

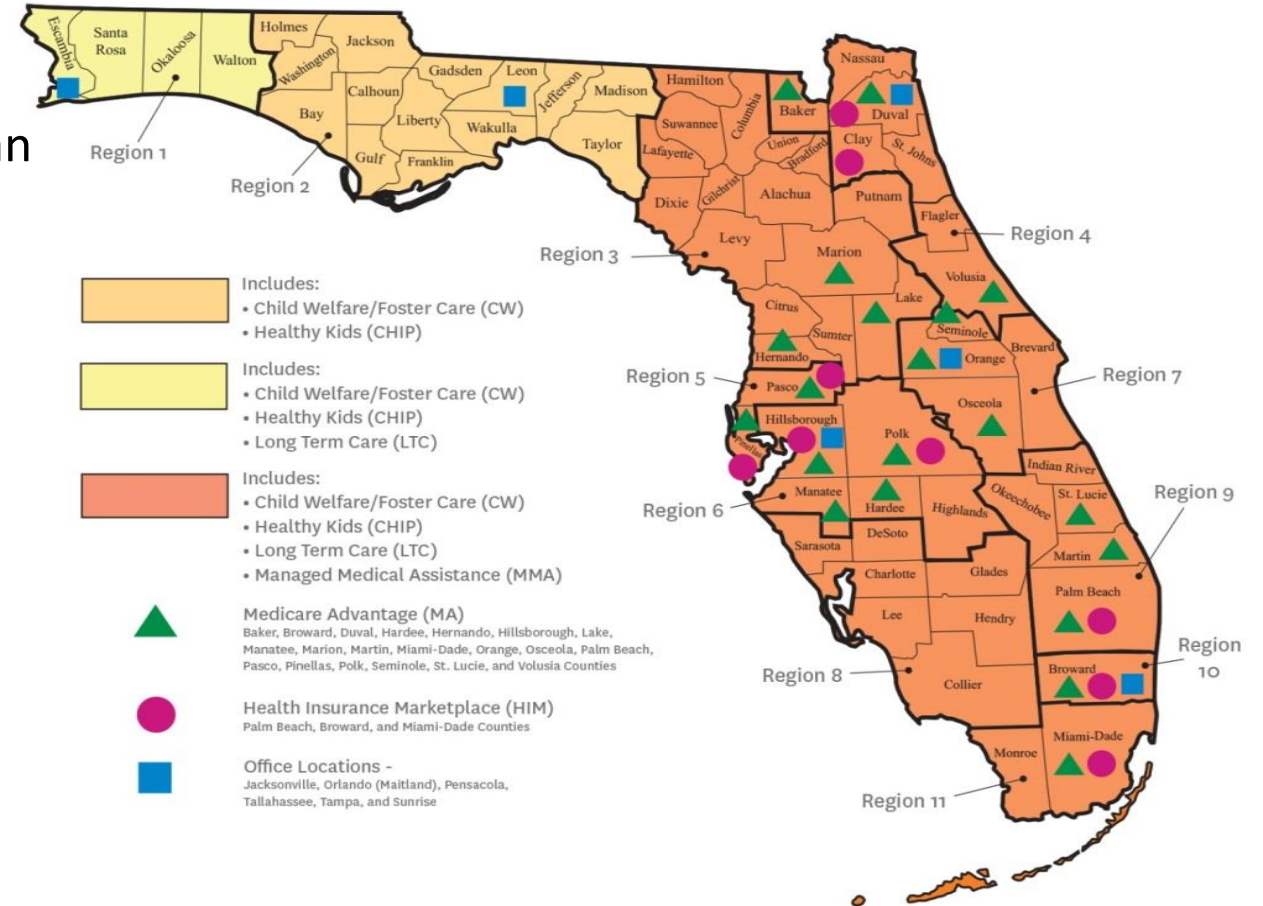
Florida Healthcare Affordability Summit

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Sunshine Health*

Sunshine Health Overview



- Plan started in 2009.
- Grown from 200,000 members in 2014 to more than 600,000 members.
- Multiple product lines offered.
- Staffing increased to over 1500, more than quadrupling the number of employees since 2012.
- Offices in six Florida locations across the state.



Centene Overview



PURPOSE

Transforming the health of the community, one person at a time

MISSION

Better health outcomes, lower costs

BRAND PILLARS



Focus on Individuals



Whole Health



Active Local Involvement

EMPLOYEE VALUES

Uncompromising Integrity – We adhere to the strict moral and ethical Centene Code of Conduct, without exception. We know that our future depends entirely on our reputation.

Collaborative Leadership – We must be committed to an organizational culture that inspires all team members to flourish in the achievement of value-driven goals and opportunities for continuous development.

Candid Communication – We value diversity and trust in all aspects of our business. This is built through appropriate disclosure, honesty and consideration in all forms of communication and at all levels.

Disciplined Growth – We will achieve our Vision through clear and consistent decision making and strategies that produce reliable results for our customers and shareholders.

Purposeful Innovation – We will always look for, find, and implement unique solutions that improve our business and reward our stakeholders.

Entrepreneurial Spirit – We embrace the drive, creativity and open-mindedness of our people. We empower all individuals in the organization to take ownership of the business, at all levels.

Most Hated Man in America



Antiparasitic drug Daraprim price raised over 5,000% from \$13 to \$750/tablet

Price Soars for Overdose drug

Evzio[®] (naloxone auto-injector) for heroin and opiate overdose price increases 400% to \$4,500



References:

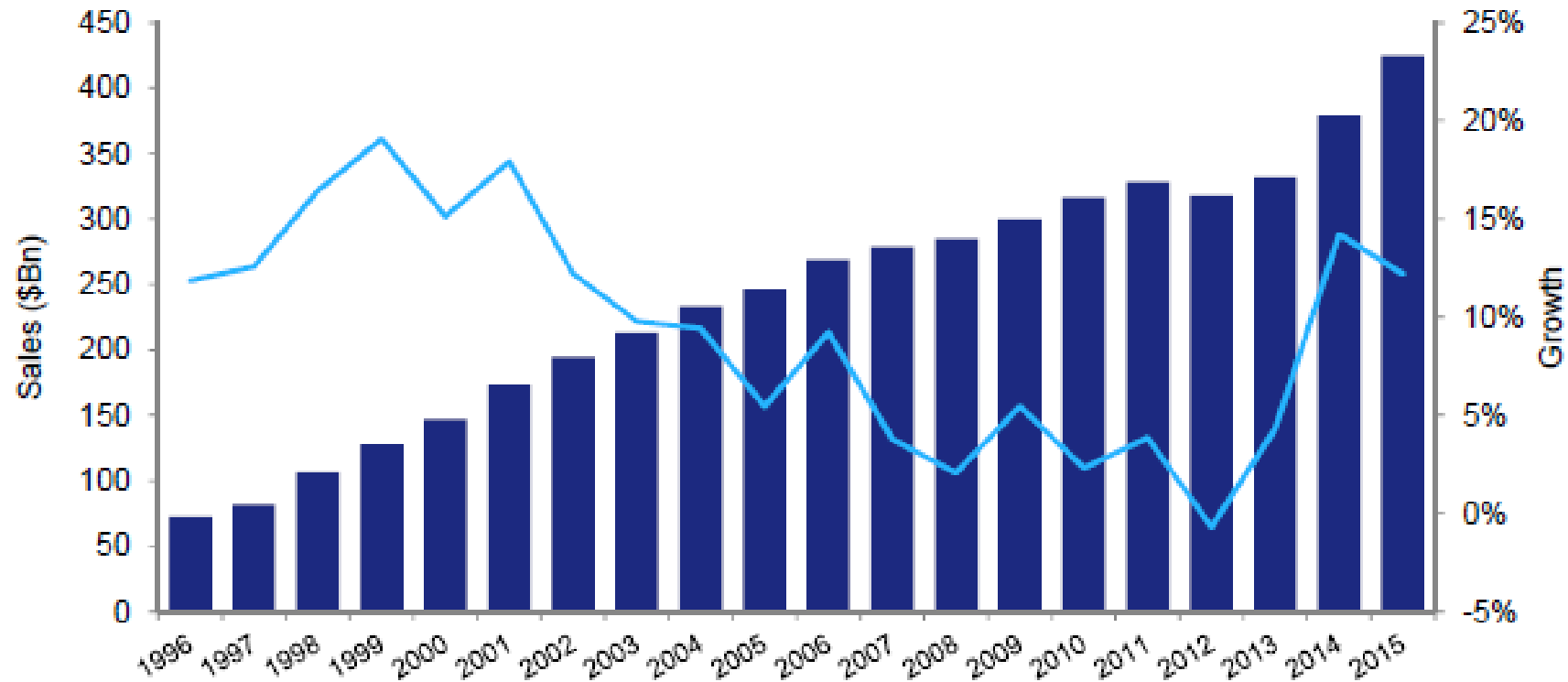
1. NPR All Things Considered, "Price Soars for Key Weapon Against Heroin Overdoses" 10 Sep 2015. <http://www.npr.org/sections/health-shots/2015/09/10/439219409/naloxone-price-soars-key-weapon-against-heroin-overdoses> Accessed on-line 4/22/16
2. WBUR CommonHealth "Price of User-Friendly Form of Overdose Reversal Drug Spikes" Accessed online at : <http://commonhealth.wbur.org/2016/02/price-spikes-overdose-reversal-drug> on 4/22/16

The Mechanics of Drug Pricing

- Product Cost + Dispense Fee = Total Drug Cost
- Looks simple, but.....
 - U&C = Usual and Customary “cash price”
 - AWP = Average Wholesale Price – “Ain’t What’s Paid”
 - WAC = Wholesale Acquisition Cost
 - AMP = Average Manufacturer Price
 - EAC = Estimated Acquisition Cost
 - AAC = Average Acquisition Cost
 - NADAC = National Average Drug Acquisition Cost
 - MAC and FUL for multi-source drugs
 - Rebates

US Prescription Drug Spending

Spending increased \$46.2Bn



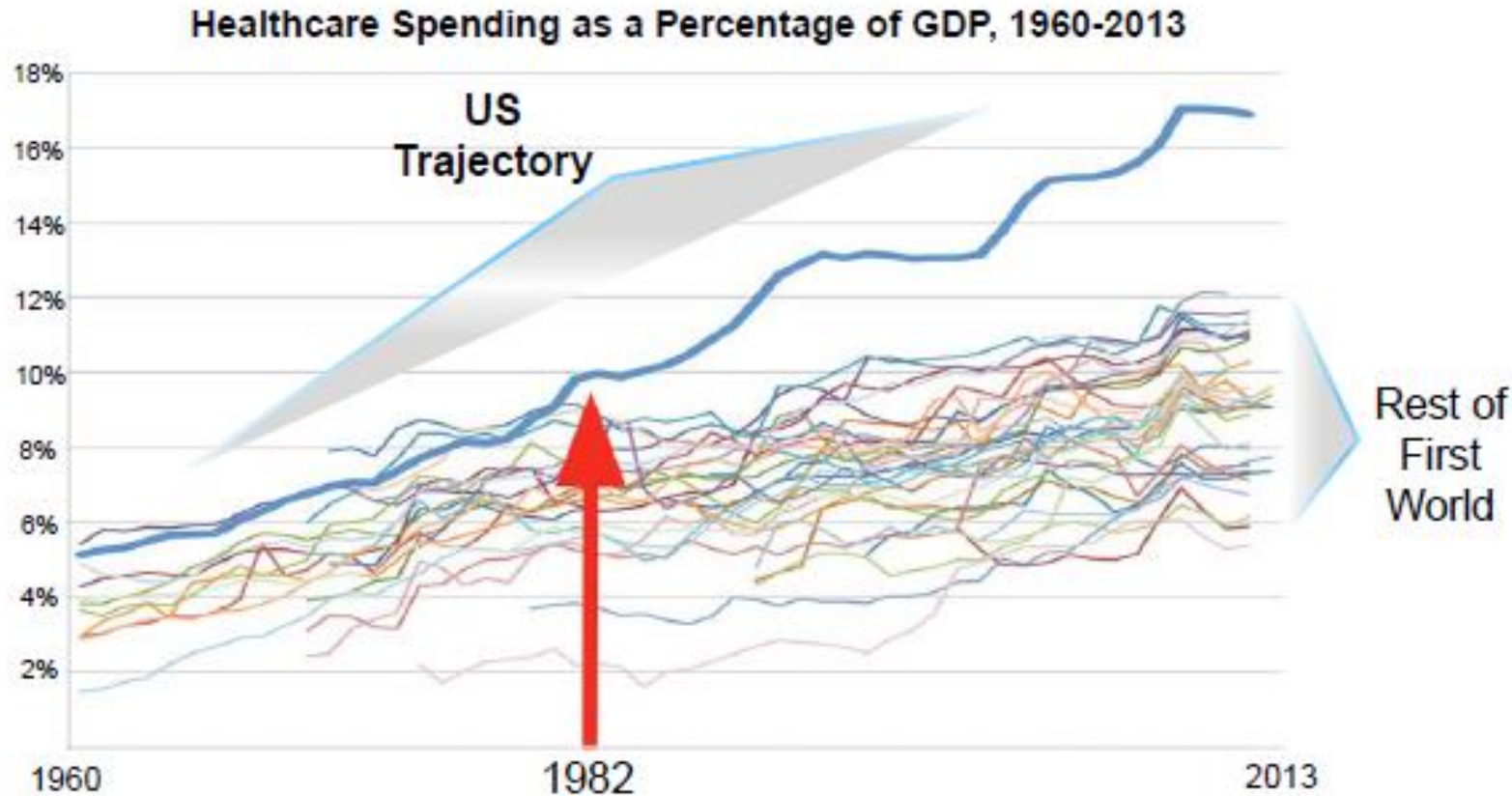
Reasons behind Rx Price Inflation



- Brands
 - Rise in specialty/large molecule drugs
 - Orphan Drugs
 - Breakthrough Therapies
- Generics
 - Quality oversight
 - Consolidation
 - Fewer new product launches

Why Change?

Healthcare Trend Not Sustainable



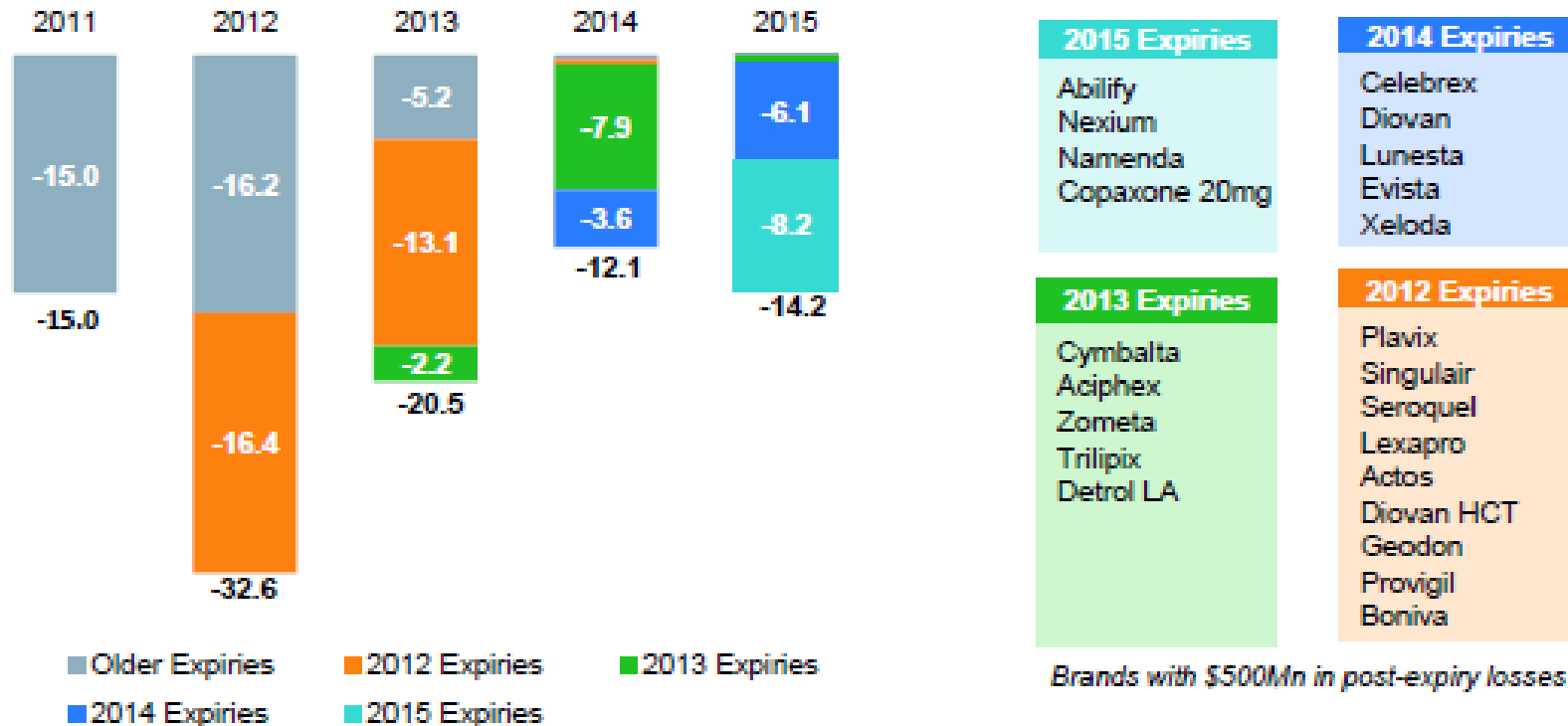
Opportunities



- Generics and Biosimilars
- Optimize medication use
- Alternative Reimbursement Models
- Greater pricing transparency

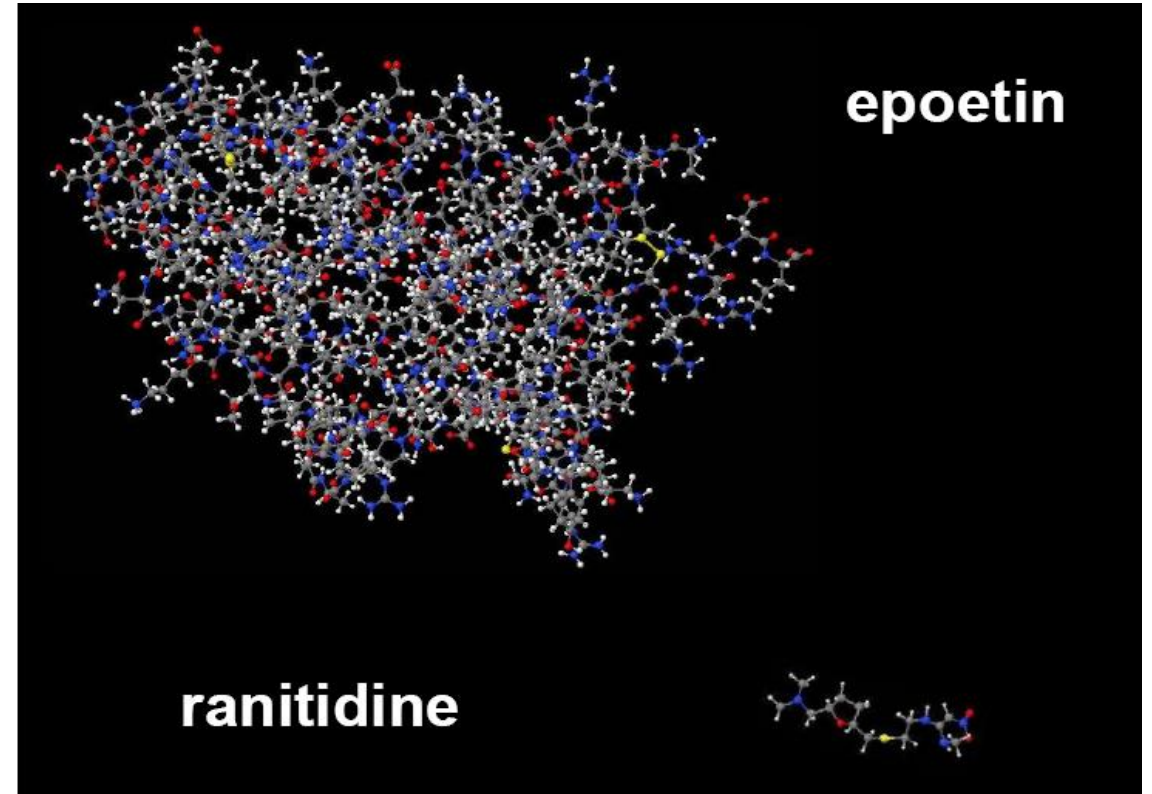
Generic Patent Expirations Slow

Decline in Brand Spending from Loss of Exclusivity US\$Bn



Biosimilars

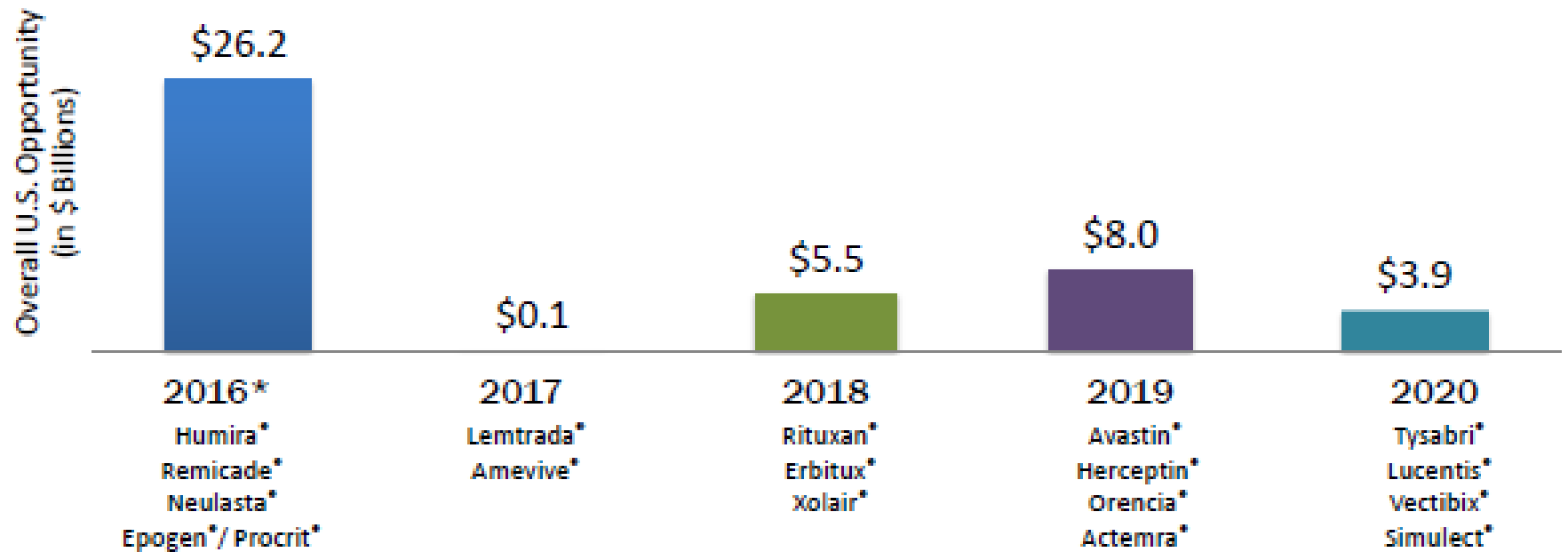
- Specialty drugs are large, injectable molecules or biologicals. Biologicals are generally produced using a living system or organism.
- The first two “biosimilar” specialty drugs have reached the U.S. market
 - Zarxio, biosimilar for Neupogen, approved 3/15
 - Inflectra, biosimilar for Remicoid, approved 4/16



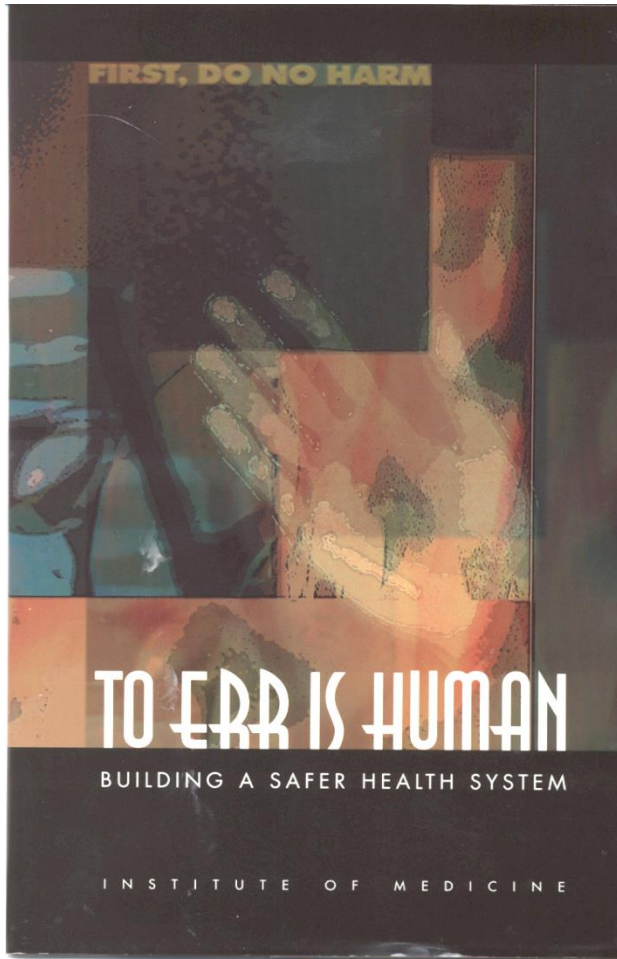
Source: <http://bio.org/healthcare/followonbkg/DrugsVBiologics.asp>

Biosimilars

\$43.8B OPPORTUNITY | **56 PATENT EXPIRATIONS THROUGH 2020**



To Err is Human



- IOM estimates 2.0 Million serious ADRs occur yearly in the U.S. with over 100,000 deaths.
 - Many ADEs are preventable
 - ADRs increase exponentially with 4 or more medications

Optimize Medication Use

- Reduce medication errors
- Reduce polypharmacy and dangerous combinations
- Improve medication adherence
- Practice evidence based medicine
 - Reduce inappropriate medication use, including antibiotic overuse
 - Identify non-responders and stop drug

Alternative Reimbursement Models

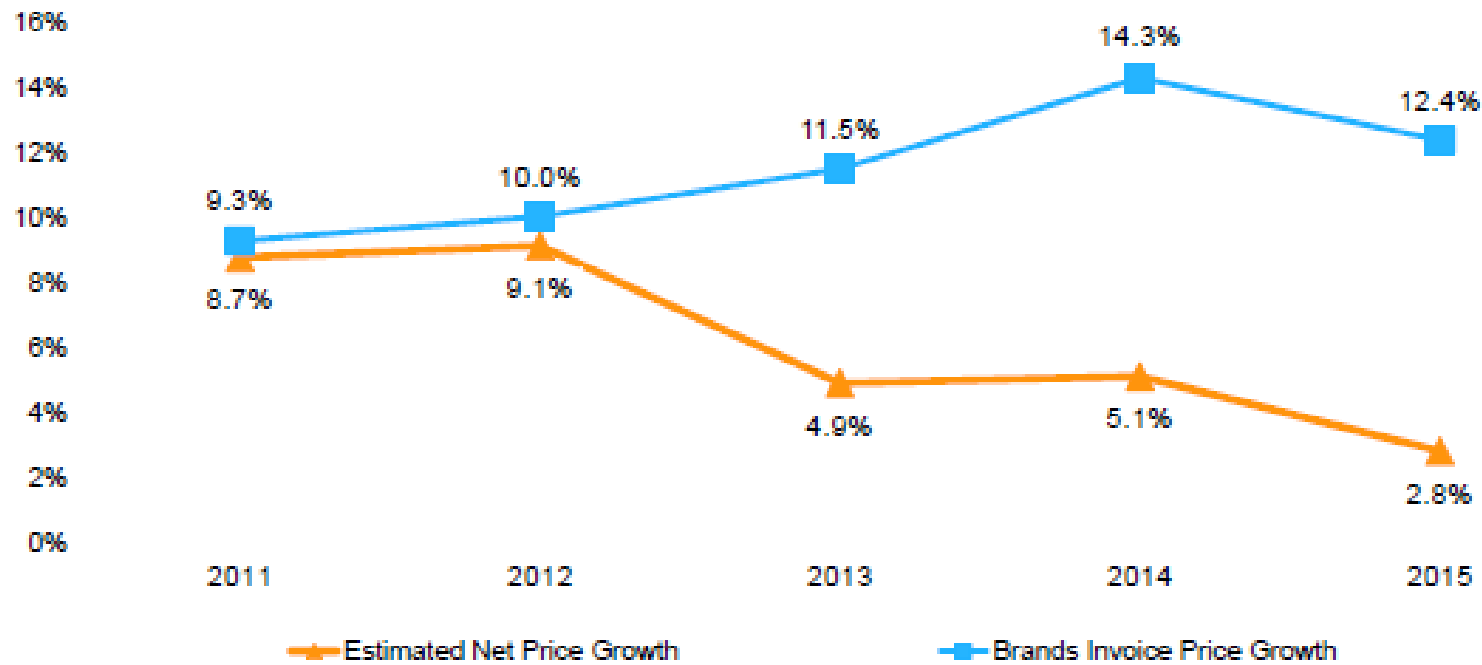


- Outcomes Based Contracting
- Bundled Payments to manage cost
- CMS Medicare Part B Pilot Program
 - Designed to test doctor and patient incentives to drive cost effective drugs and reward positive patient outcomes through new payment models
- Barriers:
 - Medicaid Best Price
 - Anti-kickback statutes
 - Outcomes measurement

Challenges with Drug Price Transparency



Protected Brand Invoice and Net Price Growth



Reference: IMS Health National Sales Perspective, IMS Institute for Healthcare Informatic, March 2016

Pricing Transparency

- Technology to access drug prices
 - Myflorida - <http://www.myfloridarx.com/>
- Proposed Legislation
 - Disclosure Requirements
 - Price caps
- New pricing models – Actual Acquisition Cost
- New federal Medicare PDP contracting requirements based on the 2014 final rule
- Understand “value” not just “price”

