



EXPRESS SCRIPTS®

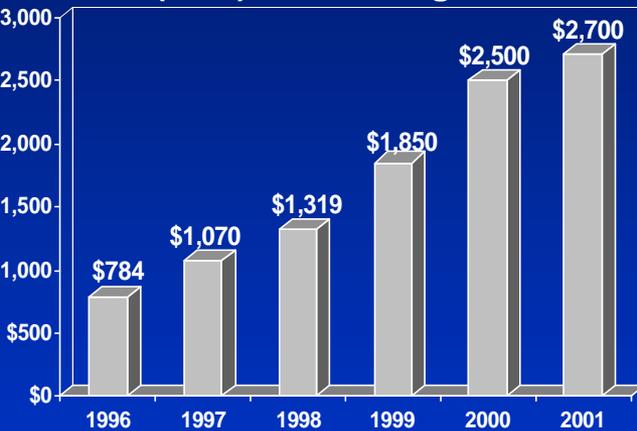
Charting the Future of Pharmacy



***Federal Trade Commission and Department of Justice
Hearings On
Health Care and Competition Laws and Policy
June 26, 2003***

Pharmaceutical Spending - Macro Trends

**Direct to Consumer
(DTC) Advertising**



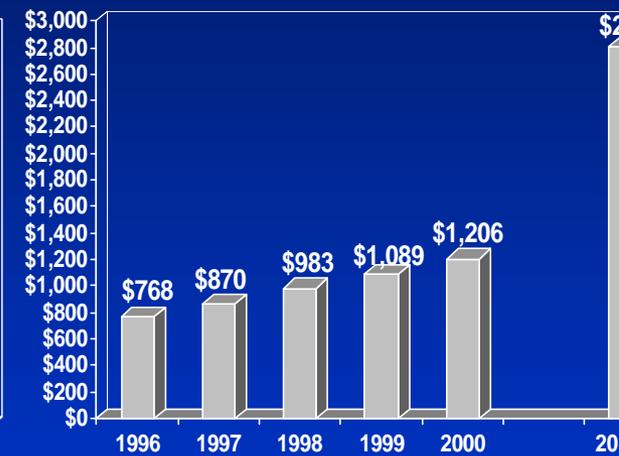
Source: 2001 Express Scripts
Drug Trend Report

Per Member Drug Spend



Source: 2002 Express Scripts
Drug Trend Report

Per Senior Drug Spend



Source: Prime Institute,
University of Minnesota

DTC Advertising
New Drugs

Growing
Utilization Trends

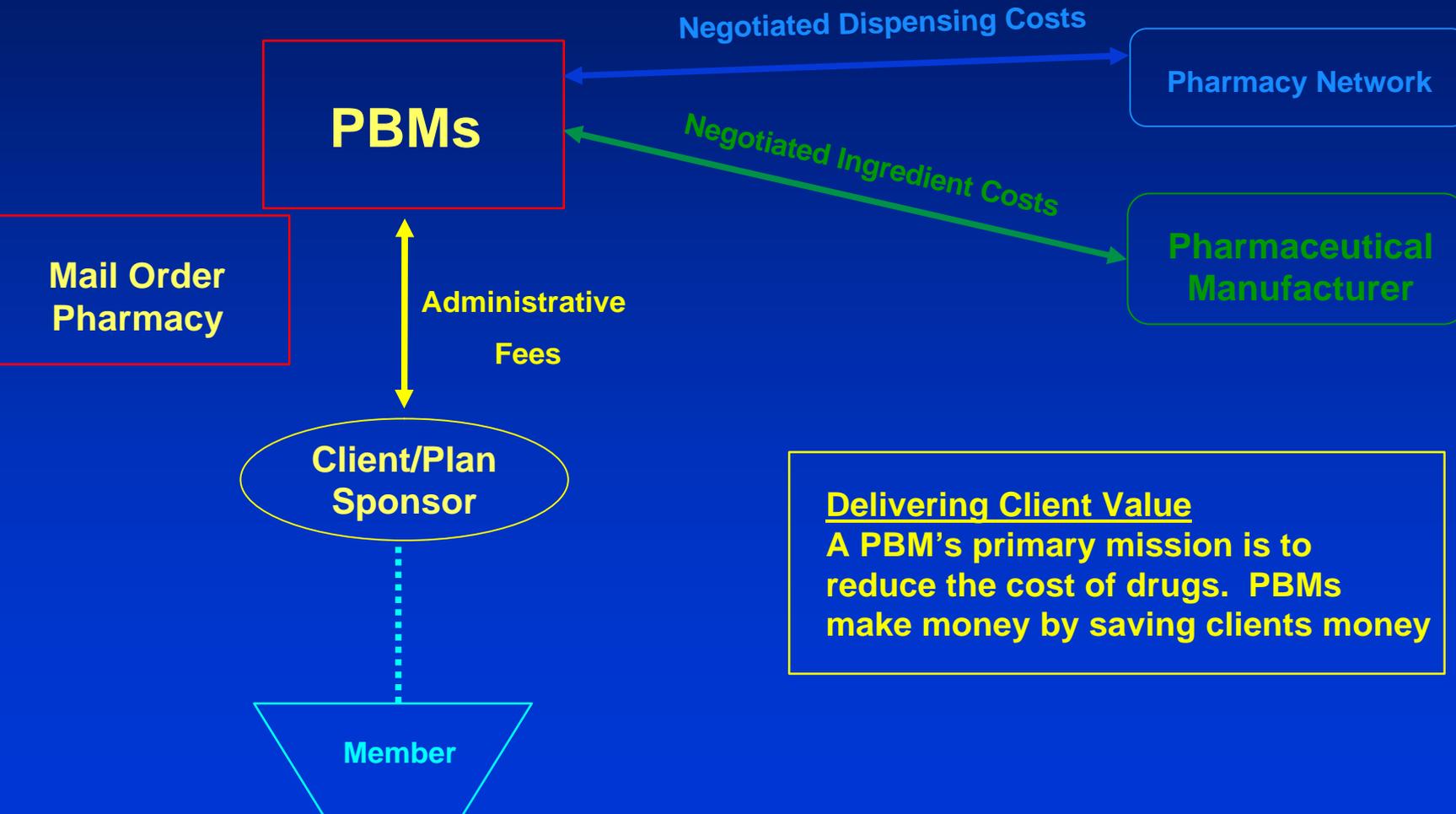
Compelling
Demographics

Plan sponsors seek help in getting value for their Rx spend

PBMs Make Prescription Drugs More Affordable

- **Aggregate the buying power of their clients**
- **Organize the market**
- **Foster price competition in the supply chain**
- **Harness market forces to make prescription drugs more affordable for health plans and for individual members**

PBMs Make Prescription Drugs More Affordable



Using Market Forces to Make Drugs Affordable

***Market Force #1 – Formulary Development and
Manufacturer Contracting***

***Market Force #2 - Plan Design Consultation
Emphasizing***

- ***Low-cost Brands***
- ***Generics***

Market Force #3 - Mail Pharmacy Services

Market Force #4 – Retail Network Contracting

Market Force #1

Formulary Management: Evaluation by Independent Pharmacy & Therapeutics Committee

Pharmacy and Therapeutics Committee made up of independent physicians. It reviews drugs for:

- clinical effectiveness
- safety

Recommends which drugs:

- Must be included on the formulary
- Should be excluded from the formulary
- Can be included or excluded from the formulary

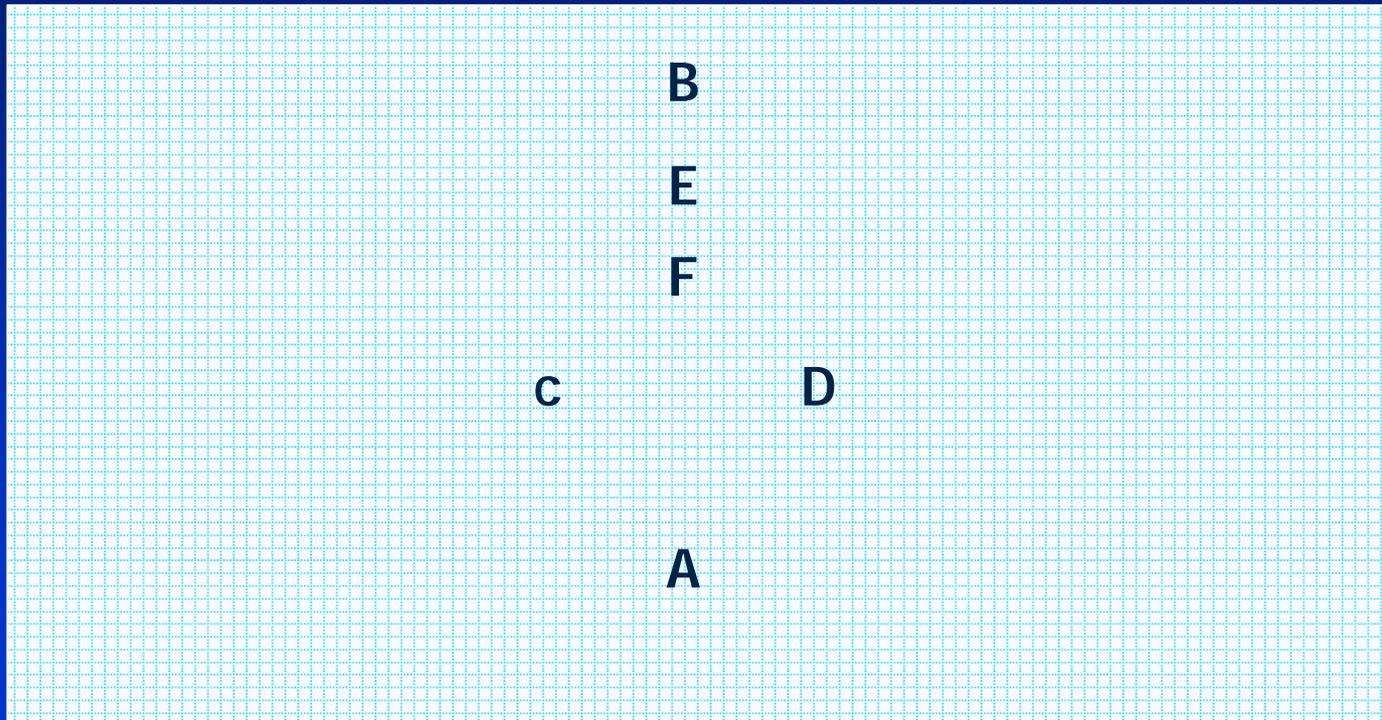
Clients may select standard or client-specific formulary best suited to their needs

Market Force #1

Formulary Management: Therapy Class Example

Step 1: Assess clinical value

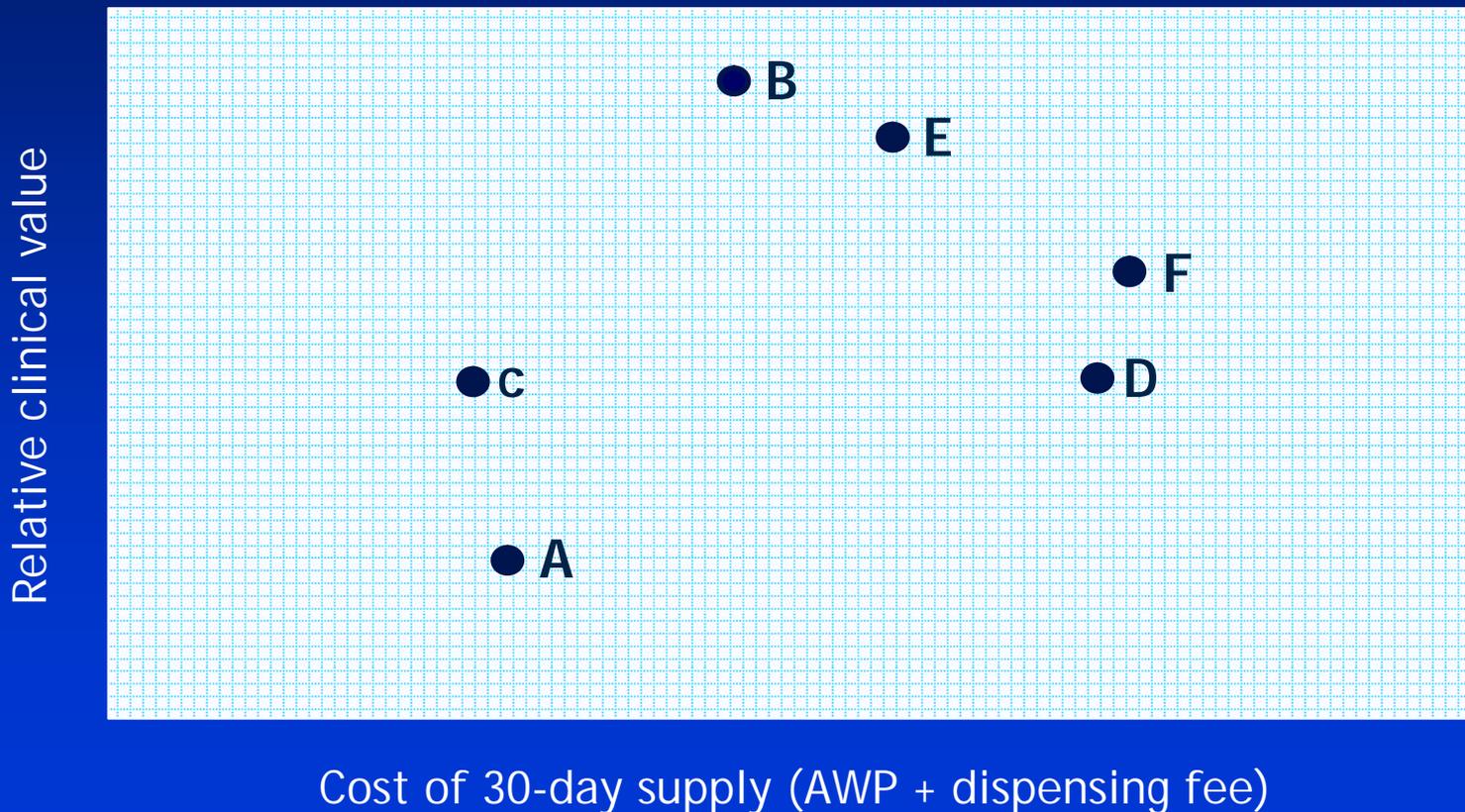
Relative clinical value



Market Force #1

Formulary Management: Therapy Class Example

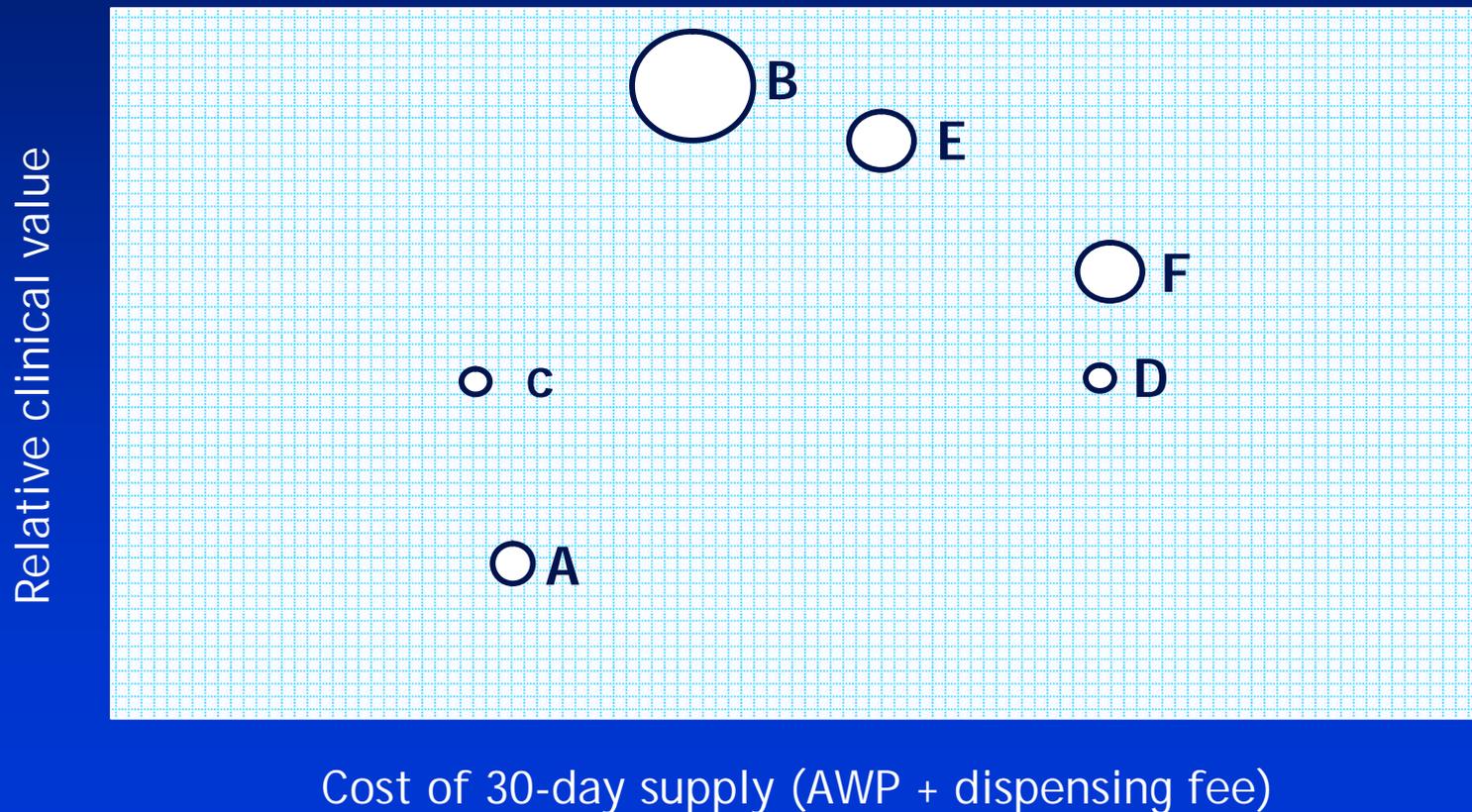
Step 2: Consider Cost



Market Force #1

Formulary Management: Therapy Class Example

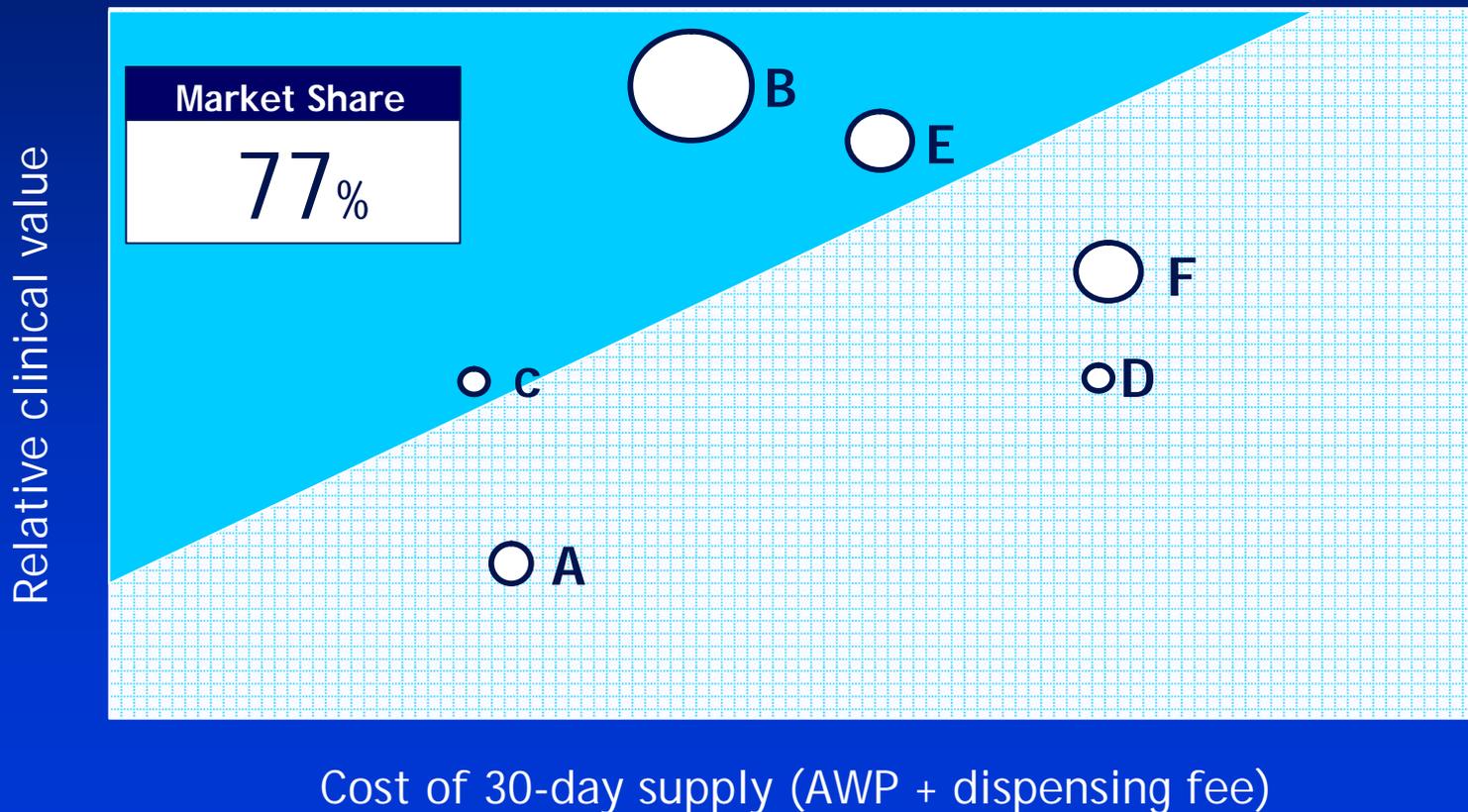
Step 3: Account for Market Conditions



Market Force #1

Formulary Management: Therapy Class Example

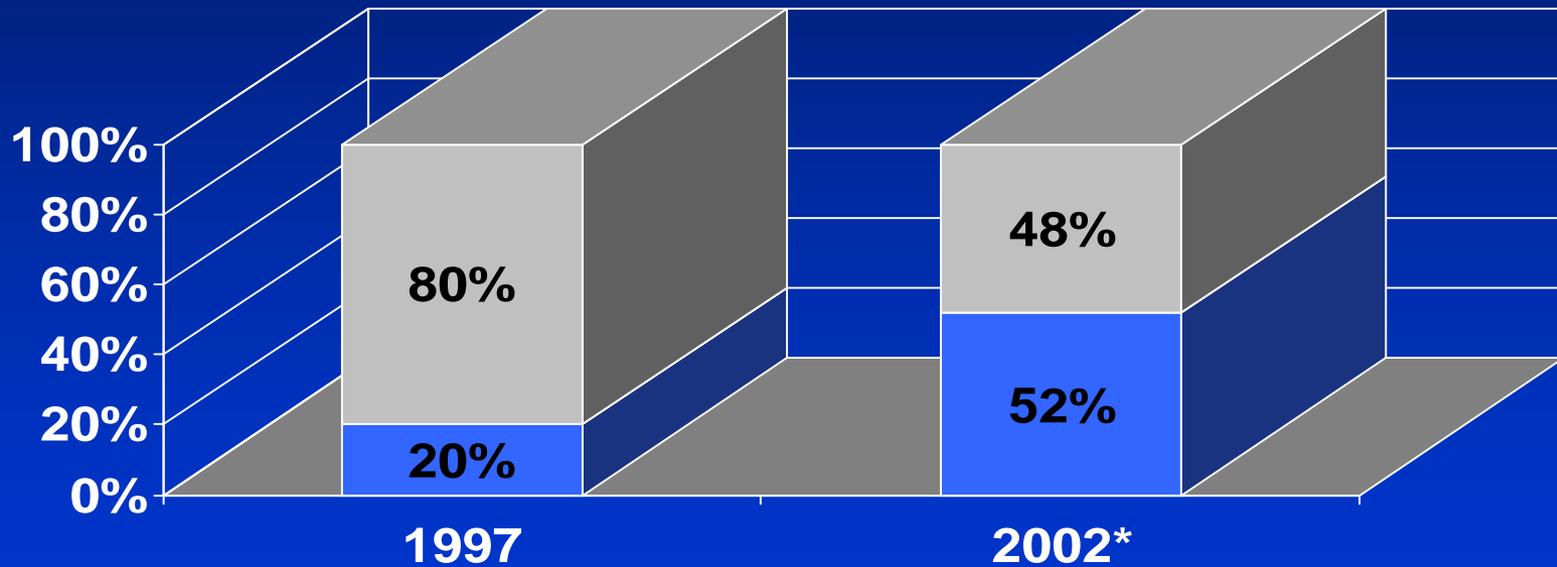
Step 4: Recommend Formulary - low cost/high clinical value



Market Force #2

Plan Design – Incentivize Use of Preferred Rx's

Plan designs encourage greater use of preferred drugs



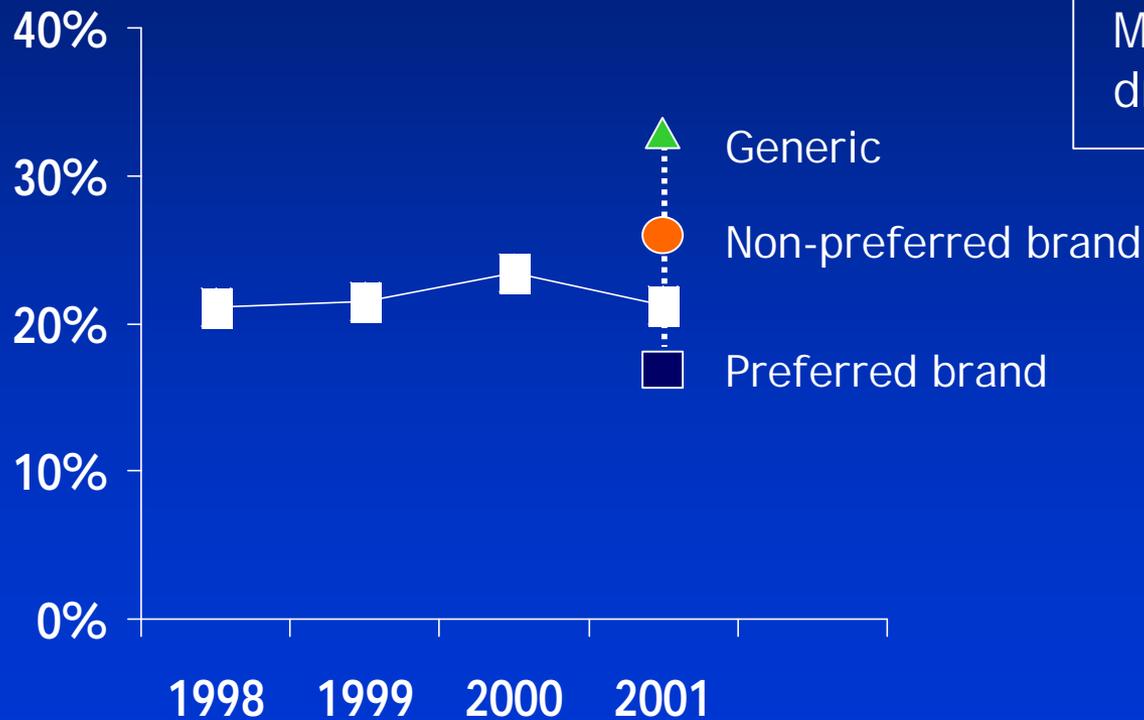
□ Three-tier or closed formulary

■ Open formulary with no incentives for low-cost brands

Market Force #2

Plan Design – Incentivize Use of Preferred Rx

Designing a Three-Tier Co-Pay Structure -
Many current plan designs are inefficient:



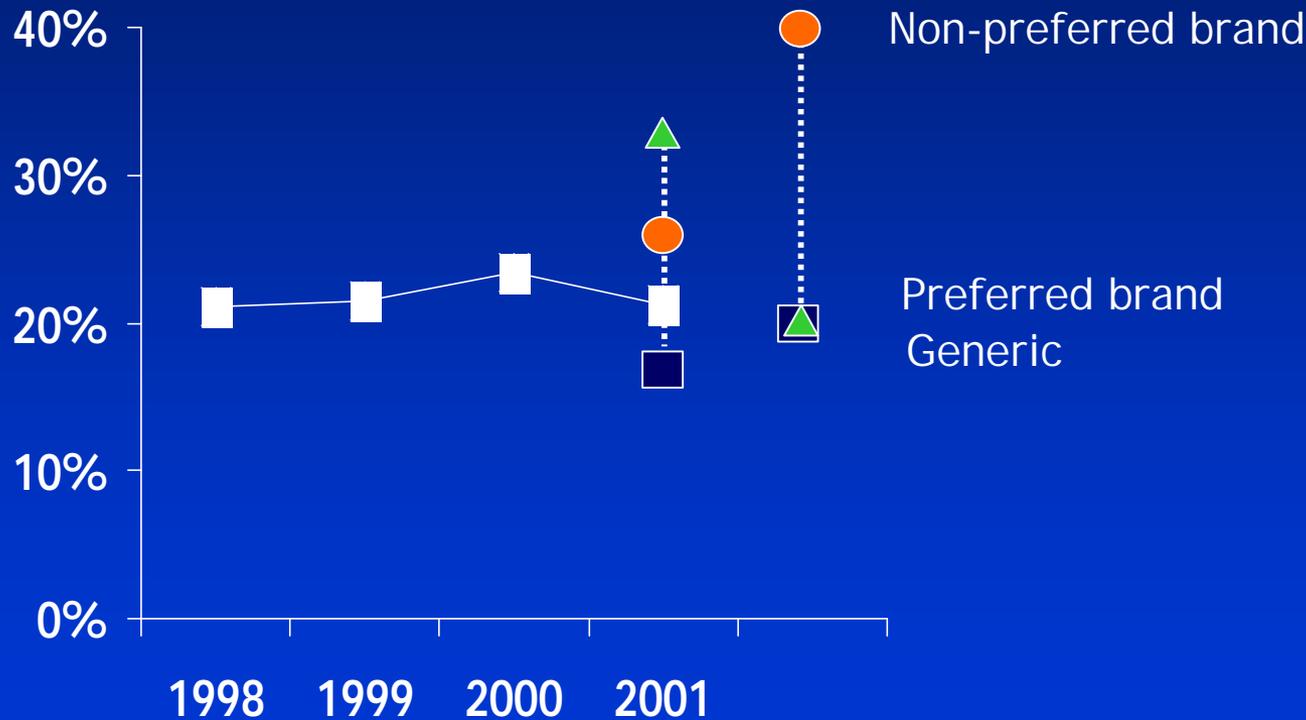
Member share depends on Rx drug selected

Member share, Express Scripts Clients

Market Force #2

Plan Design – Incentivize Use of Preferred Rx

An Efficient Three-Tier Co-Pay Structure



Member share, Express Scripts Clients

Market Force #2

Plan Design: Growing Generic Opportunity

U.S. Sales for Brand Products with Patent Expirations Between 2003-2007



Express Scripts Analysis

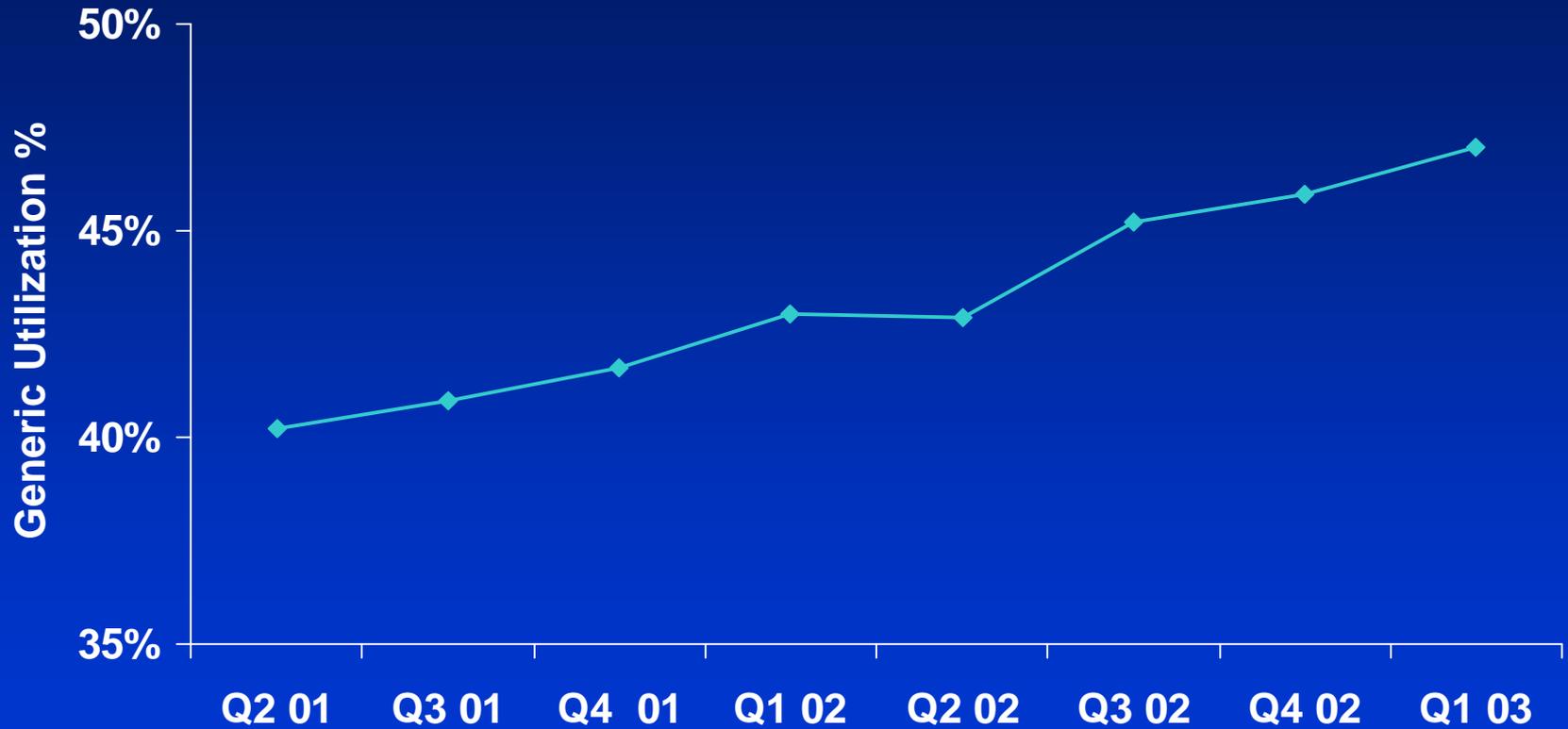
Express Scripts' profits more on a generic fill in the network or mail pharmacy

Interests are aligned with plan sponsors

Mail use provides lowest costs; higher generic substitution and improved formulary compliance

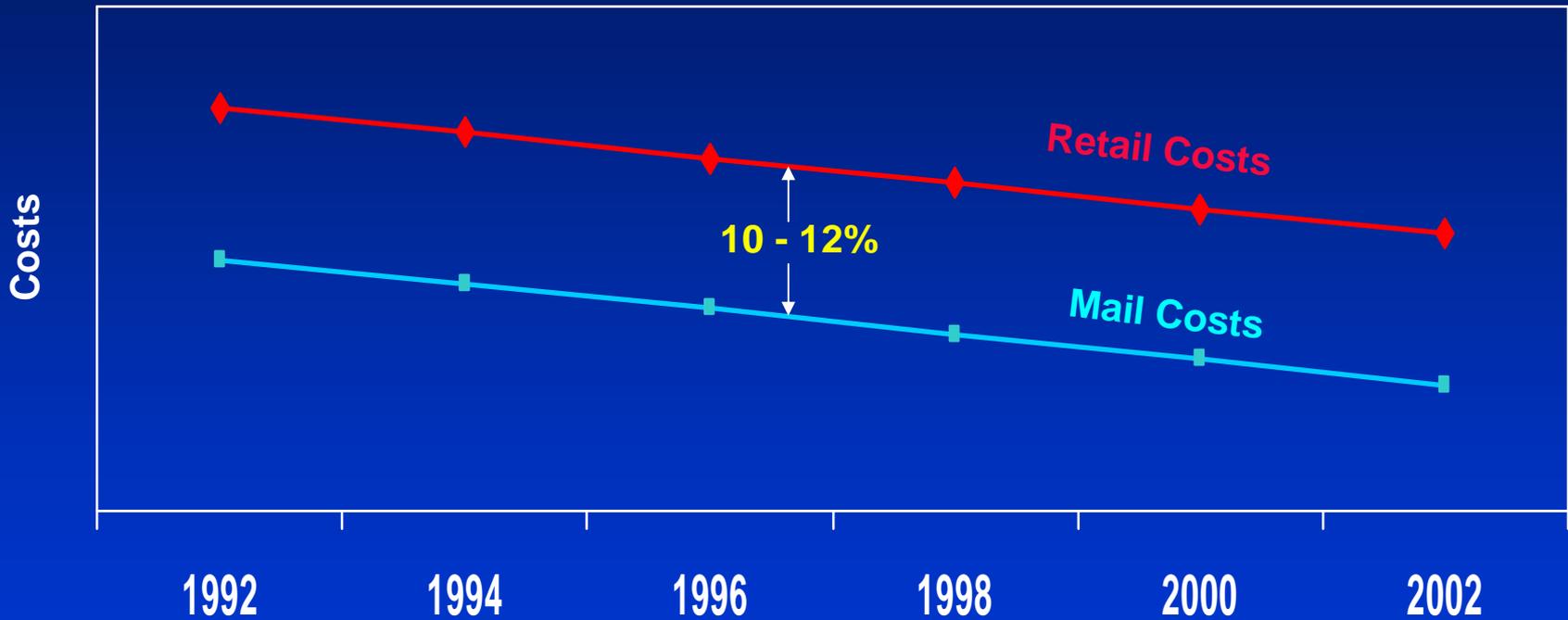
Market Force #2

Plan Design: Increase Generic Utilization:



Market Force #3

Mail Pharmacy – Low Cost and Convenience



Market Force #4

Retail Network Contracting

- **Retail networks can be contracted to meet the cost control/access needs of the health plan**
- **National retail networks contain approximately 55,000 retail outlets**
- **GAO Study: average retail discount achieved by PBMs for FEHBP was 18% below cash price for brand drugs and 47% below cash price for generics**

PBMs Make Prescription Drug Use Safer

- **DUR (Drug Utilization Review) messaging at point-of-sale draws on comprehensive database of the patient's drug history**
- **In 2002, Express Scripts transmitted 33 million safety-related DUR messages, resulting in 572,000 prescription changes**
- **Rx Hub: joint venture of Medco Health Solutions, Advance PCS and Express Scripts to promote electronic prescribing. Among its benefits will be better information to the physician on safety issues, and elimination of medication errors due to illegible handwritten prescriptions**