

MEMORANDUM

To: Maria Carell, Al Triunfo, Jeff Hostler, Joey Evans, Stuart Loesch
From: Jeff Hofmeister
Date: August 1, 2014
Subject: CVS Caremark Formulary Decisions - 2015

CVS Caremark

CVS Caremark, the second largest PBM in the U.S. with approximately 60MM pharmacy lives, announced today their formulary exclusions for 2015. These changes will become effective January 1, 2015. These products will be excluded on approximately 60% of the CVS Caremark lives.

Dymista

Dymista was excluded by CVS Caremark beginning in 2014 and will remain blocked in 2015. Fluticasone will remain in the generic tier while Nasonex remains the only Tier 2 Nasal Steroid on their formulary. The remaining Nasal Steroid branded products will also be excluded. In 2014 and now in 2015, Dymista was placed in the Nasal Steroid market basket which required us to bid to replace Nasonex as the preferred formulary item (in an excluded category, they will only have one preferred product). We made numerous attempts to be moved to the nasal antihistamine category or to an exclusive category of our own but were not successful. In January of 2014, Dr. Nancy Ruiz met with the Caremark VP of Pharmacy to discuss Dymista and its category placement. Despite these efforts we remained in the Nasal Steroid category.

For the 2015 formulary year, we enhanced our rebate offers in an effort to replace Nasonex. We offered 58% plus admin fee for Tier 2 and 15% plus admin fee for Tier 3. Feedback from the client this week regarding Dymista was: *"Your rebate was phenomenal; however you still can't replace the Nasonex dollars"*. It's anticipated they will rebid the category when Nasonex goes generic.

Currently, even with the restriction on 60% of their lives, approximately 39% of the Dymista prescriptions are adjudicating unrestricted. In Q1 2014 we paid rebates for Tier 3 (15% + Admin fee) on 28,000 Dymista prescriptions. This does not include the number of Dymista prescriptions filled by use of the McKesson override program for claims that were blocked. We anticipate these numbers of adjudicated claims with Caremark to continue to grow.

Aerospan

While historically the asthma category has seen little formulary management, we have seen that change drastically in the last 12-18 months. With recent additions to the category of Alvesco and now Aerospan, there are now 6 products in the category with no generics in the class. Discussions with customers have centered on the premise that they see no real differentiation and therefore are beginning to treat the category as more of a commodity. While you won't see the category limited to one product like we do for Dymista, you can expect to see limits and restrictions. With 6 products, payers can create



a situation where companies have to bid against each other to be 1 of 4 on formulary, with the remaining products being blocked and restricted. Rebate percentages and prescription volume are both considered in the final determination of formulary inclusion.

With the launch of Aerospan in April of 2014, we have been adjudicating at Tier 3 unrestricted with CVS Caremark. That will continue for the balance of 2014. In January of 2015, Aerospan will be on the excluded list in this category along with Alvesco. Tier 2 formulary products will be QVAR, Pulmicort Flexhaler, Asmanex and Flovent. The excluded formularies impact approximately 60% of the CVS Caremark lives. We will be Tier 3 on the balance of their lives.

With the acquisition of Aerospan in October of 2013, we began to schedule appointments with payers to discuss formulary inclusion. We met with CVS Caremark in January of 2014. Dr. Nancy Ruiz did the clinical presentation for the CVS Caremark, VP. of Pharmacy. Numerous subsequent meetings were held between our Account Manager and their contracting team. The 2015 bid requests came to us in May of 2014. Knowing that this was going to be an excluded category we enhanced our bids to 47% + admin to be in the Tier 2 position and 20% + admin to be Tier 3 unrestricted. Feedback from the client indicated: *"it was a fight to the end. Our contract was good. Very low volume killed us. Qvar was still the lowest net which means they went deeper than they did last year"*. If we can show increases in volume and a positive trend, we will have an opportunity again in 2016 to remove the restrictions and become a Tier 2 preferred product.

I would anticipate approval rates for Aerospan to be similar to that of Dymista in 2015. Currently, we are seeing approximately 39% of Dymista prescriptions adjudicating at a Tier 3 position.