

Express Scripts ClearCareRx Contracting Suite

A transformative approach to
pharmacy benefit management

[Presenter]

[Date]

EVERNORTH
HEALTH SERVICES



The Evolution of Pharmacy Benefits – Spotlight on ClearCare



Healthcare Costs are becoming harder to absorb.

- + Plan Sponsors expect 8% rise in healthcare costs in 2025, the highest jump in more than a decade.¹
- + Pharmacies are advocating for increased reimbursements.
- + As healthcare costs increase, overall dynamics are causing plan sponsors to look at new ways to seek predictability in pharmacy benefits.



Market Forces Creating Distrust and Confusion

- + Traditional PBM contract has multiple levels of retail, mail order, and specialty pricing; including client specific discounts, dispensing fees, and rebates.
- + Plan sponsors looking to shift to trend or lowest net cost guarantees.
- + Disruptive PBM and Pharmacy models tout transparency in offers.
- + According to one survey, only 40% of employers said they fully understand their PBMs' performance guarantees.² Lack of transparency across the PBM landscape leaves room for misconception and mistrust, all of which takes away from what really matters – improving the total health and wellbeing of members.



Increase in legislative and regulatory scrutiny

- + Fiduciary compliance for plan sponsors
- + ERISA preemption erosion
- + Member out of pocket caps
- + Delinking/spread bans
- + State rebate mandates
- + State pay parity laws
- + State any willing provider laws
- + State NADAC + mandatory dispense fees
- + State transaction fees prohibitions

Addressing ever-evolving market forces

As drug prices continue to rise, it is critical that plan sponsors have more transparency, flexibility and predictability in their PBM contracts design to help manage spend and improve outcomes.

Drivers of high prescription drug spend¹

- + Increases in utilization
- + Increases in drug cost per unit
- + Changes in drug mix: Specialty drugs

Leveraging our expertise across all supply chain levers, Express Scripts has created a simpler and more modular approach to contracting that empowers clients with the transparency, flexibility and choice to fit their needs.

1. [American Academy of Actuaries](#)



Every plan's pricing and contracting needs are different

“

I'm happy with my **current discount and rebate PBM** contract.”

“

I want my PBM contract to **manage overall drug spend.**”

“

I need a **simpler pricing model** for prescriptions at industry benchmark prices.”

We can meet all of those needs...



Express Scripts ClearCareRx Contracting Suite



I'm happy with my **current discount and rebate PBM** contract."

TRADITIONAL PACKAGE

Most common approach to PBM contracting

- + Retail traditional pricing
- + Mail and specialty traditional pricing
- + Rebate guarantee
- + Average wholesale price minus % guarantee
- + Optional clinical solutions



I need a **simpler pricing model** for prescriptions at industry benchmark prices."

BENCHMARK PLUS PACKAGE

Pharmacy drug-level pricing model based on industry benchmarks

- + Retail cost lesser of logic plus markup
- + Mail and specialty lesser of logic cost plus markup
- + Rebate guarantee
- + Optional clinical solutions



I want my PBM contract to **manage overall drug spend.**"

PER MEMBER PER MONTH PACKAGE*

Drug spend guarantee with an administrative and clinical fees

- + Retail passthrough pricing
- + Mail and specialty acquisition cost plus dispensing fee
- + Per Member Per Month (PMPM) guarantee
- + At-risk administrative fee
- + Added clinical support through Advanced Utilization Management
- + Optional clinical solutions



FEEDBACK AT LAUNCH:

Fees are too high.

- + Increased risk, shifted to guarantee on drug spend only

Mandatory bundles of solutions restrict optionality.

- + Made clinic bundles optional

Our branding is confusing.

- + Restructured offering to CCRx Contracting Suite

Rethinking how PBM contracting models work

We believe that clients should have the flexibility to choose the pharmacy benefit model that works best for the unique needs of their members and plan.

Our spectrum of contracting models include:



Traditional models that prioritize **affordability**



Innovative new models that prioritize **simplicity**



Traditional Package

Today's most common approach to PBM contracting; includes pass-through and spread pricing options



TRADITIONAL PACKAGE

Pass-through pricing

Clients elect to receive 100% of discounts and pay for PBM administrative services directly.

- + **Discount type negotiated by Express Scripts:** Discounted prescription drug pricing from pharmacies and other providers
- + **Value sharing:** Client pays the exact discounted value that Express Scripts negotiates with pharmacies for prescriptions
- + **Administrative fees:** Clients pay directly

A pass-through model works well for clients who prefer maximum cash flow over the set pricing provided in a spread model.



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

TRADITIONAL PACKAGE

Spread pricing

Clients elect to have Express Scripts share in the pharmacy savings it generates.

- + **Discount type negotiated by Express Scripts:** Discounted prescription drug pricing from pharmacies and other providers
- + **Value sharing:** Client realizes predictable guaranteed rate for prescriptions. If costs are above rate, Express Scripts covers it for the client and takes a loss. If costs are below rate, Express Scripts retains incremental value
- + **Administrative fees:**
Client chooses to offset or forgo

Spread pricing works well for clients who prefer to mitigate risk and keep their monthly drug spend predictable



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

Benchmark Plus

Pharmacy drug-level pricing model based on industry benchmarks



Benchmark Plus, a simple pricing model for all medications across all commercial claims

IMPLEMENTATION BEGINNING:
2025

Benchmark Plus is a pharmacy drug-level pricing model based on industry benchmarks and available on all brand, generic and specialty drugs

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Uses lowest of several established industry benchmarks to determine the cost of each individual drug:

- + **Predictive Acquisition Cost**
- + **National Average Drug Acquisition Cost**
- + **Wholesale Acquisition Cost**



Pharmacies receive a **flat fee** for each medication dispensed.



A small **fixed-cost fee** is then applied to the cost of each individual Rx. This is shared between our pharmacy partners for their clinical expertise and labor and Express Scripts for seamlessly managing claims.

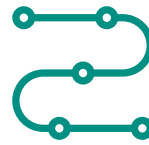


Key benefits of the Benchmark Plus package



Simple drug pricing

Drug prices are based on nationally agreed upon industry benchmarks and there's no PMPM fee to this package.



Seamless member experience

In addition to covering all generic, branded and specialty medications, Benchmark Plus package allows members to access their prescriptions at participating retail pharmacies, mail and specialty pharmacies.



Ultimate flexibility

Enrollment does not require any copay changes and is available for Commercial and Health Plan clients of any size (no minimum lives requirement).

Process flow



Pharmacy
submits claim

Claim is received and runs through
safety checks and formulary coverage

Express Scripts ensures the member and group are
enrolled in ClearNetwork



**Express
Scripts**



Member

pays **lowest price**,
between approved
amount or copay

Base ingredient cost determined
by lower of logic between:

- NADAC, PAC, and WAC + flat fee + small fixed cost fee
- Pharmacy submitted price
- U&C



Additional notes:

- Includes retail, home delivery, and specialty channels
- Open for Commercial line of business (not Regulated Markets)
- No financial guarantees

NADAC: National Average Drug Acquisition Cost, a catalog of the reported prices from individual pharmacies of what they acquire drugs for. Price the pharmacy received it from wholesaler but is voluntarily logged in the database.

PAC: Predictive Acquisition Cost, combines a predictive analytics model with multiple factors associated with the cost of a drug; including industry MAC benchmarks, published price lists, supply/demand measures, existing price benchmarks and survey.

WAC: Wholesale Acquisition Cost, manufactures published catalog or list price for sales of drugs to wholesalers (direct price to the wholesaler).

Submitted Cost: Ingredient cost submitted by the pharmacy plus the contracted dispensing fee.

U&C: Cash price for the cost of the drug and any service fees requested for reimbursement.

[Client Name] Benchmark Plus comparison



Based on XX,XXX lives

	TRADITIONAL OFFER	BENCHMARK PLUS
AWP	\$XX,XXX,XXX	\$XX,XXX,XXX
Ingredient Cost	\$XX,XXX,XXX	\$XX,XXX,XXX
Dispensing Fee	\$XX,XXX	\$XX,XXX
Rebate & MAF	\$XX,XXX,XXX	\$XX,XXX,XXX
Drug Spend Net of Rebate	\$XX,XXX,XXX	\$XX,XXX,XXX
<i>Drug Spend Net of Rebate (PMPM)</i>	<i>\$XXX.X</i>	<i>\$XXX.X</i>
PMPM	TRADITIONAL OFFER	BENCHMARK PLUS
Drug Spend Net of Rebate	\$XXX.X	\$XXX.X
Admin Fee	\$X.X	\$X.X
Clinical Fee	\$X.X	\$X.X
Total Client Cost	\$XXX.X	\$XXX.X

Benchmark Plus simplifies medication pricing to achieve a transparent approach

Terms and conditions

- + Express Scripts uses the lowest of the following established industry benchmarks — Predictive Acquisition Cost (PAC), National Average Drug Acquisition Cost (NADAC), Usual and Customary (U&C), and Wholesale Acquisition Cost (WAC) — to determine the cost of each individual drug
- + In addition to the benchmark cost, the following fees will apply (and will not apply to U&C claims):
 - + A flat \$5.00 per script dispensing fee goes to the pharmacy to dispense medications, including Express Scripts® Pharmacy (Home Delivery) and the Express Scripts Specialty Pharmacy
 - + A fixed-cost margin fee of 12% of the cost of the drug is then applied to each individual prescription
- + 1/1/2025 network composition is still in process – current network setup will change once finalized
- + Implement and maintain for the full year or 12 months
- + Assumption Exclusive Accredo specialty plan benefit
- + Assumption of Express Scripts National Performance Formulary (NPF)
- + Assumption of Advanced Utilization Management (AUM) Advantage Plus Package

FEE STRUCTURE DETAILS

- + Benefit setup, including network
- + Adjudication/billing services
- + Client/member services
- + Additional service guarantees
- + Reporting available
- + Additional performance guarantees

Per Member Per Month

Drug-spend guarantee with an
administrative and clinical fees



A PBM model with guaranteed financial value



Transparent

Built on a foundation of drug pricing

- + You pay what Express Scripts pays retail pharmacies for a member's prescription
- + You pay Express Scripts acquisition costs + dispensing fee at home delivery and specialty pharmacy
- + 100% of rebate value is passed back to you—inclusive of any and all discounts and rebates tied to utilization



Flexible

Modular approach with financial drug spend guarantee

- + Plan specific target with gene therapy as only exclusion
- + At risk administrative fee
- + Added clinical support through Advanced Utilization Management
- + Optional clinical solutions available



Accountable

Delivers real accountability for your plan performance

- + If we do not reach your goals, you pay less—guaranteed
- + Guarantees based on improving prescription performance
- + 100% auditable

How acquisition pricing works



Overview—In an acquisition pricing model, clients will pay the acquisition price for cost of the drug, in addition to administrative fees and dispensing fees.



Acquisition Costs

- + “Acquisition Cost” means the monthly book-of-business average unit purchase price that Express Scripts Pharmacies pays for Covered Drug(s) at the NDC-11 level including any unit post-purchase discounts.
- + “Aggregate Actual Acquisition Cost” means the NDC-11 level Acquisition Cost multiplied by the number of units dispensed for each NDC-11 for all of Sponsor’s Covered Drugs dispensed at the Express Scripts Pharmacies, in the aggregate.



Guarantee Management

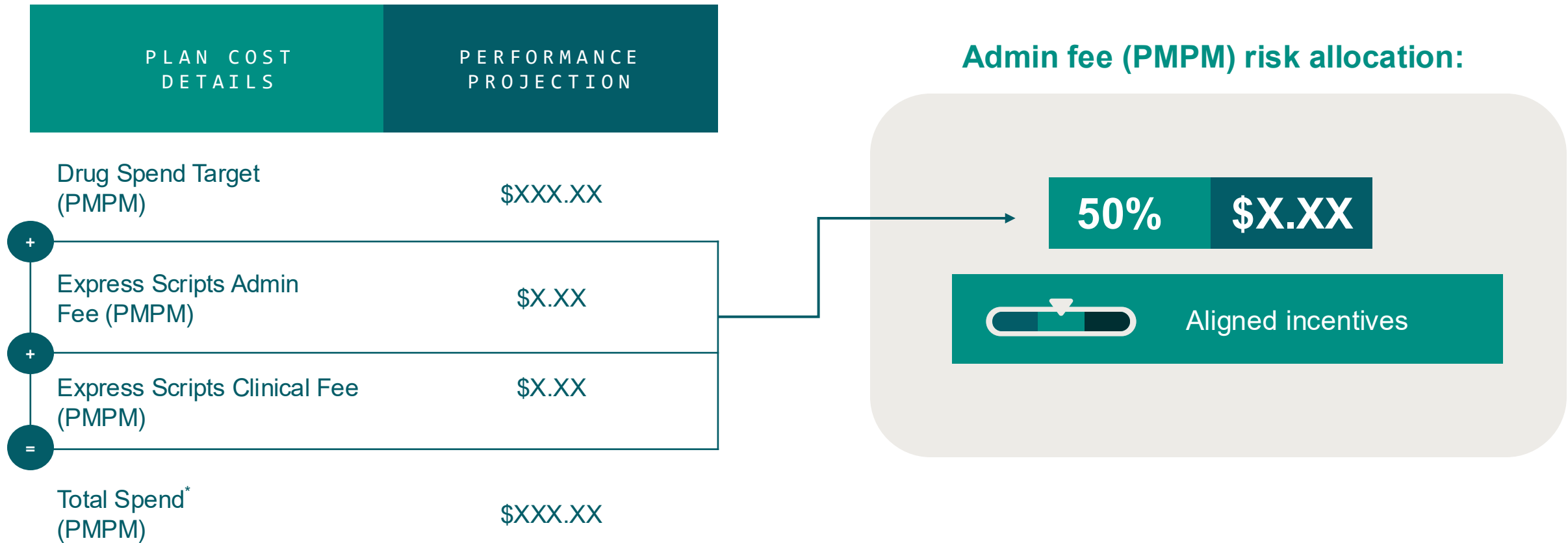
- + During the year claims will be billed based on rates that approximate expected acquisition costs.



Annual Reconciliation

- + After the end of each contract year, Express Scripts will perform a reconciliation to determine if the total amount paid is greater than the Aggregate Actual Acquisition Cost.
- + Clients will receive a reimbursement if they paid more.

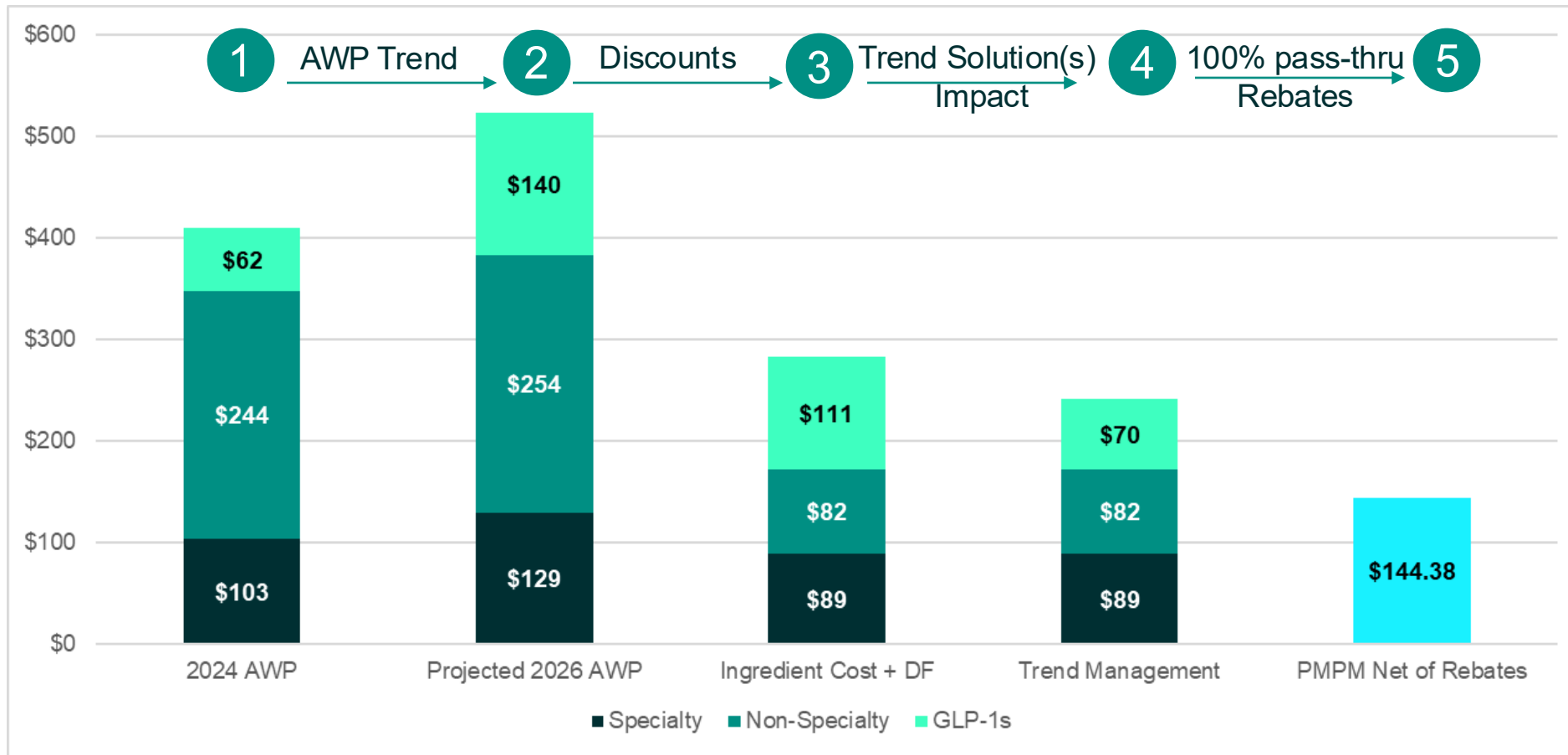
[Client Name] Performance Estimate



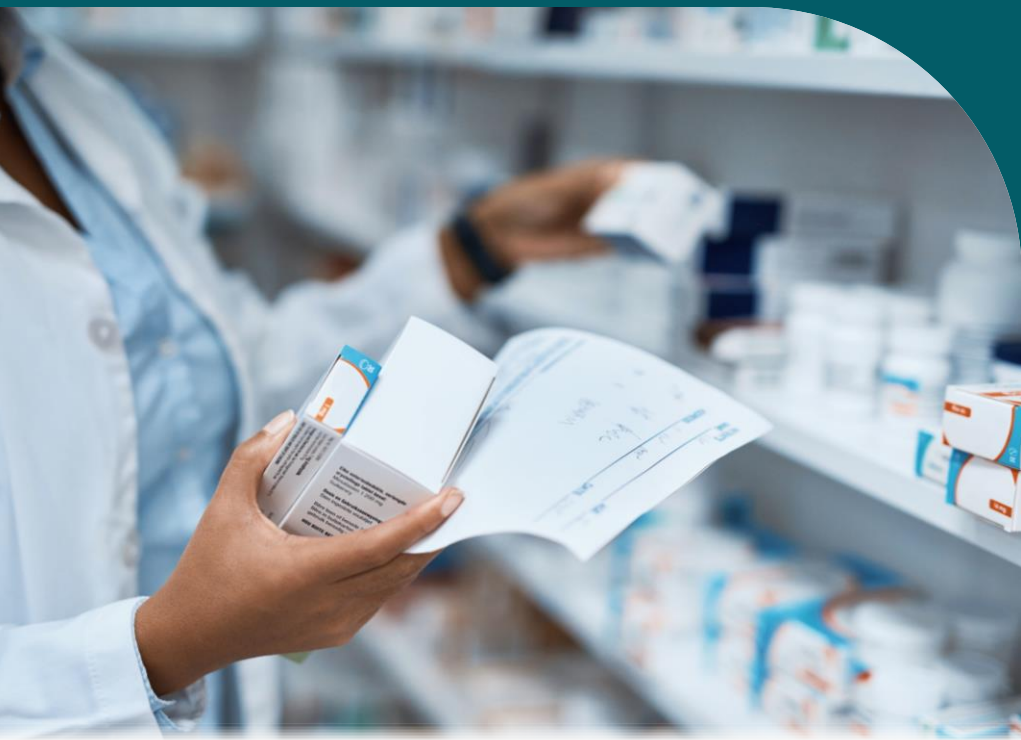
* Includes all admin fees and gross costs net of rebates

Drug Spend Insights

To be generated
by pricing team



PMPM Guarantee financial details and dispensing fees



DISPENSING FEE PER SCRIPT	2026	2027	2028
Express Scripts Mail Pharmacy Dispensing Fee	\$10.10	\$10.40	\$10.70
Express Scripts Specialty Pharmacy Dispensing Fee			
Core Therapy	\$115.00	\$120.00	\$125.00
Oncology Therapy	\$130.00	\$135.00	\$140.00
Advanced and Rare Therapy	\$295.00	\$300.00	\$305.00

PMPM Guarantee – financial reconciliation details



Express Scripts will put XX% of the admin fee at risk and apply XX% risk factor to Drug Spend Target
For every dollar deviation from the Drug Spend Target, \$X.XX will be added or subtracted from the admin fee

EXAMPLE PMPM	BONUS CEILING	OVERPERFORMANCE	TARGET SCENARIO	UNDERPERFORMANCE	PENALTY FLOOR
Drug Spend Actual	\$XX.XX	\$XX.XX	\$XXX.XX	\$XXX.XX	\$XXX.XX
Admin Fee Adj. - Drug Spend	\$X.XX	\$X.XX	\$X.XX	-\$X.XX	-\$X.XX
Admin Fee	\$X.XX	\$X.XX	\$X.XX	\$X.XX	\$X.XX
Clinical Program Fee	\$X.XX	\$X.XX	\$X.XX	\$X.XX	\$X.XX
Total Spend	\$XXX.XX	\$XXX.XX	\$XXX.XX	\$XXX.XX	\$XXX.XX

PMPM Guarantee reconciliation summary

Claims Data (Full Year or Contract Year)	Remove Any Gene Therapy Claims
Ingredient Costs from Claims Data	(A) Total Ingredient Costs
Dispensing Fee	(B) Total Dispensing Fees
Gross Cost	(A) + (B) = (C) Total Gross Cost
Earned Rebates	(D) Total Earned Rebates
Unadjusted Total Cost	(C) – (D) = (E) Unadjusted Total Cost
Acquisition Cost Adjustment Total	(F) Total Acquisition Cost Adjustment
Drug Spend	(E) – (F) = (G) Drug Spend
Total Member Months	(H) Total Members Per Month
Drug Spend PMPM	(G) / (H) = Drug Spend PMPM

A PMPM Guarantee approach ensures we are fully aligned **to achieve and exceed your drug spend goals**

Terms and conditions

- + Implement and maintain for the full year or 12 months
- + Minimum lives requirement 5,000 lives
- + Equitable adjustment for material benefit changes that affect population, utilization, spend and inflation
- + Drug Spend Target, Admin Fee, Clinical Fees will be updated on a yearly or rolling 12-month basis
- + Drug Spend target is calculated through Gross cost (plan cost + member cost) net of rebates.
Excludes gene therapies.
- + Assumption of Advanced Utilization Management (AUM) Advantage Plus package –
a 4x Return on Investment (ROI) guarantee offered
- + Assumption of Exclusive Accredo specialty plan benefit
- + Assumption of Express Scripts National Performance Formulary (NPF)

FEE STRUCTURE DETAILS

- + Benefit setup, including network
- + Adjudication/billing services
- + Client/member services
- + Additional service guarantees
- + Reporting available
- + Additional performance guarantees

Express Scripts by Evernorth fully aligned, accountable-for-performance pharmacy benefit

ClearCareRx is built on a foundation of greater transparency.

We structure management of the benefit for complete alignment and accountability to ensure that we focus on drug spend and cost reduction

Driving financial results through transparency

-X.X%

PMPM trend

vs +X.X% book of business trend¹

Aligned to your priorities

XX.x%

cost reduction

for clients in alternative pricing model 2024¹

Accountable to your needs

\$XXXM

in savings

for resulting from over XXK clinical care gaps closed in 2024²

Improving your members' health

XX%

non-adherent members

improved their adherence through coaching and intervention¹

1. 2024 aggregate data 2. Total savings include both pharmacy and medical savings in 2024



Articulate the Value

Payors, Patients, and Consultants need to understand “what’s in it for me”



What’s in it for Express Scripts?

- + Simple
 - + Simplifies pricing & contracting
 - + Almost no exclusions
- + Responsive
 - + Market-leading new solutions
 - + Addresses environmental concerns
- + Clients-First Approach
 - + Less negotiating; more consulting and advising
- + Nimble
 - + Drug spend resets yearly to ensure accurate target setting
 - + Additional value to incorporate clinical solutions



What does the client see?

- + Aligned focused on total cost
- + Streamlined audits
- + Easy total cost projection for CFO
- + New offerings can show value against (or in favor of) alternative guarantee models
- + Easier budgeting with comprehensive admin fees



What does the member see?

- + Overall, member “sees” little difference in adjudication at retail, HD, and Accredo
- + Positive and negative experience depending on the medication
- + Benefit design (copayment v coinsurance will be important)
- + Focus on closing gaps in care for additional clinical focus



What’s in it for marketplace?

- + Reduces the complexity of PBM business models
- + Easier pricing evaluation by brokers and consultants
- + Responsive to environmental concerns

Thank you