



The Challenges And Benefits Of Carving Out Pharmacy Benefits

PBM Evaluation Challenges

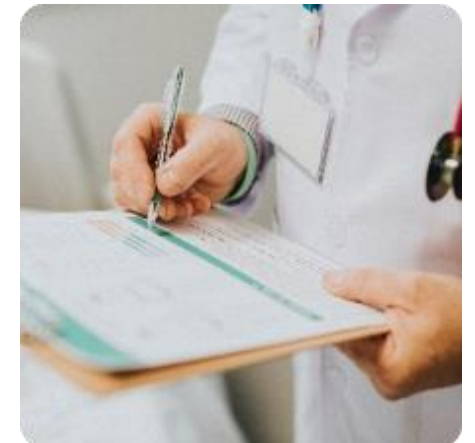
Carve-in vs. Carve-out



Why is it a challenge to determine the value of a self-insured carve-out PBM versus a carve-in program?

Which PBM will charge the plan the least while still providing a high-quality benefit?

Which PBM will allow network and formulary options while managing the plan's clinical effectiveness?



Carve In

- Bundled arrangement with combined medical and pharmacy
- Combined administrative functions:
 - ID cards, contracts, invoicing, pricing, service team, eligibility feed.
- Minimal transparency with reporting, admin/set-up fees and contract language.
- Rebates are typically not provided back to a client.
- Reporting is typically bundled with medical and pharmacy data is minimal.
- Health plan typically controls formulary and utilization management programs.

Carve Out

- Medical and pharmacy is not combined with the same vendor.
- Separate administrative functions:
 - ID cards, contracts, invoicing, pricing, service team, eligibility feeds.
- Transparency with reporting, administrative fees, contract language, and pricing
- Rebates delivered back to the client.
- Pharmacy is the sole focus of the PBM.
- More flexibility in terms of formulary and clinical management solutions.



Rhode Island Interlocal Risk Management Trust Carve-Out Savings

Financial Value of the CVS/Employers Health Relationship

2018

Joined CVS and Employers Health

2021

CVS and Employers Health granted new business pricing to the Trust for 3 years, ending 12/31/23

2020

Adopted formulary management strategies

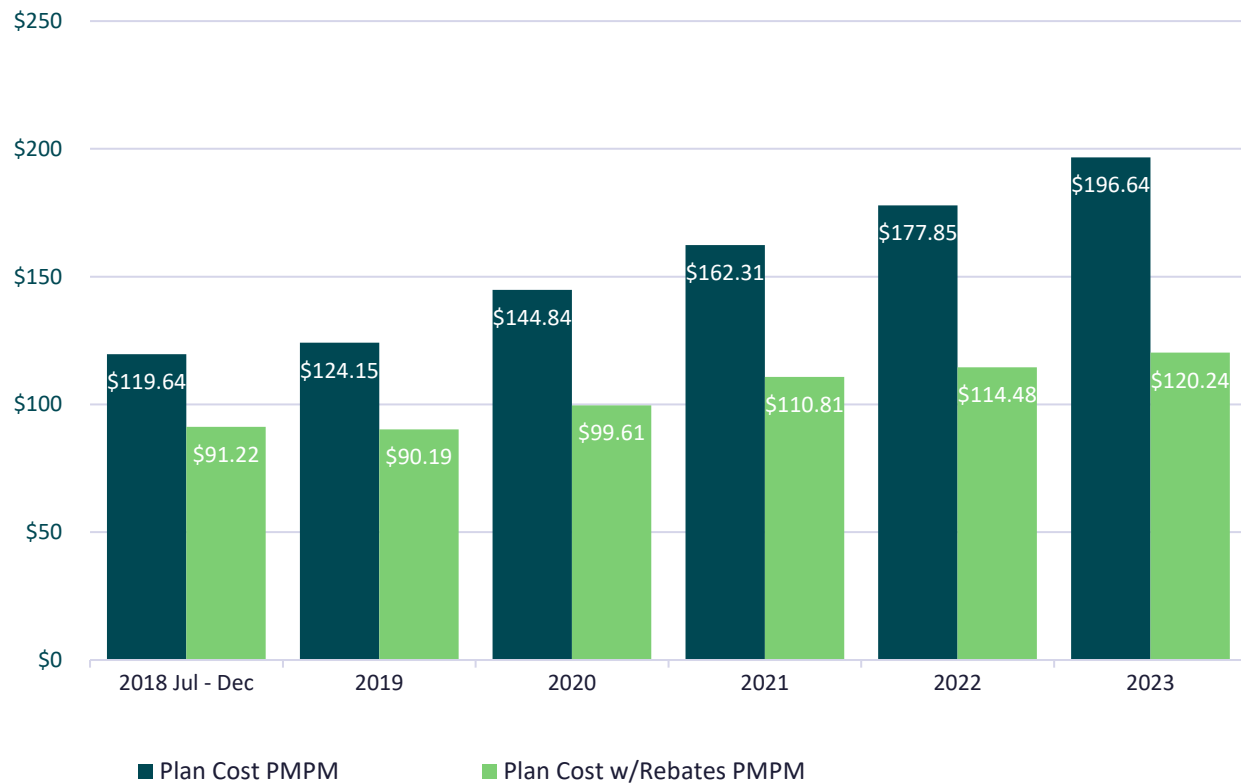
2024

CVS and Employers Health granted new business pricing to the Trust for another 3 years, ending 12/31/26

	Savings
New Business Savings	\$5,941,780
Formulary Management Savings	\$23,546,333
Market Check Savings	\$13,114,672
TOTAL	\$42,602,785

Historical Plan Cost

Plan Cost History Per Member Per Month



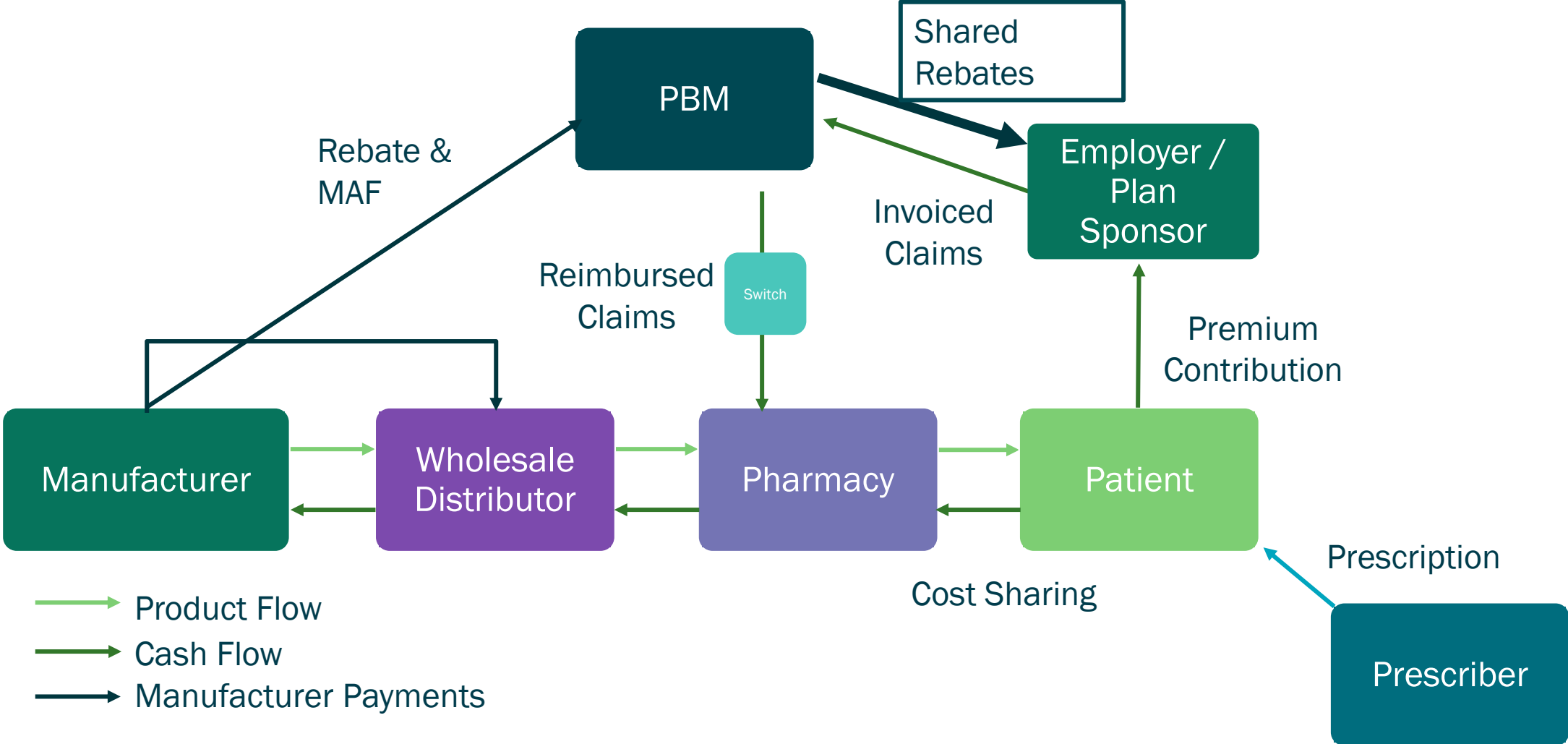
Employers Health Difference

Rebates	Results	Net Cost Savings	PMPM
2018 Jul - Dec	\$3,580,150	24%	-\$22.42
2019	\$8,504,681	27%	-\$33.97
2020	\$11,503,323	31%	-\$45.23
2021	\$14,343,945	32%	-\$51.50
2022	\$18,826,549	36%	-\$63.38
2023	\$25,840,885	39%	-\$76.44

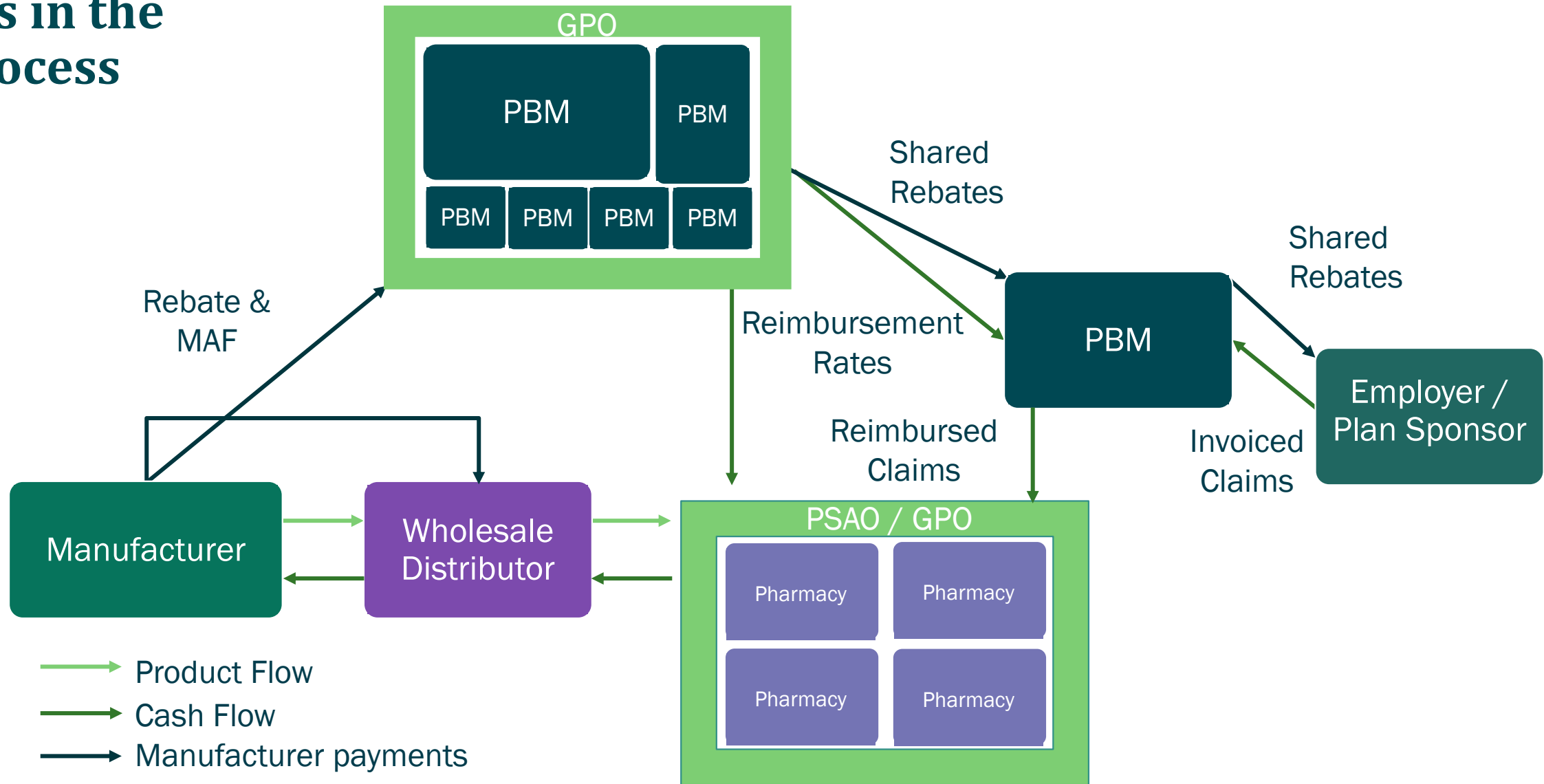


Market Dynamics

Current Process



GPOs in the Process



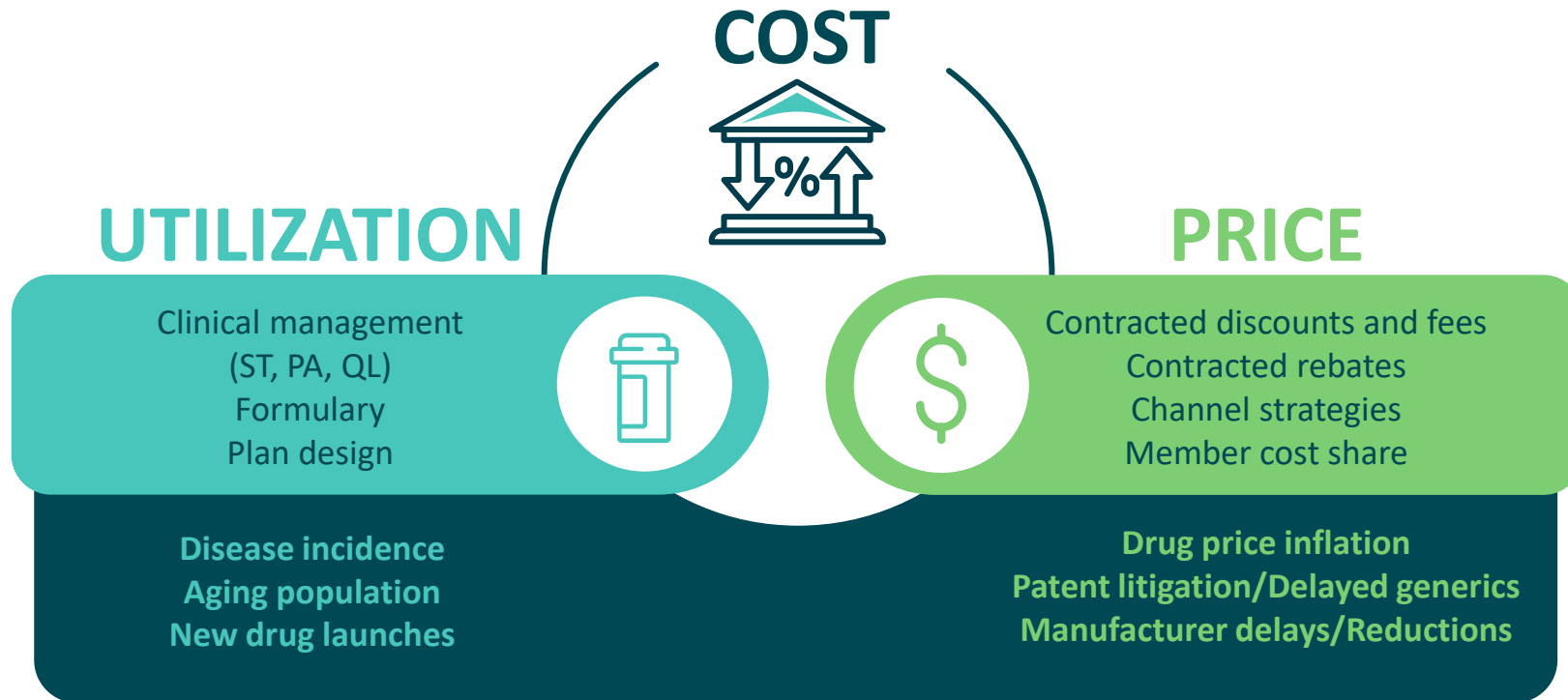
PBM Dynamics

- Large PBMs control 80% or more of the marketplace.
- New rebate GPOs provide additional opportunity for spread and ability to offer mid-market PBMs a share of rebate value.
 - Biosimilars for Humira.
 - Reduced prices for insulins.
- Market “disruptors” like Mark Cuban Cost Plus Drugs.
 - Reduction in retail pharmacy locations.
 - Rising launch prices for new drugs.



Factors Influencing Results

How will your vendor help you manage cost?





Our Story

Our Why is Different

Founded in 1983, Employers Health has no owners, and our work is fully aligned with the needs of our employer clients.

National Pharmacy Benefits Management Collective

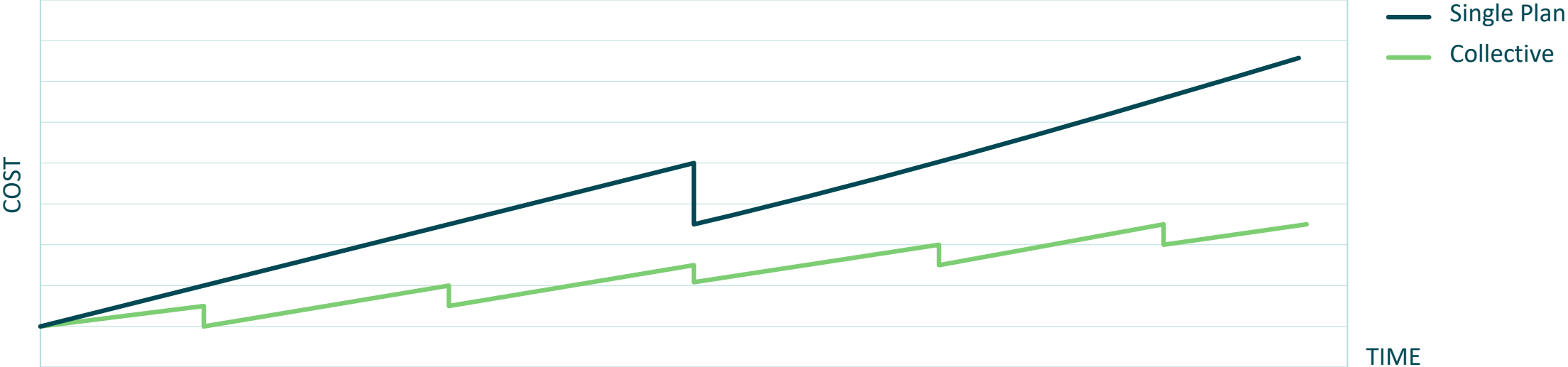
We are committed to clients' success and are backed by a client-based board of directors.

350+ purchasing clients
headquartered in **40** states

70+ trusted team members
Attorneys, pharmacists, analytics
and benefits professionals throughout the U.S.



Collective Financial Value



MC = Market Check
RFP = Request for Proposal



Thank You