The Formulary Decision Making Process

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# Formulary Updates & Changes – Timing & Implementation

<table>
<thead>
<tr>
<th>Type Of Formulary Change</th>
<th>Implementation Period</th>
<th>Programming Deadline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial/C&amp;S</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Positive</td>
<td>Anytime</td>
<td>n/a</td>
</tr>
<tr>
<td>Negative</td>
<td>January 1st</td>
<td>September 1st year prior</td>
</tr>
<tr>
<td></td>
<td>July 1st</td>
<td>March 1st</td>
</tr>
<tr>
<td>Medicare Part D</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Positive</td>
<td>Anytime</td>
<td>n/a</td>
</tr>
<tr>
<td>Negative</td>
<td>January 1st</td>
<td>June 1st year prior</td>
</tr>
</tbody>
</table>

- Positive formulary changes can occur at any time, unless a negative change for other products is a condition of that change.
- Deadlines are non-negotiable.
- Timing is to ensure programming changes can be implemented, marketing materials can be created and sales teams can be trained.
OptumRx Company Rebate Philosophy & Approach

Focus on clinical outcomes for lowest net cost

1. P&T Committee Clinical Review
2. Pharmaceutical Client Incentives
3. Business Implementation Committee

Our goal is to protect the affordability of health care and the drug benefit, while supporting clinical decisions with the best financial arrangements.
Maximizing rebates does not always result in managing to the lowest net cost

- New drug to market
- 40% lower cost (WAC) than current preferred drug
- Full clinical evaluation
- Class financial modeling (drug cost, utilization, market share, market shifts)
- Shows >16% market share lowers net cost to class but results in annualized $40M loss of rebates
- New drug added to formulary
- Lowered net class cost by $XXXXM
- Maximizing rebates does not always result in managing to the lowest net cost
Maximizing Savings

• Benefit Design

• Utilization Management
  – OptumRx rebate contracts are based on utilization management, not benefit design
  – Clinically Approved
  – Very thoughtful about member disruption
  – Flexibility with different utilization management packages
## Value: Manage Clients Across The Continuum

### Least managed choice

<table>
<thead>
<tr>
<th>PDL</th>
<th>Select PDL</th>
<th>Premium PDL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contracted Benefit Design</td>
<td>Covered</td>
<td>Covered + Focused UM</td>
</tr>
<tr>
<td>Description</td>
<td>No drug tiers/ Open benefit</td>
<td>Same as Covered</td>
</tr>
<tr>
<td>&lt;$10 copay differential</td>
<td>Same as Covered</td>
<td>=/&gt;$10 copay between PB and NPB</td>
</tr>
<tr>
<td>Utilization Management (UM) requirement</td>
<td>No UM required</td>
<td>Adopt Focused UM Suite*</td>
</tr>
<tr>
<td>Note</td>
<td>SP classes included as part of Focused UM</td>
<td>SP classes included as part of Focused UM</td>
</tr>
</tbody>
</table>

*No grandfathering allowed
The Transparency Model – A Team Effort

- Client Reporting
- Client Management
- Clinical Consultants
- Rebate Roundtable
- Rebate Management
- Industry Relations (FMS)
The Buzz On Value Based Contracting:

Reality vs. Perception

Proven Concept
It is too early in the process of evaluating Value-Based Contracting to determine broader application to all contractual agreements.

Everyone Is Engaged In VBCs
Despite reports that health insurers and pharmacy-benefit managers have signed at least a dozen such deals with drugmakers since 2014, including Cigna, Harvard Pilgrim Health Care and Express Scripts Holding Co., targeting high-cost drugs in categories including cancer and hepatitis C, the quality and breadth of these agreements is yet to be clarified.

The Optum Organization Is Engaged In Value Based Contracting
We are actively engaged in contractual negotiations with multiple manufacturers across a broad array of disease states and continue to work on new opportunities.
Value Based Contracting: Overview

What is Value Based Contracting?

• Value Based Contracting sets payment or non-payment on the performance of a drug (or on an outcome metric) vs. a rebate contract which is based on payment for the formulary positioning of a drug.

Current State:

• Conceptually, Value Based Contracting has been around for a long time
• Operationally, Value Based Contracting is in its infancy, with limited evidence to examine
• Value Based contracting is not appropriate for all drugs (e.g., new therapies)
• Interest in implementing Value Based contracts is growing across stakeholders
• Pharma, payers and employers are learning from early Value Based agreements
• OptumRx and UnitedHealthcare are expanding current Value Based Contracting in a measured way, as we continue to collect and understand results
Value Based Contracting: Structure

Pharma Manufacturer

VBC Contract Agreement

Rebates/Admin Fee Payment

Inter-Segment Data Programming/Services Agreement

Drug Utilization Data

Rebate Payments

UnitedHealthcare
Value-based contracting is exciting and important, but it needs to evolve.

The future will depend on collaboration.