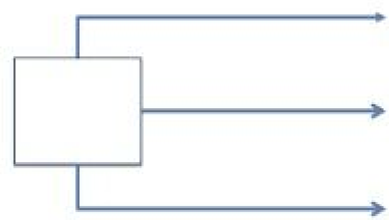
IFC Health - “An Independent Formulary Company



Opportunity:

Misaligned Big 3 PBM (Express Scripts, CVS Caremark, OptumRx) business model dependent on retained rebates resulting in PBM national formularies that are far from cost-effective. (see founder’s 15-year analysis of PBM misalignment at nu-retail.com)

Value Proposition:

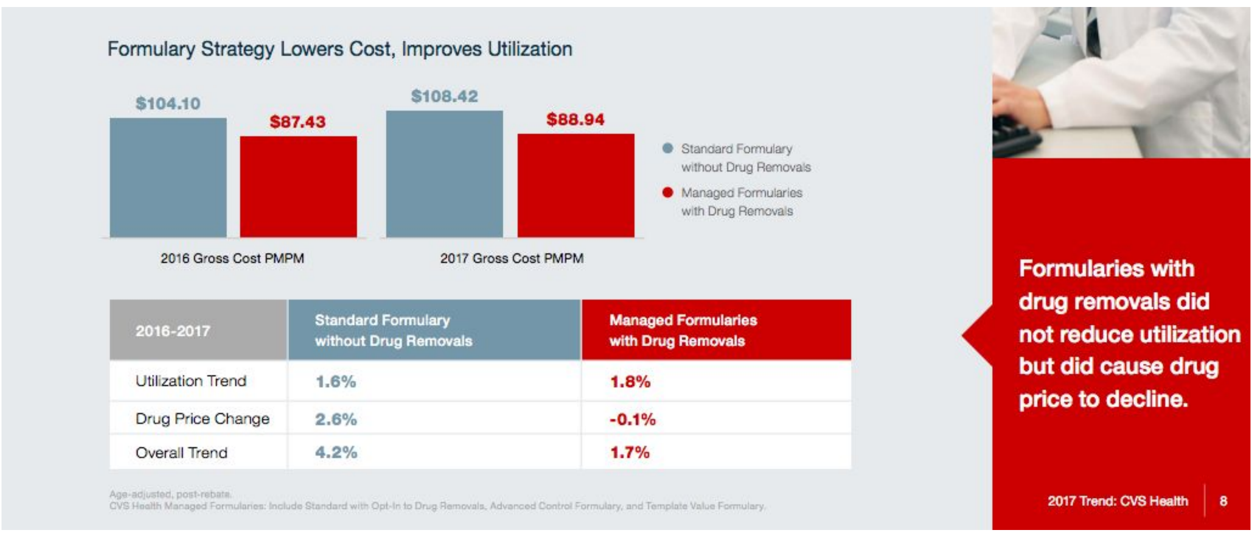
- Misaligned national formularies of the Big 3 PBMs which are uncritically adopted by plan sponsors.
- Deliver 10%-plus incremental drug trend dollar reduction via changes to client’s PBM-generated formulary in four targeted therapeutic classes and via exclusion of scores of individual high-priced orphan drugs and off-patent brand drugs.
- Total PMPY Rx Spend — $1,100 (source Express Scripts Trend Report 2016)
- Our Target 20% trend reduction – $220 PMPY (per member per year)

How to Achieve Target:

Work with clients to increase formulary exclusions of misaligned Big 3 PBMs national formularies from 154 to 254 without loss in efficacy.

CVS 2017 Trend Report indicates 18% reduction due to formulary exclusions

from ($108*12) = $1,301 to ($89*12) = $1,067 PMPY



Initial Product-Market Fit:

Product Fit: Redesign four therapeutic classes having a combination of high cost and high misalignment plus other special situations

- Diabetes
- Oncology
- Autoimmune
- Multiple Sclerosis
- Hard look at included orphan drugs, moving scores from included to excluded with override procedures
- Hard look at whole cost-effectiveness of indications-based formularies
- Exclude remaining small molecule off-patent brands with generic substitutes

Market Fit: Drug benefit plans of large self-insured entities — Fortune 1000 companies

— 20,000 employees

- Big payers “mad as hell” with current PBMs but understand “you can’t throw out the baby with the bathwater”
- looking to carve-out “brains” of benefits management while retaining the incumbents to manage the “plumbing” (what likely drives BezosCare)

A Virtual P&T Committee of World Class MDs and PhDs:

- In essence, company is an independent consulting company that is allowed legally in PBM contracts to make modifications to PBM national formularies designed initially for efficacy by PBM P&T (Pharmacy and Therapeutics) Committee but later misaligned by a "Value Assessment Committee" driven by rebate considerations
- Link to Express Scripts White Paper acknowledging right of client to customize:
  - "Express Scripts' plan sponsors often adopt Express Scripts-developed formularies as their own or use them as the foundation for their own custom formularies". (p.4)
- World class MDs and PhDs with signed affidavits as to no conflicts of interests
- Company connected with collaborative tools including licenced AI for search and decision-making
- Outcomes based pay — fractional ownership points for all MDs and PhDs on P&T Committee

Investment and Valuation Considerations:

- Positive — need only one angel or seed round, profitable in Year 2, with possible exit in Year 3 at 10x ROI to investors
- Negative — subject to "efficient market hypothesis" — exploiting an inefficient market leads to elimination of inefficiency
- Negative — Copyable IP
- Positive — early success with Fortune 500 companies at trend management through formulary modification can lead to other opportunities to spearhead innovation — outcomes-based pricing, patient adherence micropayments, etc.

Competition:

Established PBM Consultants — opaque business models with brokerage fees paid by Big 3 PBMs

- Pharmaceutical Strategies Group (PSG)
- Milliman
- Burchfield Group

Established Employee Benefits Consultants — too big –no real Rx formulary focus which is “sweet spot” for cost reduction

- Willis Towers Watson
- Aon Hewitt
- PwC
- Mercer

New Generation of VC funded Startups —No real Rx formulary focus which is “sweet spot” for cost reduction

- SmithRx — $9 Million total with Series A lead Founders Fund
- Truvesis — $64 Million total with Series D lead by McKesson Ventures
- RxAdvance — funding by John Scully and Centene

Company Business Model:

Value Proposition in Numbers:

- Total PMPY Rx Spend — $1,100 (source Express Scripts Trend Report 2016)
- Our Target 20% trend reduction – $220
- How to Achieve Target: work with clients to increase formulary exclusion list of misaligned Big 3 PBMs from 154 to 254 without loss in efficacy.

Business Model Revenue:

$20 PMPY

Revenue Projection:

Total revenue per company with 10,000 members = $ 200,000

Total revenue for company with 100,000 members = $2,000,000

- FYE First Year 1 client — $200,000
- FYE Second year 3 clients — $600,000
- FYE Third year 8 clients — $3,400,000 including 1 big co.

Valuation Projections:

Valuation — low end of SaaS – 4 times ARR

- Year 1 — $800,000
- Year 2 — $2,400,000
- Year 2 — $13,400,000 –cash flow positive

Angel Round:

- Seeking $200,000 investment for 22.7% stake at pre-seed valuation of $880,000
- Based on plan and co-founder that is former SVP Employee Benefits at Fortune 500 company
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