FELRA & UFCW VEBA FUND

Managed Pharmacy Report

September 2021

confidio

Pharmacy solutions you can trust.

Agenda

FELRA & UFCW VEBA FUND

Managed Pharmacy Program Report

I. Key Performance Indicators for Active and EGWP (Retirees) Plans

a. Year-over-Year Trend
b. Clinical/UM Program Performance

II. Cost Management Opportunities

a. Utilization Management (UM)
b. Contract Management:
    i. Market Check timing/expected ROI net of Consultant Fees
    ii. Competitive Bidding of the PBM Contract/expected ROI net of Consultant Fees

III. Program Changes

a. SaveonSP
b. CMS

KEY PERFORMANCE INDICATORS

Active and Retiree Prescription Drug Plans

Q'2 2021 Key Performance Indicators: Actives

- Year over Year Changes include:
  - A 5% decrease in the average number of members enrolled per month
  - A 16% increase in the percent of members utilizing the Rx benefit
  - An 8% increase in Net PMPM costs
- Cost trend increases driven primarily by Brand Drug inflation (specialty and non-specialty drugs)

FELRA Actives							
				Labor		Commercial	
Description	2Q21	2Q20	Change	2Q21	Change	2Q21	Change
Avg Subscribers per Month	10,550	10,811	-2.4%				
Avg Members per Month	16,647	17,448	-4.6%				
Number of Unique Patients	10,530	8,305	26.8%				
Pct Members Utilizing Benefit	63.3%	47.6%	15.7				
Total Plan Cost Net	$6,086,464	$5,902,965	3.1%				
Total Days	2,047,847	2,059,664	-0.6%				
Total Adjusted Rxs	80,713	74,108	8.9%				
Average Member Age	44.0	43.5	1.1%	36.6		37.6	
Plan Cost Net PMPM	$121.87	$112.77	8.1%	$96.73	10.5%	$103.07	8.0%
Plan Cost Net/Day	$2.97	$2.87	3.7%	$2.95	3.1%	$2.78	2.4%
Plan Cost Net per Adjusted Rx	$75.41	$79.65	-5.3%	$76.20	-0.4%	$72.68	-2.7%
Nbr Adjusted Rxs PMPM	1.62	1.42	14.2%	1.27	11.0%	1.42	11.0%
Generic Fill Rate	81.5%	88.0%	-6.5	85.9%	-1.2	84.9%	-2.5
90 Day Utilization	66.6%	64.8%	1.7	71.2%	0.2	70.8%	0.4
Retail - Maintenance 90 Utilization	66.1%	64.3%	1.8	25.4%	0.9	38.0%	0.9
Home Delivery Utilization	0.5%	0.5%	-0.1	45.8%	-0.8	32.8%	-0.5
Member Cost Net %	14.0%	10.2%	3.8	10.7%	0.0	14.3%	0.1
Specialty Percent of Plan Cost Net	40.6%	38.7%	1.9	51.0%	0.1	50.7%	-0.7
Specialty Plan Cost Net PMPM	$49.49	$43.68	13.3%	$49.35	10.8%	$52.23	6.6%
Formulary Compliance Rate	98.9%	98.8%	0.1	98.2%	0.2	98.3%	0.3

Source: Express Scripts SPARC Report Q2 2021

Q'2 2021 Key Performance Indicators - Retirees (EGWP)

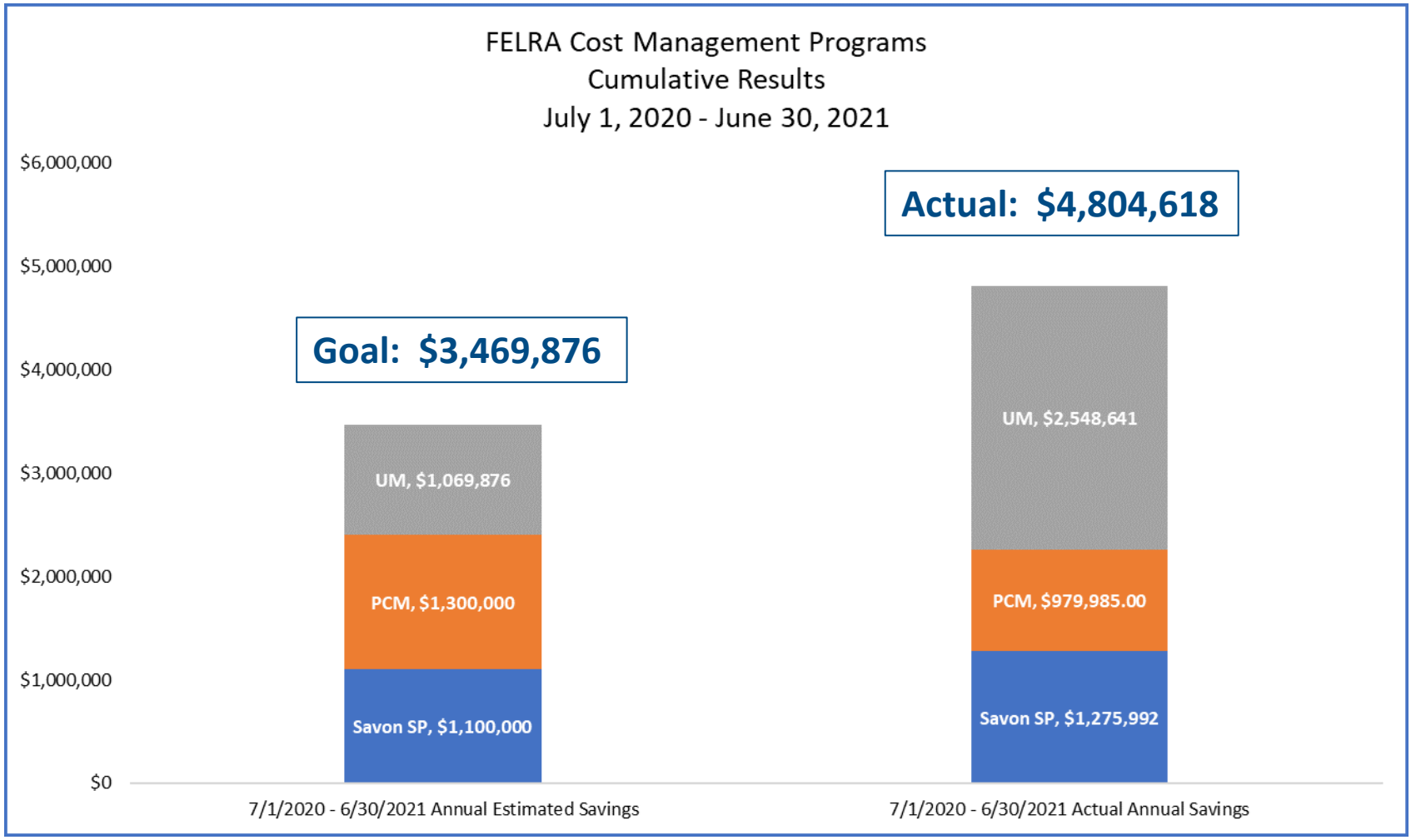
- Year over Year Changes include:
  - A 23% increase in the average number of subscribers per month, and a 5% decrease in the average number of dependents per month
  - A 3% increase in the percent of members utilizing the Rx benefit
  - A 3% decrease in Net PMPM costs
- Net PMPM Cost decreases are attributable to lower Net PMPM specialty drug costs, as well as the shift from RDS to EGWP.

FELRA RDS and EGWP				Labor - EGWP		Commercial - EGWP	
Description	2Q21	2Q20	Change	2Q21	Change	2Q21	Change
Avg Subscribers per Month	1,993	1,620	23.0%				
Avg Members per Month	1,994	2,095	-4.8%				
Number of Unique Patients	1,837	1,862	-1.3%				
Pct Members Utilizing Benefit	92.1%	88.9%	3.2				
Total Plan Cost Net	$1,546,420	$1,673,090	-7.6%				
Total Days	890,467	893,888	-0.4%				
Total Adjusted Rxs	31,324	31,213	0.4%				
Average Member Age	75.6	75.3	0.5%	77.4		78.0	
Plan Cost Net PMPM	$258.51	$266.20	-2.9%	$290.09	2.5%	$293.34	3.0%
Plan Cost Net/Day	$1.74	$1.87	-7.2%	$2.31	0.2%	$2.17	0.1%
Plan Cost Net per Adjusted Rx	$49.37	$53.60	-7.9%	$65.56	-0.6%	$61.60	-0.5%
Nbr Adjusted Rxs PMPM	5.24	4.97	5.4%	4.42	3.1%	4.76	3.6%
Generic Fill Rate	90.4%	89.9%	0.5	88.1%	0.2	88.5%	0.1
90 Day Utilization	66.9%	64.5%	2.4	84.4%	0.2	85.3%	0.1
Retail - Maintenance 90 Utilization	64.9%	64.3%	0.6	37.0%	1.3	49.4%	0.1
Home Delivery Utilization	2.0%	0.2%	1.8	47.4%	-1.1	35.9%	0.0
Member Cost Net %	13.2%	17.8%	-4.5	11.5%	0.4	12.1%	0.5
Specialty Percent of Plan Cost Net	28.6%	40.0%	-11.3	49.4%	0.6	48.4%	2.5
Specialty Plan Cost Net PMPM	$73.96	$106.38	-30.5%	$143.18	3.7%	$141.87	8.8%
Formulary Compliance Rate	98.5%	99.0%	-0.6	98.2%	0.3	98.1%	0.3

Source: Express Scripts SPARC Report Q2 2021

Current Cost Management Programs

The Fund's three (3) Cost Management Programs are performing well, exceeding annualized savings estimates (**138.5% of Goal**).



COST MANAGEMENT OPPORTUNITIES

Utilization Management – Actives

Additional UM rules drive a 4.8 to 1 ROI.

Savings is above and beyond current program savings.

Total fees for all the Actives UM programs, including addition of these 4 modules, will be $1.17 PMPM.

Implementation timeline is 60 days.

Program Name	Plan Cost PMPM	Est. Annual Savings (Net)	Est. PMPM Reduction (Net)	Member Impact
Prior Authorization - Revlimid, Gleevac, Sutent, Imbruvica	$0.15	$46,522.00	$0.23	29
Prior Authorization - Avonex, Copaxone, oral MS, HA Deriv	$0.06	$190,118.00	$0.93	63
Prior Authorization - GLP-1 Agonist Rule - Byetta, Trulicity, Victoza, Ozempic	$0.02	$44,078.00	$0.21	45
DQM Asthma, Allergies, Hormones	$0.10	$49,391.00	$0.24	162
Totals	**$0.33**	**$330,109.00**	**$1.61**	**299**

Utilization Management – Retirees (EGWP)

Background Information:

- CMS-approved utilization management (UM) programs are generally geared towards patient safety vs cost management; naming conventions differ slightly from commercial plans. Some UM programs are mandated, others are elective.
- The EGWP Admin Fee charged by ESI includes a **bundled clinical package** includes all CMS mandated coverage rules, plus CMS-approved elective programs.
- The Fund has an opportunity to implement the remaining 3 coverage rules listed below, at no additional cost, for the 2022 Plan Year. Unlike commercial UM programs, the CMS programs are automatically updated as newly approved drugs become available, and/or there are new or expanded clinical indications for an existing drug approved by the FDA. CMS maintains strict guidelines with respect to UM program operations, ensuring consistency and compliance across all Med D Plans.

Program Name	Est. Annual Savings (Net)	Est. PMPM Reduction (Net)	Patient Impact
Step Therapy	$6,711.00	$0.67	193
Prior Authorization	$2,105.00	$0.21	152
DQM	$114,046.00	$14.38	113
TOTAL	**$152,862.00**	**$15.26**	**458**

Cost Management – PBM Contract(s)

The Fund has two (2) near-term opportunities to improve pricing for the combined Commercial and EGWP populations:

1. **Market Check:** contractual right to benchmark the Fund's pricing against pricing that is commercially available in the competitive marketplace for plans materially similar to the Fund for the same time period.
    - Requirements:
        - During **Q'3-Q'4 2021**, the Fund may present evidence ('Benchmark Report') to Express Scripts that better pricing is commercially available in the marketplace for clients similar in size, demographics, and contract terms to the Fund, for CY 2022.
        - The Market Check applies to both Commercial and EGWP contracts.
        - Changes are limited to pricing.
2. The current contract term for the **Commercial and EGWP PBM Contracts** ends December 31, 2022**.**
    - Both contracts auto renew if the Fund does not provide 90 days written notice of termination.
    - 2014 was the Fund's most recent RFP/competitive bidding.
    - The current marketplace is highly competitive; specialty pharmacy is the primary driver.
    - Competitive bidding gives the Fund the best opportunity to negotiate the best-available pricing; update underlying contract terms; test drive alternative pricing, service and/or contracting options.

Summary: Opportunities for Contract Management

MARKET CHECK

- Objective: leverage pricing commercially available in the marketplace to reduce annualized costs for 2022.
- Window of time is limited to Q'3-Q'4
- The effective date for adjusted pricing is January 1, 2022, assuming new pricing is approved by the Fund and ESI no later than November 1, 2021.
- Be prepared…Express Scripts will use the Market Check to extend the contract for 2-3 years. *Their offer won't match what can be gained through competitive bidding, namely, the ability to renegotiate the underlying contract terms.*

PROCUREMENT

- Objective: leverage the competitive marketplace to drive best in class pricing, contract terms and conditions.
- Optimal timing for an RFP is in the second quarter of 2022, for a Jan 1, 2023 effective date.
  - The RFP process generally takes 3-4 months to complete; contract negotiations take an additional 60-120 days, depending on the PBM.
- Commercial and EGWP will be co-mingled in the RFP process, but have separate contracts, even if business is with 1 PBM.

The Economics of Each Option

Contract Event	Estimates Based on Consultant's Historic Experience		
	Expected Savings	Consultant Fees	Return on Investment
Market Check Start: Q'4 2021 End: Q'1 2022	2-5% from 2021 est. annualized combined drug spend of $32,269,170. $645k (2%) - $1.6M (5%)	**$12.5K** Assumptions/Confidio Responsibilities • Prepare & present the Benchmark Reports for both lines of business. • Negotiate competitive pricing adjustments for 2022. • Negotiate 2 contract amendments, in collaboration with the Fund's legal counsel.	2% savings: 51:1 5% savings: 128:1
Competitive Bidding (RFP) Start: Q'2 2022 End: Q'4 2022	7-10% from 2022 est. annualized combined drug spend of $34,840,793. $2.4M (7%) - $3.5M (10%)	**$60k** Assumptions/Confidio Responsibilities • Manage the RFP process, including RFP design, vendor solicitation, scoring and reporting on RFP results, for both lines of business. • No more than 5 PBMs (including the incumbent) will be solicited. • RFP will include up to 3 unique pricing models. • Confidio will be responsible for facilitating contract negotiation with the PBM, working in collaboration with the Fund's legal counsel.	7% savings: 41:1 10% savings: 57:1

2022 PROGRAM CHANGES

SavonSP

ESI/EGWP

SaveOnSP Program Changes

- Effective January 1, 2022:
  - Changing from a flat copay program to a 30% coinsurance.
  - Shift is expected to bring additional savings of approximately $0.45 to $0.65 PMPM or a 10% increase in PMPM savings.
  - Change to coinsurance better aligns with manufacturer-available funds, which are typically based on the overall cost of the medication.
- For the member:
  - The change should have minimal impact on the member.
    - A different member cost will be applied to the primary claim; the member will still have a $0.00 cost share with the SaveOnSP program.
    - Members who decline participation will be responsible for 30% coinsurance associated with that claim.
    - SaveOnSP will not be issuing member letters.
- **Call to Action**: SPDs for 2022 will need to be updated to reflect the 30% coinsurance, and then the $0.00 copay override once the manufacturer funds have been exhausted.

CMS/ESI EGWP Savings Analysis – 2021 compared to 2022

2022 EGWP Savings Analysis		
Scenario	2021 EGWP	2022 EGWP
Total Prescription Drug Cost	$ 349.15	$ 370.39
Member Cost Share	$ (36.35)	$ (36.87)
Coverage Gap Discount	$ (57.60)	$ (60.45)
Federal Reinsurance	$ (45.01)	$ (48.49)
Plan Liability for Coverage	$ 210.20	$ 224.58
Administrative Fee	$ 9.95	$ 9.95
Rebates	$ (56.06)	$ (66.12)
Estimate Cost Prior to Subsidy	$ 164.09	$ 168.41
Federal Subsidy	$ (2.90)	$ (1.06)
Estimated Liability After Subsidy	$ 161.19	$ 167.34
Estimated Members	2001	2001
Estimated Annualized Savings vs 2021		$ (147,892.00)

Estimates based on most recent CMS guidance and are subject to change if regulations are amended.
Estimates are based on a specific set of actuarial assumptions for the annual increase in the Standard Part D Benefit Parameters.
EGWP subsidy is an estimate and may vary based on national bidding process and risk score adjustments.
Plan designs meet CMS Actuarial Equivalence standards (See plan designs on the following page.)
All modeling based on January – June 2021 data.
Source: Express Scripts EGWP Modeling - FELRA Fund, July 2021

Plan Designs

Benefit Designs		
Projected Period Start Date	1/1/2021	1/1/2022
Projected Period End Date	12/31/2021	12/31/2022
ASO or FULLY INSURED?	ASO	ASO
Risk Score	0.836	0.861
Deductible	$0.00	$0.00
Scripts subject to deductible	All	All
Member Cost Share as a % of Gross Cost	10.40%	10.00%
Initial Coverage Limit	$4,130	$4,430
CMS Standard TrOOP	$6,550	$7,050
Member OOP Max (Incl deductible)	None	None
Coverage Gap	Same as Initial Coverage State	Same as Initial Coverage Stage
Catastrophic Co-Pay Option	CMS Standard with ICL as Max	CMS Stand with ICL as Max
Coverage of Non-Part D Drugs	Yes	Yes

Plan Designs meet CMS Actuarial Equivalence Standards.
Source: Express Scripts July 2021

Questions