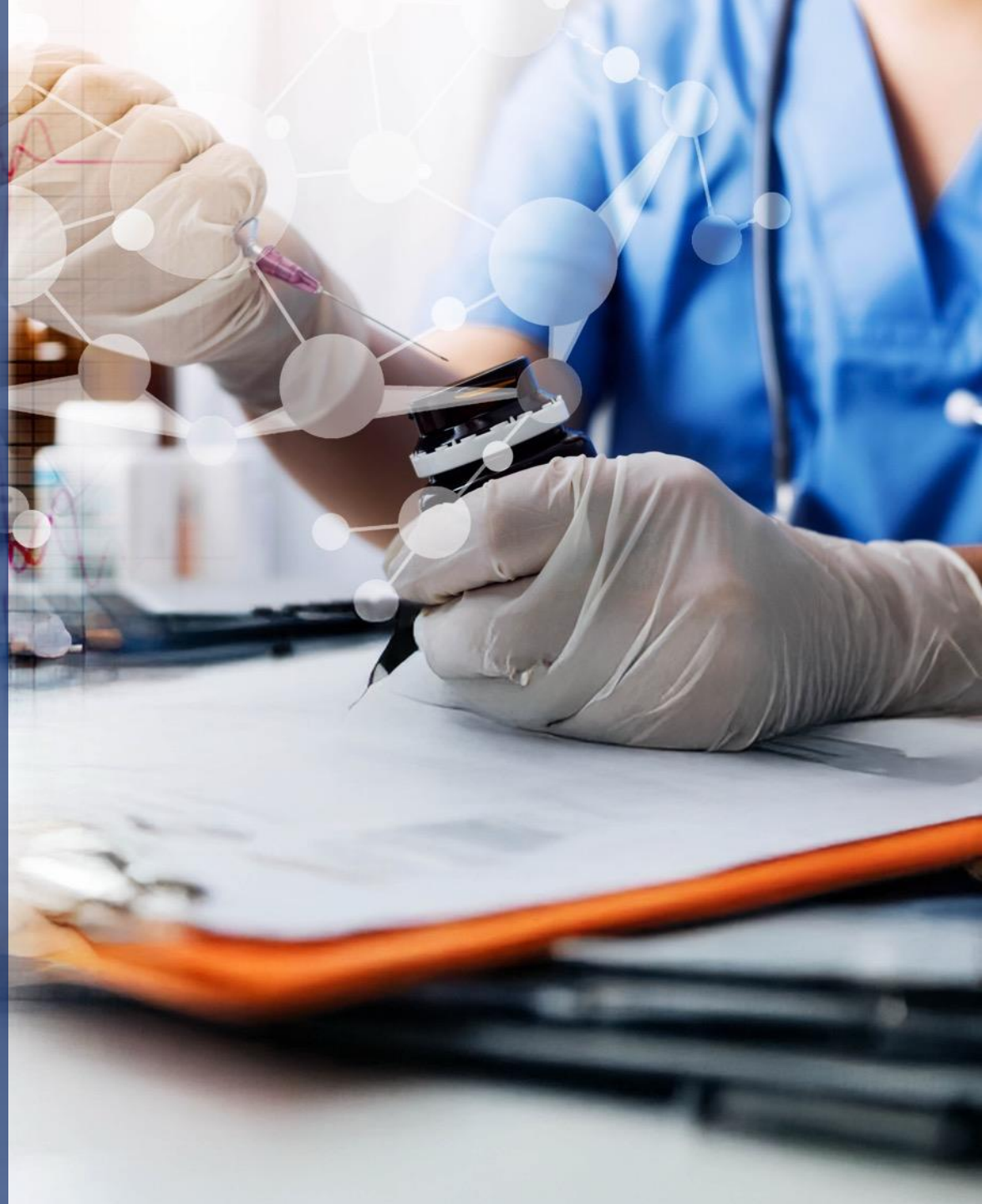
PUERTO RICO Health Insurance CONFERENCE 2026

Rx Complexity as a Business Model:

Why drug pricing is so complicated — and accountability is questioned?

Moderator: Carolyn Rodríguez, Pharm.D.,
Chief Pharmacy Officer, MCS



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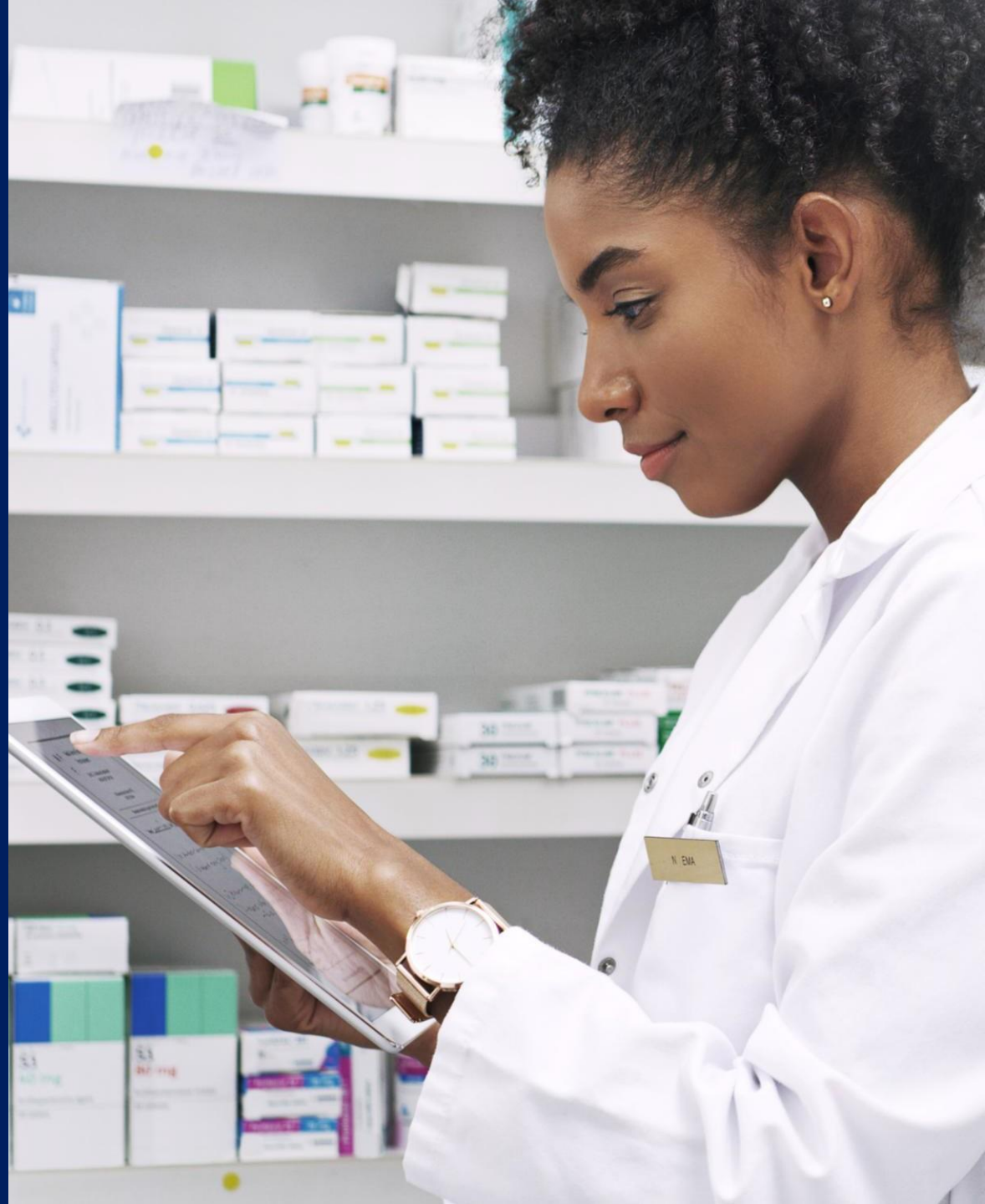
Drug Pricing Benchmarks & Distribution Model



Dr. Martty Martínez Fraticelli
President & CEO
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The evolution of pricing benchmarks is one of the core structural reasons drug pricing has become so difficult to understand, regulate and compare.

Legacy Era: WAC, AWP, and Early Caps

WAC — Reflected manufacturer list prices but lacked transparency on discounts and rebates affecting true costs.

AWP — AWP was the primary drug pricing benchmark, but it was publisher-defined and often set above actual costs.

Speaking about Complexity & Accountability

- **WAC & AWP are attached to an NDC.**
- **Pre and Post Rollback litigation.**

Policy Shifts and newer Data-Driven Benchmarks are adopted, ASP & AMP and AWP declines…

ASP — The Medicare Modernization Act of 2003 mandated ASP adoption, improving pricing transparency and reducing reimbursements

AMP — Avg Manufacturer Price and basis for Medicaid

AWP — Litigation over nontransparent AWP markups led to reduced reliance on AWP and changes in pricing compendia.

Difference between brands and generics in terms of NDCs. For generics, multiple NDCs for the same drug. Meaning, multiple pricing for the same drug. The born of MAC pricing.

Foundation for Modern Pricing as the transition to ASP and AMP established modern transaction-based drug pricing and transparency models.

Prior benchmarks did not reflect what pharmacies *actually paid* for drugs, so new acquisition-based pricing benchmarks emerged.

"Real-cost" benchmarks grounded in actual pharmacy purchasing patterns.

NADAC

- NADAC was created to align drug reimbursement with actual pharmacy acquisition costs based on voluntary invoice surveys.
- Many states Medicaid programs adopted NADAC plus a dispensing fee, replacing older pricing methodologies like AWP-minus and WAC-plus.

AAC

- State-specific AAC programs mandate cost reporting to create accurate acquisition cost benchmarks at the state level.

Impact and Transparency Trends

NADAC influenced commercial payment reforms and promoted transparency and auditability in pharmacy reimbursement.

Modern Federal Pricing Controls

IRA Maximum Fair Price (MFP) and Inflation Rebates

- **Maximum Fair Price (MFP) Implementation**

The IRA establishes MFP as a ceiling price for select high-cost Medicare drugs, effective January 2026, with significant negotiated discounts.

- **Inflation-Based Rebates**

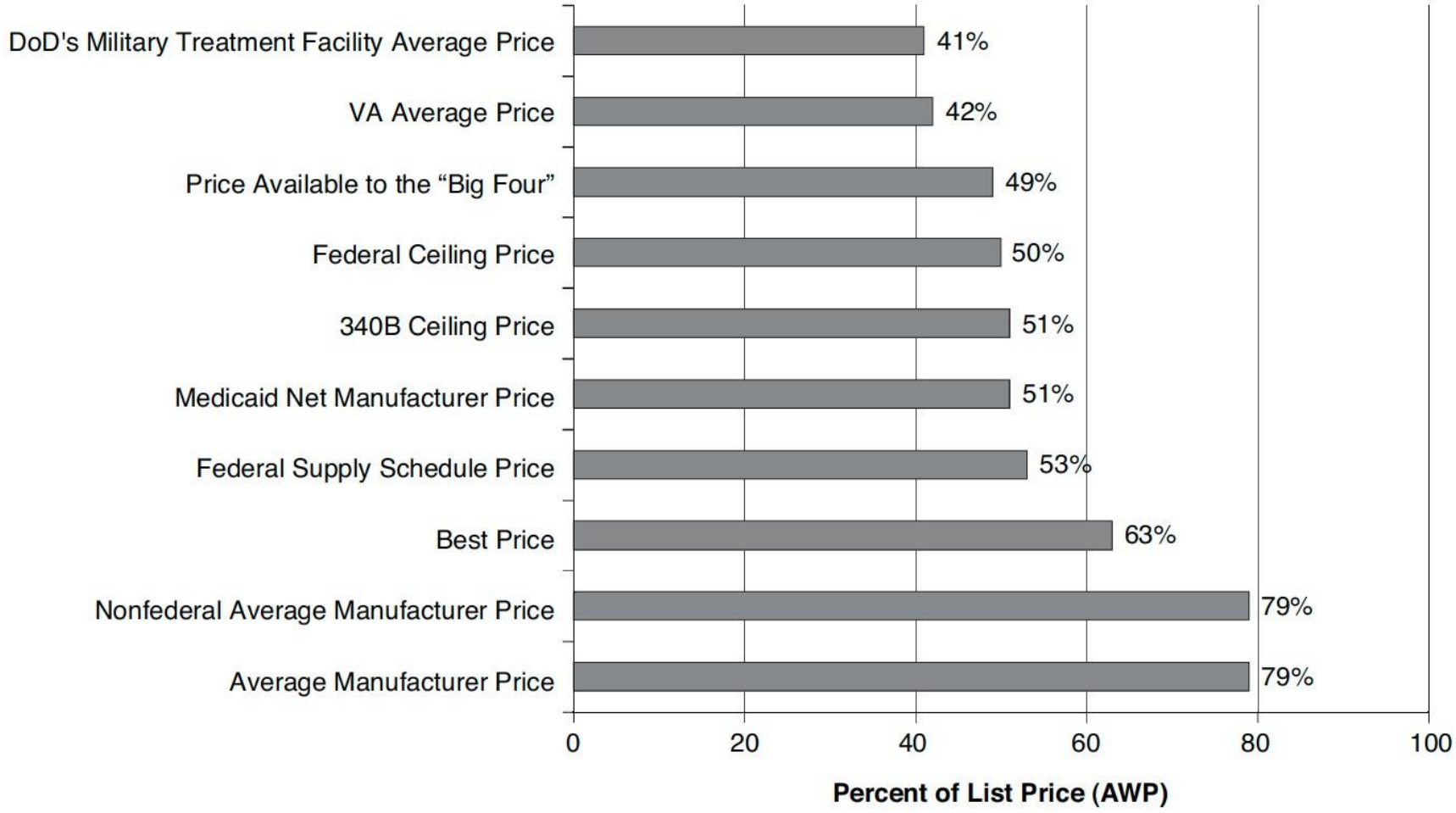
Manufacturers must rebate price increases exceeding CPI-U benchmarks, reducing costs and coinsurance for Medicare Parts B and D beneficiaries.

- **Impact on Pricing and Forecasting**

MFP and inflation rebates reshape manufacturer revenues and payer forecasting, influencing U.S. drug pricing and reimbursement models.

Comparison Among Benchmarks

Estimated Prices Paid to Manufacturers, Relative to List Price (AWP), for Brand-Name Drugs Under Selected Federal Programs



Source: CBO. Prices for brand-name drugs under selected federal programs. June 2005.[48]

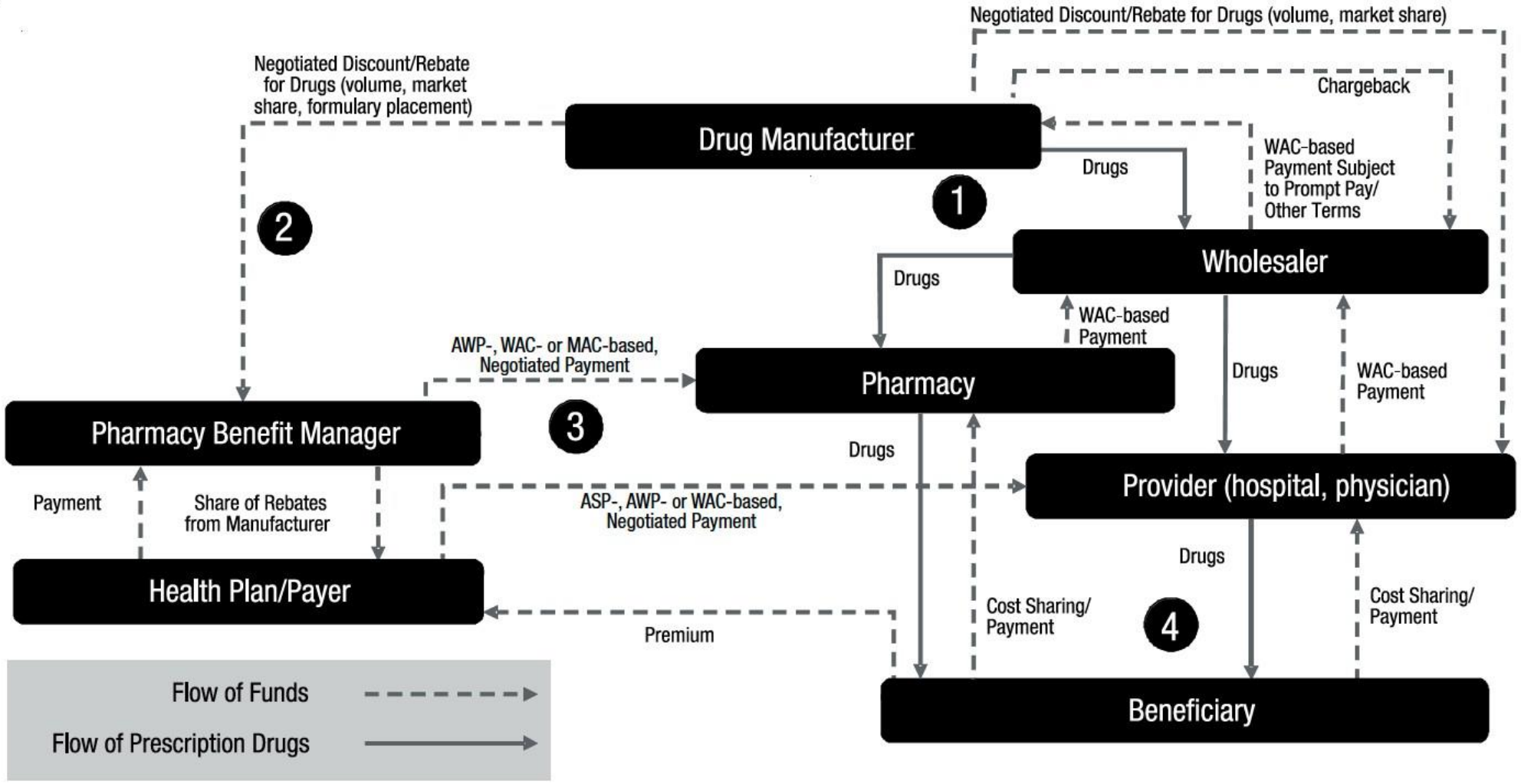
Maximum Fair Price vs. AWP

The MFP is a ceiling price that started in 2026 for selected high-cost Medicare drugs. Medicare now has gained the authority to negotiate and cap the price of selected drugs, resulting in substantial reductions from the traditional list price (AWP).

Drug Examples	AWP (2024)	MFP (2026)	Reduction
Januvia	$22.92	$3.91	–79%
Fiasp	$42.99	$8.96	–75%
Farxiga	$23.29	$6.05	–68%
Enbrel	$2,220.55	$583.54	–68%
Jardiance	$24.44	$6.79	–66%
Stelara	$33,411.42	$8,979.65	–67%
Xarelto	$22.78	$6.88	–63%
Eliquis	$11.89	$4.15	–57%
Entresto	$13.76	$5.23	–54%
Imbruvica	$702.49	$353.94	–39%

Reductions shape pricing strategies

Drug Distribution Model



Complexity and Transparency?

Vertical Business Relationships Within the U.S. Drug Channel, 2025

	BlueCross BlueShield	The Cigna Group	Centene Corporation	CVS Health		Humana	UnitedHealth Group
Insurer	BlueCross BlueShield	cigna healthcare	Medicaid, wellcare, ambetter.	aetna	Anthem Wellpoint	Humana	United Healthcare
PBM	Prime Therapeutics[1]	Express Scripts (By Evernorth)	Centene Pharmacy Services[5]	CVS caremark	carelon Rx[6]	Humana Pharmacy Solutions	Optum Rx
GPO	synergie[2]	Ascent Health Services	—	zinc Health Services	synergie[2]	—	EMISAR
Manufacturer	—	Quallent Pharmaceuticals	—	cordavis	—	—	nuvaila
Wholesale distribution	—	CuraScript SD (By Evernorth)	—	—	—	—	Optum Frontier Therapies
Specialty/mail pharmacy	Prime Therapeutics Pharmacy[3]	Accredo (By Evernorth), Freedom Fertility (By Evernorth)	AcariaHealth Specialty Pharmacy	CVS specialty	carelon Rx, BioPlus (A Carelon Company)	CenterWell Specialty Pharmacy	Optum Specialty Pharmacy
Retail/LTC pharmacy	—	—	—	CVS pharmacy, Omnicare (a CVS Health company)	—	—	genoa healthcare, PHARMSCRIPT
Provider	—	Evernorth Care Group, MDLIVE, VillageMD[4]	Community Medical Group, Magellan Health	CVS minute clinic, signifyhealth, Oak St. Health	carelon Health, carelon Behavioral Health	CenterWell Senior Primary Care, CenterWell Home Health, conviva Senior Primary Care	Optum

PBM = pharmacy benefit manager; GPO = group purchasing organization; LTC = long-term care

1. Prime Therapeutics sources formulary rebates from—and has a minority ownership interest in—Ascent Health Solutions, which is part of Cigna's Evernorth segment.
2. Synergie is a buying group focused on medical benefit drugs. Its ownership includes the Blue Cross Blue Shield (BCBS) Association, Prime Therapeutics, Elevance Health, and other independent BCBS health plans.
3. Prime Therapeutics Pharmacy was previously known as Magellan Rx Pharmacy. Prime's clients have the option to use Express Scripts for mail/specialty pharmacy services.
4. In 2022, Cigna invested $2.7 billion for an estimated 14% ownership stake in VillageMD. In 2024, it wrote down the full value of this investment. Walgreens Boots Alliance owns a majority of VillageMD.
5. Centene began outsourcing its PBM operations to Express Scripts in 2024. In 2023, Centene rebranded its Envolve Pharmacy Solutions pharmacy benefit subsidiary as Centene Pharmacy Services.
6. CVS Caremark provides certain PBM services to CarelonRx business. CarelonRx also sources formulary rebates from—and has a minority interest in—Zinc Health Services, which is a subsidiary of CVS Health.

Source: *The 2025 Economic Report on U.S. Pharmacies and Pharmacy Benefit Managers*, Exhibit 261. Exhibit does not illustrate every subsidiary business operated by each company.

DRUG CHANNELS INSTITUTE
An HMP Global Company

Complexity Isn’t the Problem: Opacity Is

Transparency, pass-through models, and enforceable audit rights turn complexity into something measurable, comparable, and accountable.

The true test, however, is whether the system creates measurable value for patients. If patient outcomes, affordability, and access are not improving—and being measured—then transparency alone is not enough.

Contacto

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Prescription Drug Pricing: Complexity & Accountability

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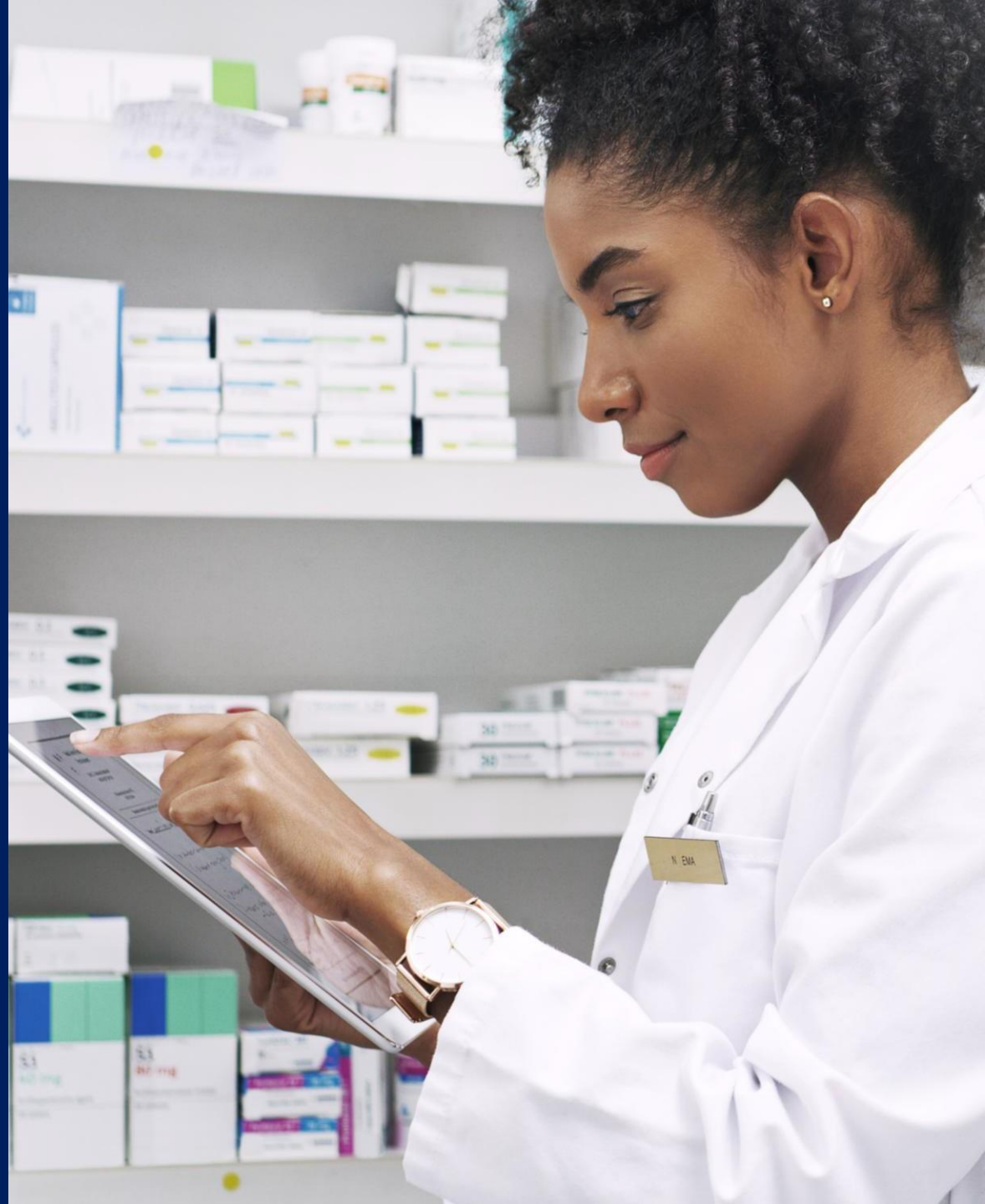
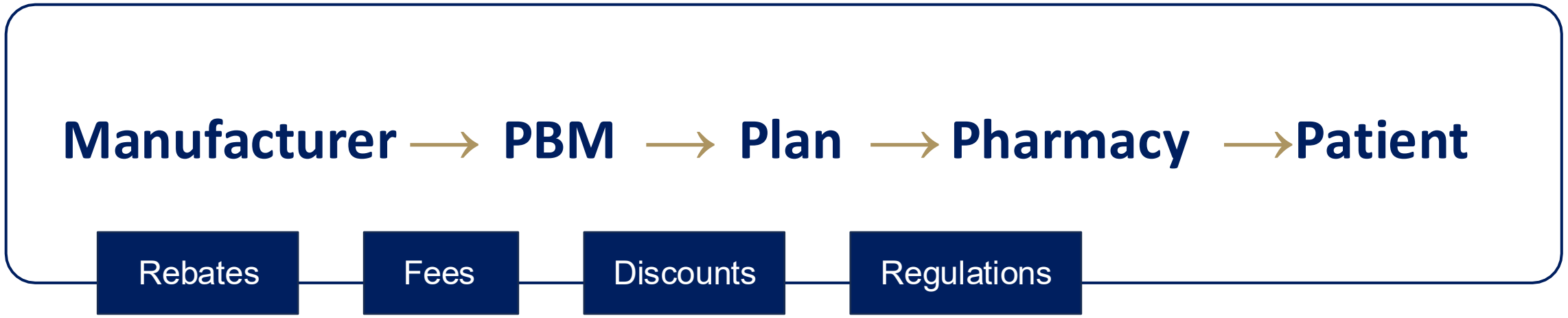


How the Ecosystem Works



There is no single price for a drug: the same drug can have **multiple prices** depending on **the pathway.**

Drug Pricing: From Complexity to Accountability

Multiple payers, multiple rules

Same drug, different pricing outcomes

Tradeoffs: access, affordability, innovation

Policy & regulatory Trends targeting lower drug costs & transparent pricing

The Challenge:

We're trying to solve **multiple pricing systems** at the same time.

Medicare: Lowering Drug Costs Thru Government Intervention

Inflation Reduction Act (IRA)

Maximum Fair Price (MFP), effective Jan 2026

*Allows Medicare to **negotiate drug prices directly** with manufacturers*

2026: 10 drugs

2027+: expansion to additional drugs

Works alongside other major changes: 2k annual OOP cap; Insulin cap

36%

Medicare Drug Spend Impacted

~6B

Medicare Savings (2026)

~1.5B

Estimated Beneficiary Savings

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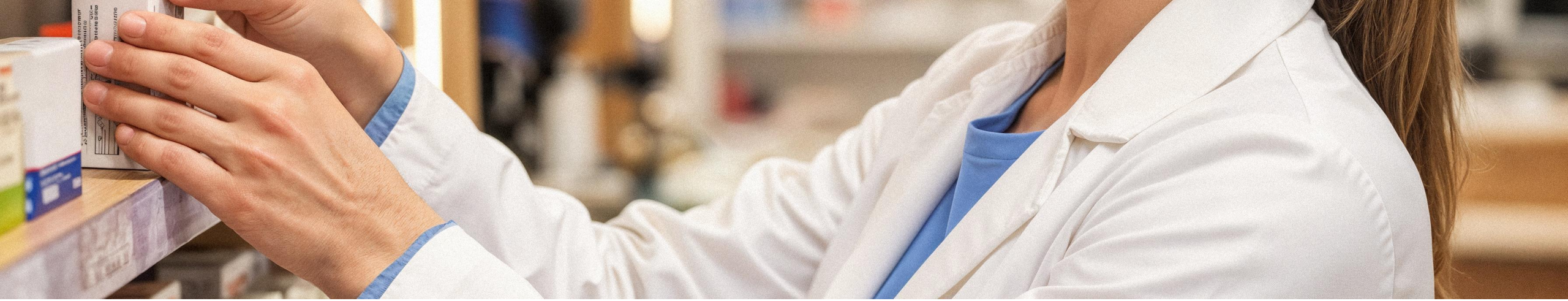
MFP and Impact on Pharmacies

1. Pharmacy buys at market price
2. Reimbursement based on lower MFP
3. Remainder Manufacturer payment comes later via CMS

Timing Gap: Pharmacies don't get fully reimbursed right away—they have to wait to be made whole

Buy High → Low Price → Tight Margins + Cash Flow Pressure



Medicaid: Price Protections + Net Cost

- Medicaid gets lowest price
- Additional inflation rebates
- Net cost often much lower
- Pricing decisions affect other markets (trickle-down effect)

Emerging Models from Center for Medicare & Medicaid Innovation (CMMI)

*These models reflect **CMMI's directional policy framework** to control total drug spend across Medicare Part-D, Part-B and Medicaid, either short or long term.*

Model		Objectives
GUARD & GLOBE: Guarding Against Rising Drug Costs (Part-D) & Global Benchmark for Efficient Drug Pricing (Part-B)	→	Lower net costs by requiring manufacturers to pay penalties when Part-D & Part-B drug prices exceed an international index price.
GENEROUS: Generating Cost Reductions for U.S. Medicaid Model (Medicaid)	→	Ensure Medicaid drug pricing aligns with international prices by allowing manufacturers to provide supplemental rebates to participating states
BALANCE: Better Approaches to Lifestyle and Nutrition Comprehensive hEalth Model (Medicare & Medicaid)	→	Direct gov't negotiation for GLP-1s to lower costs and improve accessibility as a prevention approach

Federal PBM Reform & Regulatory Trends

Regulatory framework is moving quickly into pricing visibility, data, and PBM oversight, meaning more scrutiny & transparency

CAA 2026 - PBM Reform	Department of Labor - ERISA Regulations
Regulate PBM pricing practices	Enforce fiduciary oversight of plan costs
Pass-through required; spread pricing restricted; delinking	Must **disclose all compensation** (incl. spread, rebates)
Detailed **drug cost + rebate reporting**	**Broker/PBM compensation disclosure** to plan sponsors
Federal standards on PBM conduct	**Fiduciary duty** to assess reasonableness of PBM fees
Forces PBM model shift	Forces **employer oversight + audit readiness**

Transparent models

Fiduciary expectations

Cost visibility

The Big Picture: Where This Is Going

Medicare	→	Gov’t Price Influence
Medicaid	→	Price Floor
PBM Reform	→	Transparency

Every reform solves one problem — but creates ripple effects across the system.

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Thank you!

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