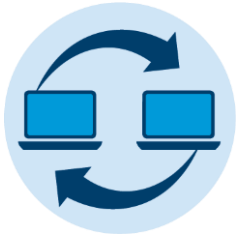


What Is a PBM?

- A pharmacy benefits manager (PBM) is a health care company that contracts with insurers, employers, and government programs to administer the prescription drug portion of the health care benefit
- PBMs work with insurers and employers to perform a variety of services to ensure high-quality, cost efficient delivery of prescription drugs to consumers
- PBMs aggregate the buying clout of millions of enrollees, enabling plan sponsors and individuals to obtain lower costs for prescription drugs.

Pharmacy Benefit Management Services



Claims Processing



Price, Discount and Rebate Negotiations with Pharmaceutical Manufacturers and Drugstores



Formulary Management



Pharmacy Networks



Mail-service Pharmacy



Specialty Pharmacy



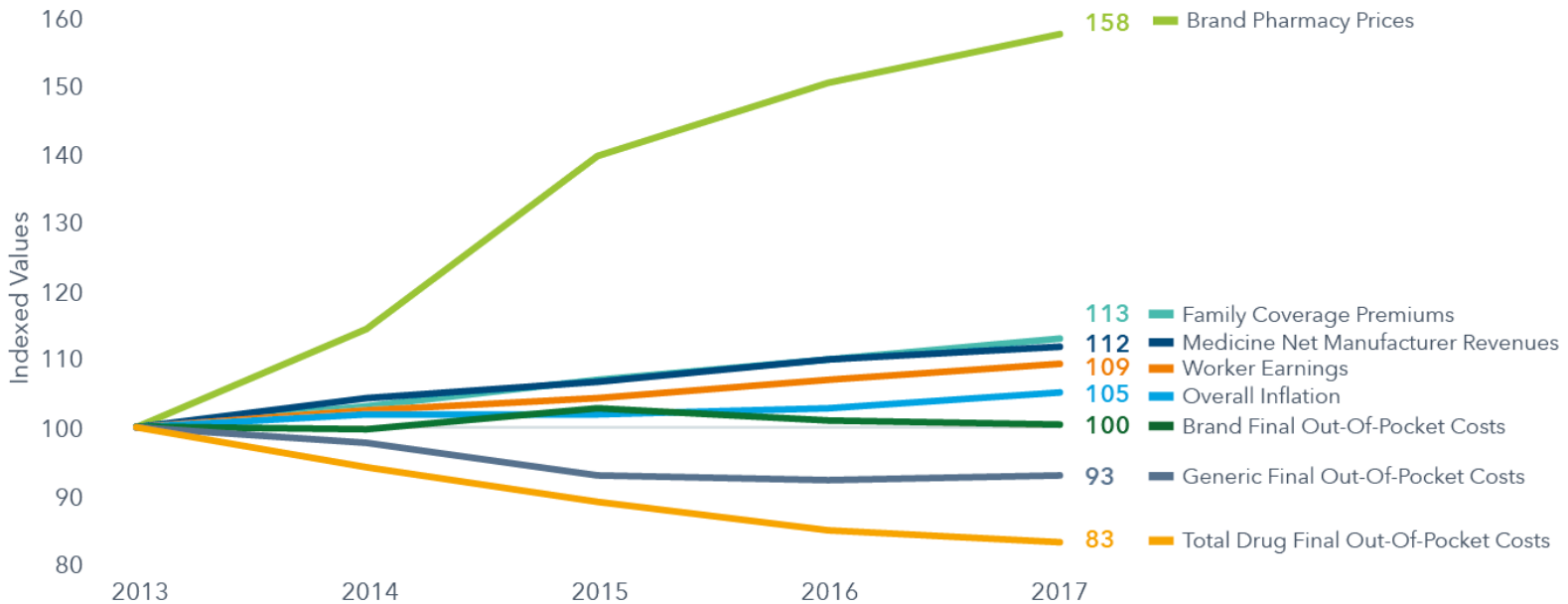
Drug Utilization Review



Disease Management and Adherence Initiatives

Brand Drug Prices Increased 58% 2013-2017

Changes in Healthcare Costs or Cost Drivers 2013-2017, Indexed (2013 Values + 100)

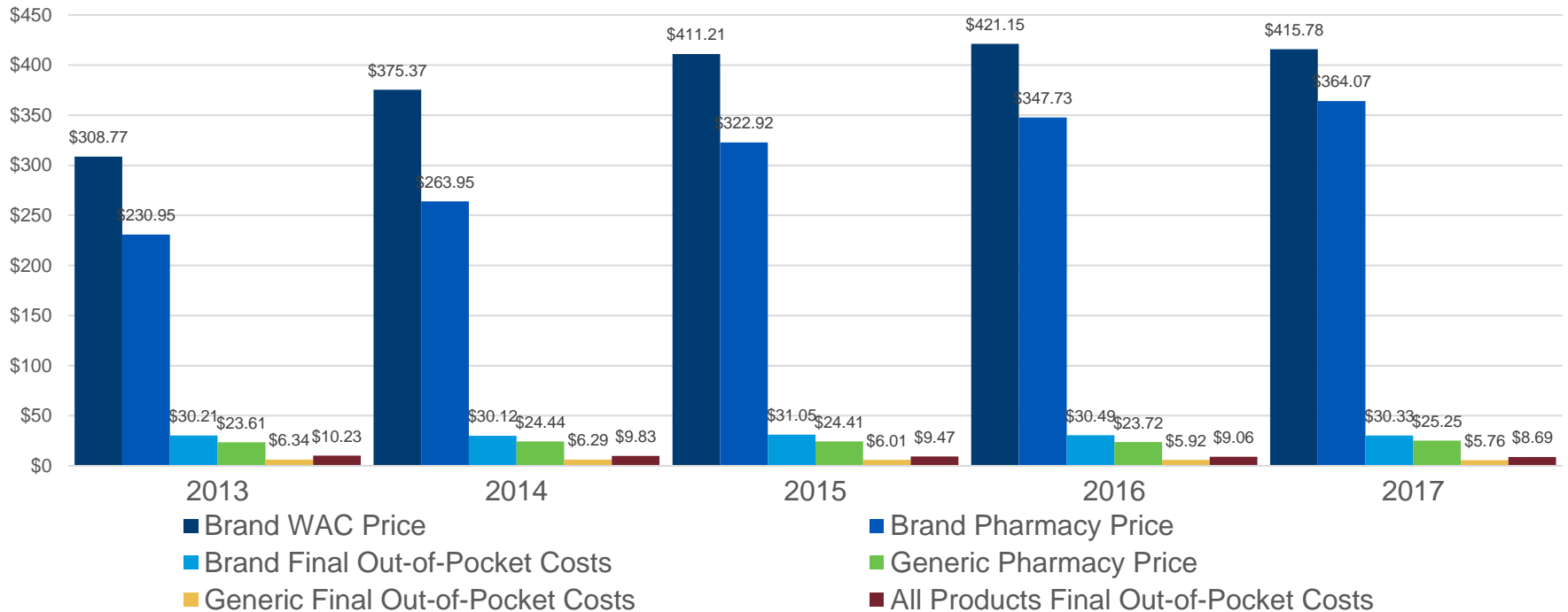


Source: IQVIA Institute. *Medicine Use and Spending in the U.S.: A Review of 2017 and Outlook to 2022*, April 2018. Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2017; IQVIA Formulary impact Analyzer (FIA). IQVIA Institute, December 2017.

Chart notes: Indices sourced from Kaiser/HRET Employer Survey⁴ include: family coverage, premiums, workers earnings, overall inflation. Brand, generic and total final out-of-pocket costs and brand pharmacy prices are for commercially insured, Medicare Part D and cash payment types sourced from IQVIA Formulary Impact Analyzer. All charted values are indexed to set their 2013 value equal to 100.

Patient OOP Rx Costs Steadily Decreasing

Patient Cost Exposure and Average Costs, US\$

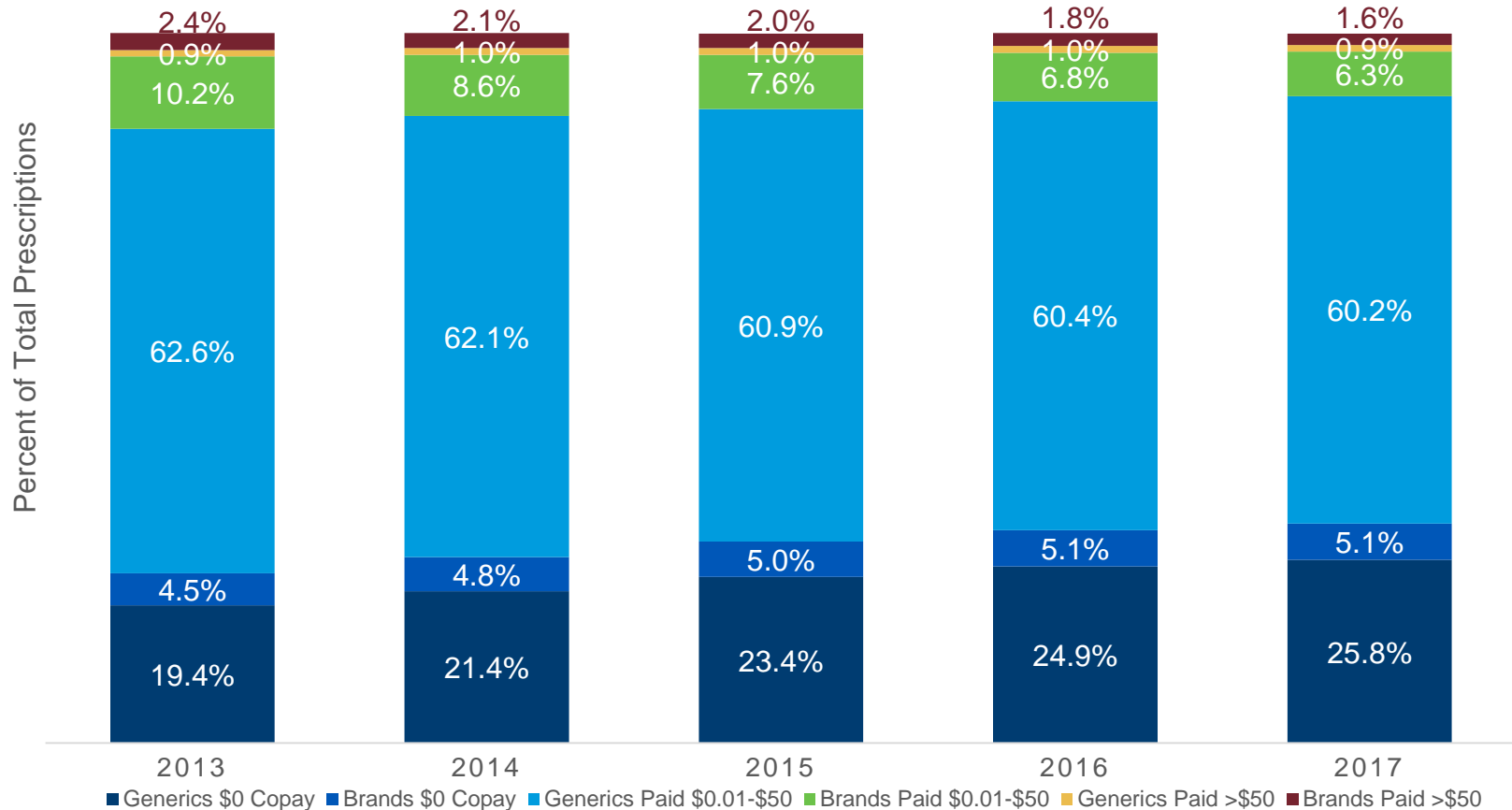


Source: IQVIA Institute. *Medicine Use and Spending in the U.S.: A Review of 2017 and Outlook to 2022*, April 2018. Formulary Impact Analyzer (FIA). IQVIA Institute, December 2017.

Notes: Costs are normalized to 30-day prescriptions. Brand and generic pharmacy prices' cost exposure calculated using paid and reversed claims include the amount paid by the primary insurer and the amount of patient responsibility before the application of coupons. Brand WAC price is the Wholesaler Acquisition Cost and is often the most publicly available reference price. Final out-of-pocket costs are calculated as patient responsibility after the application of all applicable discounts and coupons.

What Do Patients Pay at the Counter?

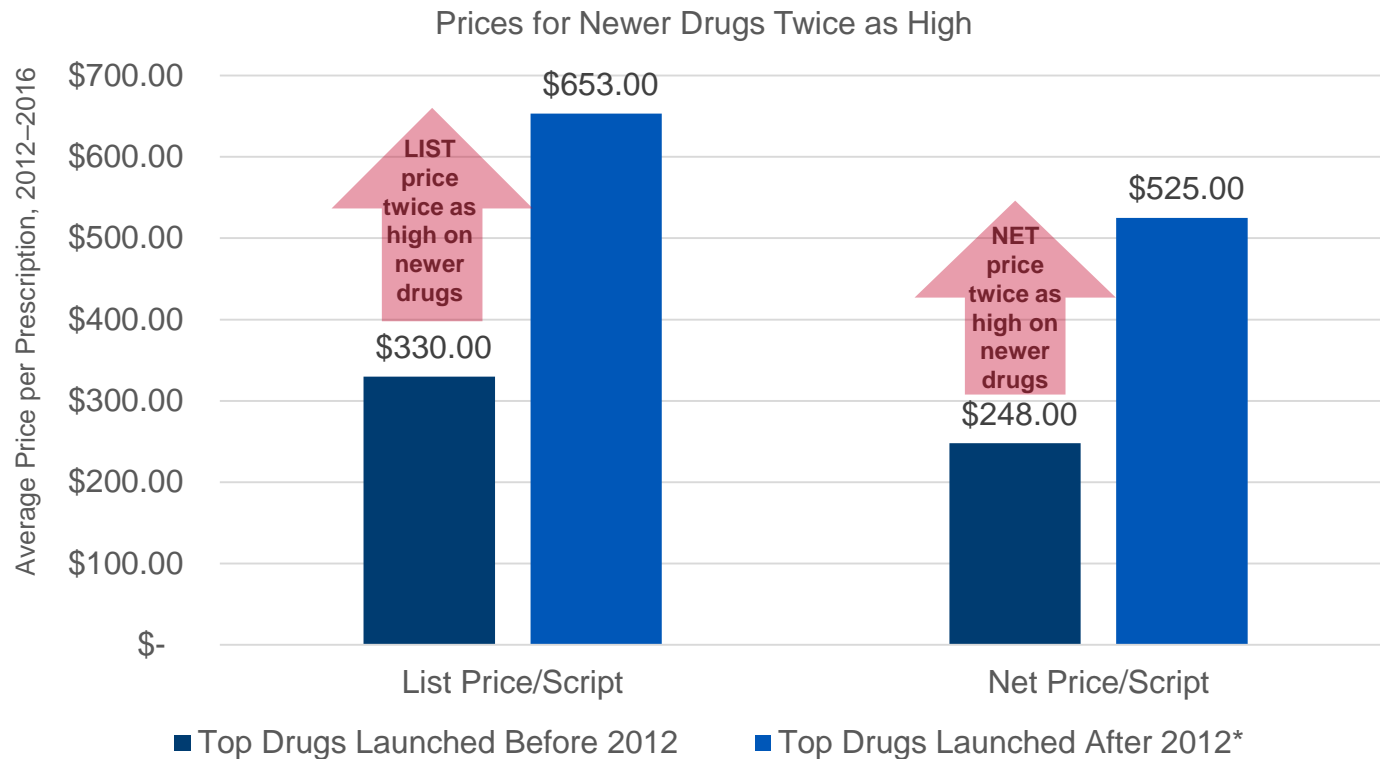
Patient Final Out-of-Pocket Costs by Share of Retail Prescriptions



Source: IQVIA Institute. *Medicine Use and Spending in the U.S.: A Review of 2017 and Outlook to 2022*, April 2018. IQVIA Formulary Impact Analyzer (FIA). IQVIA Institute, December 2017.

Notes: Costs exposure is calculated using paid and reversed claims, includes the impact of the coupon if applicable and is normalized to 30 days. Brand list price is calculated as the total of the primary payer paid amount plus primary copay amount.

Prices for Top Brand Drugs Have Doubled Since 2012

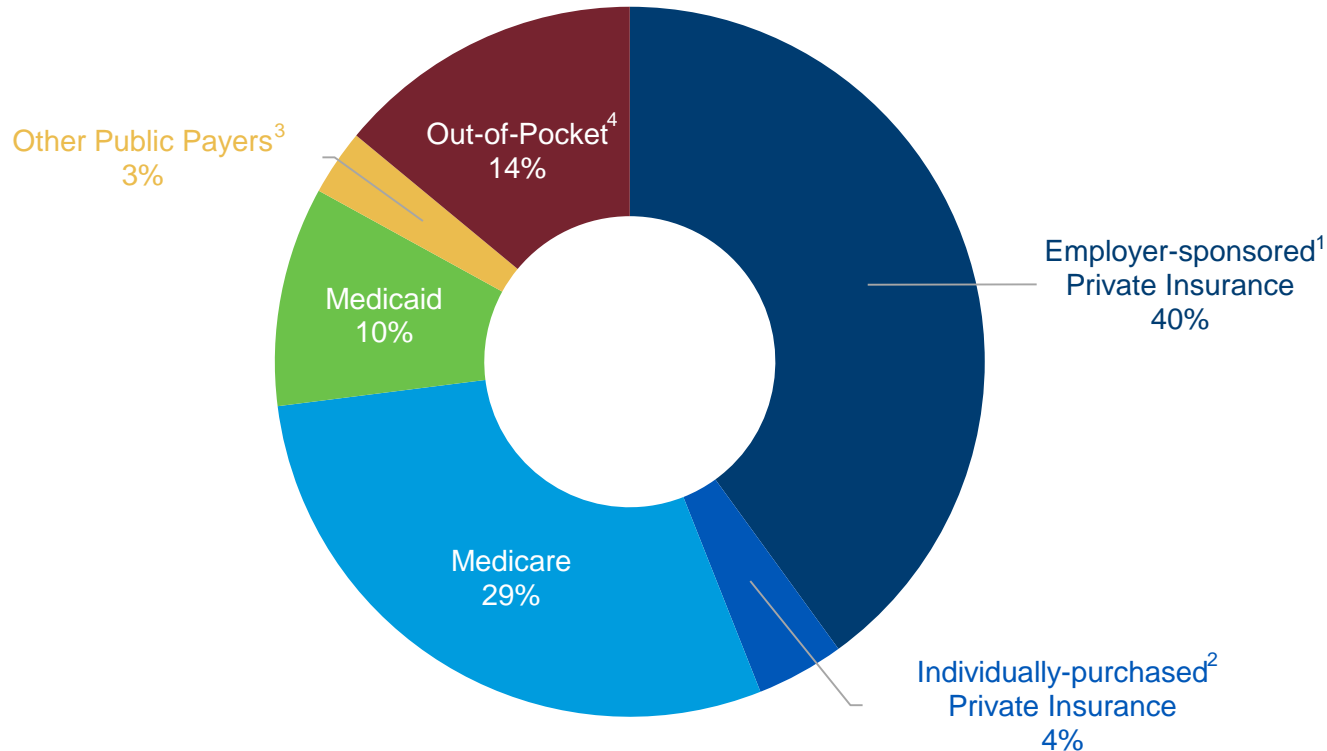


Source: Visante estimates and analysis of SSR Health data, 2017.

Note: Visante analyzed data on the top 200 drugs by 2016 gross sales. Visante examined list prices (WAC) and net prices (net of estimated rebate) during the period 2007-2016, where a category had only one drug, and then a second drug entered the category as a new competitor. Rebates for the new competitor in the category are usually more than the rebates for existing product, but the entry list price for the new competitor is often less than or equal to the existing product.

Who Pays for Prescription Drugs?

Source of Payment for Outpatient Prescription Drug Expenditures, 2016

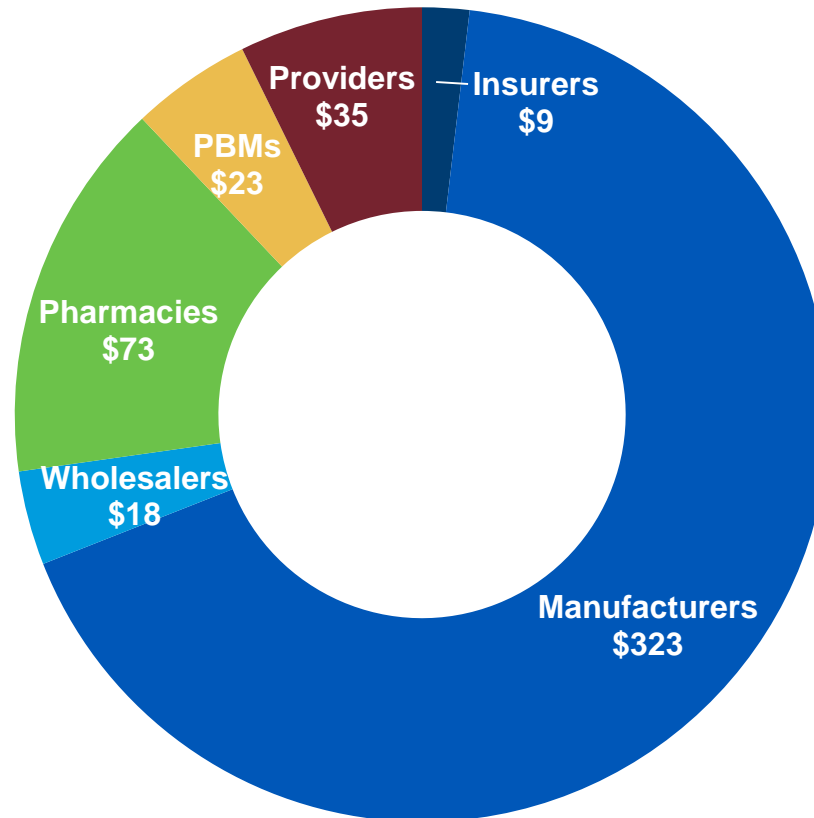


1. Includes workers' compensation and Pembroke Consulting estimates for employer share of private insurance.
2. Includes those with Medicare supplemental coverage and all individually purchased plans, including coverage purchased through the Marketplaces. Figure reflects Drug Channels Institute estimates for prescription drug spending for individually purchased private insurance.
3. Includes Children's Health Insurance Program (Titles XIX and XXI), Department of Defense, Department of Veterans Affairs, Indian Health Service, workers' compensation, general assistance, maternal and child health, and other federal, state, and local programs. Other federal programs include OEO, Federal General and Medical, Federal General and Medical NEC, and High Risk Pools under ASA. Other state and local programs include state and local subsidies and TDI.
4. Consumer out-of-pocket expenditures equal cash-pay prescriptions plus copayments and coinsurance.

Source: Drug Channels Institute analysis of National Health Expenditure Accounts, Office of the Actuary in the Centers for Medicare & Medicaid Services, December 2017. Totals may not sum due to rounding. Data exclude inpatient prescription drug spending within hospitals and nearly all provider-administered outpatient drugs.

Drug Manufacturers Reap 67% of Rx Dollars

Retained Revenue Across U.S. Pharmaceutical Sector, 2016 (\$billions)

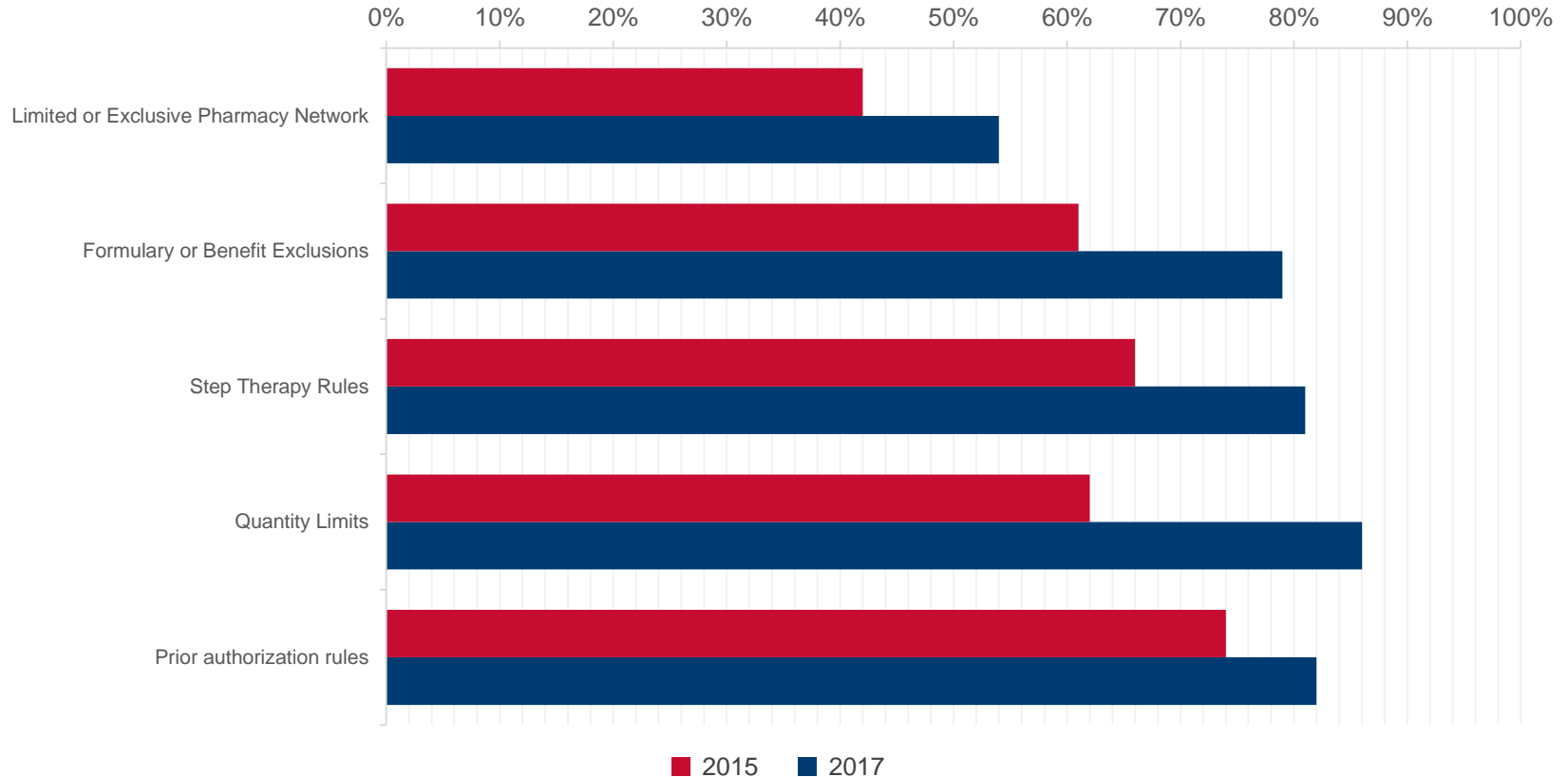


Source: Nancy L. Yu, Preston Atteberry, Peter B. Bach. "Spending On Prescription Drugs In The US: Where Does All The Money Go?" *Health Affairs*, July 31, 2018.

Note: Study does not take into account the full amount of manufacturer rebates that PBMs may pass along to clients, which may lower estimated PBM retained revenue.

Payers Increasingly Reliant on PBM Tools

Prevalence Of Utilization Management Tools To Manage Specialty Drug Costs, Employer-sponsored Health Plans, 2015 Vs. 2017



Source: Drug Channels Institute analysis of *Health and Well-Being Touchstone Survey Results*, PwC, various years.