BCBS Plans and Civica Rx Partner to Produce Lower-Cost Generic Drugs – Opportunities for States

Thursday, April 2, 2020
1:00 – 2:15 pm Eastern

This webinar is supported by Arnold Ventures.
<table>
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<th>Welcome and Introductions</th>
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<tr>
<td><strong>Trish Riley</strong>, Executive Director, National Academy for State Health Policy</td>
<td><img src="image" alt="Trish Riley" /></td>
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|  |  |
| Jennifer Spalding, General Counsel and Chief Operating Officer, Civica Rx | ![Jennifer Spalding](image) |

|  |  |
| **Andy Chasin**, Vice President of Federal Policy and Advocacy, Blue Shield of California | ![Andy Chasin](image) |

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<th>Questions and Discussion</th>
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Delivering **Quality** Medicines that are **Available** and **Affordable**

Jennifer Spalding  
General Counsel and Chief Compliance Officer
A Superstar Team of Hospitals Is Sick of High Drug Prices—
And Launching a Nonprofit Drug Company to Fight Them

BY SY MUKHERJEE 9/6/18
“High costs plague American health care, but so do low costs: Life-saving generics can become so cheap that companies stop making them.”

- BLOOMBERG OPINION
Our Mission:

Make quality medications available and affordable to everyone.
Civica Rx - Established in September 2018

Serving in the public interest as a **non-stock, non-profit** corporation to address shortages of generic drugs while lowering their cost.

Founded by **leading health systems** concerned about generic drug shortages, and **philanthropic members** passionate about improving healthcare.

Committed to transparency, a **one-price-for all model**, and its membership is open to all.

- **~50 Health Systems Members**
- **1200+ Hospitals**
- **30% of U.S. Licensed Beds**
- **46 States**
- **19 Essential Medicines**
Civica Rx is member-driven and committed to eliminating uncertainty within the supply chain.

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<th>The Civica Model</th>
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<td><strong>Not-For-Profit</strong></td>
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<td><strong>Long-Term Guaranteed Contracts</strong></td>
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<td><strong>Redundant Manufacturing</strong></td>
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<td><strong>Advanced Manufacturing in Appropriately Regulated Countries</strong></td>
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<td><strong>Strategic Stockpiles (Safety Stock)</strong></td>
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- Fair and Sustainable Prices
- Transparency and One Price
- No Fees or Rebates
- Promote Competition
- Long-Term Guaranteed Contracts
- Redundant Manufacturing
- Advanced Manufacturing in Appropriately Regulated Countries
- Strategic Stockpiles (Safety Stock)
- Transparency Location of Manufacturing Facility

Civica Rx is member-driven and committed to eliminating uncertainty within the supply chain.
Civica’s Three-pronged Manufacturing Approach

1. Work with generic drug manufacturers that have the US FDA approved manufacturing facilities to produce generic drugs under Civica’s National Drug Code, allowing manufacturers to re-enter the market or increase existing capacity.

2. Develop Abbreviated New Drug Applications (ANDAs) for generic drugs and working with contract manufacturing organizations to produce Civica medications.

3. Acquire/build Civica manufacturing facilities using Civica’s ANDAs
What is an ANDA?

• Abbreviated New Drug Application
• Application contains data which is submitted to FDA for the review and potential approval of a generic drug
• Once approved, an applicant may manufacture and market the generic drug product to provide a safe, effective, lower cost alternative to the brand-name drug it references
• 2-3 year process from product development to submission of the application to FDA and the ability to distribute the approved product
Vancomycin: The First Medication to Reach Hospitals

In September 2019, the first order was placed for a Civica product. Today, 18 products are now produced, with many shipped.
Update: Expanding Our Mission to Reach Consumers

With BCBS companies, we’re creating a new entity that is open to other health plans, employers, retailers and other health care innovators who will pass along savings to consumers.

Lower costs for select high-cost generics for consumers
Why the Blues?

BCBS Companies are well positioned to lead in addressing uncompetitive pricing:
  • given the size of their collective purchases
  • given their vested strategic imperative to lower costs
  • given their desire to improve affordability for the health of the people that they insure

CIVICA™ + BlueCross BlueShield Association = Lower costs for select high-cost generics for consumers
Civica’s Role in the Generic Drug Market

1. Bring true competition to the generic market, focusing on value (price and quality). **We will work with BCBS to bring competition to the consumer market.**

2. Ensure stable and predictable supply of essential generic drugs, correcting shortages.

3. Be a conscience of the market, serving as a check against aggressive pricing behavior of generic drug manufacturers.
LOWERING THE COST OF PRESCRIPTION DRUGS
A BOLD NEW PARTNERSHIP

[Logos]
Generic drug price increases continue to make headlines

The New York Times
20 States Accuse Generic Drug Companies of Price Fixing

JAMA
Changes in Retail Prices of Prescription Dermatologic Drugs From 2009 to 2015

Forbes
Why Did That Drug Price Increase 6,000%? It's the Law

The New York Times
Defiant, Generic Drug Maker Continues to Raise Prices

The New York Times
Valeant's Michael Pearson Admits Aggressive Drug Price Increases Were a Mistake

The New York Times
2 Former Drug Executives Charged With Price Fixing
Generic drug price increases represent a textbook market failure

Martin Shkreli
Former CEO, Turing Pharmaceuticals
Current resident, Fort Dix Federal Correctional Institution
Despite the overall trend toward affordability, some generic prices moved in the opposite direction.

More than 3,500 generic drugs saw prices at least double between 2008 and 2015.¹ Of 21,006 generic drugs analyzed by Connecture, 9,613 saw price movement during the period. The remaining 11,393 drugs saw no price change.

Why Did Mylan Hike EpiPen Prices 400%? Because They Could

Forbes

2,800% increase in digoxin’s price in one year²

8000%+ increase in doxycycline hyclate’s price over a six-month period³
Gleevec’s generic progression is emblematic of the challenges in high-priced generics

Timeline of Gleevec and Generic Imatinib Mesylate

2001
Gleevec, an innovative cancer drug launches

2015
Gleevec’s patent exclusivity expires

2017
24% of drug prescriptions are written for branded Gleevec, marked “dispense as written” between 2016 and 2018

2018
Generic Imatinib Mesylate exceeds 80% market share in 2018 – but the WAC is still more than 2x Gleevec’s 2009 WAC

2001-2015
Gleevec’s list price rose from $26,000 per year to over $120,000 with single-digit rebates in later years

2016
Three players enter the market, producing a generic form of Imatinib Mesylate, taking nearly 50% of market share and setting WAC just 5% below Gleevec’s inflated price

Hospitals decided to do something about shortages and price gouging

FORTUNE
A Superstar Team of Hospitals Is Sick of High Drug Prices—And Launching a Nonprofit Drug Company to Fight Them

npr
HEALTH INC.
Hospitals Prepare To Launch Their Own Drug Company To Fight High Prices And Shortages
Civica Rx’s role in the generic drug market

1. Bring true competition to the generic market, focusing on value (price and quality)
2. Ensure stable and predictable supply of essential generic drugs, correcting shortages
3. Be the conscience of the market, serving as a check against aggressive pricing behavior of generic drug manufacturers
What does being a member of Civica Rx mean?

What do you get?
- Access to a predictable supply of essential generic medications
- Fair prices with full transparency
- An opportunity to help stabilize the generic drug market

What is required to be a member?
- Make a capital investment
- Execute a Minimum Viable Volume (MVV) take-or-pay agreement with Civica Rx with the option to purchase individual CivicaRx produced drugs under certain conditions
An ideal portfolio considers drug economics, member impact, and disruptive signaling.

**PRIORITIZATION OF GENERIC DRUGS**

**Economic Value**
The potential for economic value should be assessed via:
1. Total generic market size
2. Generic drug’s unit price
3. Total price inflation

**Member Impact**
The degree of impact on member experience should be assessed by:
1. Primary indication’s severe or chronic nature
2. Ability to deliver through direct channels
3. Additional member support services needed

**Disruptive Signaling**
A drug’s potential to send a disruptive signal to correct the market

Drugs prioritized for further consideration by Plans.
Plans tested each step of the value chain to define the right business model.
Announced launch of Civica subsidiary for outpatient drugs on January 23rd

Los Angeles Times
WORLD & NATION
Health insurers take on Big Pharma, plan to manufacture their own drugs

The New York Times

Major Insurers Pledge $55 Million to Try to Lower Generic Drug Prices
The Blue Cross Blue Shield Association and others say they have agreed to invest in a nonprofit’s effort to develop and sell cheaper drugs.

Civica Rx launches spinoff to help insurers save prescription drug costs
The opportunity will continue to expand as branded drugs face generic competition...

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<tr>
<th>Year</th>
<th>Key drugs with expiring patents</th>
<th>(US market size)</th>
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<tr>
<td>2020</td>
<td>DEXILANT, NOXAFIL, ABSORICA,</td>
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<tr>
<td></td>
<td>Delzicol, CHANTIX</td>
<td>($406M)</td>
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<td></td>
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<td>($126M)</td>
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<td>($577M)</td>
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<td>($696M)</td>
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<td></td>
<td>($454M)</td>
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<tr>
<td>2021</td>
<td>amitiza, Sutent, Brilinta,</td>
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</tr>
<tr>
<td></td>
<td>Bystolic, Truvada, Brovada</td>
<td>($165M)</td>
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<td>($153M)</td>
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<td>($385M)</td>
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<td>($356M)</td>
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<td>($1.29B)</td>
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<td></td>
<td>($112M)</td>
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<tr>
<td>2022</td>
<td>Revlidium, VIMPAT, Januvia,</td>
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<tr>
<td></td>
<td>Janumet XR, Vibryd, Enbrel</td>
<td>($1.46B)</td>
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<td>($497M)</td>
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<td>($2.29B)</td>
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<td>($942M)</td>
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<td>($151M)</td>
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<td>($156M)</td>
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<tr>
<td>2023+</td>
<td>HUMIRA, Enbrel</td>
<td>($18.14B)</td>
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<tr>
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<td>($4.6B)</td>
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<td>(many others)</td>
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Please type your questions into the Q&A box.
Thank you!

Your opinion is important to us. After the webinar ends, you will be redirected to a web page containing a short survey. Your answers to the survey will help us as we plan future NASHP webinars.

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