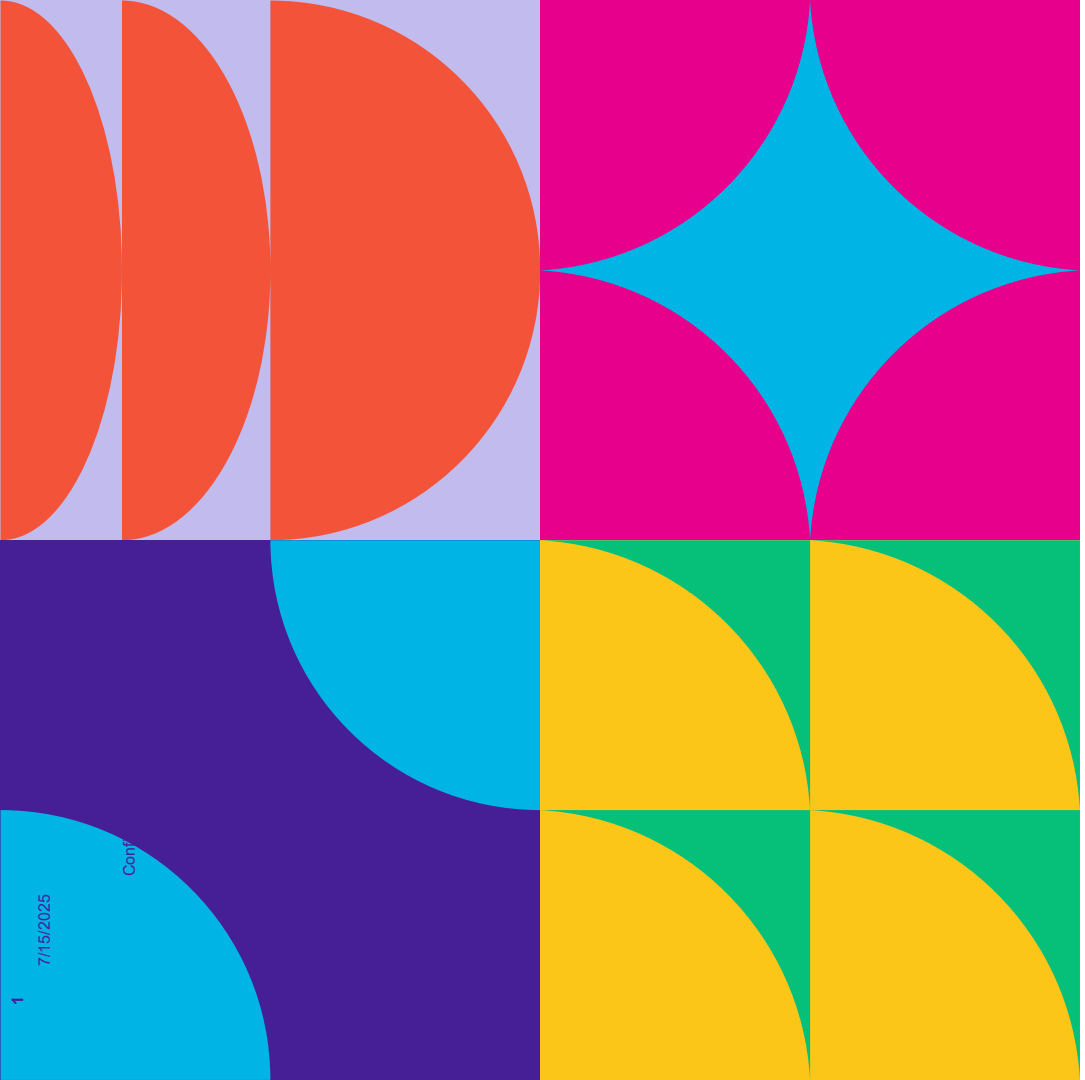

Crunch Time: How the Inflation Reduction Act Will Affect Your Pharmacy

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Disclosure Statement

David Senior, Whitley Quan, and Tim Weber have a financial interest with Cencora and the relationship has been mitigated through peer review of this presentation. There are no relevant financial relationships with ACPE defined commercial interests for anyone else in control of the content of the activity.

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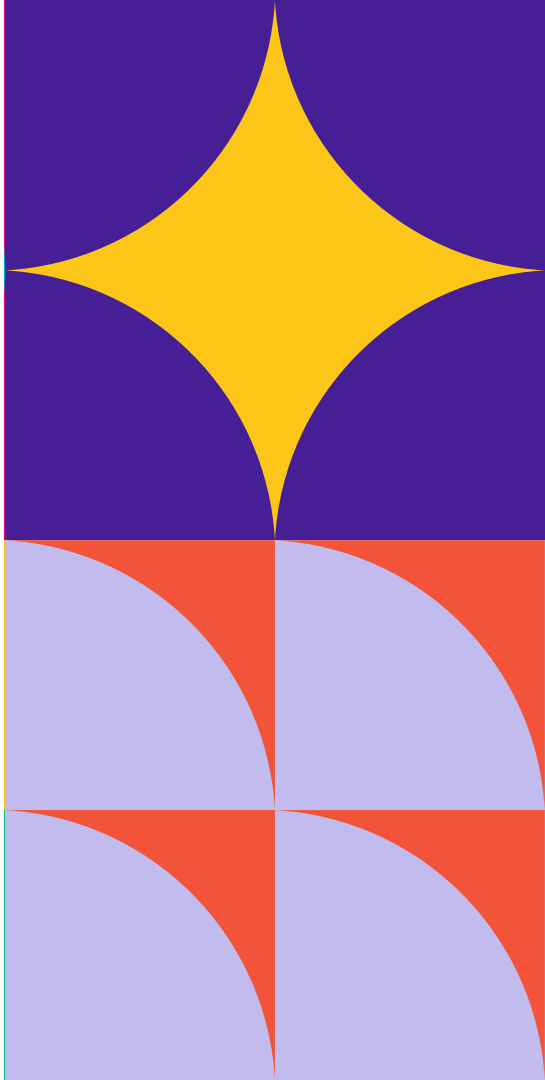
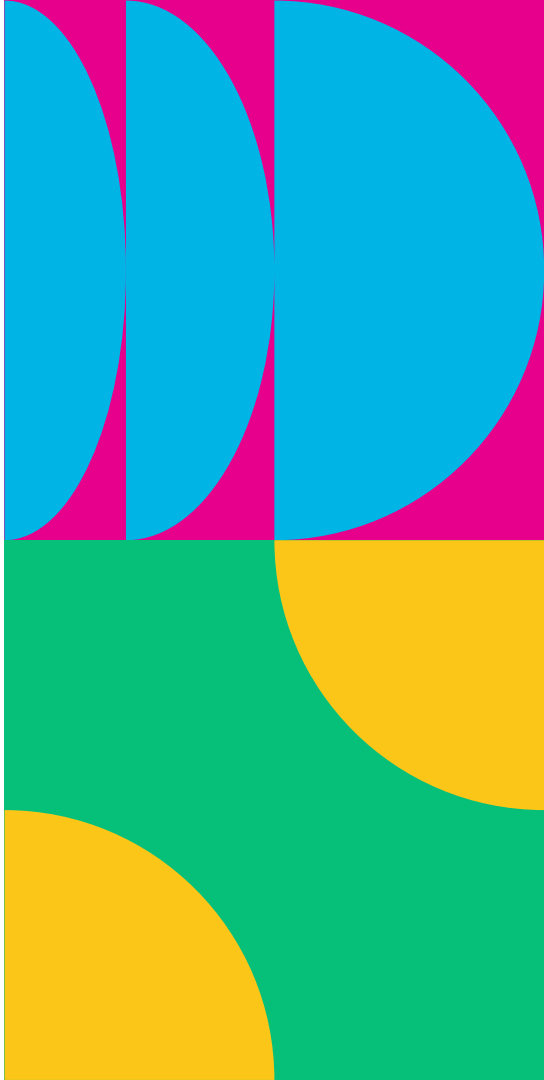


Learning Objectives

1. Recall pharmaceutical-related provisions in the Inflation Reduction Act of 2022.
2. Recognize the uncertainties various channel stakeholders face due to the Inflation Reduction Act.
3. Describe how the Inflation Reduction Act may impact pharmacies operationally and financially.



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Key a provisions in the Inflation Reduction Act

Federal legislation signed into law August 2022

Inflation penalties

Live

Medicare Part B and Part D price increases that outpace inflation owe rebates

Part D benefit design

Live

- In 2024 removes Out of Pocket (OOP) in catastrophic phase
- In 2025, lowers OOP to $2,000, with monthly smoothing option
- Expands Low Income Subsidy
- $0 OOP for Part D vaccines
- $35 insulin OOP cap

Biosimilar reimbursement

Live

ASP + 8% of reference biologics ASP (5 years, through 2027)

Affordable Care Act subsidies

Live

Extends patient premium subsidies for <400% Federal Poverty Level through 2025

Medicare negotiation

2026+

Negotiation of Maximum Fair Price (MFP) starts in 2023, effective prices starting in 2026:

2026: 10 Part D Drugs
- **Products Selected** ✓
- **Prices Announced** ✓

2027: 15 Part D Drugs
- **Products Selected** ✓

2028: 15 Part D or Part B Drugs

2029: 20 Part D or Part B Drugs

Source: Inflation Reduction Act

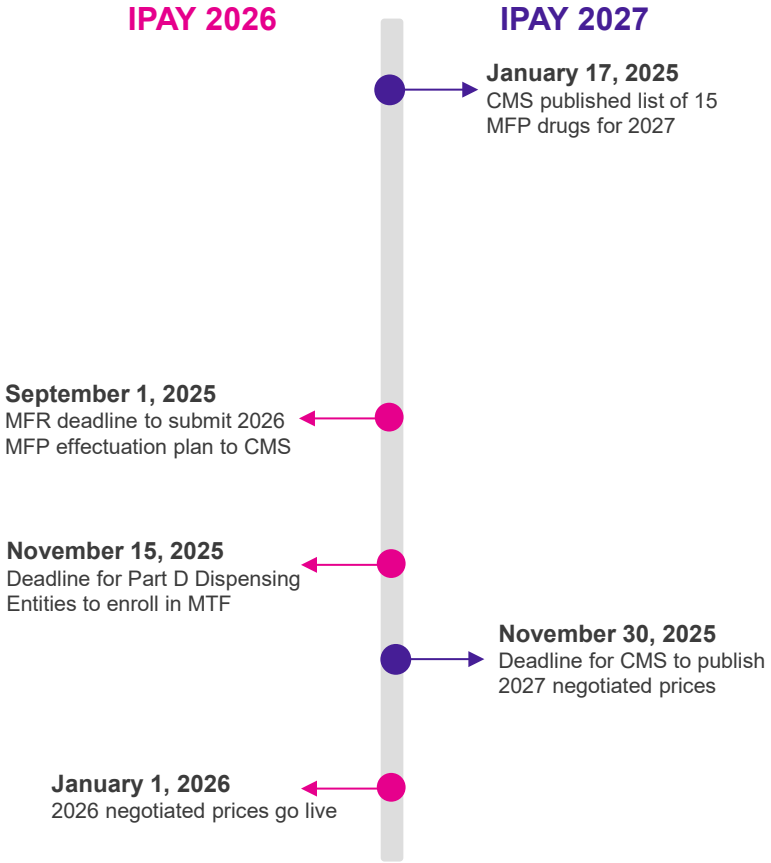
2027 MFP Negotiation Timeline

Second round of MFP negotiation underway with prices available by late November

2026 MFP Selections

Negotiated prices effective: 1/1/2026

Drug	Manufacturer
Eliquis	BMS/Pfizer
Jardiance	BI/Eli Lilly
Xarelto	JNJ
Januvia	Merck
Farxiga	AZ / BMS
Entresto	Novartis
Enbrel	Amgen
Imbruvica	AbbVie
Stelara	Janssen
NovoLog / Fiasp	Novo Nordisk



2027 MFP Selections

Negotiated prices effective 1/1/2027

Drug	Manufacturer
Ozempic; Rybelus; Wegovy	Novo Nordisk
Trelegy Ellipta	GSK
Xtandi	Pfizer
Pomalyst	BMS
Ibrance	Pfizer
Ofev	BI
Linzess	AbbVie
Calquence	AstraZeneca
Austedo; Austedo XR	Teva
Breo Ellipta	GSK
Tradjenta	Eli Lilly/BI
Xifaxan	Salix
Vraylar	AbbVie
Janumet	Merck
Otezla	Amgen

Source: CMS Guidance

Recent Executive Orders could shape the future of the Drug Negotiation Program

Increase Transparency within the IRA Negotiation program

- Many stakeholders have complained about aspects ranging from product selection to MFP implementation

Stabilize Part D Premiums

- Response to address rising premium costs due to IRA changes could involve shift to Medicare Advantage where payers have more control

Fix the "Pill Penalty"

- Would require IRA amendment from Congress to enact change
- Presumably would increase time on market threshold for small molecule products from 9 to 13 years, putting them on parity with biologics
- Potential impacts to MFP product selections

Source: Congress.gov

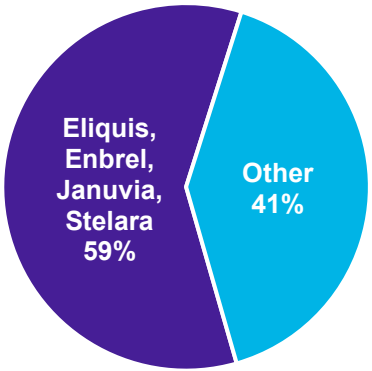
State of Play: IRA Legislative Fixes

- **Protecting Patient Access to Cancer and Complex Therapies Act**
  - Would revert physician reimbursement for administering drugs under Medicare Part B to ASP plus 6%
  - Introduced July 9, 2025, by Reps. Neal Dunn (R-FL), Greg Murphy (R-NC) and Adam Gray (D-CA)

- **'One Big Beautiful Bill' Act**
  - Orphan Drug Fix – Exemption from IRA Drug Price Negotiation
    - Exempts all orphan-only drugs from Inflation Reduction Act (IRA) price controls, regardless of whether they treat one or multiple rare diseases. It also specifies that the countdown to negotiation eligibility does not begin until a drug is approved for non-orphan use

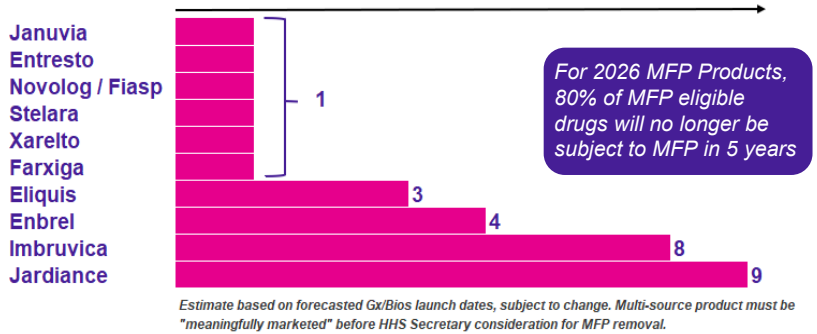
2026 MFP prices are providing more visibility into the magnitude of impact on manufacturers

Estimated Government Savings



Source: Brookings

2026 MFP Products - Est. Years subject to MFP



Estimate based on forecasted Gx/Bios launch dates, subject to change. Multi-source product must be "meaningfully marketed" before HHS Secretary consideration for MFP removal.

Source: COR Analysis, IPD

	2026 MFP Drugs	2027 MFP Drugs
Average Yrs on Market	18	13
Medicare Mix	51%	34%
WAC to MFP Reduction	-63%	n/a

Source: COR Analysis, IPD

New landscape likely to drive aggressive actions to mitigate impacts

BRx Manufacturer

- Higher launch prices
- Moderated WAC inflation in line with CPI due to inflation penalties on existing products
- Will need to consider providing new value to physicians to offset commercial reimbursement reductions that will follow ASP
- Pipelines reduced and innovation weighted towards biologics or products with lower Medicare mix
- Significant expense reduction initiatives underway broadly across the MFR industry

Part D Plan Sponsors

Economic Model Pressured:

- Higher plan liability in Part D Redesign
- Will no longer collect PBM rebates on negotiated drugs
- Increase in patient premiums, currently shielded from patients due to CMS Premium Stabilization Demo

Cost / Formulary Management:

- Increase in Utilization Management to slow utilization increases
- Narrower formularies, especially outside of protected classes
- Preference towards high WAC / high rebate products competing with MFP drugs

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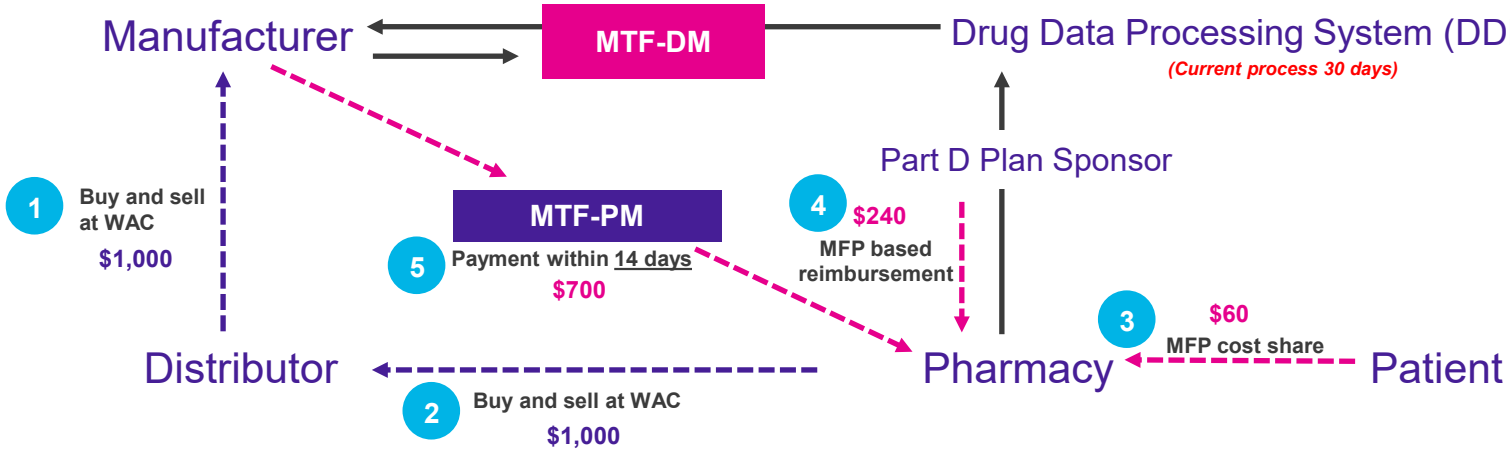
Potential Part D Retrospective Refund Model

Pharmacy continues to buy at market price with backend manufacturer payment

WAC: $1,000
MFP (Medicare Negotiated Price): $300

- MFP Based Financial Flow
- WAC Based Financial Flow
- Data



Pharmacies must enroll in the MTF before November 2025

MTF Fact Sheet
MTF FAQ

Source: CMS Guidance May 2024

Retrospective MFP refund solutions present serious challenges associated with cash flow, operations, 340B, and patient access

Civil penalties for late refund payments

Manufacturers are required to pay pharmacy refunds within 14 days of receiving CMS data

Day 0: Product dispensed

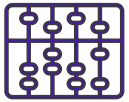
Day 30: Data sent to manufacturer

Day 44: Payment made to pharmacy

CMS collects and prepares data

Manufacturer calculates refund

Day 45: Civil penalty owed for late payment



Operational execution

Manufacturers will be required to enroll, reconcile, and manage accounts related to IRA

COR has more than **20,000** customers

COR currently processes more than **1.5M** chargebacks daily

Manufacturers will struggle to manage the scale of transactions

Source: Drug Channels, Cencora

Duplicate discounts

There is a high risk of an MFP refund being paid out on a product that was already bought using a 340B discount

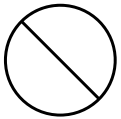
Distributor

Pharmacy purchase $1,000 WAC product at $200 340B price

Pharmacy

Manufacturer refunds pharmacy $700

Manufacturer



Patient access

Pharmacies are struggling with the economics of IRA, especially around retrospective refunds

$27K

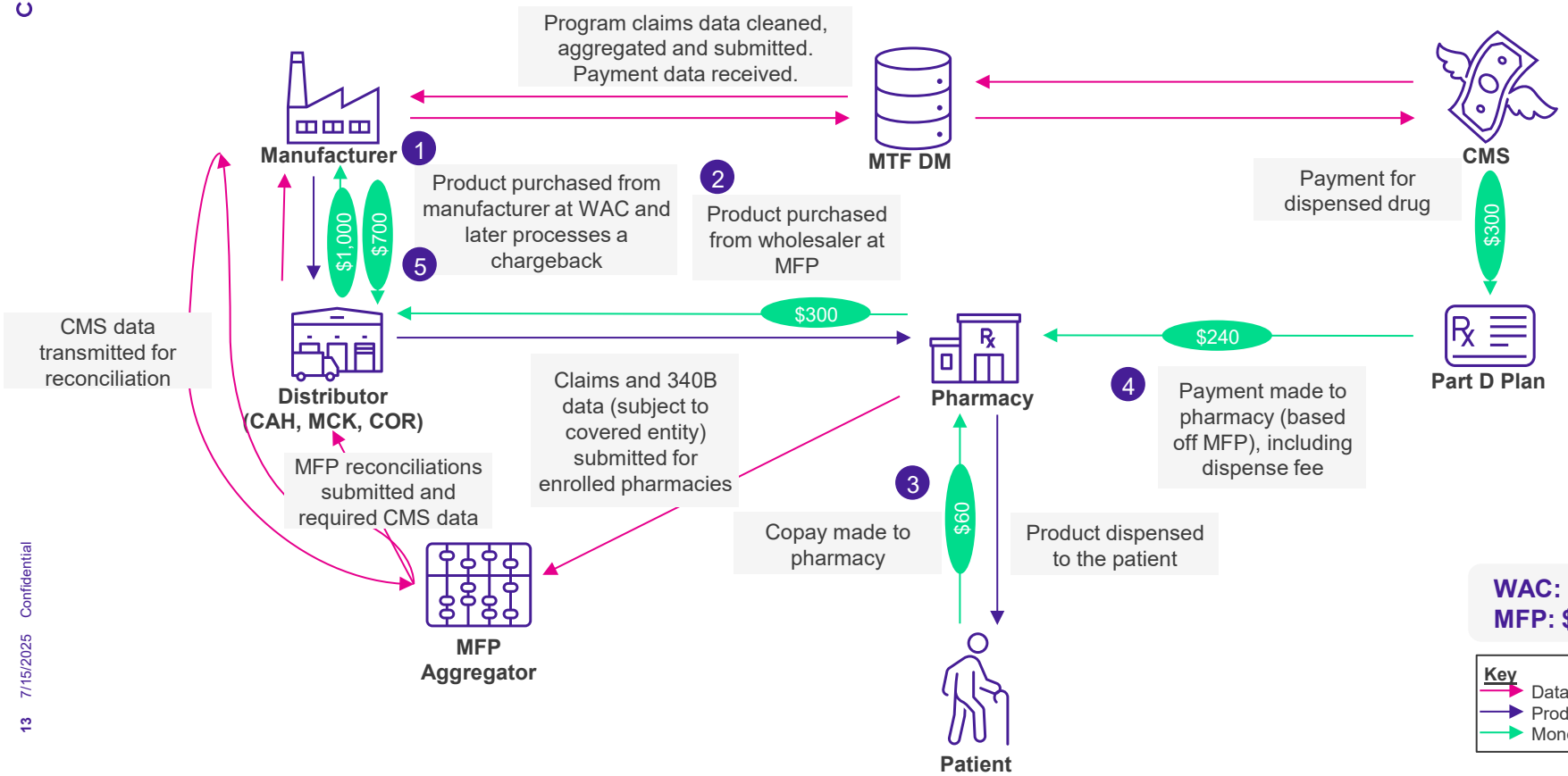
The amount of working capital pharmacies will need to invest in their business due to the 45-day refund timeline

+90%

The number of independent pharmacies who are saying they will not dispense IRA products. This will impact patient access

Source: NCPA

Alternative **market-wide prospective solutions** being explored



Illustrative Example: excludes Pharmacy discounts and Distributor fees

Manufacturers and PBMs are potentially competing over pharmacy invoice discounts through reimbursement pressure or MFP refund calculation

Manufacturer

MFP Refund:
Alternative to WAC - MFP

MFR assumes that pharmacy receives discount from distributor

Payer

Reimbursement below Maximum Fair Price

Payer assumes that MFRs will issue refunds on a WAC to MFP basis

Invoice discount:
$10

Example:
WAC: $100
SS%: -10% (WAC)
MFP: $60

Pharmacy Impact (Part D): Key Takeaways

Overall channel value from manufacturers may decline, leading to cost of goods and reimbursement impacts

Revenue

- Overall revenue on MFP drugs likely declines
- Annual Part D OOP cap may improve patient adherence / utilization
- Higher launch prices for drugs; lower annual increases on existing products

Margin

- Margin compression in Medicare due to shift in reimbursement method (AWP → MFP)
- Higher indirect costs to manage new MFP processes will pressure margins

Cash Flow

Retrospective Mechanics:

- Significant timing risk for MFP refund will decrease cash flow

Prospective Mechanics:

- Cash flow improvement from purchasing at MFP vs WAC

Operations

- Added burden of having to manage each MFRs chosen effectuation model
- Rising administrative costs due to increased formulary restrictions and utilization management

Retrospective Mechanics:

- Additional receivable to collect & reconcile

Prospective Mechanics:

- New wholesaler account for Medicare purchases

Note: Does not explicitly consider Part B impacts as some details are currently unknown

Questions?

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