

3/19/2020

Dear MaxorPlus Clients,

This is the first communication of a regular publication that Maxor will release related to our Coronavirus (COVID-19) perspective and business contingency planning. This communication is expected to be released 1-2 times per week to address new information related to pharmacy services provided by Maxor and my overall view of the environment.

## COMMENTARY

- **Macro View – What we expect in the next few weeks**

### Outside of the US

- All eyes are on China and South Korea's declining infection rates to see if their efforts to suppress the virus are sustainable.
  - This will help estimate the high-point of the infection rate in the US and resurgence risk once social distancing procedures are relaxed.
  - While case rates continue to increase in Europe and the United States, China's reported infection rates continue to moderate. Anecdotally during a CNBC interview on 3/18/2020, Starbucks reported 95% of their stores in China are re-opened for business – can this hold?

### In the US

- COVID-19 testing volume in US will dramatically increase creating more confirmed cases.
  - The documented fatality rate should decrease largely as more patients are diagnosed that don't have severe complications.
- We anticipate some short-term supply disruption within pharmacies and healthcare providers for select medications and personal protective equipment. Of note, medication shortages appear to be directly related to demand surge and distributors' ability to accommodate, not due to manufacturers' inability to manufacture medicines. Distributors are reacting to increased demand by basing shipment quantities to pharmacies based on a pharmacy's previous order history to make sure all pharmacies have access to their "fair-share" of available products.

- **Maxor Operations Risk**
  - At this time, we do not anticipate any staffing shortages or service level issues within any of our business units, and we have contingency plans in place to shift fulfillment and other critical duties to other sites of service within Maxor, if conditions warrant.
  
- **Drug and Supply Shortage Risk**
  - FDA continues to state there are no material COVID-19 related drug shortages.
  - We are seeing some developing signals that the supply chain is getting stretched, but we are not seeing material shortages yet that did not previously exist for non-COVID 19 reasons.
  - We do not see manufacturers unable to supply APIs (drug ingredients) or finished products.
  - Major carriers like UPS are reporting a return to normal operations in China and other areas of significant drug manufacturing.
  - We are seeing patients filling a higher quantity of medication and/or getting early refills that increase the quantity of drugs being dispensed.
    - Under normal situations, the supply chain can support this. However, a surge in demand from many patients and driven by regulators, coupled with wholesalers limiting shipments to pharmacies based upon their historical purchase volumes, may result in an artificial shortage of some medications as demand exceeds supply.
      - We encourage members to consider Maxor mail if they are concerned about or experience a drug shortage.
  
- **Maxor Formulary Changes**
  - We are currently evaluating emerging drug shortages (e.g. albuterol inhalers) to determine if any formulary changes are appropriate for medications in short supply.

## FREQUENTLY ASKED QUESTIONS

- **How can I modify my plan's "Refill Too Soon" logic?**
  - To add a rule to your plan design to accommodate members who would like an extra supply of their medication, you may request a point of sale override edit be activated that allows a pharmacy to override the refill too soon rejection. Please consider if you want exclusions to this rule, such as opioids and specialty medications. Your Account Manager can provide more details.

- **Should I encourage use of Maxor Mail Order at this time?**
  - Maxor mail does not anticipate any inventory shortages or shipping limitations at this time. We encourage our clients to consider using our mail-order service, especially at this time to maintain social distancing. And of course, mail may provide other benefits such as lower out of pocket cost and access to a 90 day supply for most medications. It should be noted the major carriers of mail and specialty medications are operating on normal schedules (USPS, UPS, and Federal Express).

## CLOSING REMARKS

Every day the world learns a little more about this virus. As new information is gleaned, the fear of the unknown diminishes, but that doesn't mean risk diminish without taking action on that new information. We as a country have taken dramatic action to curtail the reach of this disease, and I am optimistic we will succeed in our mission to minimize its impact.

What is most critical now is that we take steps that decrease the velocity of the infection rate so that our healthcare system can provide care to those who develop complications from this virus. Over time, our society will adapt to this new virus just as it has done with many diseases in the past.

Our pharmacies will remain open and our call centers are ready to serve those in need during this difficult time. Maxor is committed to partnering with you and your members to conquer this challenge, and many other future healthcare challenges after this.

Sincerely,

Mike Einodshofer, Chief Pharmacy Officer  
Maxor National Pharmacy Services