

Medicare Rx Legislation: Implications for PBMs



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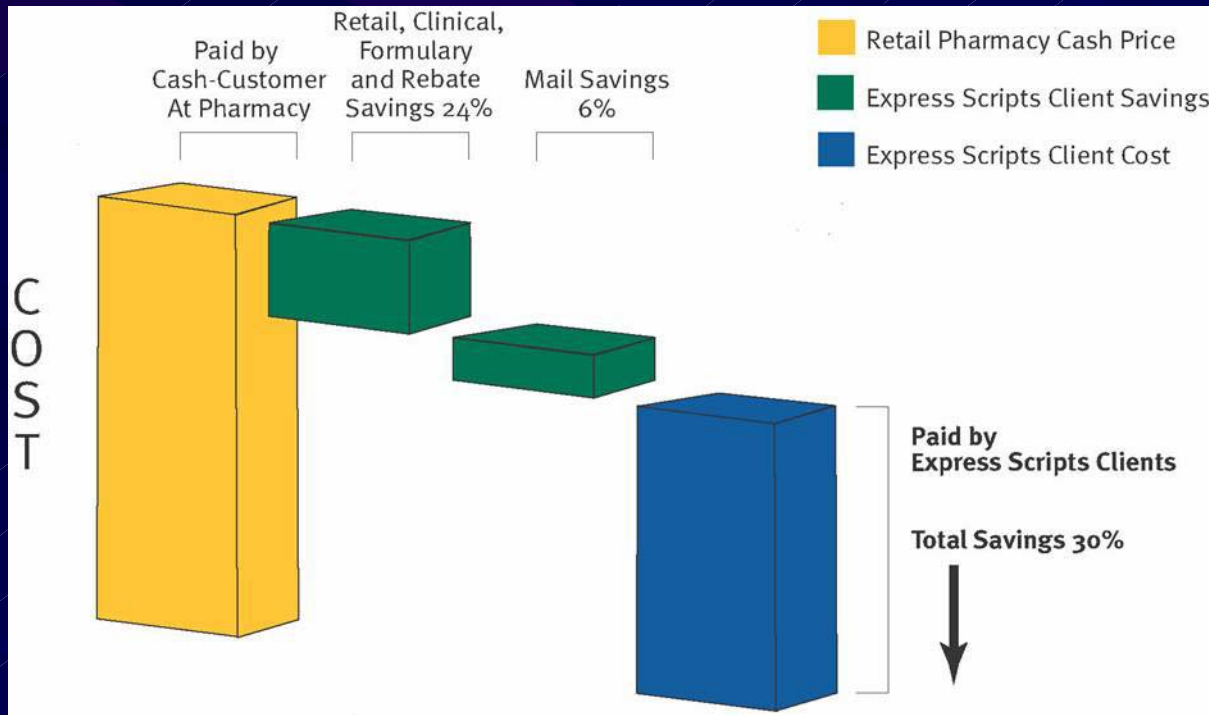
National Medicare Prescription Drug
Congress
February 26, 2004

PBMs and Medicare

- What PBMs Do
- Competition vs. Price Setting
- Medicare Benefit: Implications for PBMs and Beneficiaries
 - Discount Card
 - Funded Benefit

What PBMs Do...

PBMs Reduce Cost



Independent Studies Agree

GAO: 18 to 53%

CBO: 20 to 30%

PWC: 30 to 35%

Competition vs. Price Setting...

PBMs Reduce Distribution Costs “Legislated” vs. Competitive Pricing

Brand Discounts from Retail Pharmacies *Including Dispensing Fees*

Medicaid

U.S. PBM

7.3% off AWP*

Retail

> 12% off AWP

Mail

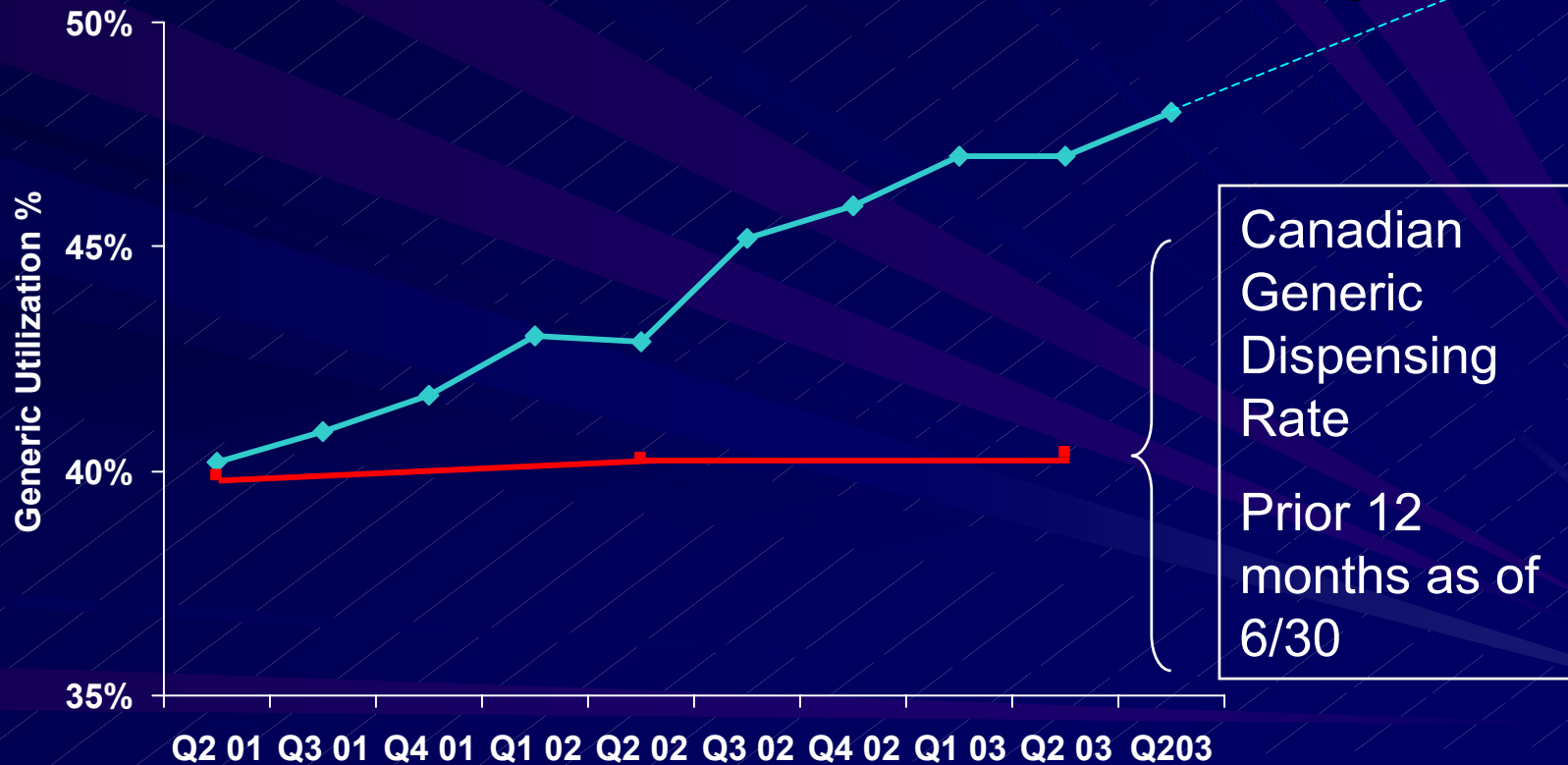
> 18% off AWP

* Median of 42 states using AWP.
Discounts ranged between 4.2% –
10.8% off AWP

Competition vs. Price Setting...

U.S. Competition Promotes Generics

Express Scripts Fill Rate at All Time High



*Source: IMS Health Canada as cited by the Canadian Generic Pharmaceutical Association

Competition vs. Price Setting...

PBM Generic Promotion Lowers Ingredient Costs (\$US, net of rebates)

Therapy Class	US Retail	Canada Retail	US GDR	Projected 2007 GDR > 40%
ARBs	\$ 49.70	\$ 38.86	0.0%	
COX2	\$ 87.80	\$ 39.35	0.0%	
Nasal Steroids	\$ 53.30	\$ 30.66	0.3%	☒
HMG	\$ 92.01	\$ 59.90	2.9%	
PPI	\$ 111.73	\$ 65.91	16.9%	
SSRI's	\$ 65.95	\$ 49.09	22.7%	☒
CCB	\$ 47.18	\$ 44.81	44.2%	☒
ACEs	\$ 19.46	\$ 34.00	58.0%	☒
BetaBlockers	\$ 13.88	\$ 17.97	67.1%	☒
NSAIDS	\$ 17.36	\$ 18.78	92.9%	☒

Summary

- U.S. PBMs make the pharmaceutical supply chain more efficient
- U.S. competitive model lowers costs via generics and this is increasingly important

Medicare Prescription Drug Discount Card

■ Interim Measure

- 18 month program
- 7.3 expected enrollees
 - 4.7 Transitional Assistance enrollees

■ Pharmacy Care Alliance

- Express Scripts & NACDS
- Meaningful discounts (~ 25% to 50%)
- Wide variety of choice

Medicare Rx: 2006 Implications

■ PBMs

- Risk assumption
- Formularies
- Least cost delivery
- Promote use of low cost prescription drugs

■ Medicare Beneficiary

- Significant cost share
- Price shopping
- Multiple card choices

Summary

- U.S. PBMs make the pharmaceutical supply chain more efficient
- U.S. competitive model lowers costs via generics and this is increasingly important
- Discount card will deliver meaningful discounts and wide choice for beneficiaries
- Competition will help manage prescription costs with the 2006 funded program.