



**Alabama Medicaid
Pharmacy Savings Proposal**

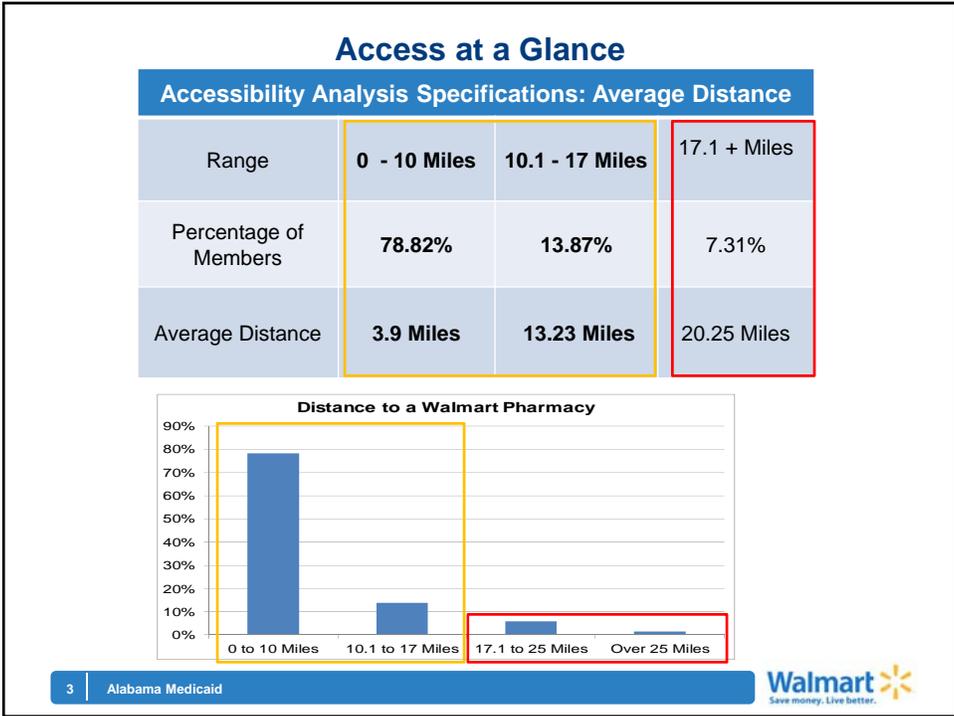
Payer Relations
October 24th, 2013



Changing the Medicaid Model

Current Environment	Walmart Environment
<ul style="list-style-type: none"> • All providers participate due to Any Willing Provider Laws creating disincentive to discount. • Copay's same at all providers. No incentive for patient to use low cost providers. • Medicaid at times can pay two pharmacies located next door to each other differently based on retailer U&C. • Limited coverage of products that incent Wellness vs. Acute need state. 	<ul style="list-style-type: none"> • Create Access Based Network that limits the number of providers in network to Walmart, which includes Sam's and other formats. Fill coverage gaps through use of Community Pharmacies. • Medicaid recipients will utilize Walmart Pharmacies Exclusively, thus significantly reducing variations in U&C pricing. • States will not pay more than \$4/\$10 for drugs prevalent on Walmart's \$4/\$10 drug programs. • Comprehensive programs offered that improve Wellness outcomes ...e.g., Text messages, Compliance Packs

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8 Year Savings Projection*

Year	1	2	3	4	5	6	7	8
RX CT	8534348	8705035	8879136	9056718	9237853	9422610	9611062	9803283
Per Script	\$58.06	\$61.55	\$65.24	\$69.16	\$73.30	\$77.70	\$82.37	\$87.31
Total Spend	\$495.5M	\$535.8M	\$579.3M	\$626.3M	\$677.2M	\$732.2M	\$791.6M	\$855.9M
Projected Per Script	\$45.42	\$48.15	\$51.03	\$54.10	\$57.34	\$60.78	\$64.43	\$68.29
New Spend	\$375.6M	\$406.3M	\$439.44M	\$475.26M	\$514.07M	\$556.02M	\$601.33M	\$650.41M
Savings to Baseline	\$119.9M	\$129.49M	\$139.85M	\$151.03M	\$163.12M	\$176.17M	\$190.26M	\$205.48M

*Subject to change should growth guidance or inflation projections change
 *Simplified view using 6% overall inflation and 2% Rx Count growth

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APPENDIX

Our Commitment

Alabama

Associates:

Associates in Alabama: 35,273

Average wage: \$12.57*

*For regular, full-time hourly associates in Walmart Discount Stores, Supercenters and Neighborhood Markets, as of July 31, 2013

Total Stores: 138

Suppliers:

Spent with suppliers: \$1 billion

Supplier jobs supported: 27,910

*Supplier figures provided by Dun & Bradstreet for FYE 2013

Taxes and Fees:

Collected: \$602.1 million

Paid: \$45.4 million

*Collected on behalf of the state of Alabama as part of transactional sales of taxable goods and services for FYE 2013

Community Giving to Local Organizations in 2012:

Cash and in-kind donations from stores, clubs and the Walmart Foundation: \$21.8 million

Total giving, including customer donations: \$24 million

• **Distribution Centers:**

Total number of distribution centers: 3

Data Description

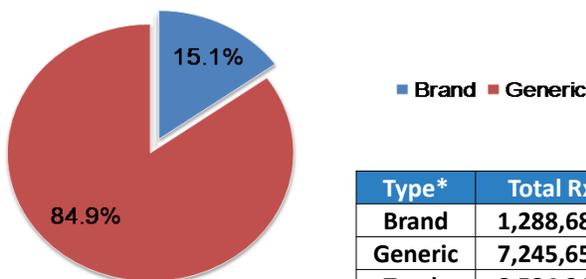
Claims file was received from Alabama Medicaid

- Claim time frame is Sept 2010 through Oct 2011
- Excluding DME and family planning
- Claims were also placed into one of the following categories (using Medispan MNOY codes):
 - Brands
 - Generic
- Savings were calculated by comparing costs of the Walmart Access Network program versus Alabama Medicaid's current spend.

Baseline Claims Summary

Total RX Count	Total Spend	Average Cost/RX
8,534,348	\$495,539,651.00	\$58.06

Brand vs. Generic Breakdown



Type*	Total Rx
Brand	1,288,686
Generic	7,245,657
Totals	8,534,343

* Brand/Generic determination is based on MSI codes per Medispan

Baseline Claims Summary

	Per Claim	RX Count	Total Spend	Spend Share ³	Market Share ⁴
Walmart	\$40.25	666,172	\$26,816,296	5.41%	7.81%
National Drug Chains Chains	\$49.57	3,306,890	\$163,937,198	33.08%	38.75%
Independents and Regional Chains	\$46.99	5,139,370	\$241,506,690	48.74%	60.22%
Total Retail¹	\$48.01	8,446,260	\$405,443,888	81.82%	98.97%
Specialty ²	\$1,022.79	88,088	\$90,095,762	18.2%	1.0%
Total	\$58.06	8,534,348	\$495,539,651	100.0%	100.00%

¹ Includes Walmart, National Drug Store Chains, independents, regional chains and non Specialty dispensed out of specialty facilities

² Determination to place drug in the Specialty category was made based on cost of drugs and special handling required

³ Spend Share represents the % of total Medicaid spend in the claim set

⁴ Market Share is the % of total Rx claims filled at each respective provider type divided by the number of total claims



Projected Spend*

Year	1	2	3	4	5	6	7	8
RX CT	8,534,348	8,705,035	8,879,136	9,056,718	9,237,853	9,422,610	9,611,062	9,803,283
Per Script	\$58.06	\$61.55	\$65.24	\$69.16	\$73.30	\$77.70	\$82.37	\$87.31
Total Spend	\$495.5M	\$535.8M	\$579.3M	\$626.3M	\$677.2M	\$732.2M	\$791.6M	\$855.9M

* Simplified view using 6% overall inflation and 2% Rx Count growth; subject to adjustment per expected AL guidance



Walmart Proposed Rates and Conditions

- These are proposed on the assumption of Access Based arrangement where Walmart would service all eligible members through its **retail locations**.
- Specialty items are going to be subject to separate schedule, TBD

BRANDS	Dispensing FEE	GENERICS	Dispensing FEE
22.00%	\$ 1.50	85.00%	\$ 1.50

SAVINGS DATA @ YR 1

	Per Script	Up to Total \$\$	% Savings (Compared to Total Spend)
Savings to Alabama at Walmart	\$6.45	\$4,575,671	0.92%
Savings to Alabama at Walmart compared to other retail providers	\$15.22	\$50,344,660	10.16%
Total per Script Savings	\$12.64	\$64,967,984	13.11%
Total Savings	\$14.19	\$119,888,315	24.19%

*Specialty savings are subject to additional review