

Special Report on Alternative Rx Contracting Models—Research Preview

Gallagher Research & Insights | 2021-2022



Gallagher

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**Access to video recording of discussion*

Research Methodology

Report Objective: The *Special Report on Alternative Rx Contracting Models* is designed to help biopharma understand how employers are: 1) Pursuing pharmacy contracts that disrupt traditional rebate-driven models and, 2) Taking bolder action in managing the pharmacy benefit—especially the specialty category.

The research also highlights the role of coalitions in facilitating innovative activity, captures differentiated solutions offered by emerging vendors and explores unique challenges and opportunities for biopharmaceutical companies.

Employer Market Interviews

Interviews were conducted with jumbo employers, employer health coalitions, consultants and industry stakeholders known through prior research by Gallagher Research & Insights to be advanced relative to their peers in their understanding and activity related to innovative pharmacy purchasing.

» **6 Employer Discussions**

» **3 Coalition/Collective Discussions**

» **4 Stakeholder Discussions**

(consultant, vendors)

Additional Stakeholder & Vendor Insights

Findings were supplemented with additional insights gathered via ongoing research and discussions with coalitions, consultants and pharmacy management vendors.



Summary of Featured Examples

Employer Example Features

Company	High Level Overview
Boeing	Adoption of transparent cost-plus model (Prime Therapeutics)
Caterpillar	Long-term experience with fully transparent, cost-plus pharmacy management approach (Magellan)
Linde	Long-term experience with fully transparent PBM (Navitus), including outcomes
Cleveland Clinic Employee Health Plan	Full control over formulary design and utilization management controls; exploring direct contracting

Coalition/Collective Models

Company	High Level Overview
Health Transformation Alliance	Learnings from HTA's collaborative approach to PBM innovation
EmsanaRx, backed by PBGH	A newly formed transparent PBM supported by PBGH, interested in biopharma collaboration
Employers' Advanced Cooperative on Healthcare (Arkansas)	Employer collective offering transparent contract terms, with specialty carve outs and audit rights for employers
Health Purchaser Alliance of Maine	Coalition-facilitated and managed transparent PBM agreement (via ProCare/MC-Rx) to employers of all sizes; exploring direct purchasing arrangements with health systems

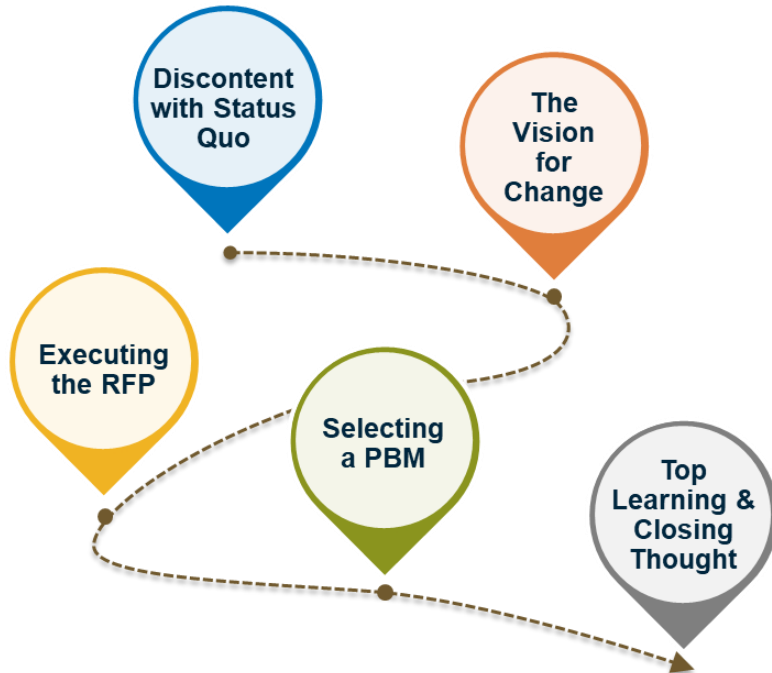
Summary of Featured Examples (cont.)

Pharmacy Management Overlay Vendors, Specialty Carve-Out Vendors & Transparent PBMs

Rx Mgmt Overlay	High Level Overview
Evio	Pharmacy analytics including real-world evidence to inform contracting and benefit design; funded by 5 BCBS plans and leverages population data; very new and much is still TBD
Rx Savings Solutions	Very fast growing; targets patient consumers to initiate therapeutic switching; serves as a “clinical watchdog” to generate plan and patient savings
Specialty Carve-Out	High Level Overview
Archimedes	Heightened utilization management via rigorous PA and tight formulary; analyzes therapeutic value across pharmacy and medical benefit; offers value-framework product
NantHealth—Eviti	Oncology & autoimmune condition focus; pharmacy-medical benefit treatment plan validation; point-of-care PA and site-of-care savings opportunities; prescriber interface to guide decision-making
Vivio	Public Benefit Corporation; promotes biosimilars and restricts payment for experimental drug use; clinical modeling to identify therapeutic alternatives; evaluates prescriber financial ties
Transparent PBM	High Level Overview
Capital Rx	Fast growing; service is “acquisition cost plus” (NADAC plus fee); multifaceted savings approach, including Retrospective Drug Utilization Review to identify savings opportunities post-fill
Flipt	Member app provides drug prices at various nearby pharmacies with education on lower-cost alternatives and a shared saving opportunity; reference-based drug pricing; leans away from PBM moniker
Navitus	Focused on lowest net-cost acquisition and aggressive formulary and exclusion lists; URAC accredited clinical model to support patient care and adherence; wholly owned specialty subsidiary Lumicera Health
RightwayRx by Rightway	Healthcare navigation company with a transparent PBM; member app with live pharmacist to navigate to high value drugs; offers plan savings guarantees; directs to manufacturer copay assistance programs

Discussion on Boeing's Path to a Transparent Cost-Plus Model

Supply chain optimization to improve patient experience, financial efficiency/ROI, clinical quality, effectiveness and outcomes (including medication adherence)



2021 Special Report on Alternative Rx Contracting Models:

EMPLOYER STAKEHOLDER INTERVIEW



Scott Thompson

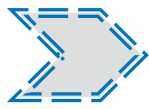
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Jason Parrott

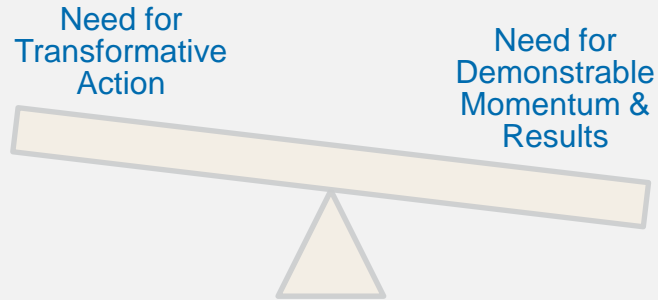
*Former Healthcare & Well
Being Strategy Lead, Boeing*

Watch the Full Interview Recording Here



HTA: Collaborative Rx Management Innovation Requires an Incremental Approach

Change requires balancing two competing values...



- » The HTA made a conscious decision to create an offering that was demonstrably superior to anything on the market, but at the same time was the minimum, viable product. It didn't have to be radically transformative to the industry, but it absolutely had to be superior to what their members already had in place.

“Small momentum isn't sexy, but it's essential. You've got to be relentless... There seems to be two outcomes for firms trying to make change: failure or incremental progress. Nobody has achieved anything radical, so making progress is an absolute victory.”

- » The collective faced a wide strata of timing and variability in what the “right” solutions were for their members. So their initial PBM offering included options that offered both incremental improvement to what employers were already doing and then more aggressive options for those that were comfortable with more substantial changes.

Discussion with EmsanaRx— New PBM Player, By Employers, For Employers

“Our whole business model is about transparency. We will not do anything unless it’s fully disclosed on all sides of the equation—to the manufacturer, to the retailer and to the employer themselves.”

- How EmsanaRx Came to Be
- EmsanaRx’s Differentiated Approach
- Bringing the Solution to Market
- Early Adopters in a Controlled Launch
- The Role of Biopharma
- Closing Thoughts on the Path Ahead

Purchasers Business Group on Health (PBGH)

(formerly Pacific Business Group on Health)

- 15 million lives under membership
- \$100B annual healthcare spend
- » **EmsanaRx is part of Emsana Health, Launched by PBGH**

2021 Special Report on Alternative Rx Contracting Models:

EMPLOYER STAKEHOLDER INTERVIEW



Scott Thompson

*Area President,
Gallagher Research & Insights*



Greg Baker

*Founder and CEO,
EmsanaRx*

Watch the Full Interview Recording Here

Archimedes—Specialty Carve-Out & Utilization Management

Archimedes' primary service is a specialty carve out with full rebate pass through and heightened PA process.

Their management service comprises three distinct offerings, each available on its own or as a group for more comprehensive management. Archimedes does not own their own specialty pharmacy fulfillment; this is by design to avoid conflict of interest, in both practice and appearance.

Targets for Heightened Prior-Auth & Utilization Management

Clinical Evaluation

- Off-label use
- Genetic testing
- Weight-based dosing
- Therapeutic substitutions
- Duplicate therapy avoidance
- Response to therapy
- Individual care reviews

Benefit Design

- Robust biosimilar program

Billing & Errors

- Drug pricing, relative to Average Sales Price (AVP)

Site-of-Care Management

- Home infusion vs. infusion suites vs. hospitals
- Mandatory site-of-care program

Archimedes' Suite of Offerings

- 1 SpecialtyIQ:** Under the pharmacy benefit, program analyzes specialty drug use for clinical appropriateness, opportunities for lower-cost and better performing alternative therapies
- 2 MEDiQ:** Proprietary algorithm used to identify waste on medical specialty drugs; program also incorporates decision support and customized patient case management
- 3 QUALiQ:** A value framework tool to assess high-cost therapies under their Drug Value Assessment

Results: One employer client experienced a change/denial rate of 47% for new specialty patients in the first 90 days.

Data Analytics & Reporting: Able to provide regular, drug-level reporting of the outcomes of prior-auths, specifically whether preauthorization was processed and if the patient's medical record warranted the decision.

Payment Structure: Aligns financial incentives with those of the plan sponsor, including 100% rebate pass through to the employer.

✓ **100% of revenue come from client fees**

Archimedes—Real World Examples

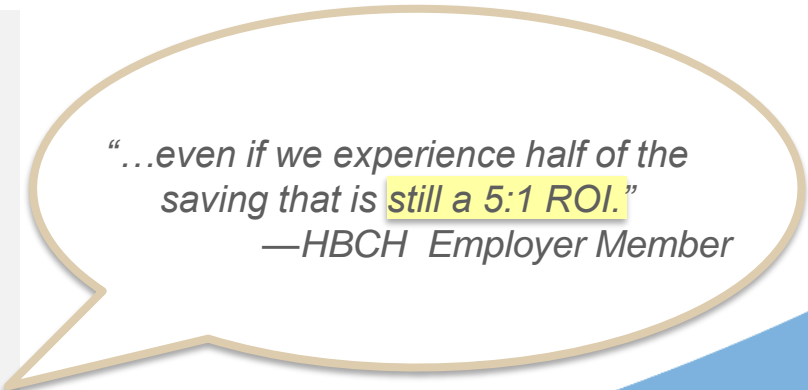
Employer Experience: Wayne Farms

Wayne Farms is a poultry production and processing company with nearly 12,000 employees and dependents. They began working with Archimedes in mid-2020 after their specialty drug spend hit \$30 per member per month (PMPM) in 2019.

Results: Comparing the 90 days prior to and following implementation of specialty carve-out to Archimedes, claims paid decreased from \$29.39 to \$15.87 PMPM, representing a 45% decrease in plan spend. Similarly, they experienced a 46% decrease in specialty plan spend PMPM in the first 90 days of the program compared to the same time period in 2019. Net of post-period program fees, Wayne Farms experienced a 37% decrease.

Coalition Experience: Houston Business Coalition on Health

In 2018, HBCH engaged Archimedes to perform an employer-specific analysis of specialty drug spend to identify waste and inappropriate use across both pharmacy and medical benefits with a focus on areas to manage for cost and quality. Fees for this service were discounted through the coalition and based on member lives. Results: In this first year, five pilot employers experienced a near 20% reduction in spend, adding up to a total of \$5.2 million in potential savings.



*“...even if we experience half of the saving that is **still a 5:1 ROI.**”*
—HBCH Employer Member

Thank You!

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