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An abstract graphic on the right side of the page consists of numerous vertical bars of varying heights and widths. The bars are colored in a gradient from light pink to bright magenta, with some bars in a lighter, peach-like shade. They are set against a dark blue background, creating a rhythmic, digital pattern that resembles a bar chart or a data visualization.

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# Preventing ASP Erosion via Contracting Strategies



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# ASP vs. AWP vs. WAC

**WAC** or Wholesale Acquisition Cost is the price that manufacturers sell drugs to wholesalers and like AWP does not include and reductions in price

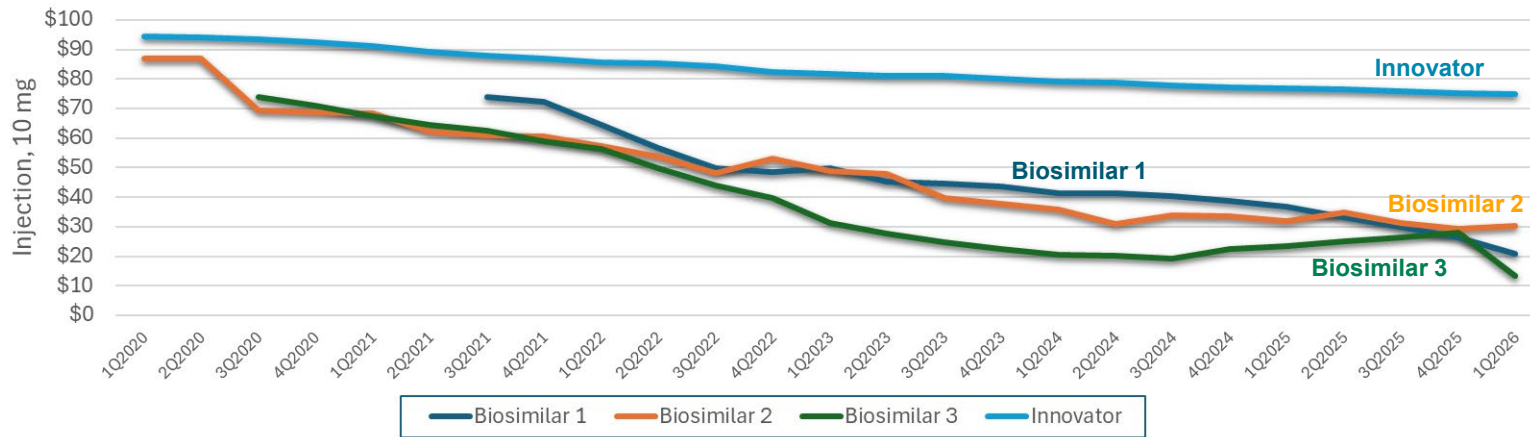
**AWP** or Average Wholesale Price is not regulated by the government and is the average price that wholesalers sell to pharmacies, physicians and other customers, and does not consider rebates or discounts involved in the sales process

**ASP** or Average Sales Price is a Medicare reviewed and validated reference price that accounts for any credits, chargebacks, discounts, and rebates applied through out the sales process.

# What makes ASP so important?

- It's a government regulated price
- Determines baseline reimbursement for a substantial portion of payer mix
- Commercial plans continue to push reimbursement from a percentage of billed charges model to an ASP model
- The “two quarter lag” becomes a substantial consideration in contract design to ensure continued solvency of healthcare providers
- It deserves our attention and needs to be managed

The management of ASP through channels we control and where we cannot control can significantly affect practice profitability. Effective partnerships between all parties can help slow the decline of ASP and provide a more predictable, positive ROI pathway.



Medication	WAC	Rebate Type	Cost Per Dose	Sequestered Reimbursement	Margin	Total Rebate Opportunity	Total Margin Per Dose	ROI Per Dose
Biosimilar 1	\$3,584		\$3,476	\$1,028	-\$2,448	\$0	-\$2,448	-70%
Biosimilar 2	\$4,228	Volume	\$2,114	\$1,483	-\$631	\$528	-\$102	-5%
	\$2,114		\$1,483	-\$631	\$676	\$46	2%	
Biosimilar 3	\$3,584		\$1,995	\$653	-\$1,342	\$0	-\$1,342	-67%
Innovator	\$4,698		\$3,668	\$3,678	\$10	\$0	\$10	0%

\* Cost and Reimbursement based on 500mg dose

# 3 Types of Contracts

## Cost Focused

### Definition

- Contract utilization is mostly driven by *invoice pricing* alone

### Pro

- Upfront cost tends to be lower than competitive options

### Con

- Miss out on any value that exists on the back end of contract

**ASP Erosion ~ 6 Quarters**

## Balanced

### Definition

- Contract utilization is a mix of *front end value* as well as *back end value*

### Pro

- Opens up opportunity for greater number of contracts

### Con

- Never fully maximizes contracts

**ASP Erosion ~ 9 Quarters**

## ROI Focused

### Definition

- Contract utilization is mostly driven by *back end value*

### Pro

- Strongest opportunity to maximize contract values

### Con

- Perceived increase of drug spend by finance / 60-90 day delay in rebate value

**ASP Erosion ~ 12 Quarters**

# Question & Comments



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