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# APPRO·Rx vs Industry

Prescription Benefit Management

## The Industry

Lack of transparency and integrity

Huge, public companies, fiduciary responsibility to shareholders

Misaligned incentives

300 companies, 10 systems avg development year 1984

## Us

Built on Appro-Rx Family Values. Transparent, flexible

Best interest of payer and member in mind

Perfectly aligned incentives (highest efficacy, lowest cost)

Appro-Rx and Strategic Partners – Est. 2011

# How PBMs Make Money

	Traditional PBM Model	Transparent PBM Model
Administration Fees (per claim, PMPM/PEPM)	✓	✓
Retail Markup	✓	
Mail Markup	✓	
Manufacturer Revenue (Rebates)	✓	
Purchasing and Selling Drugs		

# What are the Old Facts?

Traditional PBMs have created

- A system where profits are more important than healthcare and substantial conflicts of interest.
- Contracts where Even the savviest employers often have only the minutest chance of deciphering.

# What is the New Paradigm?

- Zero Spread Pricing and AWP Games
- 100% Pass Through on Pricing – Zero Conflicts of Interest
- 100% Rebates Pass Through – Zero Conflicts of Interest
- Clarity in Contracts – Actual Transparency
- Clear and Concise Admin Fee Schedule

# What is the New Paradigm?

- Formularies driven by cost-effectiveness, efficacy and Health Outcomes, not rebates.
- Flexible technology that adapts to the pharmacy program, not the other way around.
- Robust and easily customized reporting for performance data that is important to employers and the bottom line.
- Hold PBMs Accountable.

# Why Appro-Rx?

## A Customized, Non-Disruptive Solution Supporting Healthcare Integration

- Custom Client Formulary
- Custom Client Benefit Design
- Custom Pharmacy Network
- Disease Management



- Transparency
- Integrity
- Cost Savings



*Removing Conflicts of Interest and Aligning  
Goals*



# Appro-Rx Revenue Model

## **Fee-For-Service: PBM Services**

- Per Claim
- PMPM – Per Member Per Month



# Example

<b>GENERIC UTILIZATION</b>	<b>81%</b>	For every 1% increase in Generic Utilization the net drug spend typically goes down by 2%
<b>TRANSPARENT PRICE SAVINGS</b>	<b>\$ 455,392.09</b>	Potential Spread (the difference between the PBM pharmacy contract and the plan contract, typically retained by the PBM)
<b>Savings %</b>	<b>16.6%</b>	
<b>REBATE ESTIMATE TO PLAN</b>	<b>\$ 58,318.75</b>	Rebate estimate based on data provided
<b>Savings %</b>	<b>2.1%</b>	
<b>GENERIC MANDATE</b>	<b>\$ 107,013.46</b>	Mandate generic use when available in the class or the patient pays the difference
<b>Savings %</b>	<b>3.9%</b>	
<b>THERAPEUTIC SUBSTITUTION</b>	<b>\$ 153,624.49</b>	Savings Example: Potential savings converting Crestor, Lipitor, Nexium, PPI, and Trazodone to a generic in the same therapeutic class
<b>Savings %</b>	<b>5.6%</b>	
<b>TOTAL POTENTIAL SAVINGS</b>	<b>\$ 774,348.78</b>	
<b>Total Potential Savings %</b>	<b>28.3%</b>	

AVE COST / RX	\$60.75	\$217.51	\$95.51	\$76.15	\$10.76	\$478.38	\$212.24	\$163.41	\$64.58
<b>Approx w/ Generic Mandate</b>									
	Total	Retail Brand	Total Generic		Mail Brand		Mail Generic		
		Single Source	Multi-Source	Single Source	Multi-Source	Single Source	Multi-Source	Single Source	Multi-Source
RX COUNT	37,825	6,151	636	505	28,370	413	65	72	1,943
AWP	\$ 4,351,249.50	\$ 1,599,935.37	\$ 77,809.70	\$ 76,245.18	\$ 1,932,029.05	\$ 247,784.93	\$ 17,446.14	\$ 19,741.22	\$ 380,126.62
INGREDIENT COST	\$ 2,105,481.53	\$ 1,253,160.43	\$ 48,408.34	\$ 37,444.10	\$ 475,574.97	\$ 183,009.20	\$ 6,866.48	\$ 11,765.87	\$ 91,252.18
DISPENSE FEE	\$ 71,324.00	\$ 12,302.00	\$ 1,272.00	\$ 1,010.00	\$ 56,740.00	\$ -	\$ -	\$ -	\$ -
GROSS COST	\$ 2,176,805.53	\$ 1,265,462.43	\$ 47,680.34	\$ 38,454.10	\$ 532,314.97	\$ 183,009.20	\$ 6,866.48	\$ 11,765.87	\$ 91,252.18
MEMBER COPY	\$ 637,417.14	\$ 238,608.47	\$ 19,798.73	\$ 6,120.79	\$ 307,441.15	\$ 33,253.45	\$ 5,052.65	\$ 1,380.00	\$ 34,175.95
PLAN COST	\$ 1,539,388.39	\$ 1,026,853.96	\$ 27,881.61	\$ 29,333.31	\$ 224,873.82	\$ 149,755.75	\$ 1,213.81	\$ 10,385.87	\$ 57,076.21
AWP DISC	52%	22%	40%	51%	75%	25%	61%	60%	76%
AVE COST / RX	\$67.88	\$205.73	\$14.97	\$16.15	\$16.76	\$443.12	\$106.64	\$163.41	\$64.58
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# \$1,150,391.82



Incumbent PBM Ingredient Cost to Client (12 Months) = \$5,638,236.37

Rebates sent to client by Incumbent PBM per contract = \$0.00

*Incumbent is PBM making over **\$20.00/claim** in spread+rebates alone.*

Appro-Rx Network and Contract Savings to Client = \$790,859.40

Appro-Rx Rebate Dollars Passed Through to Client = \$359,532.42

**Total Savings to Client in 12 months = \$1,150,391.82**





# A Force for Good in the Healthcare Industry



# Now Your Data

What are the results of our  
Analysis?