

U.S. Transparency and Access

Lilly continues to work to expand access to medicines in the U.S. health care system – by helping consumers, communities and our employees; by providing greater transparency about how our products are priced; and through the policies we promote.

Pricing our medicines is one of the most important decisions we make as a company. We strike a balance between access and affordability for patients while sustaining investments in life-changing treatments for some of today's most serious diseases.

We consider:



CUSTOMER PERSPECTIVE

The unmet needs that medicines can fulfill for patients and caregivers, and how people can affordably access the treatment



COMPETITIVE LANDSCAPE

The benefits of our medicine compared to alternative medicines, where our medicine fits in treating conditions, and existing contracts between payers and our competitors



COMPANY CONSIDERATIONS

The costs of research, development, manufacturing, and support services for customers; business trends and other economic factors; as well the medicine's potential market size, patent life and place within our larger portfolio of medicines



OTHER EXTERNAL FACTORS

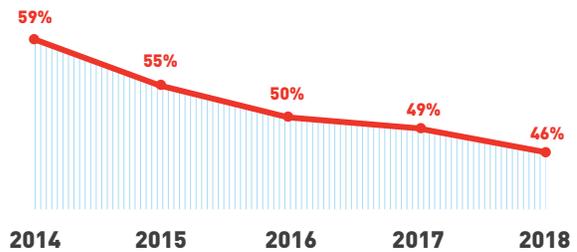
Such as health system changes and policy guidelines

Lilly sets a list price for our medicines. To enable patient access, Lilly pays rebates and other discounts to payers and other supply chain entities. The final amount that Lilly ultimately realizes after paying these rebates and discounts is sometimes called the “net price.”

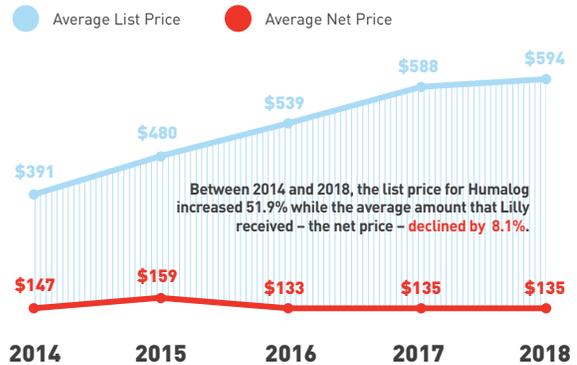
Across our U.S. product portfolio, Lilly’s average net price after rebates and discounts—the final amount we receive—has fallen from 59 percent of list price in 2014 to 46 percent in 2018. The amount of Lilly’s rebates and discounts continues to increase through a combination of factors—including increased market competition, pharmacy benefit managers’ (PBMs) increased negotiation leverage, and rising mandatory government discounts. However, changes in insurance design and the trend toward greater consumer cost sharing (through high deductible plans and co-insurance) means a growing number of patients are exposed to medicines’ full retail price at the pharmacy.

Lilly works with all parts of the health care system to find solutions that make medicines more accessible and affordable. We support improvements to the U.S. health care system that appropriately balance patient affordability, market-based competition and rewarding innovation. We advocate for policy changes at the state and federal level to improve patient affordability such as exempting treatments for chronic diseases from patient deductibles and passing through rebates to patients.

AVERAGE LILLY NET PRICE (AS A % OF LIST PRICE) AFTER DISCOUNTS ACROSS THE U.S. PRODUCT PORTFOLIO¹

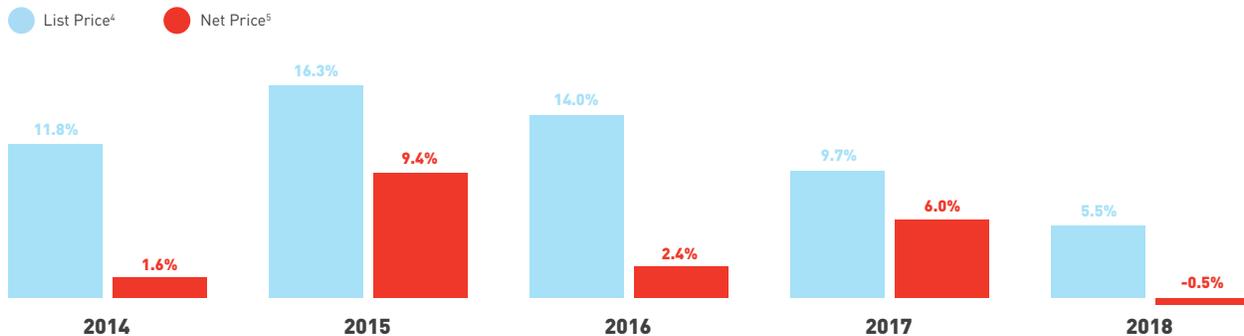


HUMALOG® (U100) AVERAGE LIST AND NET PRICE (USD) PER PATIENT PER MONTH, IF TAKEN AS PRESCRIBED²

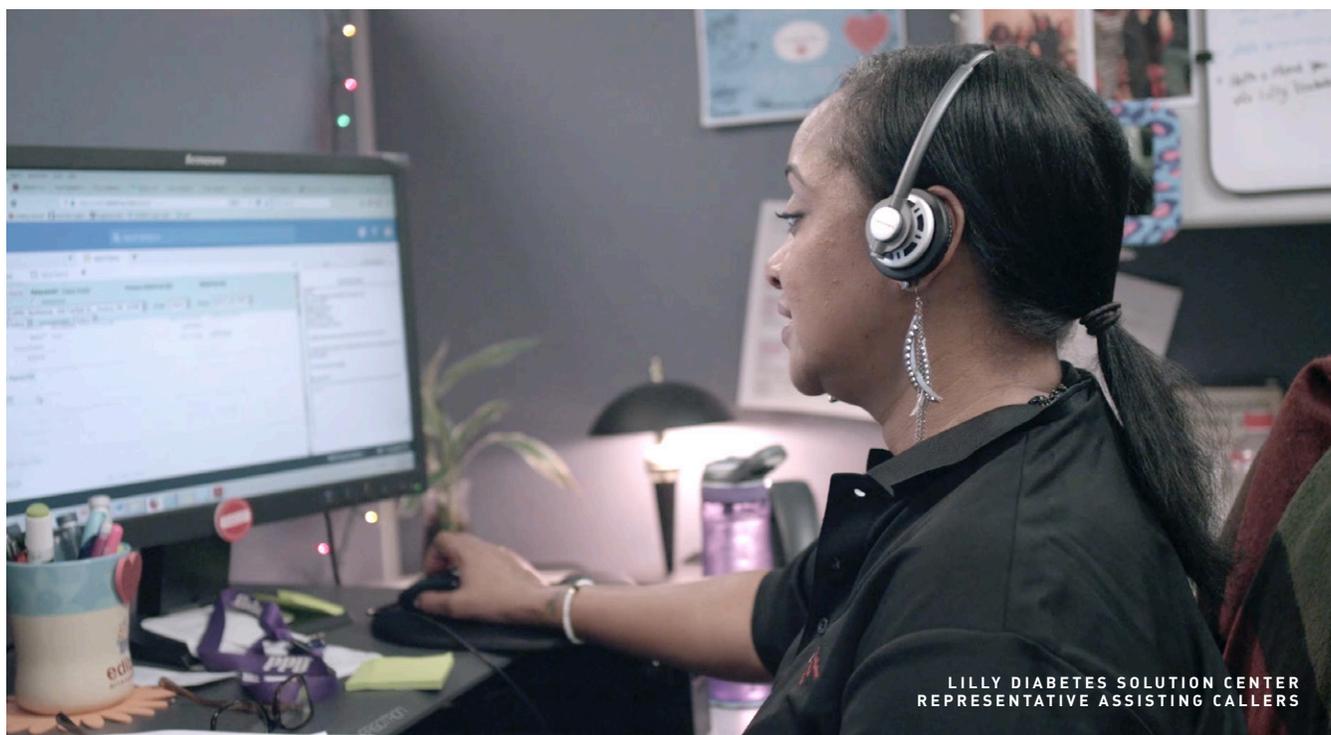


Humalog U100 is the most broadly used Lilly insulin product. The last list price increase for Humalog U100 was May 2017. The net price in the chart represents the average revenue Lilly realized per patient per month for Humalog U100 if taken as prescribed. Because of rebates and fees Lilly provides insurers and/or PBMs, increases in list prices do not always reflect increases in net prices.

COMPARISON OF LILLY LIST AND NET PRICE CHANGES FOR U.S. PRODUCT PORTFOLIO³ [% change versus the prior year]



1. The average net price percentage is calculated by dividing net sales, the amount Lilly receives after discounts (rebates and channel cost), by the annual gross sales (total sales at list price, prior to all discounts). 2. Average List and Net price per patient per month is calculated based on average prescribed utilization of Humalog U100, the most broadly used presentation of Humalog (Source: IQVIA LAAD Data 2014-2018). In 2018, per IQVIA reported data, if taken as prescribed, the average Diabetes patient using Humalog U100 would have consumed approximately 19 Mls of insulin per month; this equates to approximately 2 vials or 6.4 Kwikpens. The actual utilization per patient per month may differ significantly depending on multiple factors, including prescription amounts and adherence behaviors. 3. U.S. Product Portfolio includes all human pharmaceutical products marketed in the U.S. for which Lilly is the holder of the new drug application (NDA). This represents approximately 95 percent of our total U.S. human pharmaceutical revenue. 4. List Price represents the weighted average year-over-year change in the wholesale acquisition cost (WAC). 5. Net Price represents weighted average year-over-year change in net price, which is WAC minus rebates, discounts, and channel costs.



LILLY DIABETES SOLUTION CENTER
REPRESENTATIVE ASSISTING CALLERS

REDUCING COSTS FOR PATIENTS, PROMOTING INNOVATIVE SOLUTIONS

Lilly recognizes that many people struggle to pay for their medicines. So we're committed to finding solutions to lower out-of-pocket costs and to implement other changes that can help the U.S. health system work better for patients. Below are some of the solutions we've implemented recently:

In March 2019, Lilly announced we will offer a lower-priced version of our Humalog insulin called **Insulin Lispro**. This authorized generic version—which is identical to Humalog—will be offered at a list price 50 percent lower than the current Humalog list price. Insulin Lispro could make insulin more affordable for certain Americans asked to pay full retail price—or a large percentage of the retail price—out of their own pockets. That may include people in high-deductible health insurance plans, the uninsured and seniors that hit the coverage gap in their Medicare Part D plans.

Lilly's Insulin Lispro is a solution for those who need it, which doesn't disrupt access for everyone else. Those not well-served by the current system will have a better, more affordable option—which can also count toward their deductible. But patients with health plans that prefer the current system won't see any changes—Humalog will remain available.

In August 2018, Lilly opened the **Lilly Diabetes Solution Center** to assist people who need help paying for their Lilly insulin, such as those with lower incomes, the uninsured and people in the deductible phase of a high-deductible insurance plan. More than 10,000 people every month are getting help lowering their out-of-pocket costs to affordable levels through programs like these. People in the U.S. can reach the Lilly Diabetes Solution Center by calling **833.808.1234**.

Lilly is committed to increasing transparency around the price of our medicines. In 2019, television advertisements will direct people to a new website, **lillypricinginfo.com**, that will provide the list price, average out-of-pocket costs and financial assistance information for the medicine advertised. The website provides information for Trulicity, Taltz®, Verzenio® and Emgality. In the following months, we will provide information for our other medicines, whether they're advertised on television or not.

Lilly actively pursues **value-based arrangements** to link the price of our medicine more directly to patient outcomes. This approach can transform the health care system to one that is about value versus the volume of medicines purchased. We continue to advocate for legislative and regulatory changes that support this transition.