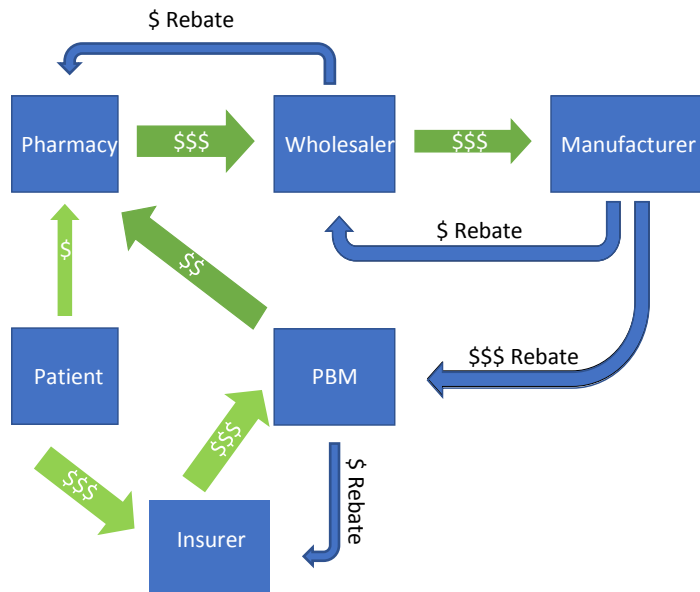


## Understanding Pharmacy Distribution and a Streamlined Approach

- The core players in the drug channels today
  - **Manufacturers**
  - **Wholesalers**
  - **Pharmacies**
  - **Insurers**
  - **Pharmacy Benefit Managers**
  - **Patients**
- How it works today is two separate pathways
  - Products
    - **Manufacturer** distributes to **Wholesaler**; who distributes to the **Pharmacy**; who dispenses to **Patient**.
  - Money
    - **Patient** pays **Insurer\***; who pays **Pharmacy Benefit Manager**; who pays **Pharmacy**; who pays **Wholesaler**; who pays **Manufacturer**.
    - \***Patient** also may pay copay to **Pharmacy**



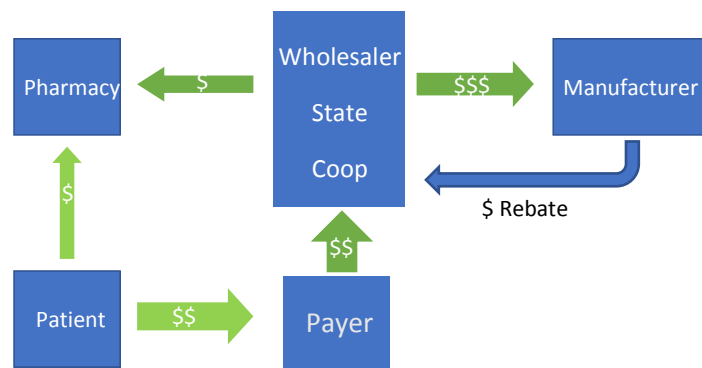
- Price Definitions
  1. Manufacturer sells product to Wholesaler (WAC – Wholesale acquisition price or list price);
  2. Wholesaler sells to Pharmacies (Invoice price);
  3. Pharmacy sells to Patients via PBM (Retail Price);
  4. PBM charges Insurer (Payer Drug Spend);
  5. Insurer charges Patient (Premium);
  6. Insurer reports to regulatory body (Price Per Member).

## Importation S175

- Challenges associated with Importation of product
  - Requirement of Federal Waiver
  - Subject to Foreign Trade Relations
  - Currency fluctuations
  - Finding a willing vendor across the border may prove difficult
  - Would require continual adjustment as value would shift from product to product with market shifts
  - Manufacturer rebates will certainly be affected for both wholesalers and payers
  - Relabeling issues
    - NDC vs DIN numbers
  - Track and Trace requirements would still need to be adhered to
  - PBMs will most certainly make things difficult for independent pharmacies and their current reimbursement models

## Prescription Drug Bulk Purchasing Program

- Support the concept and the goal of gaining control on each step in the pharmacy distribution channel
  - Concerned that the language does adequately transition from the current model to where we want to go.
  - Can we utilize willing participants that already have proven success in achieving what the language sets forth?
  - Likewise, the “Health Insurance Plan Reporting” may be further augmented by the forming of a cooperative arrangement with select players, i.e. Wholesaler and Switch company.
  - What “IF” we could by-pass some of those inflationary steps and reduce costs?
    - S140 seeks to create a mechanism where Payer Drug Spend (#4) was as close to equating to Wholesale acquisition price (#1) as possible.



## The Method

- Pharmacy would obtain drugs from Wholesaler as customary, however the pharmacy would not be invoiced for said product.
- Invoice would go directly to Payer side of Cooperative
- When pharmacy submits drug claim to Payer, amount reconciled would amount to pharmacy dispensing fee minus any Patient Coinsurance amount.

- The Benefits
  - Real transparency into drug product pricing and rebates
  - Opportunity to tie pharmaceutical purchases, Insurer payments, and PBM spend with real clinical data thru dispensing record captured at switch level (expanded VPMS)
  - Lower costs
  - Provides a stable pathway for community pharmacies thus increasing Patient Access
  - Enhanced ability to incorporate other saving opportunities
  - Jobs
  - Enhances the role of pharmacist and their ability to contribute towards the “Triple Aim”