

# Understanding the Pass-Through Model vs the Traditional Model

When it comes to pharmacy benefits, today's plan sponsors are demanding more transparency, greater accountability, and higher performance. One way you can achieve this goal is to choose a PBM model that lines up with your goals. The striking differences between the two models are illustrated below.

	Navitus' Pass-Through Model	Traditional PBM Model
<b>Pricing Practices</b>	<ul style="list-style-type: none"> <li>▶ PBM revenue is based solely on administrative fee</li> <li>▶ One hundred percent of all pharma-generated revenue is passed on to the client</li> </ul>	<ul style="list-style-type: none"> <li>▶ PBM revenue is based on hidden revenue streams, which typically are not shared with the client</li> <li>▶ Only some of pharma generated revenue is passed back to client; PBM retains more than 10-15% spread</li> </ul>
<b>Financial &amp; Operational Disclosure</b>	<ul style="list-style-type: none"> <li>▶ Complete visibility to financial and operational business practices</li> <li>▶ Clients have access to 100 percent of their data, down to the claim level for better tracking and monitoring</li> </ul>	<ul style="list-style-type: none"> <li>▶ Limited visibility and disclosure of business practices</li> <li>▶ Clients have access only to sample sets of data for reporting and auditing purposes</li> </ul>
<b>Contracts</b>	<ul style="list-style-type: none"> <li>▶ More flexible contracts, and plan design is aligned with client goals</li> <li>▶ Over a three-year contract, costs are disclosed upfront and are consistent year after year</li> </ul>	<ul style="list-style-type: none"> <li>▶ Rigid contracts and less flexible plan designs to meet PBM spread pricing goals</li> <li>▶ Over a three-year contract, costs vary after the first year</li> </ul>
<b>Maximum Allowable Cost (MAC) List for Generic Drugs</b>	<ul style="list-style-type: none"> <li>▶ Single MAC list – amount billed to client and member is the same amount reimbursed to pharmacy</li> <li>▶ Applied across all distribution channels – retail, mail, and specialty</li> <li>▶ No spread-based pricing</li> <li>▶ Guaranteed of full disclosure of MAC list</li> </ul>	<ul style="list-style-type: none"> <li>▶ Multiple MAC lists – PBM buys low and sell high to clients</li> <li>▶ Not applied across all distribution channels; mail and specialty are often excluded</li> <li>▶ Significant spread revenue increases each year</li> <li>▶ MAC list is typically not disclosed</li> </ul>

<b>Retail Network</b>	<ul style="list-style-type: none"> <li>▶ Full disclosure with 100 percent pass-through on pharmacy network reimbursement rates, with no fee and zero spread retention</li> <li>▶ Plan sponsors and members benefit from the fully contracted discount</li> </ul>	<ul style="list-style-type: none"> <li>▶ PBM benefits from spread revenue by retaining a portion of drug that includes ingredient cost, dispensing fee and U&amp;C cost</li> <li>▶ By using spread, the client is charged more than the amount reimbursed by the PBM to the pharmacy</li> </ul>
<b>Mail Service</b>	<ul style="list-style-type: none"> <li>▶ Clients receive the full value of the contracted discount and no spread is retained</li> <li>▶ MAC list is applied at mail service to deliver the lowest net cost</li> <li>▶ Zero revenue from mail service utilization</li> </ul>	<ul style="list-style-type: none"> <li>▶ PBM retains spread on ingredient cost, dispensing fees, and any Usual &amp; Customary (U&amp;C) pricing.</li> <li>▶ MAC pricing is not applied in the mail channel</li> <li>▶ PBM revenue opportunity increases as mail service utilization increases</li> </ul>
<b>Specialty Pharmacy</b>	<ul style="list-style-type: none"> <li>▶ Clients receive full pass-through of all specialty pharmacy – no spread is retained by Navitus</li> <li>▶ Single MAC list is applied across all distribution channels, including specialty channel</li> <li>▶ Navitus receives no revenue from specialty utilization</li> </ul>	<ul style="list-style-type: none"> <li>▶ PBM benefits from spread revenue by ingredient cost, dispensing fee, and U&amp;C Cost</li> <li>▶ MAC pricing is not applied in the specialty channel</li> <li>▶ PBM revenue increases as specialty pharmacy utilization increases</li> </ul>
<b>Rebates</b>	<ul style="list-style-type: none"> <li>▶ One hundred percent of all rebates passed on to the client – Navitus retains no spread</li> <li>▶ Complete visibility and full disclosure of all manufacturer financial benefits</li> <li>▶ Manufacturer agreements are fully auditable by the client</li> </ul>	<ul style="list-style-type: none"> <li>▶ Only a portion of rebates is shared with client, as the PBM retains some spread</li> <li>▶ Manufacturer financial benefits are not disclosed to client</li> <li>▶ Manufacturer agreements are not fully auditable by the client</li> </ul>
<b>Formulary Management</b>	<ul style="list-style-type: none"> <li>▶ High-performance drug mix, including low-cost generics and less expensive brands</li> <li>▶ Formulary management approach delivers lowest net cost and reduced PMPM expenses</li> <li>▶ One hundred percent of any fees and discounts from pharmaceutical manufacturers passed back to client</li> <li>▶ Client data is proprietary and is not shared with pharmaceutical manufacturers</li> </ul>	<ul style="list-style-type: none"> <li>▶ PBM is incentivized to push products based on higher rebates, not based on client or patient needs</li> <li>▶ Does not utilize a lowest-net-cost approach to formulary decisions</li> <li>▶ PBM receives undisclosed fees from pharmaceutical manufacturers</li> <li>▶ Client data is often sold to pharmaceutical manufacturers without the client's knowledge or permission</li> </ul>
<b>Clinical Offerings</b>	<ul style="list-style-type: none"> <li>▶ Most clinical programs included in PMPM administrative fee</li> <li>▶ Cost-focused clinical programs offered on a Pay-for-Performance basis – PBM rewarded only when savings are achieved</li> <li>▶ Programs focus on lowering overall cost and improving clinical effectiveness</li> </ul>	<ul style="list-style-type: none"> <li>▶ Many clinical programs subject to additional charges</li> <li>▶ PBM may not offer Pay-for-Performance (share of savings) clinical programs</li> <li>▶ Programs funded by pharma focus on driving market share of drug products, not necessarily on clinically or cost-effective solutions</li> </ul>
<b>Call Center</b>	<ul style="list-style-type: none"> <li>▶ Call center representatives measured by first-call resolution</li> <li>▶ Focused on speed-to-answer by live representative</li> <li>▶ All calls routed through local call centers</li> <li>▶ Experienced Customer Care team consistently delivers high level of client satisfaction</li> <li>▶ Simplified Interactive Voice Response (IVR) system</li> </ul>	<ul style="list-style-type: none"> <li>▶ Call center measured primarily by time spent on the call</li> <li>▶ Focused on call expediency; callers typically have longer wait periods</li> <li>▶ Calls may be routed to international call centers</li> <li>▶ Mixed performance and knowledge base of call center representatives result in lower satisfaction rates</li> <li>▶ Call center model is heavily reliant on Interactive Voice Response (IVR) system</li> </ul>
<b>Ownership</b>	<ul style="list-style-type: none"> <li>▶ Navitus is a privately held corporation</li> <li>▶ Entrepreneurial-style leadership team manages the company, with creativity to meet client/patient population needs</li> </ul>	<ul style="list-style-type: none"> <li>▶ PBM may be publicly owned and expected to answer to the financial expectations of Wall Street</li> <li>▶ Decisions on formulary and revenue are driven by PBM incentives rather than client needs</li> </ul>