

Alternate Site Pharmacies

McKesson OneStop Generics®

McKesson Price Assurance Promotion for Alternate Site Pharmacies to Address Generic Price Increases

McKesson is pleased to announce the Price Assurance Promotion for Alternate Site pharmacies. This promotion provides 30-day price assurance for McKesson OneStop Generics® products, excluding controlled substances, in cases where a product's WAC price increases by over 20% in one day. McKesson will effectively extend the pharmacy's pre-increase invoice price to the pharmacy's purchases during the 30-day price assurance period, up to a unit limit based on historical purchase patterns. The price assurance amount will be paid in the form of a credit on the pharmacy's account. Please review the details of the Price Assurance Promotion and the example below to understand how the promotion will positively impact your pharmacy.

Eligible Products

Which generic products are eligible for the Price Assurance Promotion?

- The Price Assurance Promotion will be applicable to McKesson OneStop Generics products where the WAC price increases by over 20% in one day. However, products that are classified as controlled substances are excluded from the promotion.
- In certain circumstances, McKesson may include products with a manufacturer WAC increase of less than 20% or exclude products with a manufacturer WAC increase of greater than 20%.

Price Alerts

When and how will products eligible for the Price Assurance Promotion be announced?

- Products eligible for the Price Assurance Promotion will be announced in a price alert on McKesson *Connect*SM on or before the date of the start of the price assurance period.
- McKesson sales representatives will also receive notification of eligible products via email price alert announcements.

When will new McKesson customers begin receiving price alert announcements?

- Reviews to determine eligibility of new McKesson customers will be conducted on a weekly basis. Qualifying new customers will be added to the Price Assurance Promotion after this review each week. Once added, these customers will begin receiving price alert announcements on McKesson *Connect*.

Promotional Period

How long will price assurance be available for an eligible product?

- Eligible products will be included in the promotion for price increases occurring during the current promotion eligibility dates.
- During the promotional period, price assurance for an eligible product will last for 30 days, beginning on the date of the invoice price increase and announcement on McKesson *Connect*.

McKesson designed the Price Assurance Promotion as a safeguard for our customers in light of recent market-wide generics price increases. McKesson is committed to supporting our customers during this time of unpredictable market volatility and delivering all your pharmacy's generics needs in terms of competitive pricing, excellent sourcing, and exceptional business services.

Dollar Value

What is the dollar value of the price assurance?

- Your pharmacy will receive price assurance by earning a credit based on purchases of the eligible product during the 30-day price assurance period, up to a limit based on your pharmacy's prior purchases.ⁱ
- The credit amount will equal the difference between the increased invoice price and the invoice price effective the day before the invoice price increase, multiplied by the eligible quantity.
- The percentage increase in the invoice price may vary from the percentage increase in the WAC price.

Eligible Quantities

Is there a limit on the number of purchases eligible for price assurance?

- Yes. Your pharmacy's purchase quantity of product eligible to earn the credit is limited up to your pharmacy's prior 30-day average purchase quantity of the product. Your pharmacy's 30-day average is determined based on the pharmacy's purchases of the product in the 90 days prior to the start of the price assurance period. McKesson will take into account formulary switches and service level outages in determining this 30-day average.

How will a new customer's quantity limit be set with little or no purchase history?

- Each qualifying customer that is new to McKesson will receive the quantity limit that is the greater of: a) its purchase quantity of eligible product from McKesson as a new customer, scaled to 30 days, or b) the average 30-day demand across all McKesson Alternate Site pharmacies based on 90 days of historical purchases, grossed up by 25%.

Pharmacy Payments

How will I receive payment of price assurance credits?

- The price assurance credits will be issued via credit memo to accounts on a monthly basis.
- Depending on the start date of the price assurance period and the timing of your pharmacy's purchases of an eligible product, a price assurance credit for a given item may be paid over two monthly payment cycles.

Actions Needed

Do I need to take any action to be eligible for price assurance credits?

- As a McKesson OneStop Generics customer, you do not need to take any action to receive the benefits of this Price Assurance Promotion.

Regulatory

Am I required to report the price assurance credits for federal, state, and other third-party payer programs?

- Yes. You are required to report the price assurance credits in the same manner that other discounts and price reductions are required to be reported by applicable law.
- Please refer to the disclosure legend on this document for additional information.ⁱⁱ

Price Increase Advance Notices

What is the difference between a price assurance price alert and a price increase advance notice?

- A price increase advance notice is provided in lieu of a Price Assurance Promotion if McKesson cannot offer price assurance for an item, but the supplier provides advance notice of a price increase to McKesson. A price alert, on the other hand, announces when a product is eligible for the Price Assurance Promotion.

How and when will price increase advance notices be given?

- Price increase advance notices will be given via McKesson *Connect* up to 30 days prior to an invoice price increase.

Example of Price Assurance Determination

Notification Details

- On January 2, 2015, McKesson receives notification from a McKesson OneStop Generics supplier that Item A's WAC price will increase by 320% effective January 3, 2015.
- Item A is not a controlled substance and is otherwise eligible for the Price Assurance Promotion.
- No later than January 3, 2015, McKesson will post a price alert on McKesson *Connect* indicating that the product is eligible for the Price Assurance Promotion.

Calculation Details

- Item A OneStop invoice price on January 2, 2015: \$100.00
- Item A OneStop invoice price in 30-day price assurance period (January 3, 2015 through February 1, 2015): \$320.00
- Price difference for Item A during 30-day price assurance period: \$220.00
- Number of pharmacy purchases of Item A in 90 days preceding start of price assurance period (October 5, 2014 through January 2, 2015): 55 units
- Pharmacy's 30-day average purchase quantity of Item A, based on pharmacy's purchases of Item A for 90 days preceding price assurance period: $55/90 \text{ days} \times 30 \text{ days} = 18.3 \text{ units}$, rounded up to the next integer of 19 units
 - If average is less than 1.0, it will be rounded up to 1.0
- Pharmacy's price assurance unit cap for Item A = 19 units
- Actual units of Item A purchased in price assurance period:
 - Scenario 1: 25 units purchased (more than the 19 unit cap)
Price assurance credit for Item A = 19 unit cap x \$220 price difference = **\$4,180**
 - Scenario 2: 15 units purchased (less than the 19 unit cap)
Price assurance credit for Item A = 15 units purchased x \$220 price difference = **\$3,300**

^{1,18} You may receive discounts, rebates, credits or other price reductions in connection with the McKesson Price Assurance Promotion offering or other rebate programs offered by McKesson. They are price reductions for purposes of 42 U.S.C. § 1320a – 7b(b)(3)(A). You are responsible for complying with all applicable laws and regulations (including without limitation 42 C.F.R. § 1001.952(H)) requiring you to fully and accurately report and appropriately reflect discounts, rebates and other price reductions in cost reports or claims submitted to Medicare, Medicaid, and other federal and state healthcare programs and to private third-party payers. You will accurately report pricing, together with any reductions in price, in connection with any federal or state pricing survey (e.g., National Average Drug Acquisition Cost survey). You will retain this document and related price documentation and provide such documentation to authorized government healthcare program officials on request. You may request additional information from McKesson to meet your reporting and disclosure obligations.