

Specialty Pharmacy

Business Plan

July 8, 2013



IT'S HOW MEDICINE

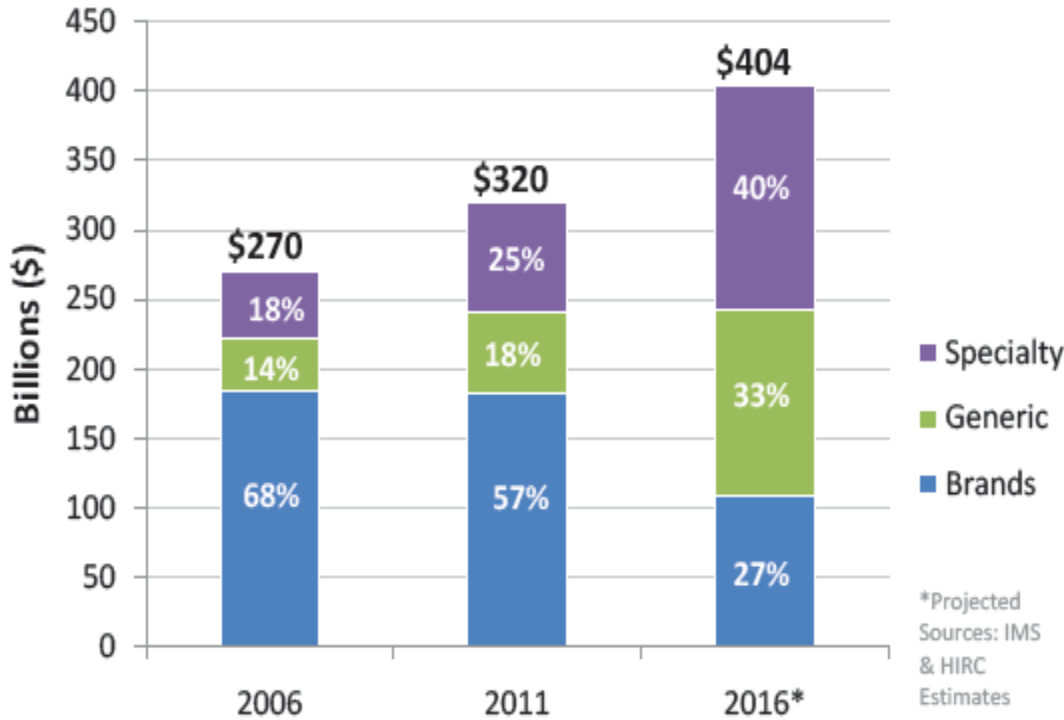
SHOULD BE

Specialty Pharmaceuticals – What are they?



- Biotech/gene-based therapy
- Require special handling
- Newer products – oral or self-administered
- One – third have REMS Programs
- Utilized in 1.2% of the population
- Ave Rx cost = \$2000+

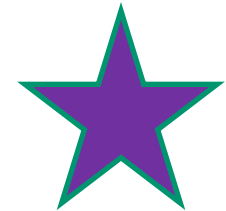
PRESCRIPTION DRUG SPEND



>50% of late-stage pipeline drugs and >70% of applications for new indications are for specialty drugs

Total Specialty Market 2011

\$80 Billion



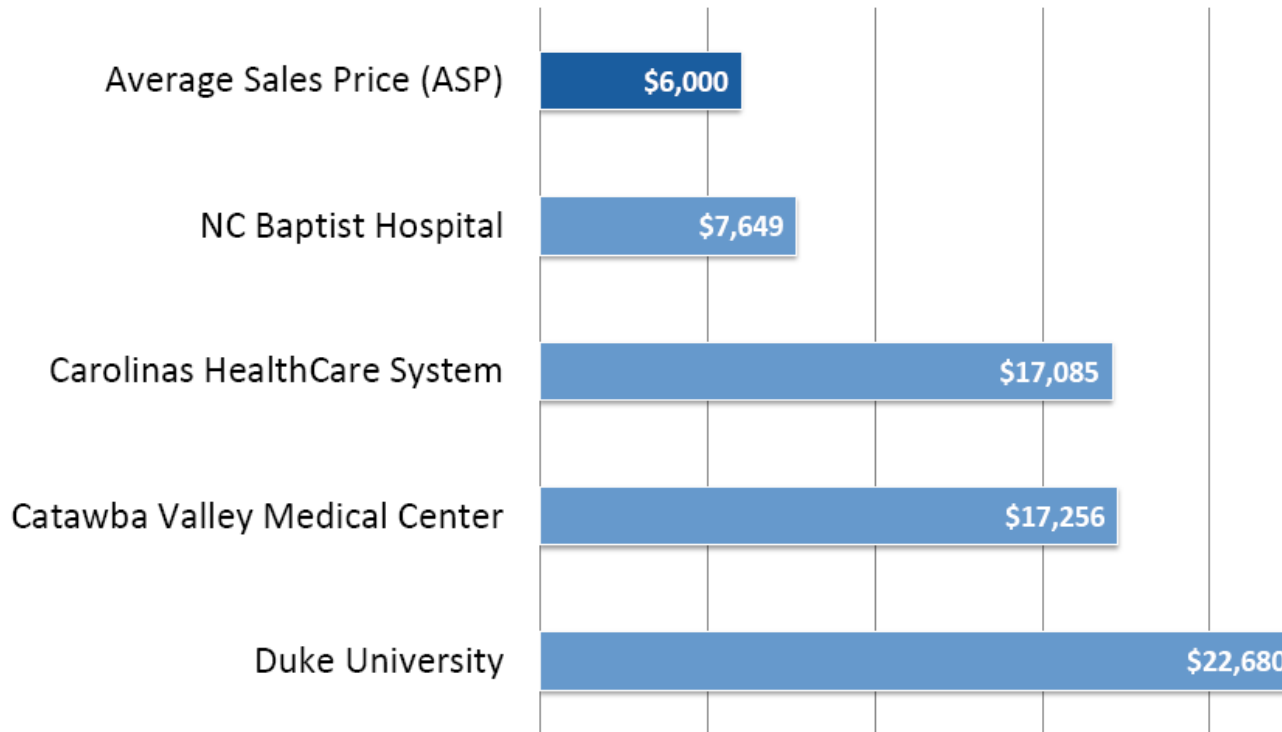
UHC Specialty Market 2012

\$22 Billion

Excluding Injectable Oncolytics

Growing Scrutiny of Provider Charges

Reimbursement paid for Avastin (100-unit dose)



Price Pressure is forcing the movement of coverage for specialty pharmaceuticals from the medical benefit to the pharmacy benefit.

Source: The Charlotte Observer and The News & Observer

See "How Hospitals Inflate Specialty Drug Prices" (<http://www.drugchannels.net/2012/10/how-hospitals-inflate-specialty-drug.html>)

Express Scripts 2012 Report

Therapy Class	PHARMACY			MEDICAL			TOTAL	
	Total Spend PMPY		% Change	Total Spend PMPY		% Change	% Spend, 2010	
	2006	2010		2006	2010		Pharmacy	Medical
Multiple Sclerosis	\$14.48	\$ 27.56	90.3%	\$ 0.49	\$ 2.91	493.9%	90.4%	9.6%
Pulmonary Hypertension	\$ 1.17	\$ 2.95	152.1%	\$ 0.59	\$ 1.08	83.1%	73.2%	26.8%
Inflammatory Conditions	\$18.80	\$ 34.59	84.0%	\$10.16	\$16.14	58.9%	68.2%	31.8%
Respiratory Conditions	\$ 2.83	\$ 4.01	41.7%	\$ 1.37	\$ 1.94	41.6%	67.4%	32.6%
Anticoagulants	\$ 3.00	\$ 5.28	76.0%	\$ 0.26	\$ 0.36	38.5%	93.6%	6.4%
Cancer	\$ 9.00	\$ 15.44	71.6%	\$41.10	\$53.44	30.0%	22.4%	77.6%
Transplant	\$ 5.77	\$ 5.87	1.7%	\$ 0.20	\$ 0.24	20.0%	96.1%	3.9%
Growth Deficiency	\$ 5.13	\$ 7.70	50.1%	\$ 0.47	\$ 0.22	-53.2%	97.2%	2.8%
Hepatitis C	\$ 3.48	\$ 2.15	-38.2%	\$ 0.06	\$ 0.02	-66.7%	99.1%	0.9%
HIV	\$10.19	\$ 19.10	87.4%	\$ 0.09	\$ 0.01	-88.9%	99.9%	0.1%
Top 10	\$73.85	\$124.65	68.8%	\$54.79	\$76.36	39.4%	62.0%	38.0%
Others	\$13.27	\$ 16.84	26.9%	\$36.94	\$49.46	33.9%	25.4%	74.6%
Total	\$87.12	\$141.49	62.4%	\$91.73	\$125.82	37.2%	52.9%	47.1%

Four Year Trend Shows Movement Away from Medical Benefit
In 2010, only 47% of Specialty Drug Spend was in the Medical Benefit

UHC Study of SP Market

Specialty Pharmacy Prescriptions Generated Annually
Excluding Oncology Infusion Medications

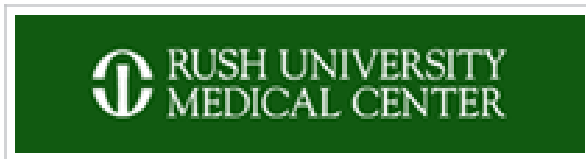


\$152.2 M



UNIVERSITY OF ILLINOIS
Hospital & Health Sciences System
Changing medicine. For good.

\$268.2 M



\$190.6 M



\$376.6 M



\$205.5 M



\$91.6* M



Wexner Medical Center

\$264.1 M

* Limited Dataset

Rush Market Using List Price

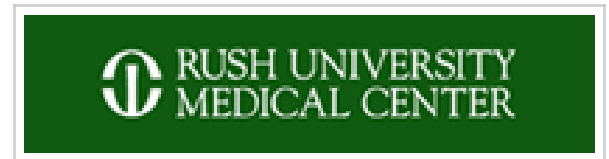
Service	Revenue	Key Products	Key Product Revenue
Hematology & Oncology	\$39,727,783	Revlimid Gleevac Tarceva Neupogen Exjade Tassigna	\$ 9.3M \$ 6.1M \$ 4.3M \$ 4.1M \$ 2.3M \$ 2.0M
Neurology/Multiple Sclerosis	\$35,842,956	Avonex/Rebif Copaxone Gilenya Betaseron	\$21.9M \$ 8.2M \$ 3.2M \$ 2.7M
Solid Organ Transplant	\$33,346,320	Prograf (generic) Cellcept (generic) Valcyte Myfortic Rapamune	\$10.5M \$ 9.1M \$ 5.1M \$ 4.8M \$ 3.2M
Infectious Disease/HIV	\$25,869,706	Truvada Atripla Prezista Reyataz	\$ 6.3M \$ 5.5M \$ 2.2M \$ 2.1M
Rheumatology/GI	\$24,159,099	Humira Enbrel	\$12.5M \$ 8.1M
Nephrology	\$13,362,211	Renvela Sensipar	\$ 6.5M \$ 5.4M
Cardiology/Pulmonary Hypertension	\$6,316,893	Revatio	\$ 4.6M
Hepatology	\$4,818,664	Incivek Baraclude	\$ 1.8M \$ 1.5M
Pulmonary/Cystic Fibrosis	\$2,292,350	Pulmozyme	\$ 2.3M
Endocrinology	\$2,026,327	Somatropin	\$ 2.0M

Effect of 340B Pricing

Drug	Generic	Strength	ASP + 6% Part B Reimbursement	ASP+6% - 340B Dollar Spread	Percent Spread
Cimzia	certolizumab	200mg kit	\$ 977.80	\$ 284.02	29.00%
Enbrel	etanercept	25mg/0.5mL syr	\$ 241.34	\$ 174.14	72.20%
Enbrel	etanercept	50mg/mL syr	\$ 482.68	\$ 311.74	64.60%
Humira	adalimumab	40mg/0.5mL syr	\$ 969.44	\$ 610.27	63.00%
Kineret	anakinra	100mg/0.67mL sy	NA	NA	
Orencia	abatacept	250mg pwvl	\$ 559.95	\$ 185.23	33.10%
Orencia	abatacet	125mg/mL syr	\$ 279.98	\$ (84.01)	
Simponi	golimumab	50mg/0.5mL syr	NA	NA	
Stelara	ustekinumab	90mg syr	\$ 12,060.27	\$ 5,456.69	45.20%
Stelara	ustekinumab	45mg syr	\$ 6,030.14	\$ 2,691.98	44.60%

Weighted Average 59.43%

Revenue List (95% AWP +\$5)	\$24,159,099
Revenue ASP + 6% (Part B)	\$14,921,260
Drug Expense 340B	\$6,054,138
Overhead 10%	\$1,492,126
Profit	\$7,374,996
Margin	49%



WAC drug expense is 14.2% > Part B Reimbursement

Product Line Revenues

Condition	Cost per RX	Number of Rx Annually	Annual Cost Per Patient	Annual Per Patient Profit with 23% Margin
Inflammatory Conditions	\$2067	7.50	\$15,500	\$3565
Multiple Sclerosis	\$3116	9.14	\$28,480	\$6550
Cancer	\$3259	4.50	\$14,666	\$3373
HIV	\$895	16.73	\$14,962	\$3441
Growth Deficiency	\$3104	7.24	\$22,470	\$5168
Hepatitis C	\$3371	8.51	\$28,687	\$6598
Respiratory Conditions	\$2800	6.91	\$19,350	\$4450

Adapted from ESI 2012 Drug Trend Report

What's required for a SP Service?

Support Services

- Benefits investigation
- Prior authorization tracking
- Patient assistance program
- Billing & collection
- Call center
- 24/7 pharmacist access
- Case management

Fulfillment Services

- Drug access
- Payer contracts
- Specialty marketing materials
- Patient care coordination
- Delivery services
- Cold chain shipping system
- REMS processes
- Prescription renewal processes

Operational Plan

- Pilot program with rheumatology, GI-hepatology & neurology MS clinics – initiate a new clinic service every 9 months
- Follow the Mayo Clinic model
- Control prior authorization process – add staff to perform all SP prior authorization
- Add a specialty pharmacist to each clinic to provide patient education and case management
- Fill prescriptions through Rush OP Pharmacy – Health Delivery Management
- Provide clinician office space in the central IP pharmacy
- Expand capacity for billing, collections & patient assistance programs (PAP)
- Transplant & ID → Register to be a 340B covered entity child site

Marketing Plan

- Engage medical staff leadership from Departments of Medicine, Neurology, & Transplantation
- Engage practice managers, clinic nurses & social workers
- Jointly develop metrics to ensure benefits to both patients & providers
- Use starter packages to reduce waste
- Develop patient SP brochures for each clinic
- Target Medicare and Medicaid patients – goal of 60% market share in year three
- Join UHC SP program for additional access to limited distribution medications and insurer/PBM contracts

Annual Revenue & Expense Plan

Revenue

	FY14	FY15	FY16
Revenue			
Net Revenue - Rheumatology/GI	\$ 2,474,613	\$ 5,499,141	\$ 6,598,969
Net Revenue - Multiple Sclerosis	\$ 2,300,076	\$ 5,111,280	\$ 6,133,537
Net Revenue - GI/Hepatology	\$ 681,983	\$ 1,515,517	\$ 1,818,620
Net Revenue - Solid Organ Transplant		\$ 3,822,465	\$ 5,880,715
Net Revenue - Hem Onc Incremental		\$ 642,133	\$ 963,200
Net Revenue - HIV		\$ 610,422	\$ 4,578,155
Net Revenue - Complimentary Therapies			
Net Revenue - Case Management Fees		\$ 43,002	\$ 64,933
Total Net Sales	\$ 5,456,672	\$ 17,200,959	\$ 25,973,196
Less Drug COGS			
COGS - Rheumatology/GI	\$ 1,303,180	\$ 2,895,955	\$ 3,475,146
COGS - Multiple Sclerosis	\$ 805,176	\$ 1,789,279	\$ 2,147,135
COGS - GI Hepatology	\$ 488,816	\$ 1,086,257	\$ 1,303,509
COGS - Solid Organ Transplant		\$ 2,614,966	\$ 4,023,024
COGS - Hem Onc Incremental		\$ 273,549	\$ 410,324
COGS - HIV		\$ 440,294	\$ 3,302,206
COGS - Complimentary Therapies			
Total COGS	\$ 2,597,171	\$ 9,100,301	\$ 14,661,344
GROSS MARGIN	\$ 2,859,501	\$ 8,100,658	\$ 11,311,851

Expense

Less: Direct and Indirect Expenses			
General & Administrative	\$ 84,567	\$ 344,019	\$ 519,464
Depreciation	\$ -	\$ 99,000	\$ 99,000
Rent	\$ -	\$ 90,000	\$ 90,000
Postage/Delivery	\$ 40,925	\$ 129,007	\$ 194,799
Packing Materials/Supplies	\$ 40,925	\$ 129,007	\$ 194,799
Labor Manager	\$ 150,000	\$ 153,375	\$ 157,976
Labor Pharmacist	\$ 261,000	\$ 534,180	\$ 610,842
Labor Technician	\$ 136,500	\$ 225,540	\$ 265,400
Benefits	\$ 136,875	\$ 228,274	\$ 258,554
Labor On - Call Premium	\$ 104,520	\$ 170,560	\$ 201,600
Enterprise Rx/QS1	\$ 11,823	\$ 3,244	\$ 3,979
Case Management System	\$ 24,000	\$ 48,000	\$ 48,000
UHC fees	\$ 24,000	\$ 48,000	\$ 48,000
Contingency	\$ 513,533	\$ 1,695,376	\$ 2,603,064
Total Direct and Indirect Expenses	\$ 1,528,668	\$ 3,897,582	\$ 5,295,477
OPERATING INCOME	\$ 1,362,583	\$ 4,203,076	\$ 6,016,375
CUMULATIVE OPERATING INCOME	\$ 1,362,583	\$ 5,565,659	\$ 11,582,034
LABOR (FTE)			
Pharmacy Manager	1.00	1.00	1.00
Clinical Specialist Pharm.D.	2.25	4.75	6.00
Technician	3.25	5.25	6.00

- Three year cumulative net margin \$11.5M, including \$4.8M in contingency
- Revenue assumptions based on Medicare & Medicaid business & using Medicaid rates
- Assumed incremental Medicaid & Medicare market share capture up to 60% by year three
- Pilot program in year one using existing facilities – additional 3000 sf required in year two
- Anticipate access to PBM/insurer contracts & additional SP's with UHC Specialty Program, but not included in pro forma except for oncology/hematology

Next Steps

- CRM Leadership Committee – August 5th
- Secure Administrative Approval
- Recruit Staff and Initiate Program within 3-4 months
- Prepare for URAC Accreditation