# OptumInsight Study Describes Cost Savings of DermTech's Pigmented Lesion Assay in the Management of Melanoma

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LA JOLLA, Calif.--(BUSINESS WIRE)--Apr. 15, 2021-- DermTech, Inc. (NASDAQ: DMTK) ("DermTech"), a leader in precision dermatology enabled by a non-invasive skin genomics platform, announced today the topline results from its second economic study of the Pigmented Lesion Assay ("PLA"), a non-invasive genomic test that enhances early melanoma detection. The PLA increases detection of lesions at high risk for melanoma while reducing unnecessary surgical procedures relative to the existing diagnostic pathway of visual assessment and histopathology ("VAH"). OptumInsight ("Optum") developed an actuarial model to evaluate the economic impact of inserting the PLA into the VAH pathway for pigmented skin lesions clinically suspicious of melanoma.

Using a health plan population of 10 million commercial covered lives, the findings suggest that inserting the PLA into the VAH pathway can produce aggregate savings of between $56.6 million, or $0.54 per member per month, to $81.3 million, or $0.77 per member per month, over a three year period when compared to the VAH pathway alone, assuming the Medicare reimbursed rate for the PLA of $760. This aggregate savings varies according to use in a primary care or dermatology office setting. The plan's present value net neutral costs for using the PLA after three years of tracking the population within the plan is between $1,196 and $1,386, also according to whether the PLA is ordered in a primary care or dermatology office setting. These net neutral costs of $1,196 and $1,386 for the PLA at year three are 36% to 45% higher than the Medicare reimbursed amount for the PLA.

The actuarial model looked at over 27 million commercial claims from 2019 and analyzed the care and management of patients with pigmented lesions suspicious of melanoma. It estimated the costs saved by identifying melanoma at an earlier stage, reduction in volume and spend associated with avoidable biopsies of benign lesions, and the incidence rate and costs of additional surgical procedures following a negative or inconclusive biopsy.

The Optum actuarial model found that the average costs of treating advanced melanoma exceed $150 thousand dollars per patient per year and that some of these costs can be avoided by identifying and treating melanoma at earlier stages. Additional key findings from the actuarial model are: 95.7% of biopsies performed are benign, in 14.9% of these benign cases an additional surgical procedure is performed. As the model was built by reviewing claims data within each calendar year, there is support, based on prior published literature, that the additional surgical procedures on benign biopsies may be higher than found in the patients studied.

The PLA assesses the expression of two genes associated with melanoma to guide biopsy decisions and rule out melanoma based on the assessment of genomic atypia. Not only does this non-invasive assessment of genomic atypia help avoid surgical procedures on benign lesions, it also has potential to save costs associated with late stage melanoma by identifying more melanomas than the VAH pathway, increasing the probability of excising melanoma early. Early detection of melanoma is critical to achieving successful patient outcomes.

"The inherent challenges of the VAH pathway are evident in the Optum actuarial model, and we are excited to share with payors these findings that highlight the potential cost savings the PLA can generate compared to VAH. Additionally, the PLA's enhanced early melanoma detection compared to VAH alone has potential to offer a higher quality of care for providers to their patients. Based on prior research studies, the PLA allows providers to biopsy fewer benign pigmented skin lesions while missing fewer melanomas. The Optum actuarial model builds on the 2018 economic analysis on Medicare patients[1] which demonstrated that the PLA reduces costs while improving care by detecting melanomas earlier via genomic atypia," said Dan Visage, SVP of Payor Access at DermTech.

[1] https://jamanetwork.com/journals/jamadermatology/fullarticle/2687005?

**About DermTech**

DermTech is the leading genomics company in dermatology and is creating a new category of medicine, precision dermatology, enabled by our non-invasive skin genomics platform. DermTech's mission is to transform dermatology with our non-invasive skin genomics platform, to democratize access to high quality dermatology care, and to improve the lives of millions. DermTech provides genomic analysis of skin samples collected non-invasively using an adhesive patch rather than a scalpel. DermTech markets and develops products that facilitate the early detection of skin cancers, and is developing products that assess inflammatory diseases and customize drug treatments. For additional information on DermTech, please visit DermTech's investor relations site at: www.DermTech.com.

**Forward-looking Statements**

This press release includes "forward-looking statements" within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. The expectations, estimates, and projections of DermTech may differ from its actual results and consequently, you should not rely on these forward-looking statements as predictions of future events. Words such as "expect," "estimate," "project," "budget," "forecast," "anticipate," "intend," "plan," "may," "will," "could," "should," "believes," "predicts," "potential," "continue," and similar expressions are intended to identify such forward-looking statements. These forward-looking statements include, without limitation, expectations with respect to: the performance, patient benefits, cost-effectiveness, commercialization and adoption of DermTech's products, including the PLA, and the market opportunity therefor. These forward-looking statements involve significant risks and uncertainties that could cause the actual results to differ materially from the expected results. Most of these factors are outside of the control of DermTech and are difficult to predict. Factors that may cause such differences include, but are not limited to: (1) the outcome of any legal proceedings that may be instituted against DermTech; (2) DermTech's ability to obtain additional funding to develop and market its products; (3) the existence of favorable or unfavorable clinical guidelines for DermTech's tests; (4) the reimbursement of DermTech's tests by Medicare and private payors; (5) the ability of patients or healthcare providers to obtain coverage of or sufficient reimbursement for DermTech's products; (6) DermTech's ability to grow, manage growth and retain its key employees; (7) changes in applicable laws or regulations; (8) the market adoption and demand for DermTech's products and services together with the possibility that DermTech may be adversely affected by other economic, business, and/or competitive factors; and (9) other risks and uncertainties included in (x) the "Risk Factors" section of the most recent

Annual Report on Form 10-K filed by DermTech with the Securities and Exchange Commission (the “SEC”), and (y) other documents filed or to be filed by DermTech with the SEC. DermTech cautions that the foregoing list of factors is not exclusive. You should not place undue reliance upon any forward-looking statements, which speak only as of the date made. DermTech does not undertake or accept any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements to reflect any change in its expectations or any change in events, conditions, or circumstances on which any such statement is based.

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