



Radical in Its Simplicity: Our Approach to Pharmacy Benefit Management

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Where your talent makes an impact

Praxair, Inc. – Who Are We?

- Fortune 250 company.
2017 sales of \$11.4 billion
- Largest industrial gases company in North and South America, and one of the largest worldwide
- Produces, sells and distributes atmospheric, process, and specialty gases, and high-performance surface coatings
- Doing business in more than 50 countries
- 27,000 employees, 9,000 in US
- One million customers worldwide



Making our planet more productive

Did you know Praxair puts...

the **fizz** in soda



the **ease** in breathing



the **spark** in welding



the **clean** in diesel



the **wonder**
in sea exploration

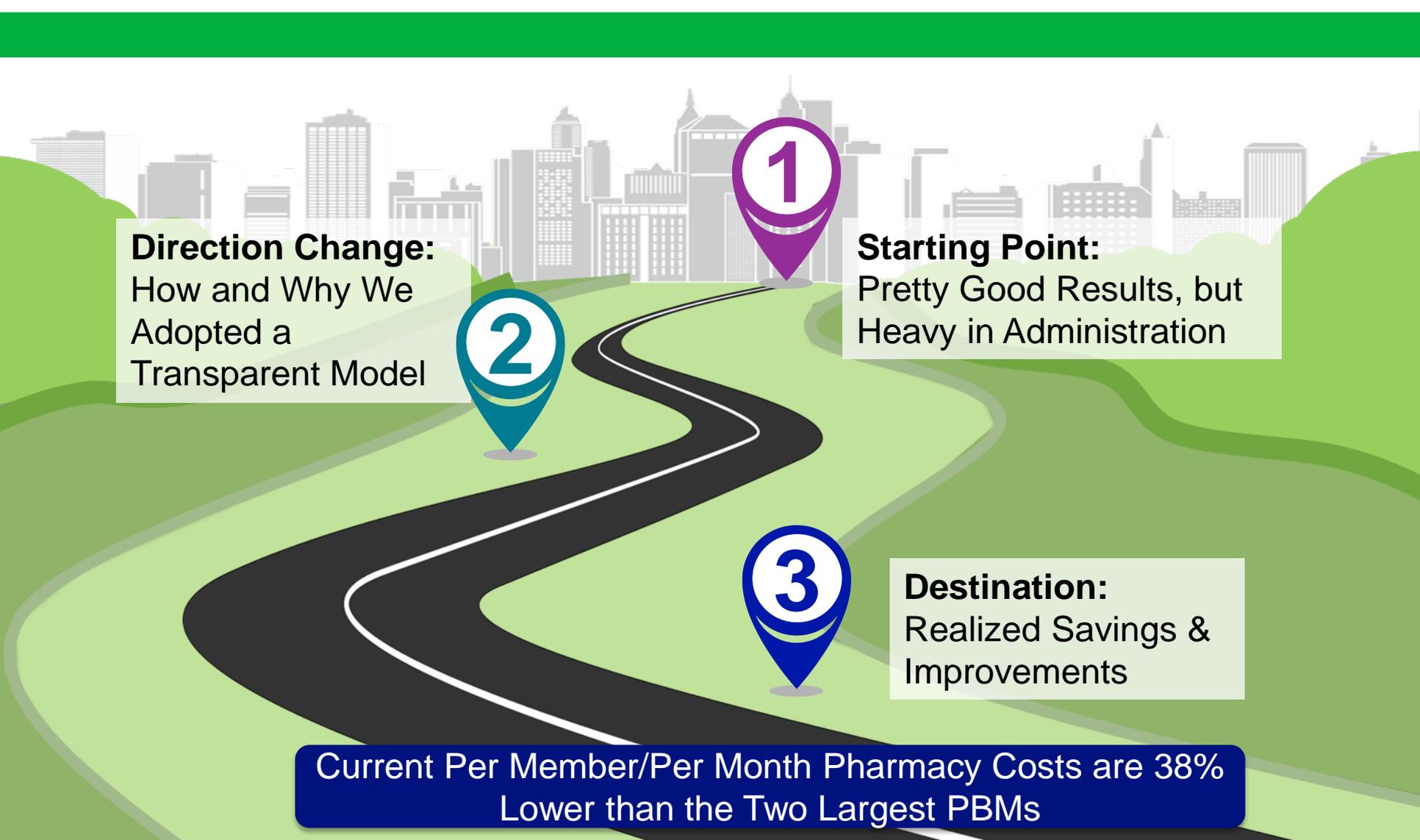


the **ZOOM** in cars



Where your talent makes an impact

Road to Pharmacy Benefits Value



Direction Change:
How and Why We
Adopted a
Transparent Model

1

Starting Point:
Pretty Good Results, but
Heavy in Administration

2

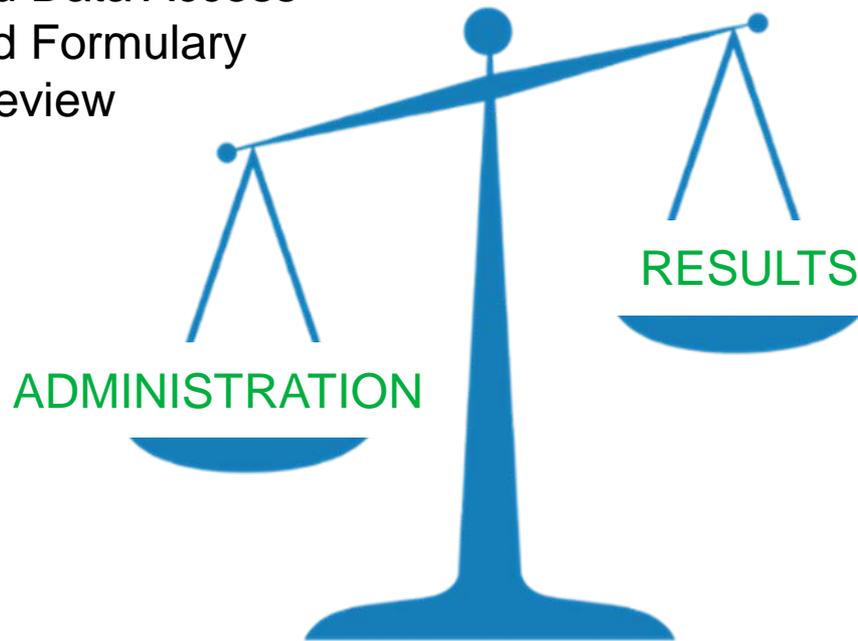
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Destination:
Realized Savings &
Improvements

**Current Per Member/Per Month Pharmacy Costs are 38%
Lower than the Two Largest PBMs**

Close PBM Management Yielded Results, But There Was More Value to Net

- Customized Data Access
- Customized Formulary
- Contract Review
- Audits



- Costs were 30% less than the PBM's book of business

**This approach helped reduce costs, but the administration was a burden to maintain.
We began looking for a different way of doing things.**

The Resources That Helped Us Make the Big PBM Change



Recognition of uncaptured value...with data to prove it



An expert consultant who knew the ins and outs of the PBM industry



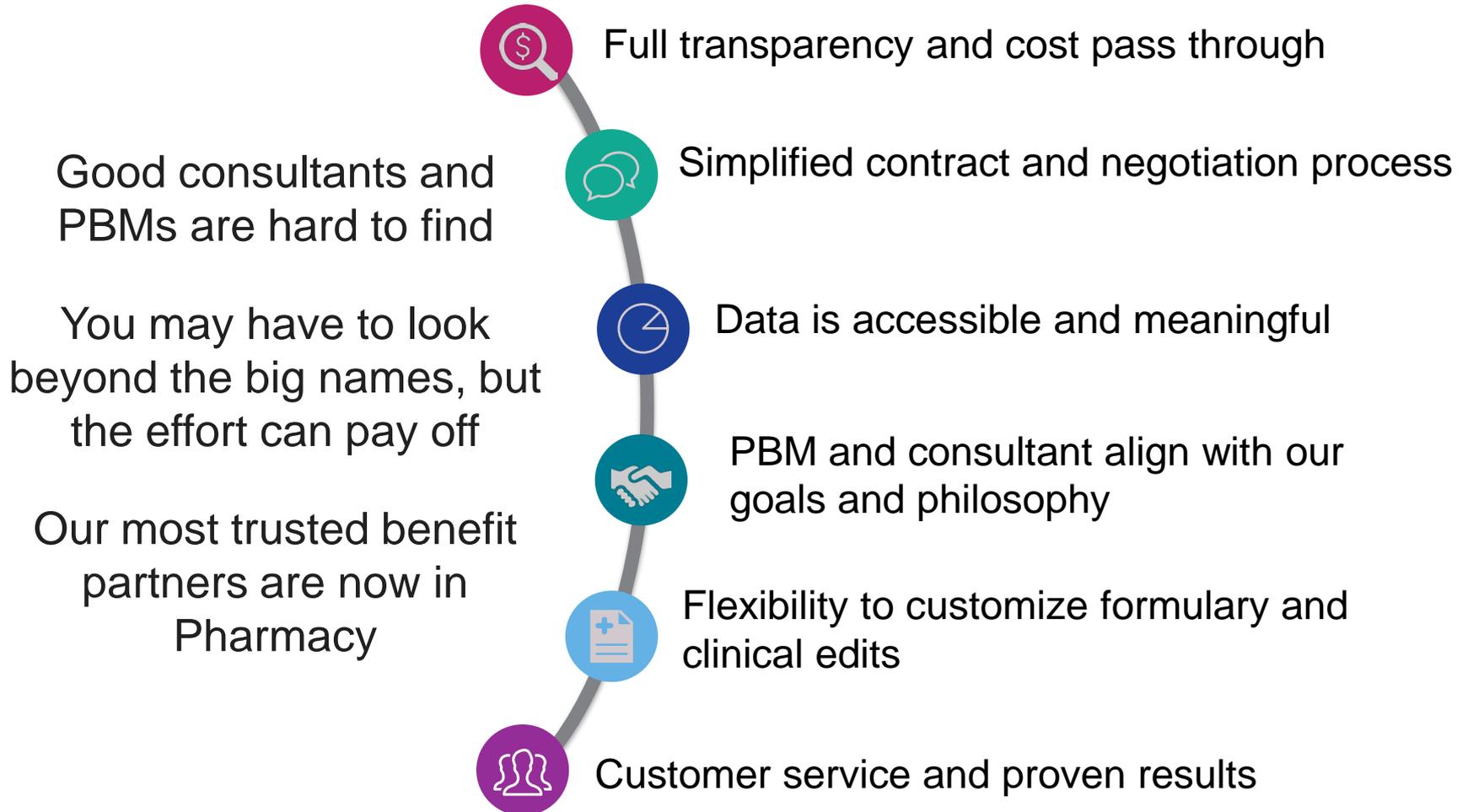
Willingness to look at an alternate PBM model...one that doesn't fit the typical RFP



A new PBM vendor who could demonstrate, before contracting, how their model was in complete alignment with our approach

We switched because we had a specific goal in mind, knew more could be done to meet that goal, and received expert guidance on how to meet that goal.

Why Our Current PBM Works Well for Praxair



What I Mean by “Genuine Transparency”

OPENNESS:

Fully Aligned Drug Management Philosophy

Full access to all data elements

Unrestricted audit rights

Freedom to customize formulary and clinical edits



STRAIGHTFORWARD PRICING:

Administrative fee is sole PBM revenue

Single AWP source

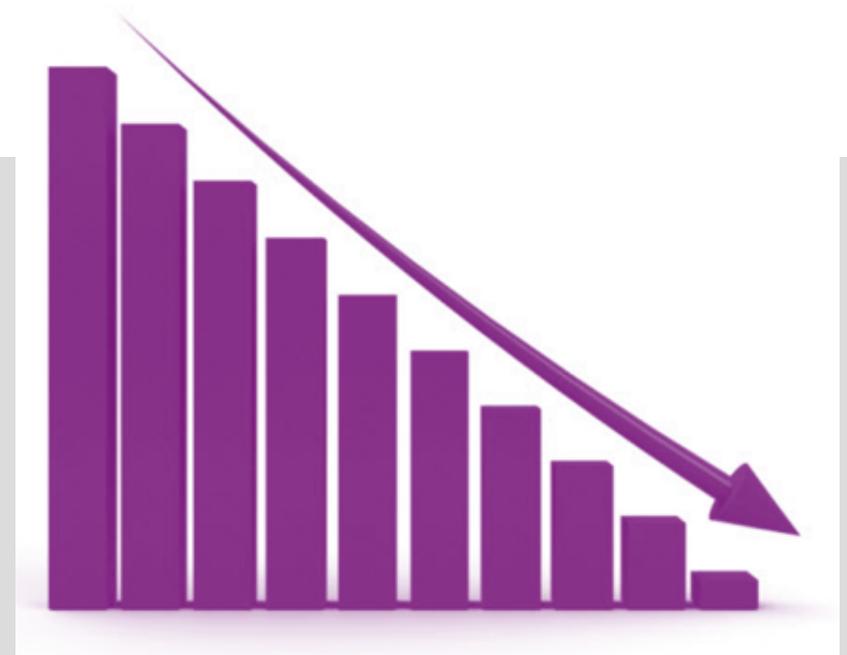
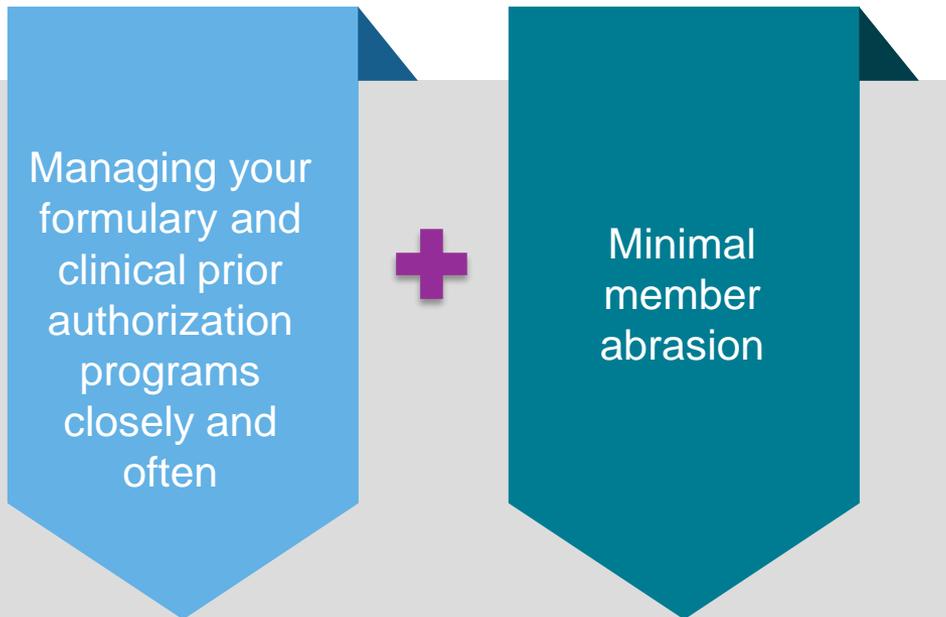
Pass-through pricing for all dispensing channels—we pay what the PBM pays

Inability to move money around (e.g., credit allowance)

This model is zero-spread, transparent, and full pass-through, where all discounts and rebates are provided to clients

Data-Driven Plan Design Helps Reduce Waste and Control Costs

Reduce wasteful drug spend by:



Switching PBMs Yielded Tremendous Savings

Comparison of Praxair's Per Member/Per Month Pharmacy Costs Before and After PBM Switch



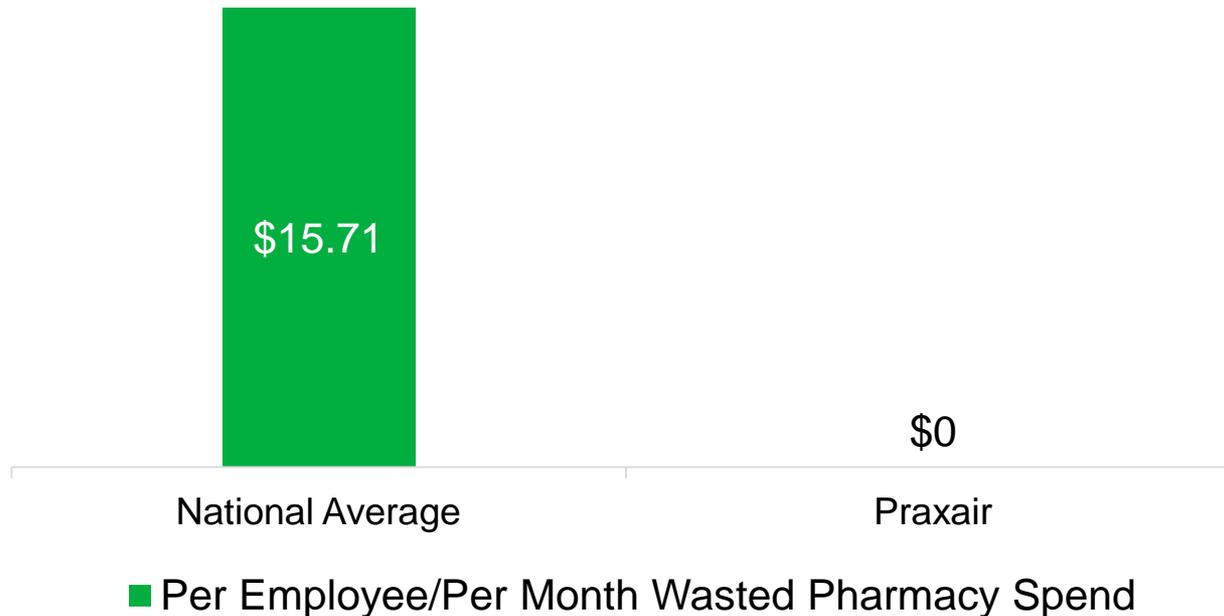
Praxair costs are net of rebate and administrative fees

Praxair's overall costs are only up 7% in a three-year period when specialty drug costs increased dramatically (53%).

*Last full year with a traditional PBM

Switching PBMs Reduced Wasted Pharmacy Spend

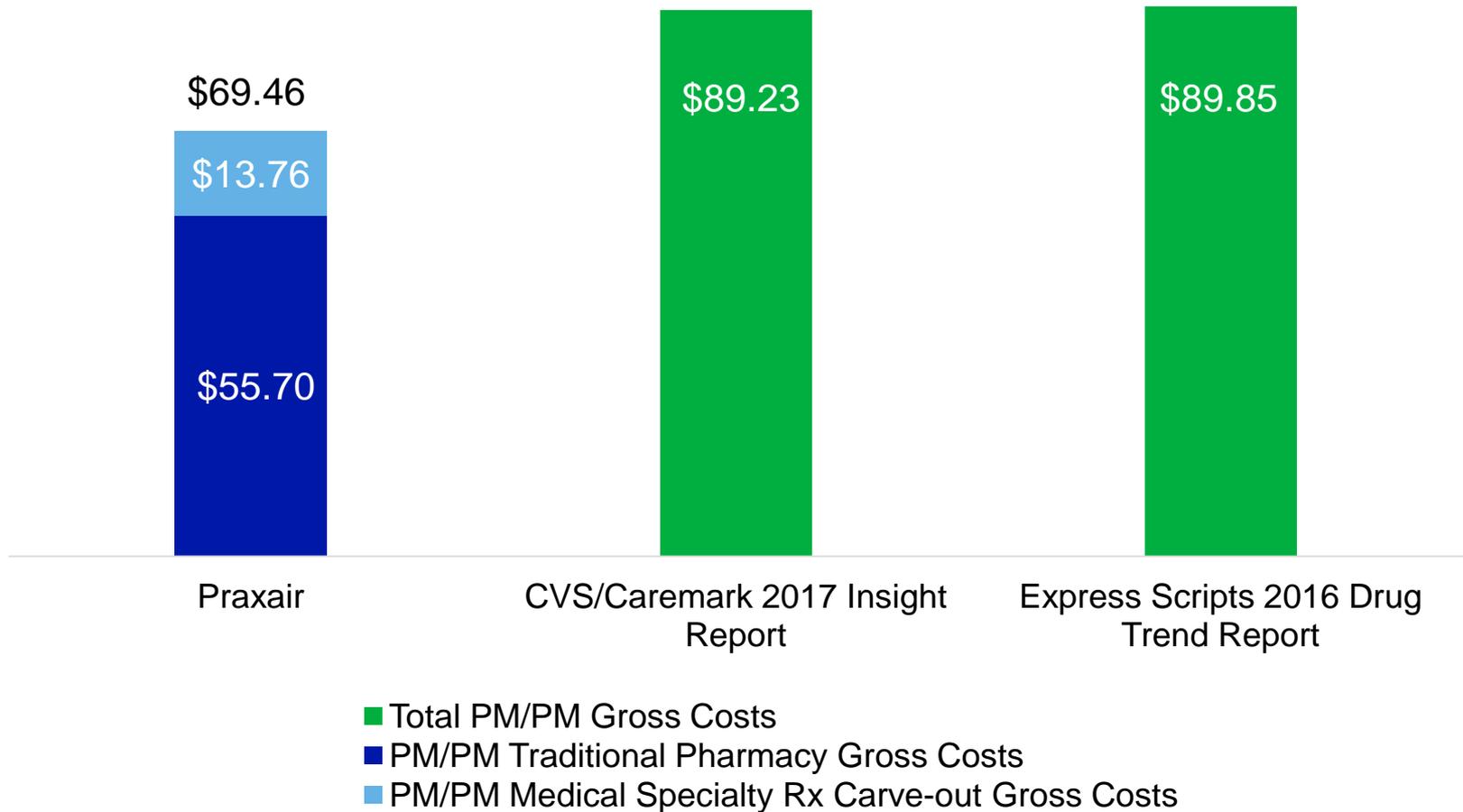
“Wasted” Pharmacy Spend:
National Average vs. Praxair*



*Per analysis conducted for Praxair by Artemis Health in Autumn 2017

Success of Formulary Design is Measurable

2016-2017 Per Member/Per Month
Gross Costs Net of Rebates



Managed PBM Transition to Limit Service Disruption

Alerted providers:
Pre-implementation letters
sent to physicians



Raised prescriber awareness of
drug costs



Notified members in advance



Included 90 day or more transition
period



Very few phone calls into HR
benefits



Our coinsurance plan design helped members and physicians realize significant cost savings

Information and Open Dialogue are Key to PBM Vendor Relationships

Show and Tell:

When considering a PBM, have them look at your data and explain specifically how their approach is different.

Claim Your Data:

It is your data and you should have full access to it.

Audit Discussions Should Be Easy:

If there is nothing to hide the PBM will open their books.

Remember:

- There is little correlation between purchasing power and plan sponsor drug costs.
- The evaluation processes (e.g. spreadsheets) used by large name consultants favor traditional models with rebate heavy approaches.

Parting Advice on Improving Your PBM Relationship and Value of Service

- ✓ **Get information:** Educate yourself about pharmacy benefit management trends and PBMs business models.
- ✓ **Ask questions:** Talk to your PBM and hold them accountable for a response.
- ✓ **Break-up with rebates:** Don't be afraid of losing rebates. It is typically much more financially advantageous to have participants on the lower cost drug than to worry about rebates.
- ✓ **Don't go it alone:** Seek out good advice and invest in finding a partner consultant.

Parting Advice on Improving Your PBM Relationship and Value of Service

- ✓ **Look beyond the usual:** Consider smaller, genuinely transparent PBMs that offer the flexibility and ability to customize all aspects of your plan.
- ✓ **Be confident:** Managing pharmacy isn't as hard as it may seem, but you need to get and stay involved if you aren't 100% comfortable with your PBM

Using the right partner is key in pharmacy more than in any other benefit.

Be your own advocate and find the PBM vendor that meets your needs.



Thank you!

