USI CLEAR OPTIONS RX

THE USI ONE ADVANTAGE®

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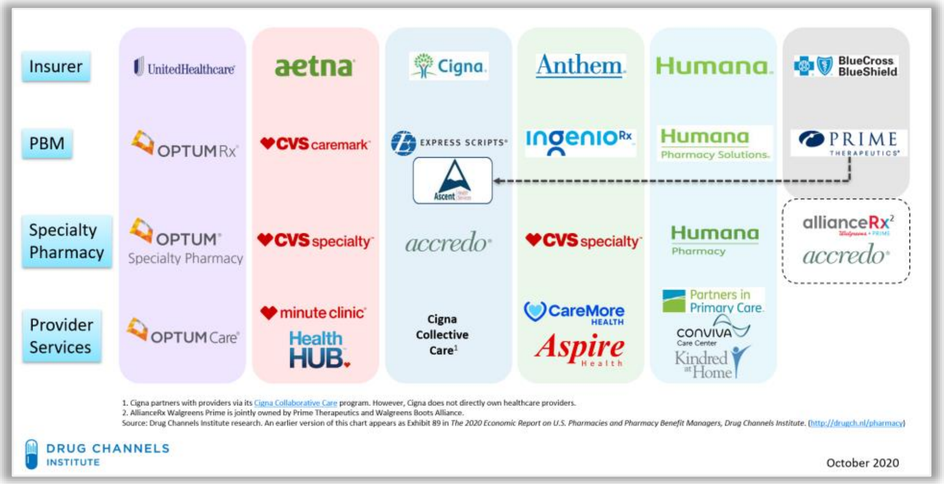
Pharmacy Expense

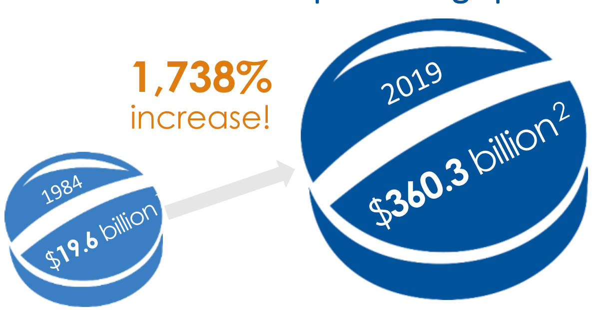
Pharmacy expense is the fastest growing line item for most employer plans. Vertical consolidation of PBMs and medical payers will reduce transparency.

Vertical Integration of PBMs & Carriers[3]



- Pharmacy costs are unique in that the carrier/Pharmacy Benefit Manager (PBM) typically earns profit in the cost of the claim as opposed to the cost of insurance or administration.
- Employers have little to no visibility into the carrier or PBM profit embedded in their plan.
- Cost savings opportunities exist in both drug pricing and drug utilization.
- USI's review of an unmanaged plan can produce savings of 15% to 25% of pharmacy costs or $200,000 for a group of 500 employees.

Annual U.S. Prescription Drug Spending



2018 Specialty Spending:

$170.2 BILLION

Specialty Rx Treatment:

Average cost $52,486

Median wage $48,665

Self-serving Carrier/PBM Partnerships

Unmanaged pharmacy contracts generate significant, undisclosed carrier revenue, lack transparency, and result in inaccurate comparisons of contract terms and conditions.

Rebates generate PBM revenue of **~8-10%** of total claims costs

Spread pricing adds an average of **30%** cost to generic drugs

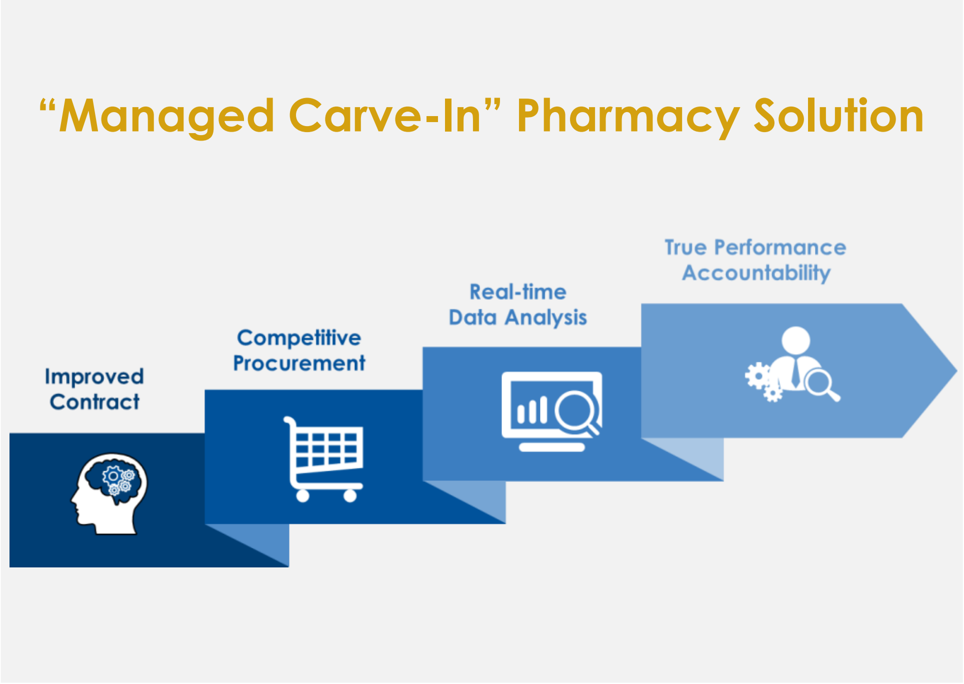
PBM contract terms and conditions are:

undisclosed
unmanaged
unvalidated

- The price paid by employers for Rx is determined by the PBM contract, and includes revenue sources to the PBM in the form of rebates, spread pricing, and administrative fees.
  - PBM contracts vary these fees per client in order to achieve profit targets, regardless of billed ASO fees or rebate credits.
- Carrier-based "bundled" PBM solutions generate significant undisclosed revenue to carriers, yet are the most common arrangement for self-funded employers.
- Carriers have protected this revenue by either prohibiting carve-out solutions based on group size or offering deceptive minimal rebate credits to reduce administrative fees.
- Employers lack the ability to accurately compare carve-in programs with viable carve-out solutions.
- USI Clear Options Rx offers a "Managed Carve-in" solution that can produce savings of 15-25% or $200,000 for a group of 500 employees.

USI's Proprietary Clear Options Rx

USI's proprietary Clear Options Rx strategy provides a "Managed Carve-In" solution, offering greater transparency, improved contract terms, and reduced carrier profit.



- Typical broker response has failed to reduce pharmacy costs through contractual accountability.
  - Purchasing cooperatives are often designed as revenue sources for the cooperative/broker.
  - Carve-out programs lack financial effectiveness due to carve-out penalties by carrier.
- USI offers a unique "Managed Carve-In" strategy that provides the convenience of a bundled program with the savings and terms typically associated with a carve-out solution.
- Objective comparison of incumbent carrier-based pricing and terms to third-party carve-out solutions.
- Competitive carve-out options when incumbent bundled solution remain uncompetitive.
- Paired with Clear Guard Rx to provide accountability to contractual performance guarantees and utilization reporting.

Contractual Terms

USI has negotiated favorable terms and conditions with carrier-based PBMs and third-party carve-out solutions.

Typical Contract Language that Drives PBM Profit

"**Brand Drug**" means a prescription drug or insulin with a proprietary name assigned to it by the manufacturer and distributor and so indicated by Medispan or any other similar publication designated by Company. Brand Name Drug does not include those drugs classified as a Generic Drug hereunder.

"**Generic Drug**" means a prescription drug, whether identified by its chemical, proprietary, or non-proprietary name that (a) is accepted by the U.S. Food and Drug Administration as therapeutically equivalent and interchangeable with drugs having an identical amount of the same active ingredient, or (b) is deemed by XXXX to be pharmaceutically equivalent and interchangeable with drugs having an identical amount of the same active ingredient.

USI Negotiates Contract Language that Drives Employer Savings

Brand Drug - Single or multisource brand drugs which are classified as a brand drugs, based upon indicators provided by Medi-Span's National Drug Data File and denoted in the Multi-source Code field as "M", "N", and "O".

Generic Drug - A multisource prescription drug, which are classified as generic drugs, whether identified by its chemical, proprietary, or nonproprietary name provided by Medi-Span's National Drug Data File and denoted in the Multi-source Code field as "Y".

- USI's market leverage with over 2,500 self-funded clients enables a unique carrier negotiation.
- Detailed contractual negotiations including:
  - Rebate pass through & minimum guarantees
  - Competitive discounts with regular market checks
  - Clear definitions of brand and generic drugs
  - Formulary management
  - Audit rights

Competitive Market Procurement

USI has negotiated favorable terms and conditions with carrier-based, and third-party PBMs, to create a marketplace with standardized contract language and clear pricing definitions to drive savings.

Pricing Comparison $

	PBM Sample	ValueScript	MyPBM	SamplePBM	BenePharm
Retail Brand 30 Discount	19.00%	18.98%	18.55%	18.13%	19.00%
Retail Generic 30 Discount	83.08%	83.40%	81.72%	82.73%	82.02%
Retail Brand 30 Dispensing Fee	$0.75	$0.80	$0.70	$0.90	$0.70
Retail Generic 30 Dispensing Fee	$0.75	$0.80	$0.70	$0.90	$0.70
Retail Brand 90 Discount	20.40%	20.50%	20.42%	19.75%	20.05%
Retail Generic 90 Discount	84.08%	84.10%	82.42%	84.20%	83.02%
Retail Brand 90 Dispensing Fee	$0.00	$0.00	$0.70	$0.00	$0.70
Retail Generic 90 Dispensing Fee	$0.00	$0.00	$0.70	$0.00	$0.70
Mail Brand Discount	25.00%	25.75%	25.25%	24.72%	23.98%
Mail Generic Discount	85.97%	85.20%	85.25%	85.75%	84.73%
Mail Brand Dispensing Fee	$0.00	$0.00	$0.00	$0.00	$0.00
Mail Generic Dispensing Fee	$0.00	$0.00	$0.00	$0.00	$0.00
Retail 30 Rebate	$0.00 Per Brand Claim	$95.00 Per Brand Claim	$72.00 Per Brand Claim	$84.00 Per Brand Claim	$95.00 Per Brand Claim
Retail 90 Rebate	$0.00 Per Brand Claim	$220.00 Per Brand Claim	$144.00 Per Brand Claim	$206.67 Per Brand Claim	$230.67 Per Brand Claim
Mail Rebate	$0.00 Per Brand Claim	$411.33 Per Brand Claim	$250.00 Per Brand Claim	$335.00 Per Brand Claim	$402.67 Per Brand Claim
Specialty Rebate	$0.00 Per Brand Claim	$876.67 Per Brand Claim	$550.00 Per Brand Claim	$728.33 Per Brand Claim	$890.00 Per Brand Claim
Admin Fee	$0.00 Per Claim	$3.08 Per Claim	$0.00 Per Claim	$0.00 Per Claim	$3.17 Per Claim
Truveris Commission	Included	Included	Included	Included	Included
Broker Commission	-	-	-	-	-
Allowances	**$0.00 PEPM**	**$0.05 PMPM**	**$0.17 PEPM**	**$0.20 PEPM**	**$0.07 PEPM**
Average Annual Savings $	$403,779	$284,033	$241,190	$241,121	$235,091
Average Annual Savings %	**21.30%**	**14.55%**	**13.19%**	**12.37%**	**12.06%**

- A typical pharmacy contract has over 15+ separate pricing categories, each of which need to be compared.
- Access to 10+ PBMs (carrier-based and third-party) with pre-negotiated terms and guarantees.
- Employer-specific claims data drives the quoting process.

Clear Guard Rx: Reporting & Accountability

Clear Guard Rx quarterly reporting is uniquely positioned to hold carrier-based and third-party PBMs accountable.

- Pharmacy pricing varies on a daily and geographical basis. Validating contractual guarantees is essential, but often overlooked.
- The PBM contract sets the guidelines for pricing; however, actual results often vary.
- Without a clear contract and accountable analysis, PBMs typically fail to meet contractual terms & conditions
- Clear Guard Rx quarterly reporting provides insight into potential refund opportunities for employers.

Next Steps

- A “managed carve-in” strategy offers the convenience and clinical management of a bundled solution in addition to improved contract language and financial terms.
- Unlike any other broker, a managed carve-in solution holds the carrier-based PBM uniquely accountable to performance guarantees via Clear Guard Rx.
- For USI clients, Clear Options Rx is an integral part of the USI ONE Advantage® strategy to reduce healthcare costs.