

# EXHIBIT

## F

Grasso Enterprises, LLC et al v. Express Scripts, Inc.



# Compound Management

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June 3, 2014



# Agenda

- The Growing Concern Over Compounds
- Express Scripts Solutions Evolution
- A More Robust Solution Will Give Your Clients More Control
- A Robust Communication Plan Targets Compound Users
- Next Steps



# Claims Submission Standards Create a Loop Hole for Bulk Manufacturers and Compounding Pharmacies

## COMPOUND CLAIMS PROCESS



**Increasing Transparency Created a Disturbing Trend**

# Compound Ingredient Price Increases

Two options for pharmacy prescription submission:

**1**

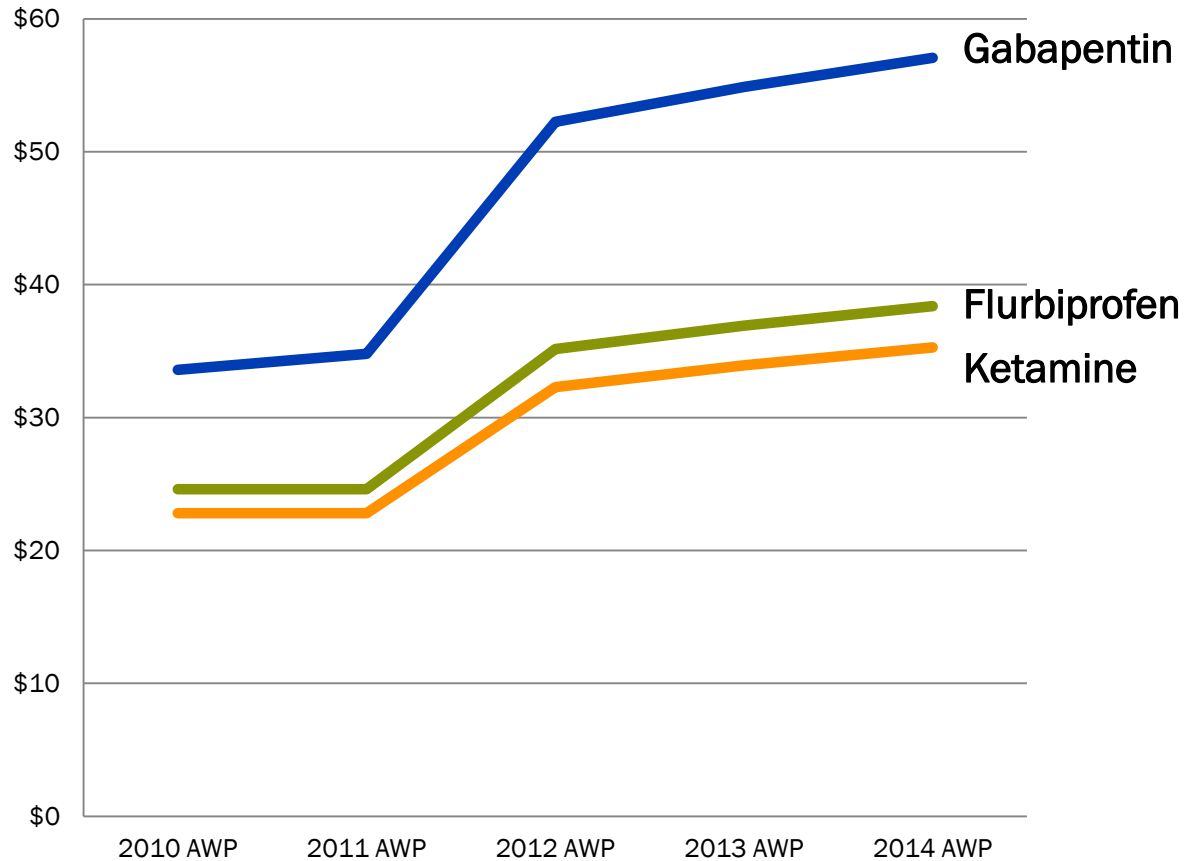
**AWP**

(Average Wholesale Price)

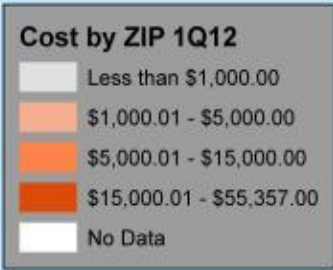
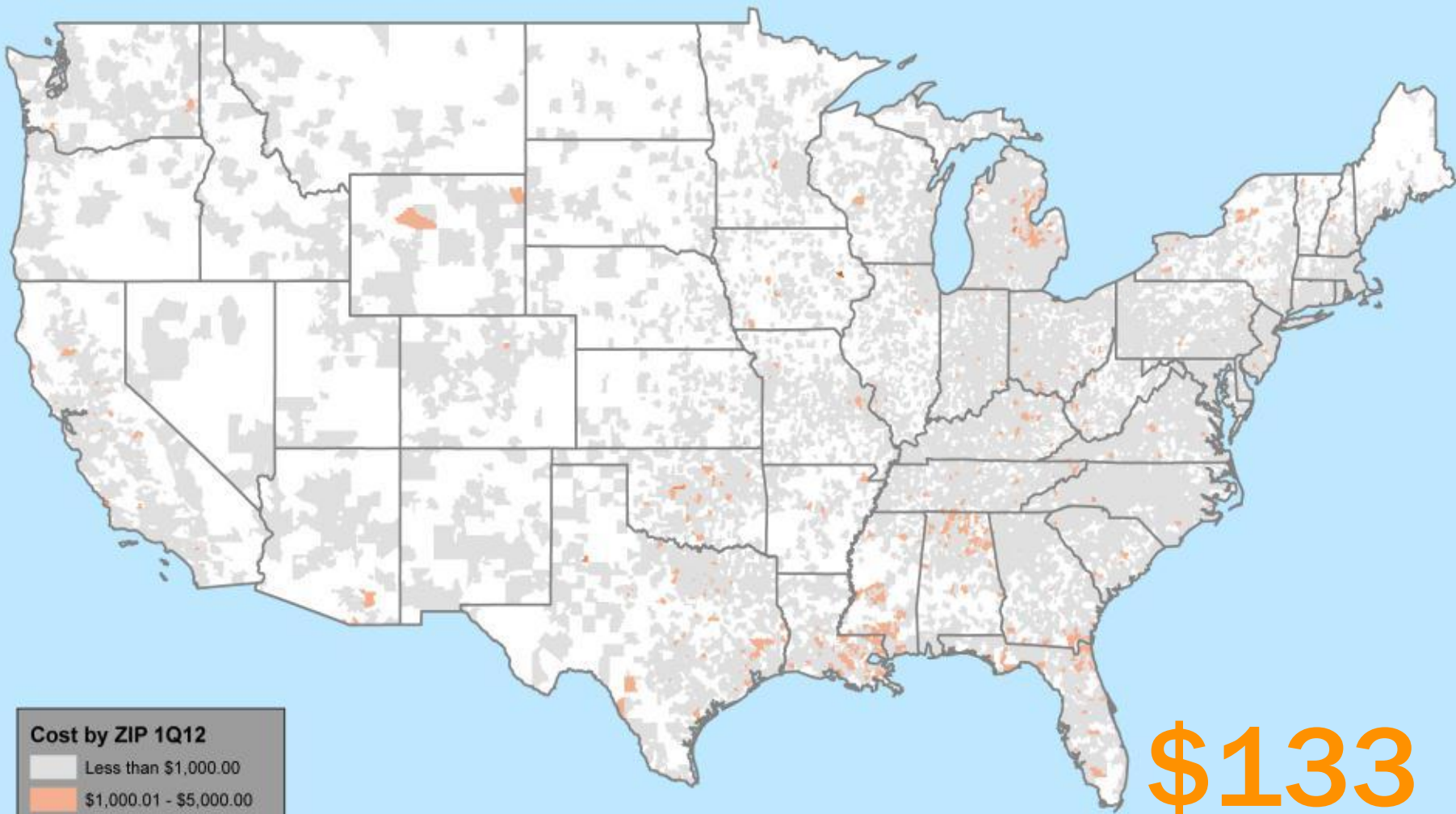
**2**

**U & C**

(Usual and Customary)



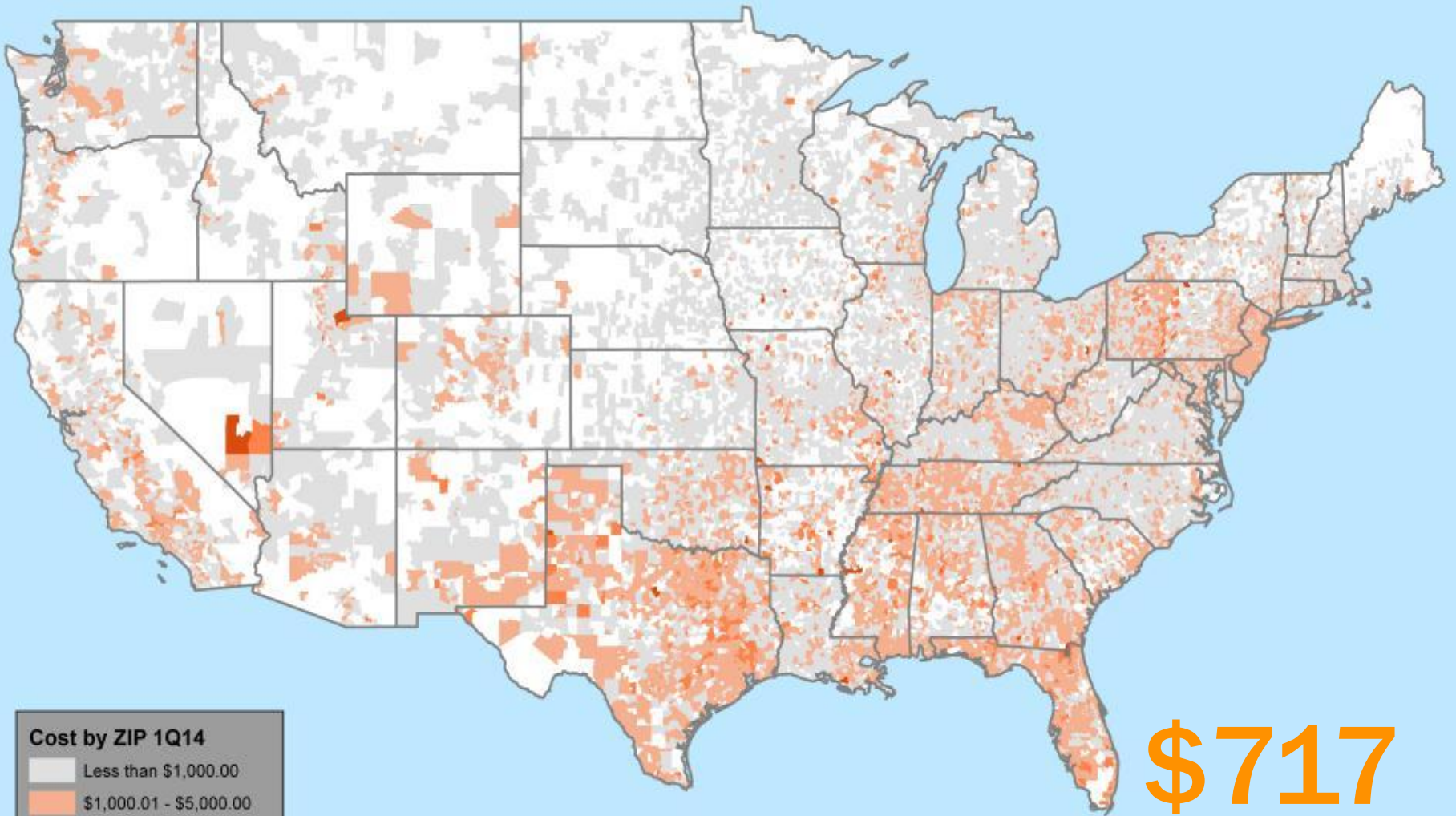
Since 2011, bulk powder manufacturers have **RAISED AWP PRICES DRASTICALLY**



# \$133

Per Rx Average  
(Q1 2012)





**\$717**  
Per Rx Average  
(Q1 2014)



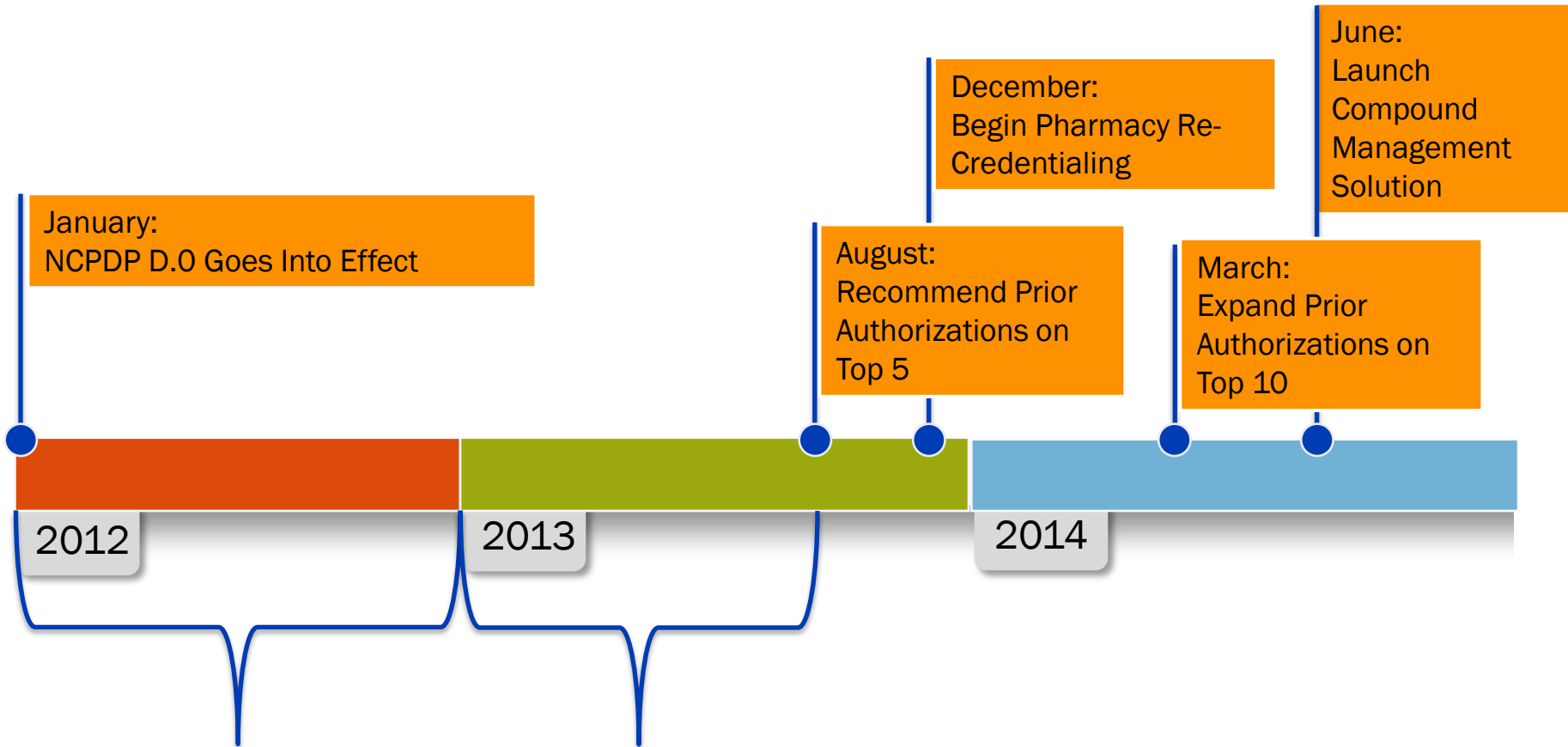
218%  
year over year  
spend increase  
on compounded  
medications

Source: 2013 Express Scripts Drug Trend Report





# Express Scripts Solutions Evolution



- Compound Spend Stable
- Cost Per Claim Increasing
- <0.5% Rx Volume

- Large Price Increases
- High Cost Claims

# Compound Solution Comparison

## Compound PA vs. Compound Management

|                               | Current Compound Prior Authorization  | New Compound Management |
|-------------------------------|---------------------------------------|-------------------------|
| Bulk Powders Targeted         | 10                                    | 1,000+                  |
| Compound Ingredients Targeted | Primary ingredient                    | All ingredients         |
| Mechanism                     | Prior Authorization                   | Rx “Not Covered” reject |
| Program Fee                   | \$0.03 PMPM<br>(Fee to be eliminated) | No Charge               |

**Compound PA Successfully Implemented for 200 Clients with No Member Noise**



# New and More Robust Compound Management Solution

- Evaluates ALL Ingredients
  - Bulk Powders
  - Bases (Creams, Ointments)
  - Tablets, Capsules
  - Vitamins & Minerals
- Targets Over 1,000 Ingredients
- Ongoing Updates
- Prenotification
- Client Opt-Out
  - No Charge
  - No Penalty

» Eliminates 95%  
Compound Spend

# Compound Management Ingredient Selection Criteria

1

Represents a significant cost and/or within the top 200 most expensive

2

Traditionally considered OTC under a client benefit

3

Has commercially available alternative medications

4

Products that have a significant and/or continuous price increases

5

Products lacking clinical evidence within compounds

## Minimal Member Impact

0.6% Members

60-Day Advance Notification

Member Impact and Savings  
Reports Available



# How the Compound Management Solution Works

## Inclusion/Exclusion

### Scenario 1

Freedom Cepapro (Primary)  
Tranilast  
**Fluticasone powder**

Fluticasone powder is on the exclusion list  
**REJECT**

### Scenario 2

Oseltamivir (Primary)  
Ora-Plus  
**Ora-Sweet (OTC)**

Ora-Sweet is an inexpensive OTC  
and on the inclusion list\*  
**NO REJECT**

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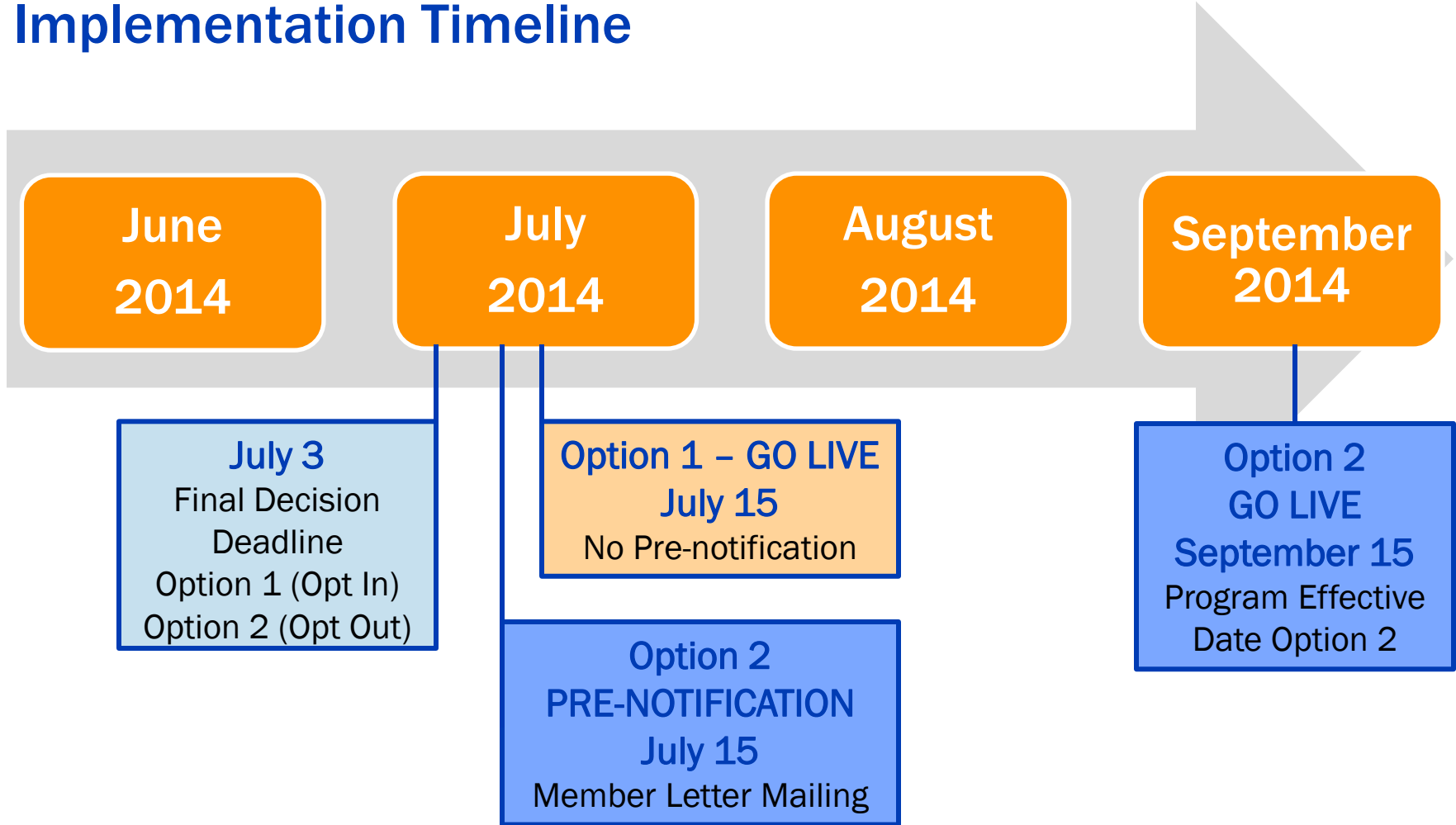
Component Evaluation is a **Game-Changer**

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\*This OTC would only be covered as part of a compound and does not affect the plan's setup.



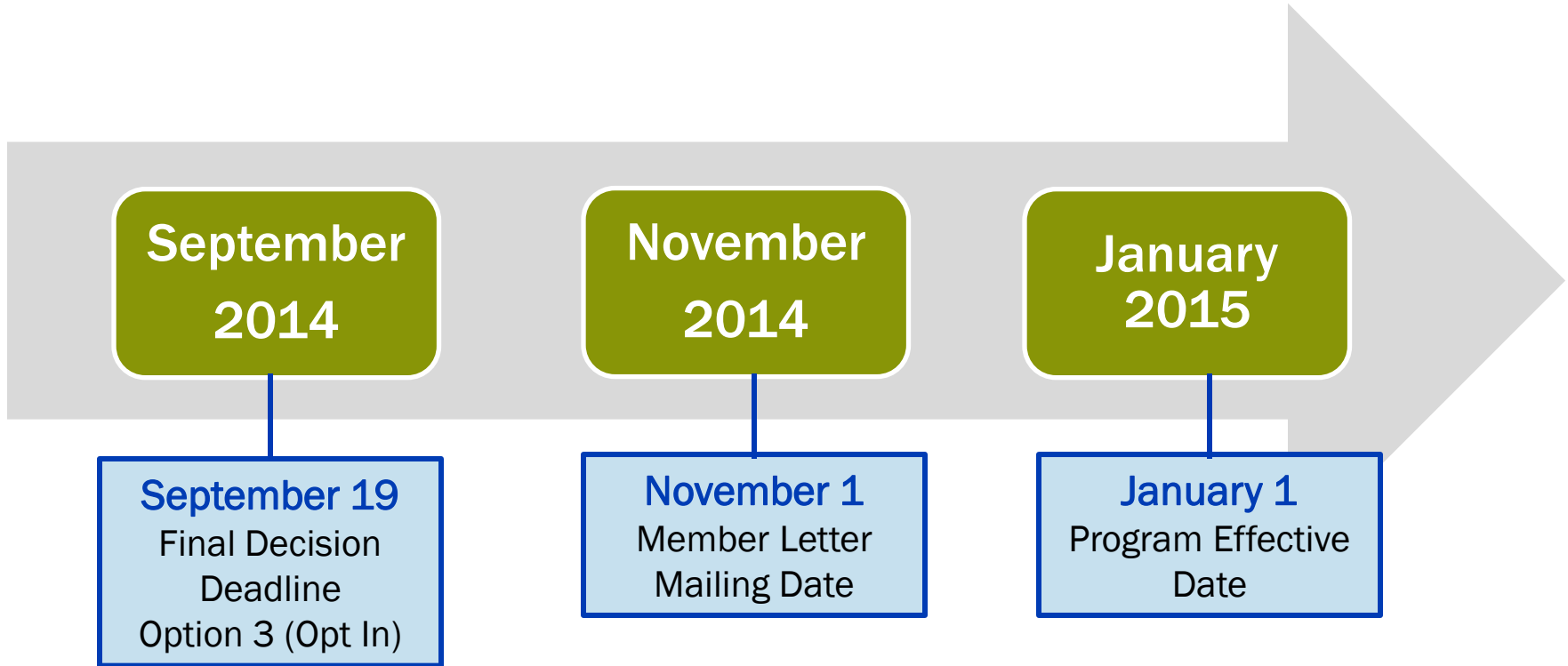
# New Compound Management Solution Implementation Timeline



Option 1 = Without Member Prenotification Letters

Option 2 = With Member Prenotification Letters 60 Day Notice

# Option 3: Alternate Implementation Timeline





# Prenotification Member Letter

**Letter calls out needed change to member with:**

1. Specific medication
2. Rationale for change
3. Call-to-action

**60-day member notice**

|   |   |
|---|---|
| <Client Logo>   | <Client Logo or Express Scripts Logo>   |
| <<First Name>> <<Last Name>><br><<Address line 1>><br><<Address line 2>><br><<City>>, <<State>> <<Zip>><br><br><<Month Year>>   | Benefit coverage change notice:<br>Please talk with your doctor about your prescription.<br><br><<Key Code>>  |
| Dear <<First Name>>,  | We want you to know about an important change coming to your prescription drug coverage on <<Effective Date>>. As of this date, your prescription benefit will no longer cover prescriptions for compounded medications containing the following:<br><br><<Drug name>> <<Drug name>><br><<Drug name>> <<Drug name>> |
| <b>Why your coverage is changing</b><br>The U.S. Food and Drug Administration (FDA) defines a compound medication as one that requires a licensed pharmacist to combine, mix or alter the ingredients of a medication when filling a prescription. <i>The FDA does not verify the quality, safety and/or effectiveness of compound medications.</i> | <b>To avoid paying the full cost of your medication, you should:</b><br><br>- Ask your doctor for a new prescription for an FDA-approved drug <i>before your next fill.</i><br>- Be aware that this new prescription may still require further review and/or approval to be covered under your plan.                |
| Please understand that because the medication you're currently taking will no longer be covered under your plan, you could pay the full cost if you continue taking it. So, it's important that you ask your doctor for a new prescription before <<Effective Date>>. For any questions, please call the number on your member ID card.             |   |
| Sincerely,  | <i>Andrew R. Behm</i> <signature id 2>  |
| Andrew R. Behm, Doctor of Pharmacy<br>Vice President of Pharmacy Services<br>Express Scripts  |   |
| <Express Scripts manages your prescription benefit for your employer, plan sponsor, health plan or benefit fund.>   |   |
| <small>© 2014 Express Scripts Holding Company. All Rights Reserved. 14EM2950S 1744815A</small>  |   |

# Client and Consultant Homework

## Medical Benefit

- Pull Patient Data
- Watch Ongoing Compound Spend



## Compound Reimbursement Flanking

- Compounding Pharmacies May Attempt To Submit Under Medical
- Physicians May Attempt To Submit Under Medical



**Expect the Unexpected From Compounding Pharmacies**



## Next Steps

- Clients will receive a communication on June 5
  - Account teams are prepared to provide additional details
  - Option 1: Opt Out by July 3
  - Option 2: Opt In by July 3
  - Option 3: 1/1 Implementation Opt Out by September 19
- Benefit Advisors will receive a copy of the client communication following this webcast
- Contact your Strategic Relations Director with any additional questions not addressed on the webcast



# Thank you



