



DAVID CONTORNO

Founder and CEO of E Powered Benefits



RESTORING THE AMERICAN DREAM

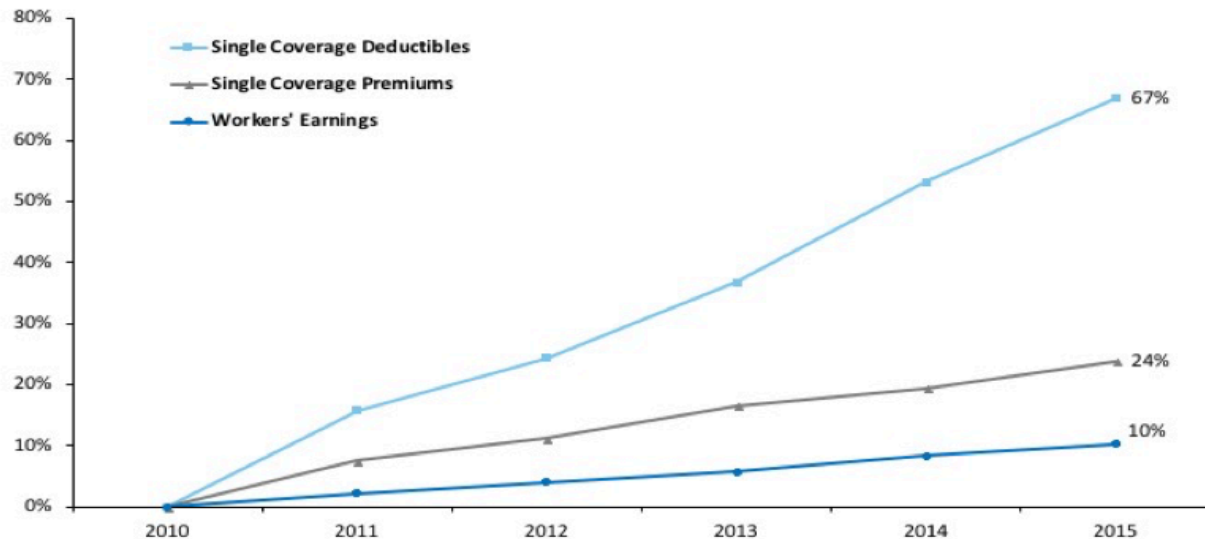
GM is a health and benefits company with an auto company attached.

- Warren Buffet



Healthcare
costs ate
your
EBITDA...

Cumulative Increases in Health Insurance Premiums, General Annual Deductibles, and Workers' Earnings, 2006-2015

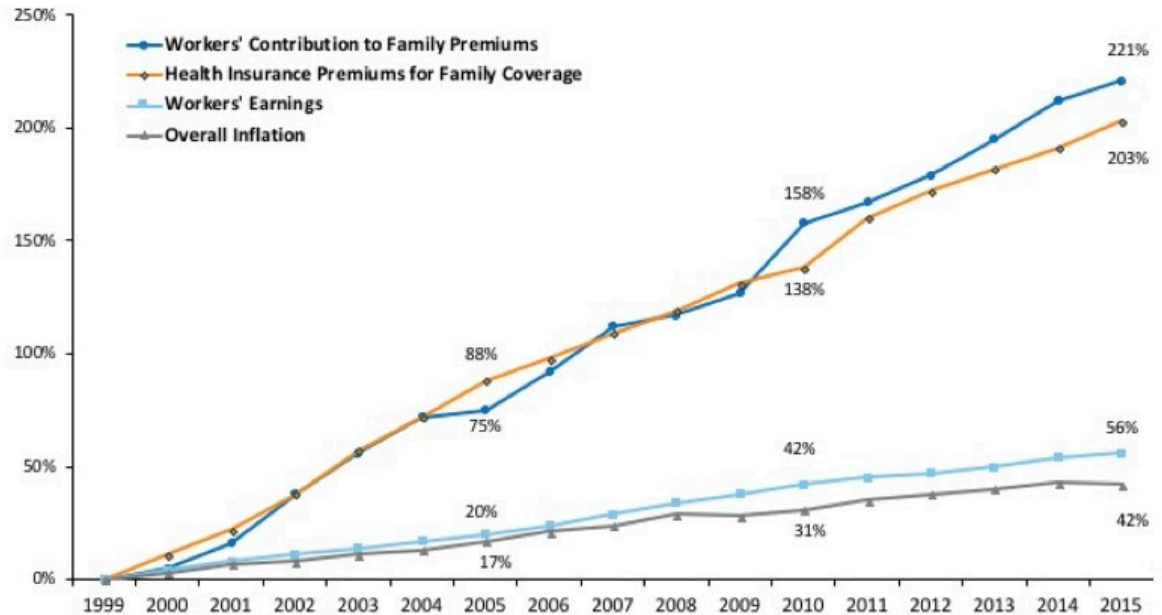


NOTE: Average general annual deductible is among all covered workers. Workers in plans without a general annual deductible for in-network services are assigned a value of zero.

SOURCE: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006-2015. Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April), 2006-2014; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey, 2006-2015 (April to April).

And your pay
raise.

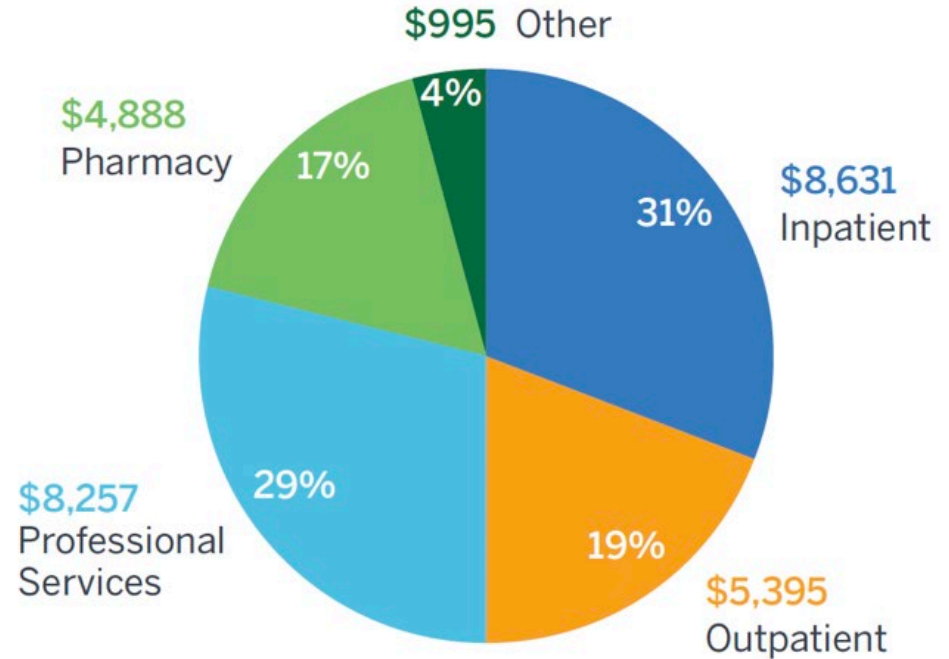
Cumulative Increases in Health Insurance Premiums, Workers' Contributions to Premiums, Inflation, and Workers' Earnings, 1999-2015



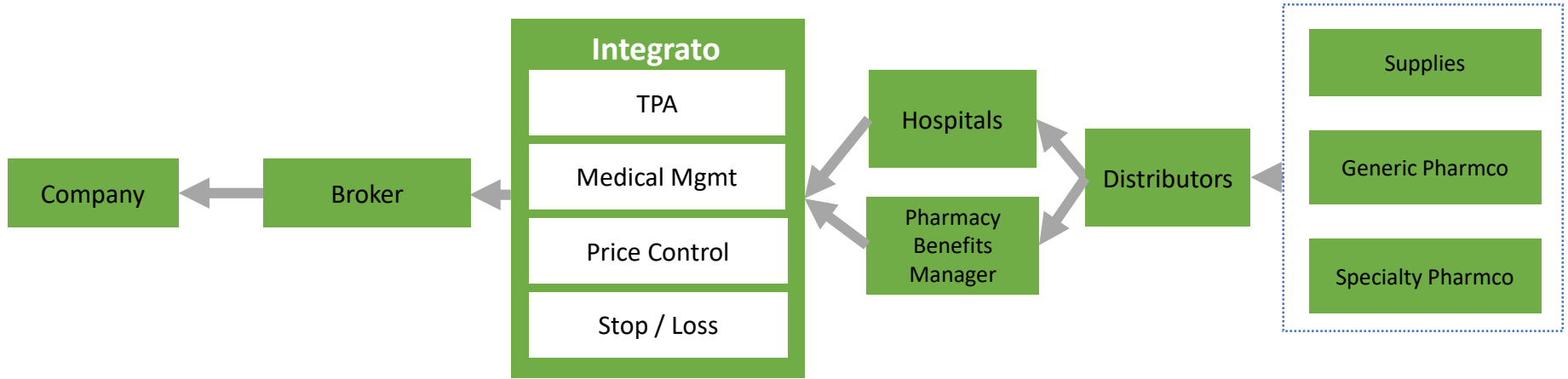
SOURCE: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2015. Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April), 1999-2015; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey, 1999-2015 (April to April).

What makes up healthcare costs?

FIGURE 4: 2018 MMI COMPONENTS OF SPENDING



Too Many Competing Interests...



Competing Interest #1

YOUR BROKER



EXPERTADVICE.

EMPLOYEE CENTERED.

EXTRAORDINARY RESULTS.

“Here’s the odd thing, though, as plans got worse, rates still went up...and my revenue kept going up”

-David Contorno, My Ethical Dilemma, BenefitsPro Magazine, November 1, 2017

My Ethical Dilemma

If you can't talk with your client about how much they are paying you, then you are being paid too much

NOV 01, 2017 | BY DAVID CONTORNO

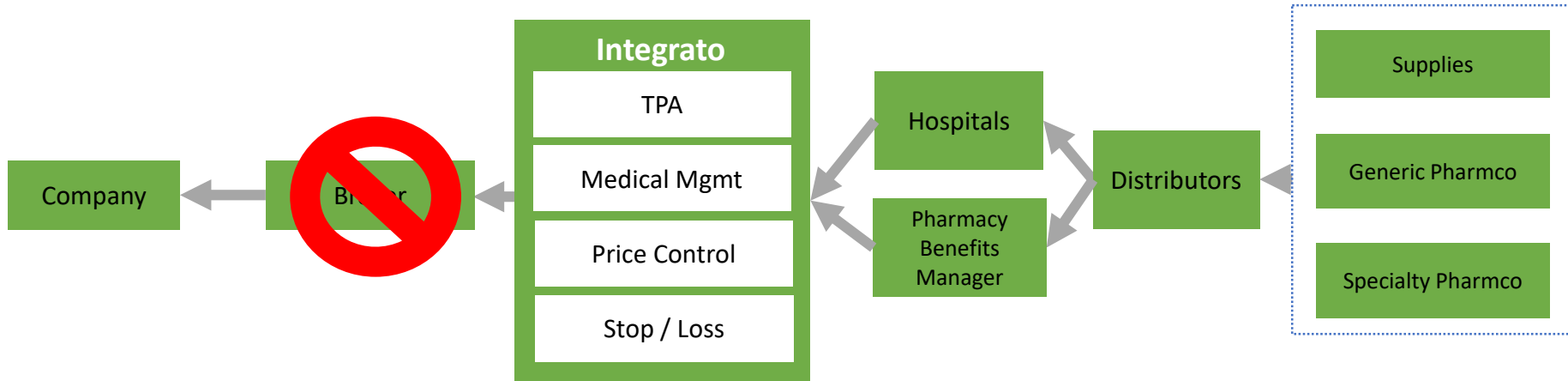
SHARE THIS STORY



Picture it: Long Island, New York, 2004. (For anyone old enough to remember “The Golden Girls,” I hear the voice of Sophia Petrillo saying “Picture it: Sicily, 1941.”) I owned a moderately successful insurance agency in Hauppauge, New York. There were eight of us working there, we had a bevy of good clients,

all of them fully insured, and we had what appeared to be, by today's standards anyway, a robust and competitive insurance marketplace.

Too Many Competing Interests...



Brokers represent a 3-10% waste within the value chain

Competing Interest #2

YOUR PPO



Where are your employees going now?

Data & Options



Inpatient Outpatient Professional

Select Providers

PITTSBURGH, PA City (10)

e.g. Banner, 030002, or Maricopa

Select Procedures

e.g. 470 or joint replacement

Averages: Simple Weighted

Display: Values Ratios

Sort: Billed Cost Medicare Quality

Inpatient DRG average across 9 hospitals in PITTSBURGH PA

Cost Average Medicare Average Billed Average Quality

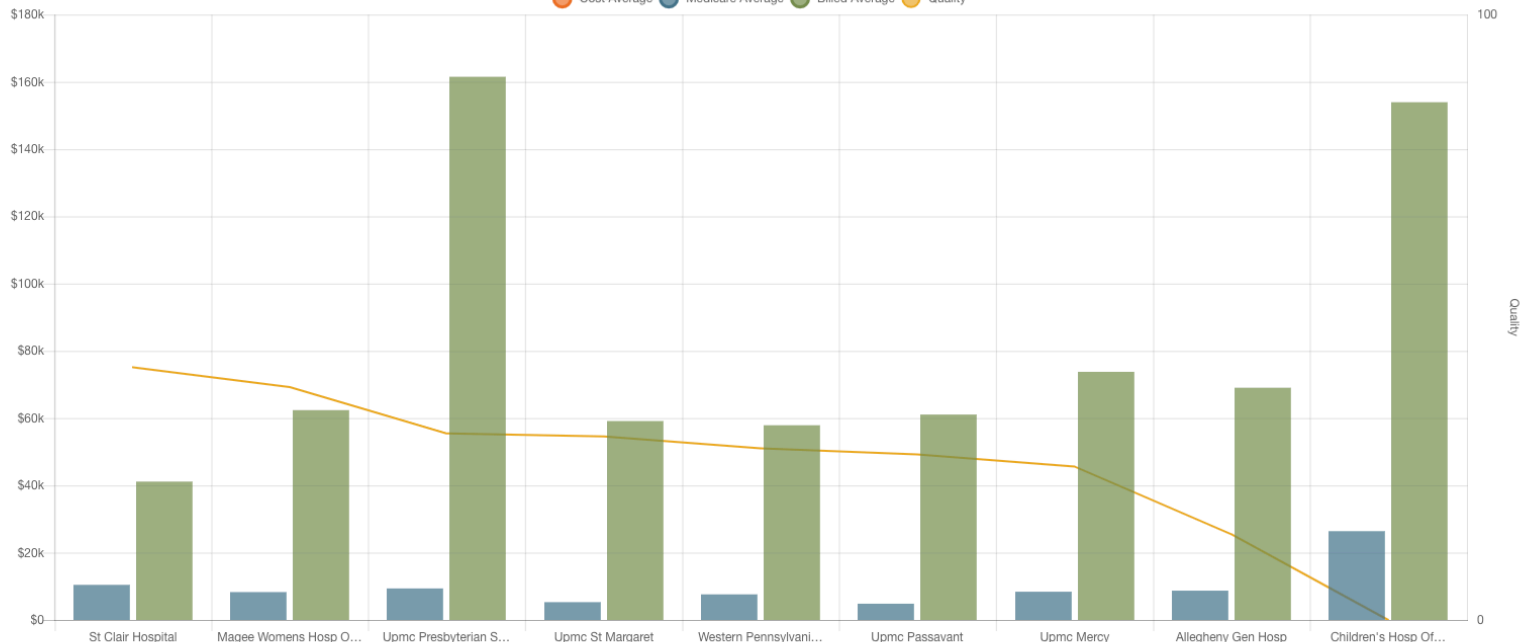


Chart Averages

Excluded Provider (1)

Where are your employees going now?



Market Benchmarks

Data & Options



Inpatient **Outpatient** Professional

Select Providers[®]

390178 - UPMC HORIZON Provider (1)

e.g., Banner, 030002, or Maricopa

Select Procedures[®]

e.g., 470 or joint replacement

Averages: **Simple** Weighted

Display: **Values** Ratios

Sort: **Billed** Cost Medicare **Quality**

Outpatient Diagnosis average across 1 hospital in UPMC HORIZON

Cost Average Medicare Average Billed Average Quality

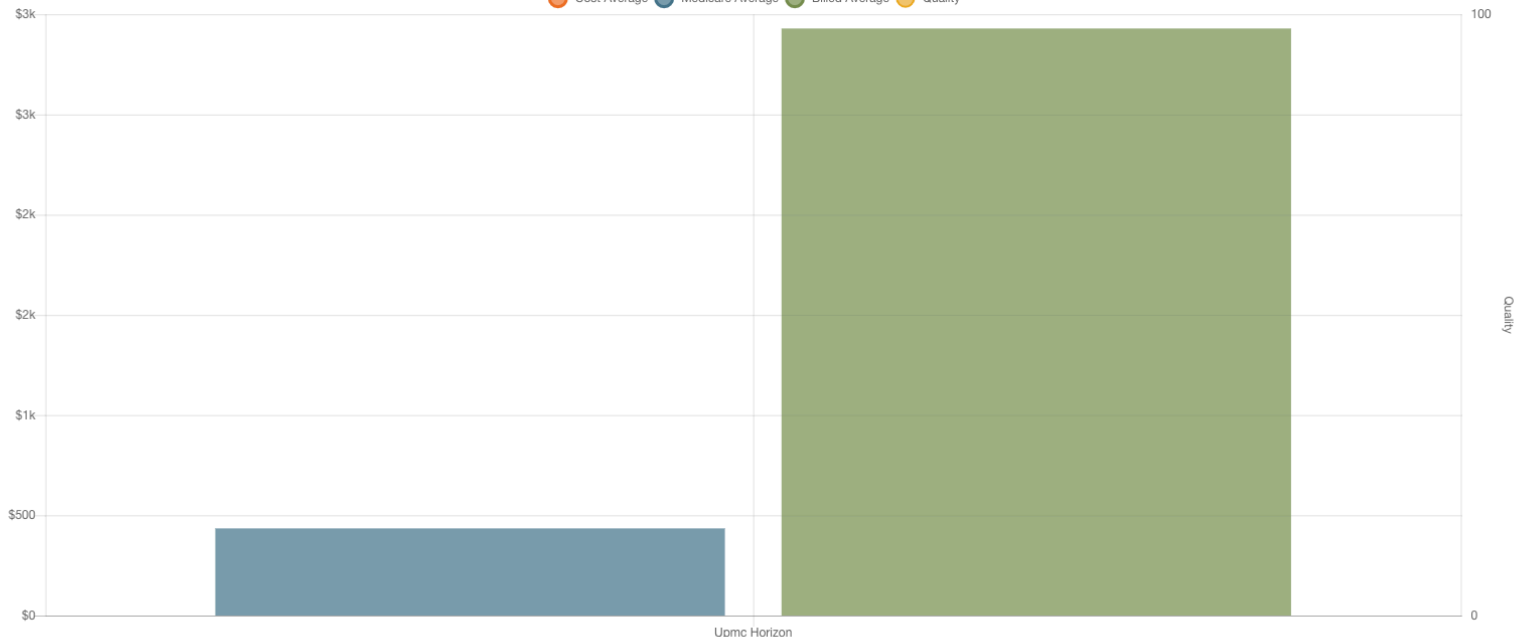
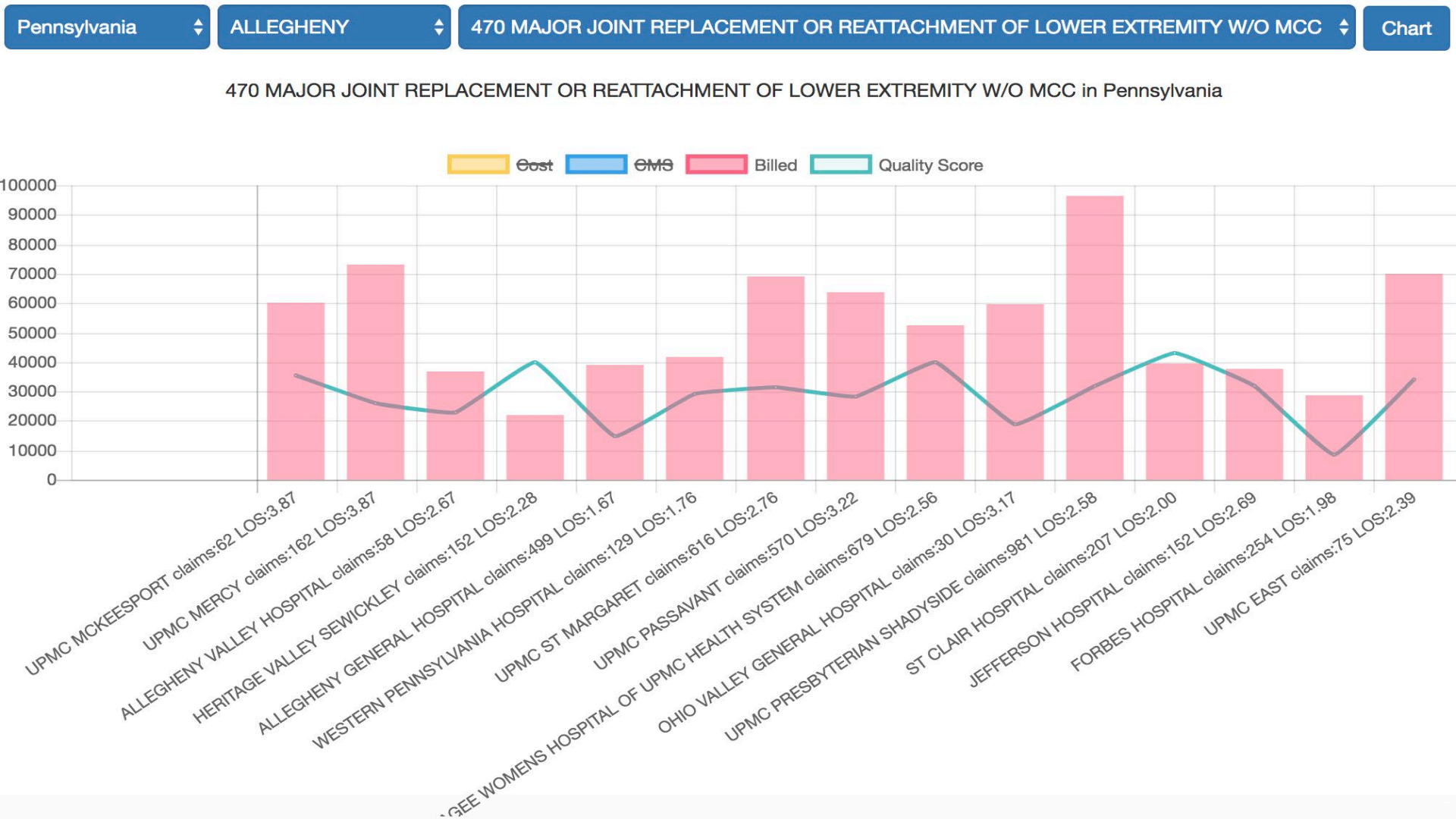


Chart Averages



Competing Interest #3



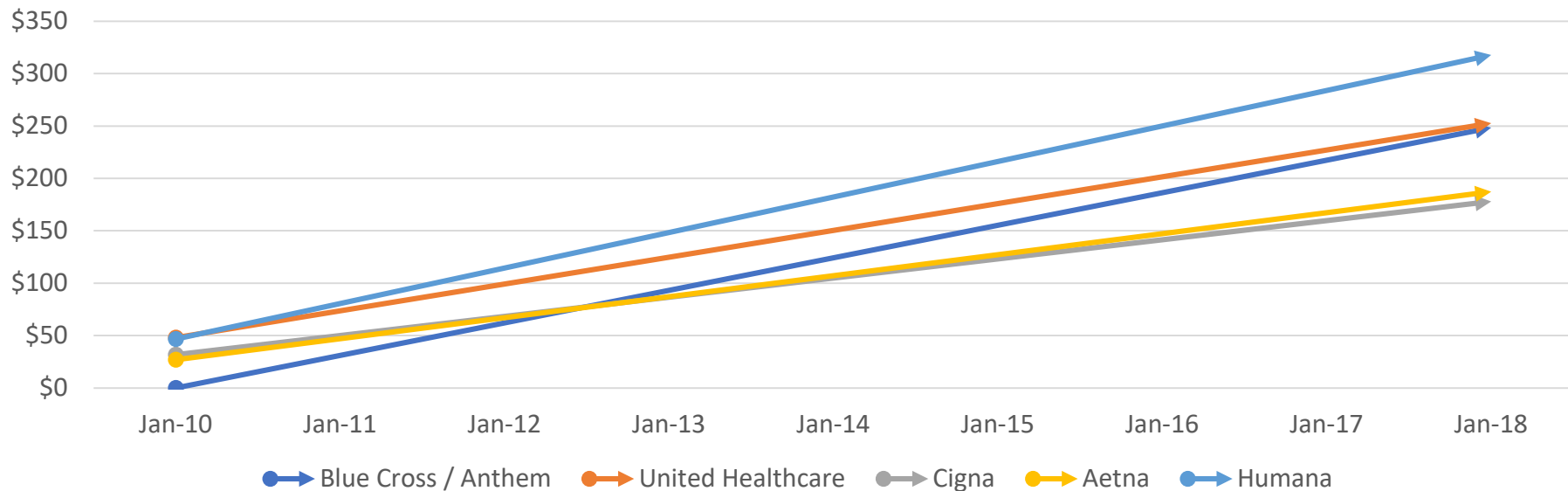
YOUR INSURANCE CARRIER

EXPERTADVICE.

EMPLOYEE CENTERED.

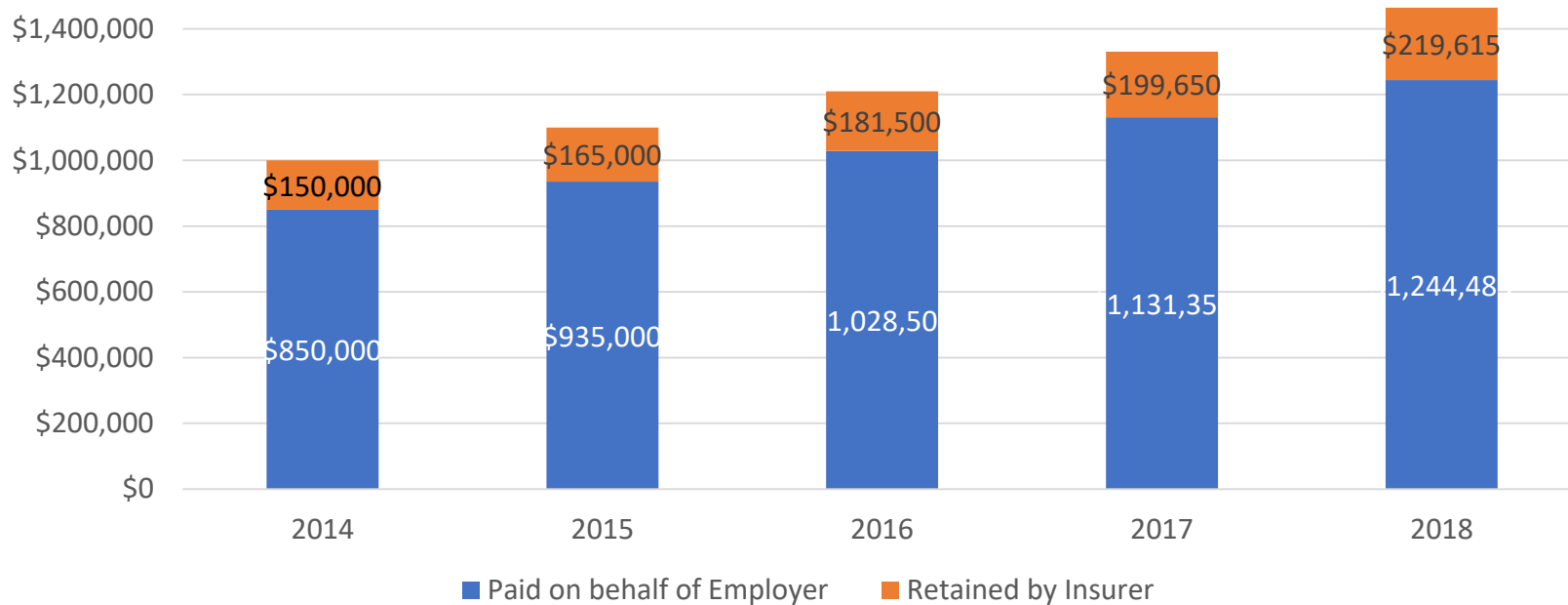
EXTRAORDINARY RESULTS.

Carrier Share Prices since ACA

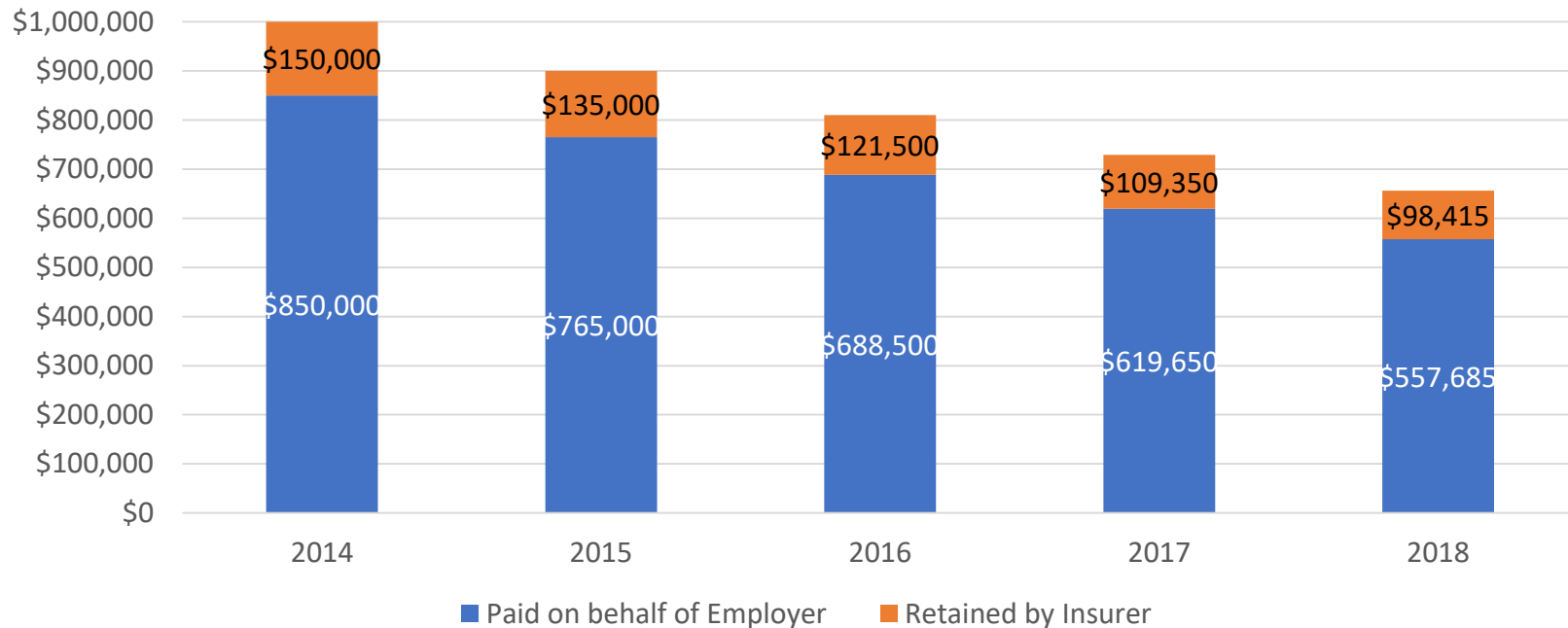


Carrier	Share Price March 2010	Share Price July 2018	Percentage
Blue Cross / Anthem	\$27.28	\$248.52	911%
United Healthcare	\$48.05	\$252.70	526%
Cigna	\$31.91	\$178.09	558%
Aetna	\$27.07	\$187.22	692%
Humana	\$46.77	\$317.81	680%

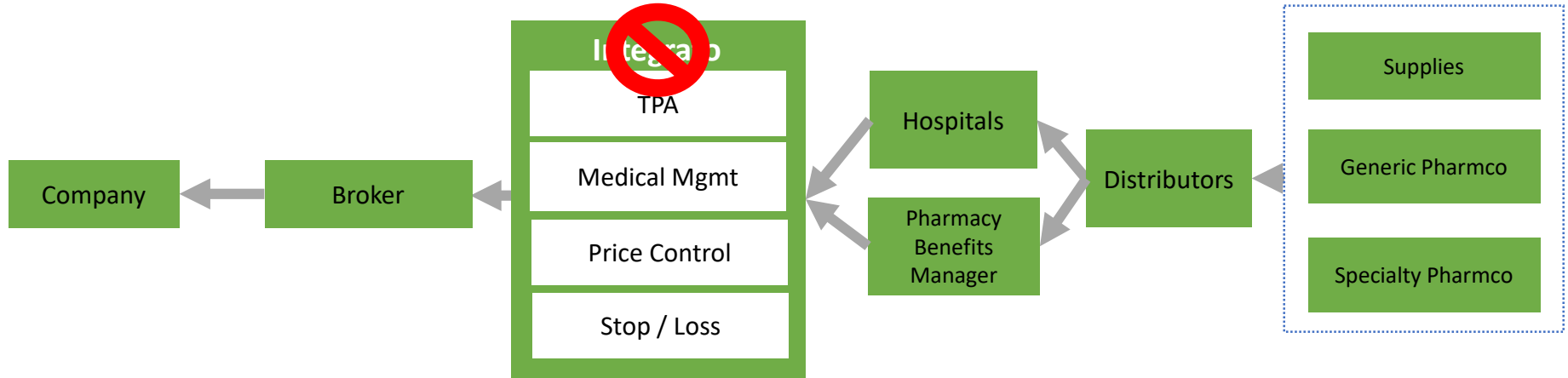
Medical Loss Ratio



Medical Loss Ratio



Too Many Competing Interests...



Carriers operate with a 3.3 – 5% profit margin

Competing Interest #4

YOUR PHARMACY BENEFIT MANAGER

EXPERTADVICE.

EMPLOYEE CENTERED.

EXTRAORDINARY RESULTS.





TRADITIONAL PBMs

- Clawbacks
- Multiple MACs
- Spread Pricing
- Drug Reclassification
- Negative Remits
- Formulary Fees
- Audit Recovery Retention
- NDC Switch
- Selling Your Data
- Marketshare Fees
- Management Fees
- Mail Autofill
- Repackage AWP's
- Mail Copay Waivwer
- Rebate Manipulation
- Rebate Retention
- Collect OTC Rebates
- Collect Insulin Rebates
- Collect Nonformulary Rebates
- Collect Diabetes Supplies Rebates
- Charge Pre-AWP Pricing
- Charge Reversed Claim Admin Fees
- Change Drug Denominator of Rebates
- Only Provide Portion of Point of Sale Rebates
- Multiple MAC Lists
- DIR Fees
- MTM Fees
- Manipulate Favored Nations Pricing
- Manipulate Reversed Claims
- Manipulate Rejected Claims
- Manipulate Compound Claims
- Manipulate 340B Claims
- Manipulate Non Plan OTC Claims
- Manipulate Device Claims
- Manipulate Vaccine Claims
- No Confirm Pricing based on AWP
- No Pass-through U&C Claims
- Take Spread on Compound Claims
- Charge Admin Fees for Vaccinations
- Create Spread on Repackaged NDCs
- Dispense 90 Days but Charge for 100 Days
- Encourage Waived Co-Pays
- Negotiate Rebate Then Supply Drug From Thier In-House Pharmacy
- Reclassify Generic as Brand
- Switch the NDC
- Negotiate Rebate Using Early Refill Rules to Increase More Yearly Refills
- Zero Balance Due
- Manipulate MFN Claims
- Reimburse Pharmacies at Post AWP Pricing
- POS Rebates Skew Ingredient Cost Discounts
- Sister Companies Collect Other Rx Monies
- Fields Removed from System Access
- Remove Refill too soon at Mail
- Gag Orders on Pharmacies
- Selecting Higher AWP's
- Dispense Rebate-able Drugs
- Price Fixing Alleged Collusion with Pharma
- No Ceiling for Pharma Price Increase

All PBM's are not created equally...

PBM Model	Revenue Streams	Disclosure
Traditional	No limits	None
Transparent	Some limits	Required
Pass-Through	Strict limits	Required
Hybrid	Varies	Sometimes

Traditional

PBM retains a **network spread**, **rebates** and **other revenues streams** as compensation.

Pass-Through

PBM charges client the exact amount it pays pharmacies. **PBM is compensated with an agreed upon fee for service.**

Transparent & pass-through are ***not*** the same!

Discounts *do not* equal savings!

Drug	# of Rx	Total Amount Paid (Member + Plan)	Average Cost Per Rx	Average Cost Per Rx	Total Amount Savings	2017 AWP	CVSCaremark Discount	
Alecensa	10	\$140,134.00	\$14,013.40	\$9,499.01	\$45,143.88	\$16,365.68	14.1%	
Bydureon	43	\$28,441.45	\$661.43	\$636.10	\$1,089.15	\$777.77	14.5%	
Chantix	15	\$6,210.77	\$414.05	\$341.43	\$1,089.32	\$404.68	-2.3%	more than AWP
Gleevec	56	\$429,854.70	\$7,675.98	\$7,075.03	\$33,652.93	\$9,251.40	17.0%	
Humira Pen	223	\$1,112,103.00	\$4,987.01	\$4,641.40	\$77,070.45	\$5,847.12	14.4%	
Imbruvica	26	\$314,481.70	\$12,095.45	\$10,911.92	\$30,771.74	\$13,228.61	8.3%	
NovoLOG FlexPen	46	\$20,384.58	\$443.14	\$419.89	\$1,069.83	\$499.08	10.8%	
Noxafil	3	\$21,252.51	\$7,084.17	\$6,729.53	\$1,063.91	\$8,204.92	13.7%	
Prezcobix	11	\$19,411.37	\$1,764.67	\$1,665.24	\$1,093.79	\$2,028.94	12.8%	
Tecfidera	44	\$311,815.80	\$7,086.72	\$5,734.76	\$59,486.41	\$8,437.54	15.7%	
Triumeq	11	\$45,620.25	\$4,147.30	\$3,896.05	\$2,763.67	\$4,812.08	12.3%	
Trulicity	98	\$89,701.98	\$915.33	\$878.09	\$3,649.46	\$1,066.07	11.7%	
Truvada	53	\$84,573.50	\$1,595.73	\$1,545.54	\$2,660.07	\$1,882.97	15.0%	
Victoza	165	\$154,006.40	\$933.37	\$818.13	\$19,014.56	\$1,008.44	5.8%	
Xolair	128	\$533,135.50	\$4,165.12	\$3,904.87	\$33,312.07	\$4,760.21	12.4%	
Total	932	\$3,311,127.51			\$312,931.24			

A new kind of PBM:

- ✓ **100% pass through transparent pricing** allows for unbiased recommendations and pharmacy benefit management alignment with Plan Sponsor;
 - ✓ **Menu of a la carte clinical management strategies** creates savings, reduces waste and assists members and pharmacies in becoming better consumers of their healthcare;
 - ✓ **A flat administrative fee gives clients the comfort of knowing exactly what they are paying their PBM for their services;**
 - ✓ **Our proof of concept** lies in two defining pharmacy benefit management measures:
-

The Southern Scripts Trend Report: Our Book of Business Trend Report is all-inclusive, with a *negative specialty drug trend* and a 2.26% overall drug spend;

High cost brand and specialty medications dispensed through our trademarked Variable Copay Program average AWP – 30%, with a standard guarantee of AWP – 28%.

What happened with CVS Health this quarter?

“There was good news and bad news for CVS Health's top line. The good news was that revenue for its pharmacy-services segment, which provides pharmacy benefits-management (PBM) services to customers, increased 9.5% year over year, to \$32.3 billion. This growth stemmed from higher pharmacy-claim volume, higher brand-drug prices, and increased specialty drug volume.

What was the bad news? Revenue for the retail/long-term care (LTC) segment slipped 2.8% year over year, to \$19.6 billion. Three key factors contributed to this decline: a 2.6% decrease in same-store sales, a higher generic dispensing rate, and continued reimbursement pressure. “

-The Motley Fool, August 17th, 2017

States are starting to stand up to 'the new big tobacco' because Washington won't

“...states such as Ca, NV, TX and ND have taken it upon themselves. They're crafting legislation to shine a light on the complicated system we use to price drugs. Naturally, the companies that have acted as gatekeepers and middleman are fuming. “its almost comical how hard they are pushing back” CA Assemblyman James wood.

-Business insider, June 13th 2017

Retailer	Price					Total Price
	Pioglitazone (Actos)	Celecoxib (Celebrex)	Duloxetine (Cymbalta)	Atorvastatin (Lipitor)	Clopidogrel (Plavix)	
HealthWarehouse.com	\$12	\$22	\$13	\$10	\$10	\$66
Costco [1]	\$16	\$26	\$35	\$13	\$16	\$105
Independents [2]	\$19 (\$10-\$493)	\$34 (\$11-\$295)	\$31 (\$20-\$267)	\$15 (\$8-\$197)	\$15 (\$8-\$260)	\$107 (\$69-\$1,351)
Sam's Club [1]	\$20	\$38	\$31	\$20	\$45	\$153
Walmart	\$132	\$203	\$123	\$30	\$30	\$518
Kmart	\$160	\$185	\$120	\$35	\$35	\$535
Grocery Stores [3]	\$113 (\$10-\$349)	\$189 (\$46-\$250)	\$170 (\$13-\$223)	\$32 (\$11-\$71)	\$36 (\$7-\$224)	\$565 (\$88-\$1,117)
Walgreens	\$167	\$204	\$251	\$65	\$65	\$752
Rite Aid	\$255	\$194	\$170	\$128	\$119	\$866
CVS/Target	\$270	\$187	\$195	\$135	\$141	\$928

Rebate profiteering & gag orders*

Below are the top 15 drugs we would target for generic dispensing.

Drug	Edit- Preferred Drugs	RxCount	Current Cost (Plan and Member)	Preferred Drugs- Average Total Cost	Preferred Drugs- Average Total Savings
Aczone	Generic Alternatives Preferred- benzoyl peroxide/clindamycin/erythromycin	70	\$41,440.37	\$21,963.53	\$19,476.84
Adderall	Generic Equivalent Available- amphetamine/dextroamphetamine	7	\$2,863.61	\$234.19	\$2,629.42
Adderall XR	Generic Equivalent Available- amphetamine/dextroamphetamine ER	198	\$52,275.27	\$15,732.39	\$36,542.88
Amrix	Generic Alternatives Available- cyclobenzaprine 5mg/10mg IR	8	\$16,003.64	\$80.96	\$15,922.68
Benicar	Generic Equivalent Available-olmesartan	94	\$33,412.67	\$1,071.12	\$32,341.55
Cambia	Generic Alternative Available- diclofenac tablets	8	\$5,681.71	\$40.56	\$5,641.15
Linzess	Brand Alternative Preferred- Amitiza; prior authorization required	69	\$38,590.20	\$37,794.06	\$796.14
Livalo	Generic Alternatives Preferred- atorvastatin, lovastatin, pravastatin, simvastatin	51	\$17,196.92	\$969.51	\$16,227.41
Lotemax	Generic Alternatives Preferred- prednisolone, dexamethasone	37	\$6,627.77	\$879.49	\$5,748.28
Metformin HCL ER (osmotic release)	Generic Alternative Formulation Preferred- metformin hcl er	11	\$7,160.23	\$140.80	\$7,019.43
Pennsaid	Generic diclofenac 1.5% or 1% Preferred	21	\$49,516.12	\$1,677.06	\$47,839.06
Qnasl	Generic Alternatives Preferred- fluticasone or flunisolide	44	\$13,319.94	\$2,512.84	\$10,807.10
Relpax	Generic Alternatives Available- Sumatriptan, Rizatriptan, Zolmitriptan, Naratriptan Preferred; Quantity Limit 9/30 Days and 27/90 Days	56	\$23,254.79	\$2,387.28	\$20,867.51
Vyvanse	Generic Alternatives Preferred- methylphenidate ER, amphetamine/dextroamphetamine ER, dextroamphetamine ER	359	\$109,737.08	\$44,677.55	\$65,059.53
Zetonna	Generic Alternatives Preferred- fluticasone or flunisolide	26	\$16,497.71	\$1,484.86	\$15,012.85
Total		1059	\$433,578.03	\$131,646.20	\$301,931.83

Pharmacist Driven Lowest Net Cost Strategy Client Controlled

** Precluding local pharmacies from dispensing generic equivalents*

SOLUTIONS



EXPERTADVICE.

EMPLOYEE CENTERED.

EXTRAORDINARY RESULTS.

Two pathways into the healthcare system

1

Do what you've
always done,
pay what you
have always paid



2

100% Employer
paid.

No deductible

No coinsurance

No out of pocket

hr Health Rosetta

Modular Shipping Containers for High Performance Health Benefits Plans.



hr Health Rosetta

Sample Case Study Summaries

A few examples of the Health Rosetta in action. More details in Appendix.



- WA - Public Entity
- Focus on primary care
- Reduced spending by \$2,400 PEPPY



- GA - 1,000 emp. conglomerate
- Focus on procedures
- Reduced spending by \$3,200 PEPPY
- Costs rose 12.4% from '00-09, compared to 114% nationally



- OK - 600 emp. manufacturer
- Focus on procedures
- Spends \$4,000 less PEPPY than sector average



- FL - 5,000 emp. manufacturer
- Focus on everything
- Saved \$315M over 24 years. Spends 55% less than avg.



E Powered Client				
Plan Year	Cigna 2016-2017	2017-2018	2018-2019	Change
Employees	363	377	384	
Members	693	720	733	
Fixed		\$985,825.00	\$924,575.00	
Medical		\$1,329,008.00	\$1,093,521.00	-17.72%
Pharmacy		\$807,367.00	\$562,043.00	-30.39%
Total Plan Cost	\$4,002,133.30	\$3,122,200.00	\$2,580,139.00	-17.36%
PMPM Plan Paid	\$577.51	\$361.33	\$293.15	-18.87%
Savings from 2016		-37.43%	-49.24%	



E Powered Client			
Employees	2018 PEPY	2019 PEPY	Change
230	\$ 6,640.56	\$ 3,403.55	-48.75%
Annual Consulting Fee		\$ 60,000.00	
Bonus	10% or less	\$ -	
	10% - 19.9%	\$ 20,000.00	
	20% - 29.9%	\$ 40,000.00	
	30% +	\$ 60,000.00	
Total Compensation		\$ 120,000.00	



Thank you.



FREE MARKET

MEDICAL ASSOCIATION

Hyatt Regency | Dallas, TX
April 11 – 13, 2019