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Memorandum

To: Nik Proper, Interim Executive Officer

From: Richard Ward, FSA, FCA, MAAA

Date: July 22, 2025

Re: State of Nevada PEBP - PBM Market Check for Play Year 2026 - Express Scripts, Inc. - Update

Segal conducted an analysis of the State of Nevada Public Employees' Benefits Program's (PEBP's) Pharmacy Benefit Manager (PBM) pricing contract. PEBP is currently in the fourth year of a four-year contract with their PBM, Express Scripts, Inc. (ESI). PEBP retained Segal to assess the competitiveness of their pricing contract through a PBM market check.

Segal reviewed PEBP's pharmacy claims data and PBM pricing contracts and compared to several other PBM pricing contracts that Segal has negotiated on behalf of other clients. These comparative clients represent other large public sector clients who have renegotiated their contract with their PBM in the past 12 months. We reviewed pricing offers from ESI clients as well as clients with other competitive PBMs.

To preserve the confidentiality of the comparative client pricing contract rates, we have taken the overall average for each pricing component across each comparative client.

After our initial review of PEBP's current pricing contracts, we determined that the pricing set to go into effect for PY2026 is less competitive than what the market can currently offer. We presented our original result to PEBP on December 24, 2024, and communicated to ESI that the market check results were showing that the existing pricing was noncompetitive.

Following review of the subsequent offer from ESI, we presented our analysis of ESI's initial offer on April 25, 2025. At the time, the offer from ESI did not appear to have resulted in improved pricing for PEBP for PY2026. Since then, we have received an updated pricing proposal from ESI for PY2026.

This memo provides an update to the April 25, 2025 letter based on our conversations with PEBP and ESI. This memo also contains a summary of the PEBP current and the most recently proposed pricing terms for PY2026, Segal observations, analysis and recommendations for PEBP to consider.

Summary

The following tables show the estimated costs to PEBP under the current contract terms compared to the average market competitive benchmarks and ESI's proposed PY2026 contract

terms. Segal reviewed PEBP pharmacy claims data from the period May 1, 2024 through April 30, 2025 and projected forward to the next Contract Year of July 1, 2025 through June 30, 2026. Based on our review of the current contracts and the improved pricing offer, we estimate that PEBP could yield pricing improvements as outlined below:

- July 1, 2025 through June 30, 2026 - Estimated pricing improvements of roughly 2.4%, or \$1.5M.

Table 1 below shows the July 1, 2025 through June 30, 2026 estimated costs under the PEBP current contract and those under the proposed contract terms for FY2026. This assumes pricing terms are in force for the entire 2026 Plan Year, and are retroactive to July 1, 2025

Table 1 - July 1, 2025 - June 30, 2026

	FY2026 Current Contract Terms	FY2026 Proposed Contract Terms	Market Benchmark Average
Gross Prescription Drug Spend	\$128,172,600	\$127,900,000	\$134,031,888
(+) Admin Fees	\$1,632,100	\$1,632,100	\$630,328
(-) Member Cost Share	\$21,796,489	\$21,796,489	\$21,774,095
(-) Rebates	\$42,896,200	\$44,161,600	\$50,850,000
Total Net Cost	\$65,112,011	\$63,574,011	\$62,038,121
% Difference from Baseline		-2.4%	-4.7%
\$ Difference from Baseline		(\$1,538,000)	(\$3,073,890)

Observations and Next Steps

Table 2 below outlines PEBP's current pricing rates for FY2026, ESI's proposed market check offer and comparable market competitive benchmark contracts. Please note that because PBM pricing contracts are analyzed and underwritten in the aggregate, having individual pricing metrics within the range of the benchmark average does not imply that the entire pricing contract is competitive.

Segal notes that as a part of this market check offer, ESI rebalanced AWP discount guarantees. This rebalancing increased the AWP discount for generic drugs and reduced the AWP discount for brand drugs. Segal has verified that in the aggregate the rebalancing generates an improved aggregate discount to PEBP.

Segal also notes that as part of this market check offer, ESI reduced minimum guarantees on a per brand Rx basis for specialty drugs. In addition, ESI modified its Rebate Credit language to clarify that certain AMP Cap drugs and Humira biosimilars would no longer generate rebate credits during reconciliation as ESI has incorporated changes in list prices into its rebate guarantee offer.

"Drugs impacted by the American Rescue Plan Act in calendar year 2024 and 2025 (known as of the date of the proposal) have been accounted for and will not be part of the Rebate credit. Biosimilars for Humira have been accounted for and will not be part of the Rebate credit."

Our analysis indicates that the increase in non-specialty rebate guarantees and the reduction in specialty drug rebate guarantees results in an overall increase in rebates to PEBP.

Table 1 - July 1, 2025 - June 30, 2026

PEBP	Current Contract 7/1/2025 - 6/30/2026	Proposed Contract 7/1/2025 – 6/30/2026 ¹	Benchmark Range
Retail 30			
Brand Discount	22.65%	20.00%	19.15% - 20.10%
Generic Discount	85.75%	88.70%	85.40% - 88.10%
Dispensing Fee	\$0.35	\$0.35	\$0.00 - \$3.00
Retail 90			
Brand Discount	27.72%	22.50%	19.40% - 23.85%
Generic Discount	88.30%	91.50%	87.65% - 92.20%
Dispensing Fee	\$0.00	\$0.00	\$0.00 - \$1.98
Mail Order			
Brand Discount	21.35%	21.35%	19.40% - 26.10%
Generic Discount	95.10%	95.10%	87.75% - 93.85%
Dispensing Fee	\$18.87	\$18.87	\$0.00 – \$0.10
Specialty Retail			
Brand Discount	22.65%	20.00%	14.90% - 21.30%
Generic Discount	85.75%	88.70%	14.90% - 87.45%
Dispensing Fee	\$0.35	\$0.35	\$0.00 – \$2.62
Specialty Mail Order			
Brand Discount	21.60%	22.00%	15.40% - 24.10%
Generic Discount	88.00%	88.00%	21.10% - 80.10%
Dispensing Fee	\$200.00	\$200.00	\$0.00 - \$0.10
Rebates (per Brand Script)			
Retail 30	\$335.00	\$380.00	\$281 - \$480
Retail 90	\$1,005.00	\$1,025.00	\$771 - \$1061
Mail Order	\$1,005.00	\$1,025.00	\$684 – \$1,061
Specialty Retail ²	\$3,265.00	\$2,270.00	\$2,028 – \$6,874
Specialty Mail Order ²	\$3,265.00	\$2,270.00	\$2,028 – \$6,874

Based on our review of the improved financial guarantees, we recommend that PEBP approve the renewal pricing amendment with ESI. This amendment would have updated pricing for the July 1, 2025 through June 30, 2026 contract year, with the continued understanding that PEBP can exercise an annual market check review.

Segal can review the draft amendment and pursue further negotiations as needed.

¹ Proposed terms are colored to indicate pricing term improvements (green) and erosion in pricing terms (red) compared to the current contract

² Per 30-day supply

We look forward to discussing these results with you at your convenience. Please feel free to reach out at any time with any questions or concerns you may have.

A handwritten signature in blue ink, appearing to read 'RW', is positioned above the name Richard Ward.

Richard Ward, FSA, FCA, MAAA
Senior Vice President

cc: Michelle Weyland, CFO, PEBP
Shelley Chun, Segal
Amy Cohen, Segal
Tyler Brotz, Segal