FELRA & UFCW VEBA FUND

Managed Pharmacy Report March 2021

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Executive Summary – 2020 Key Performance Indicators

- Pharmacy Benefits Management (PBM) Program:
  - 2020 Net PMPM Drug Trend: -0.6%
- Cost Management Programs:
  - Cumulative Savings 6/1/2020 – 2/1/2021 = $2,876,654.00 (83% of annualized goal).
- EGWP Implementation Status:
  - Implementation successfully completed December 31, 2020
  - EGWP amendment fully executed
- The following pages contain additional detail on these Key Performance Indicators.

2020 Key Performance Indicators – PBM Program

2020 Net PMPM Trend: **-0.6%**

- Non-specialty net cost PMPM **decreased by 6.7%,** specialty PMPM costs **increased by 11.9%**
- **73%** of plan participants have utilized the Rx benefit at least 1 time since January 1, 2020
- Specialty Medications account for **37%** of total net plan costs, an increase of **4.1%** from 2019
- Member cost share is **12.9%**, an increase of **3.1%** from 2019

KPIs	Jan-Dec 2020	Jan-Dec 2019	Change %
Average Membership	19,423	20,196	-3.8%
Number of Unique Patients	14,158	15,044	-5.9%
Average Member Age	47	46	1.5%
Plan Gross[1] Cost	$41,845,339	$40,761,617	2.7%
Plan Net[2] Cost	$29,965,457	$31,356,549	-4.4%
Plan Net Cost PMPM	$128.57	$129.38	-0.6%

[1] Before Member Cost Share and Rebates
[2] After Member Cost Share and Rebates

2020 Key Performance Indicators – Actives vs Retirees

Year over Year Changes

Actives:

Member counts decreased by 4.1%

Net PMPM costs decreased by 2.1%

Retirees:

Member counts decreased by 1.6%

Net PMPM costs increased by 3.9%

KPIs	Actives	Retirees
Members	17,329	2,094
Avg. Member Cost Share	9%	14.8%
Plan Gross Cost	$29,228,074.00	$8,179,859.00
Plan Gross Cost PMPM	$128.07	$309.89
Plan Net Cost PMPM	$113.59	$252.91[1]

[1] EGWP PMPM projection for 2021= $157.83

Top 10 Indications by Plan Net Cost PMPM

Diabetes, Inflammatory Conditions and Cancer remain the top 3 drivers of Plan Costs.
Diabetes accounts for 23% of all costs, trending up at 14.7%.
Inflammatory Conditions drive 16.6% of total costs.
Cancer accounts for 11.7% of total costs and is due to increasing utilization and pricing of oral cancer medications.

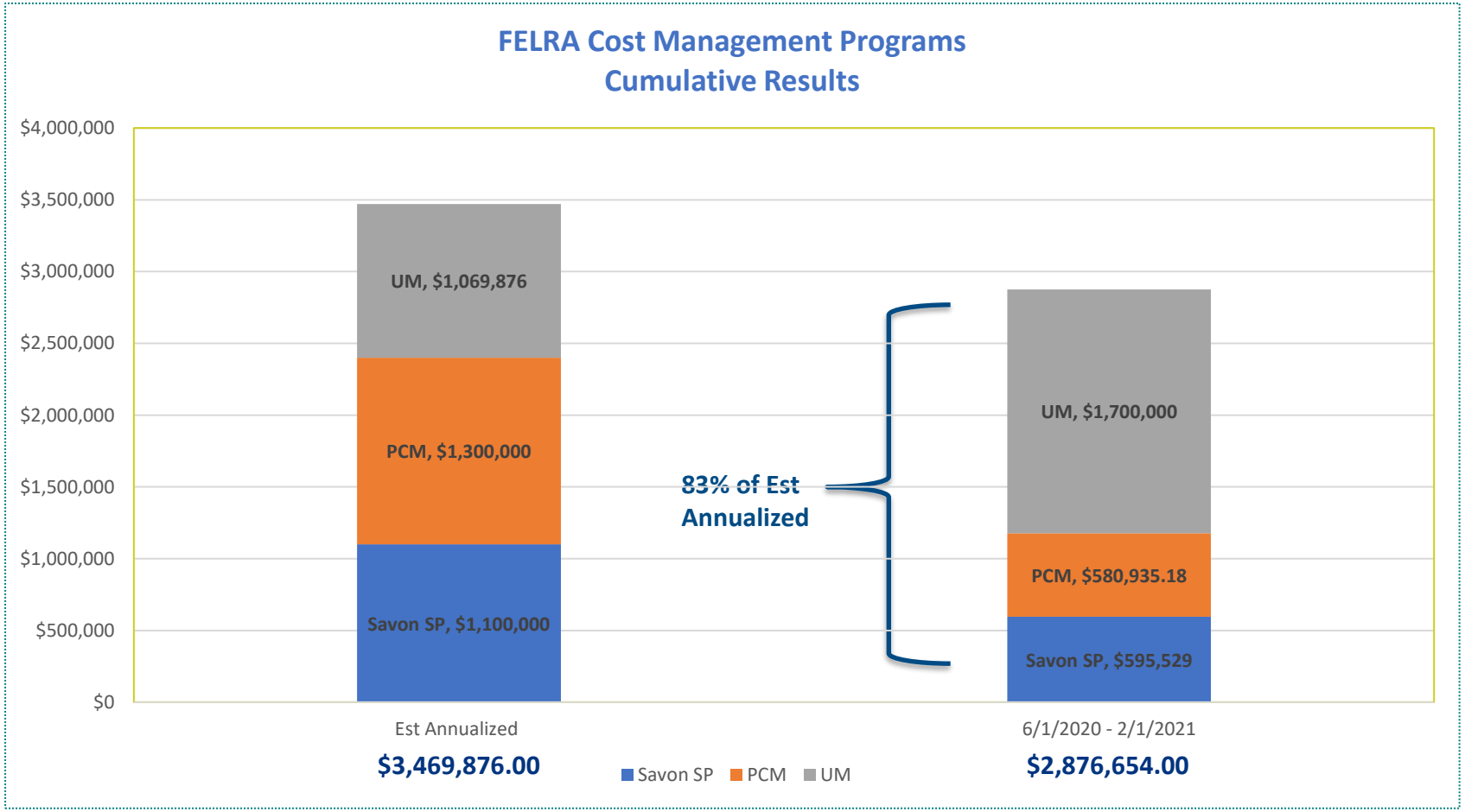
2020 Ranking	2019 Ranking	Top Indications by Plan Cost	Net Plan Cost PMPM	% Change YoY
1	1	Diabetes	$29.53	14.7%
2	2	Inflammatory Conditions	$21.28	2.3%
3	3	Cancer	$15.08	24.1%
4	4	HIV	$9.79	9.3%
5	8	High Blood Pressure/Heart Disease	$7.51	25.5%
6	7	Anticoagulant	$7.45	24.2%
7	6	Multiple Sclerosis	$6.27	-5.0%
8	9	Asthma	$6.16	5.4%
9	5	Pain, Inflammation	$4.66	-47.2%
10	10	High Blood Cholesterol	$3.94	25.9%

Cost Management Programs

The Fund's three (3) Cost Management Programs are performing well.

Cumulative savings from program implemented 6/2020 and 7/2020 is $2,876,464 or 83% of annualized goal.

Confidio's Pharmacy Report for Q'2 2021 will include additional Cost Management Program opportunities.



PCM Activity

Positive prescriber and member response to program.

Cumulative PCM Savings[1]: $580,935.18

Examples of the remarkable cost differences between formulary drugs and therapeutic alternatives.

Date Filled	Drug Name	Rx Cost	Alt Cost	Alt Drug Name	Claim Savings
11/7/2020	Colcrys	$636.81	$12.54	INDOMETHACIN	$624.27
11/16/2020	Brilinta	$1,160.22	$47.70	CLOPIDOGREL	$1,112.52
11/25/2020	Carvedilol Phosphate ER	$100.01	$9.74	CARVEDILOL	$90.27
12/8/2020	Dexilant	$286.28	$39.41	LANSOPRAZOLE	$246.87
12/17/2020	Fenofibric Acid	$301.80	$167.90	FENOFIBRATE	$133.90
12/19/2020	Dulera	$306.37	$171.35	WIXELA INHUB	$135.02
12/29/2020	Ezetimibe-Simvastatin	$521.22	$49.14	SIMVASTATIN	$472.08
1/6/2021	Edarbyclor 40	$595.02	$29.44	LOSARTAN-HYDROCHLOROTH	$565.58
1/12/2021	Farxiga 5	$763.56	$8.19	METFORMIN HCL	$755.37
1/17/2021	Alphagan P	$485.16	$11.73	BRIMONIDINE TARTRATE	$473.43
1/19/2021	Cardizem LA	$322.50	$29.44	AMLODIPINE BESYLATE	$293.06
		$5,478.95	**$576.58**		**$4,902.37**

[1] Based on Rxs filled using the therapeutic alternative; no inferred savings.

EGWP Implementation Update

- The EGWP implementation was completed December 31, 2020, without major disruption to retirees.
  - Daily tracking of claims volume and claims rejections during first 30 days of implementation provided additional validation that EGWP was set up correctly, and connectivity with CMS was stable, reliable and efficient.
  - A relatively small number of claim rejections occurred, primarily as a result of members using the wrong ID card at the point of sale.
  - Member calls to ESI's MedD Customer Service Center were limited; no escalated calls or complaints reported.
- The EGWP contract amendment is fully executed.
- The Fund received their first EGWP rebate check.
- Associated Administrators and Confidio will continue to track and manage ESI's compliance with the EGWP contract.

Transparency in Coverage Rules and No Surprises Act

- US Department of Health and Human Services, Labor and the Treasury issued a final rule on October 29, 2020, titled Transparency in Coverage, requiring most[1] group health plans, health insurance issuers, and self-funded plans ('plans') to publicly disclose **rates** and **cost sharing information** on all covered items and services.
  - Rates must be disclosed through machine-readable files:
    - includes in-network provider rates; out of network allowed amounts and billed charges; and prescription drug negotiated rates historical net pricing.
  - Cost sharing information must be provided through an online self service tool, available in paper form.
  - Timeline for compliance is spread across 3 years.
- The Consolidated Appropriations Act ('CAA') was signed into law December 27, 2020; includes the No Surprises Act, designed to increase transparency in employee health benefit plans.
  - Requires reporting to the federal government on prescription drug claims[2] and any impact on premiums by rebates, fees, other remuneration paid by drug manufacturers[3].
- Also requires access to negotiated rates as required by new laws.

[1]Exceptions include grandfathered health plans, excepted benefits, short term, limited-duration insurance, health reimbursement arrangements.
[2]50 brand drugs most frequently dispensed by pharmacies; 50 most costly prescription drugs; ; and 50 prescription drugs with the greatest increase in plan expenditures from the previous year for which reporting is required.
[3] Amounts paid per therapy class; amounts paid for each of the 25 drugs yielding the highest amount of rebates.

PBM Preparedness

- Confidio issued an RFI to top PBMs (carve in and carve-out) requesting information on their strategy, approach and charges for supporting these requirements.
- Most respondents indicated they're reviewing regulations, will monitor changes, provide updates as they become available (and they embrace transparency).
  - OptumRx will provide two options:
    - Basic approach: provide clients with the raw data files; client is responsible for creating the machine-readable format and posting the files.
    - Full-service approach: OptumRx creates the machine-readable files and posts on client's behalf.
- All PBM contracts include provisions allowing them to amend client pricing if legal/regulatory requirements result in a substantial increase to their operating costs.
- Confidio will take an active role in negotiating changes to the contract amendments as needed, and lobby for PBMs to absorb the majority of costs for compliance or use pharma dollars to offset their costs.

Summary and Market Observations

- The Fund's prescription drug program is performing better than ESI's labor clients.
- Diabetes, Inflammatory Conditions drive a significant portion of costs.
  - Opportunity for more coordinated care between PBM and Disease Management providers.
- Plan sponsor trends emerging in 2021 include:
  - Carve-out of rebate and formulary management services.
  - Carving pharmacy back into medical, taking advantage of vertically integrated delivery systems.
  - Procuring pharmacy benefit management services from non-traditional providers and/or using alternative pricing arrangements.