread or pass through pricing model, or are able to combine these options depending on their needs. Through a spread arrangement, clients may offset or forgo the cost of Express Scripts administrative services.

All clients choose:

- 01 Their pricing model
- 02 Their pharmacy network



Express Scripts contracts with pharmacies

Retail pharmacies pay wholesalers for drug supply

Express Scripts contracts with pharmacies to secure reduced prices



Clients receive certainty and value

Express Scripts provides guaranteed discounts to clients

If the actual rate Express Scripts secures is **less** than the guaranteed discount amount, Express Scripts covers the difference for the client and recognizes the loss

If the actual rate Express Scripts secures is **more** than the guaranteed discount amount, Express Scripts shares in the savings by retaining incremental value



Clients use savings to benefit consumer

Shows up through lower premiums and deductibles, greater medication access and more predictability and transparency at the pharmacy counter



Spread pricing works well for clients who prefer to mitigate risk and keep their monthly drug spend predictable. Many clients specifically request a spread arrangement at the outset of their engagement with Express Scripts.

HOW VALUE SHARING ARRANGEMENTS ON REBATES WORK



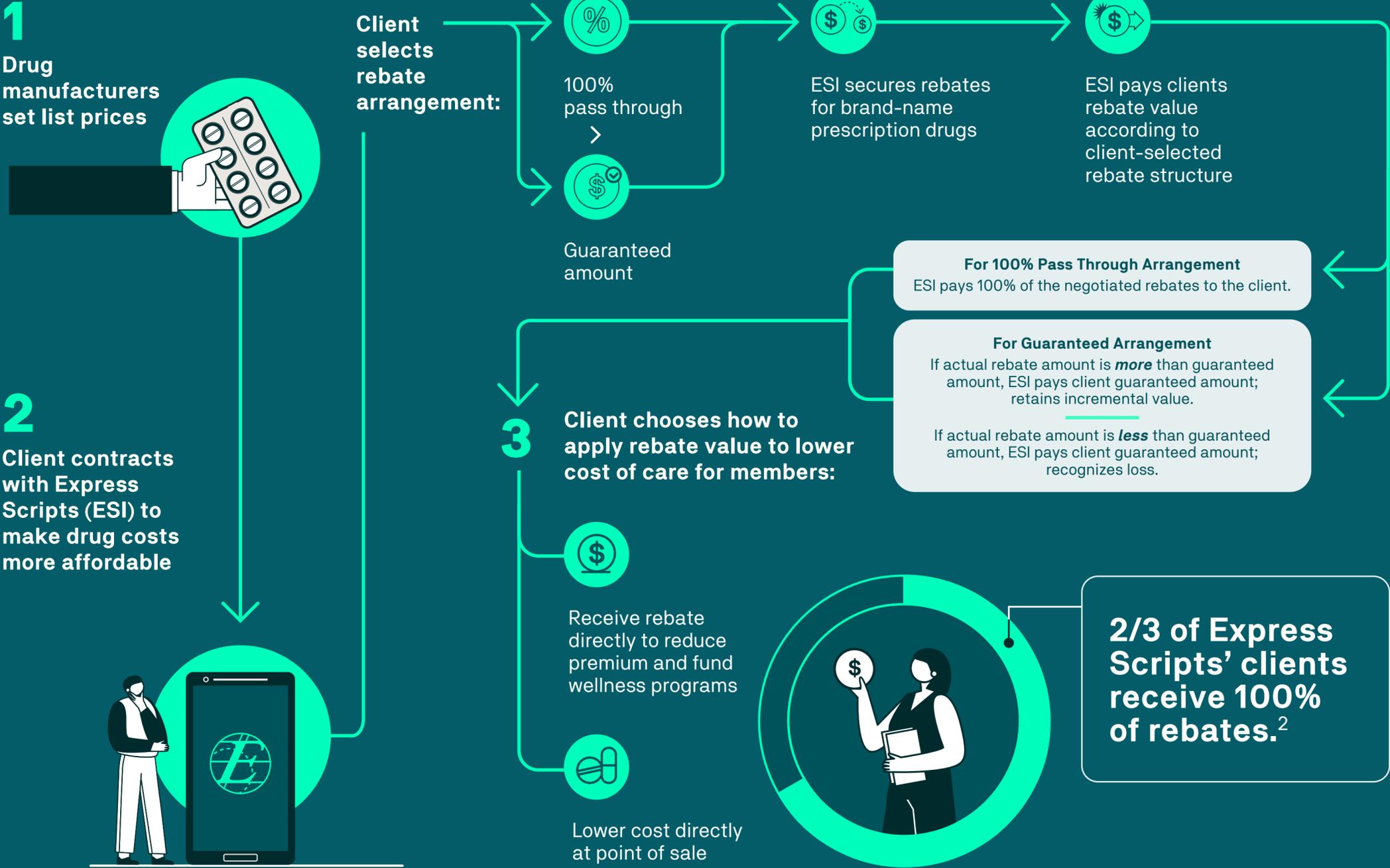
Overview

PBMs negotiate discounts, inclusive of rebates, with drug manufacturers. Clients choose their preferred rebate arrangement with Express Scripts. Rebate arrangements are contractually agreed upon and fully auditable by every client.

Express Scripts shares over 95% of the rebates it receives with PBM clients.¹

All clients can choose to:

- 01 Receive 100% of the rebate amount
- 02 Apply a portion of the rebate amount to pay for admin fees
- 03 Have rebates applied at point of sale to consumers



(1) Based on 2022 data (2) Ibid.

EXPRESS SCRIPTS SERVICES COVERED BY ADMINISTRATIVE FEES



Overview

Express Scripts receives fees from clients for PBM administrative services we provide to make pharmacy benefits management simpler and more effective.

Clients can choose to pay for these services through one of Express Scripts' transparent pricing models.

All clients can choose to:

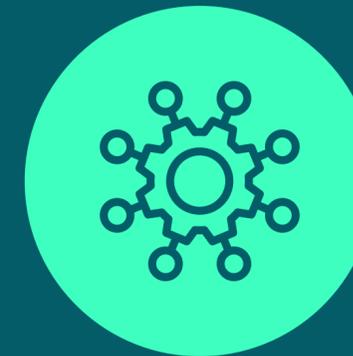
- 01 Pay for admin fees directly (pass through pricing)
- 02 Offset or forgo admin fees with value sharing arrangements on rebate savings
- 03 Offset or forgo admin fees with a spread pricing arrangement

A majority of Express Scripts clients choose to pay for PBM administrative services directly.

Admin fees are calculated based on client size, benefit design, utilization and other services provided by Express Scripts. These include services such as:



Claims Adjudication



Retail Network Management



Formulary Management



Clinical Programs



Utilization Management Programs