

The Role of PBMs in the Pharmaceutical Enterprise

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and Best Practices Forum**

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Express Scripts assists clients (plan sponsors) to provide an accessible pharmacy benefit to their members, which is more affordable, while making the use of prescription drugs little bit safer.

PBM Industry Overview

PBMs Reduce Distribution Costs -- Increase the Value of Rxs to Patients

Non-PBM - Administered



Ingredient Cost:	80%
Distribution Cost:	20%

U.S. PBM - Administered



Ingredient Cost:	86%	90%
Distribution Cost:	14%	10%

Affordability and Safety

1. What We Do
2. How We Do It
3. How We Are Doing

Affordability and Safety

1. What We Do
2. How We Do It
3. How We Are Doing

Affordability



Access

Creating the Infrastructure

- Issue a card
- Establish a network of local pharmacies
- Point of sale claims system
- Call center
- Mail service for chronic medications
- Web based ordering and information
- Managing one of six prescriptions in the U.S.

Affordability

Harnessing Market Forces

- Discounts
 - Manufacturer
 - Network
 - Mail
- Formulary
- Consultation with clients
- Plan design
- Informing members and physicians

Affordability

Helping the Uninsured

- Patient Assistance Programs
- Seniors
- Manufacturer discount card programs

Affordability and Safety

1. What We Do
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Affordability and Safety

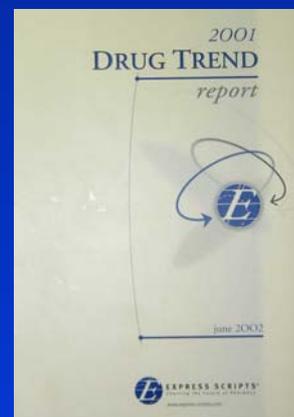
- Establish evidence
- Evaluate clinical
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- Operate mail

Affordability and Safety

- Company financed research staff
- Published in peer reviewed journals
- Presented at Outcomes Conference
- Made public



Evidence



Affordability and Safety

- Examples of Research Questions:
 - √ Are there drug interactions not in the standard DUR that require messaging?
 - √ Do co-payment structures affect safety?
 - √ Does aspirin use for cardiac protection create safety concerns?
 - √ Does prescription utilization vary geographically?

Affordability and Safety

Drug Interactions

- Study compared prevalence of inappropriate concomitant use of anticholinergic and donepezil (Aricept) among dementia patients
 - Older adults with dementia are especially sensitive to anticholinergic side effects
- Over 1/4 of patients taking donepezil used anticholinergics concomitantly on 50% of study days
- Developed program to prevent concomitant use

Affordability and Safety

Aspirin/COX-2s

- Examined extent to which COX-2 users were taking OTC pain relievers – negating COX-2 therapeutic advantage
- 50% aspirin use among chronic COX-2 users raising gastrointestinal safety concerns
- Many new users not at risk of gastrointestinal adverse events
- Supported first use of generics in step therapy programs

Submitted for Publication

Affordability and Safety

Three Tier Co-Pay Structures

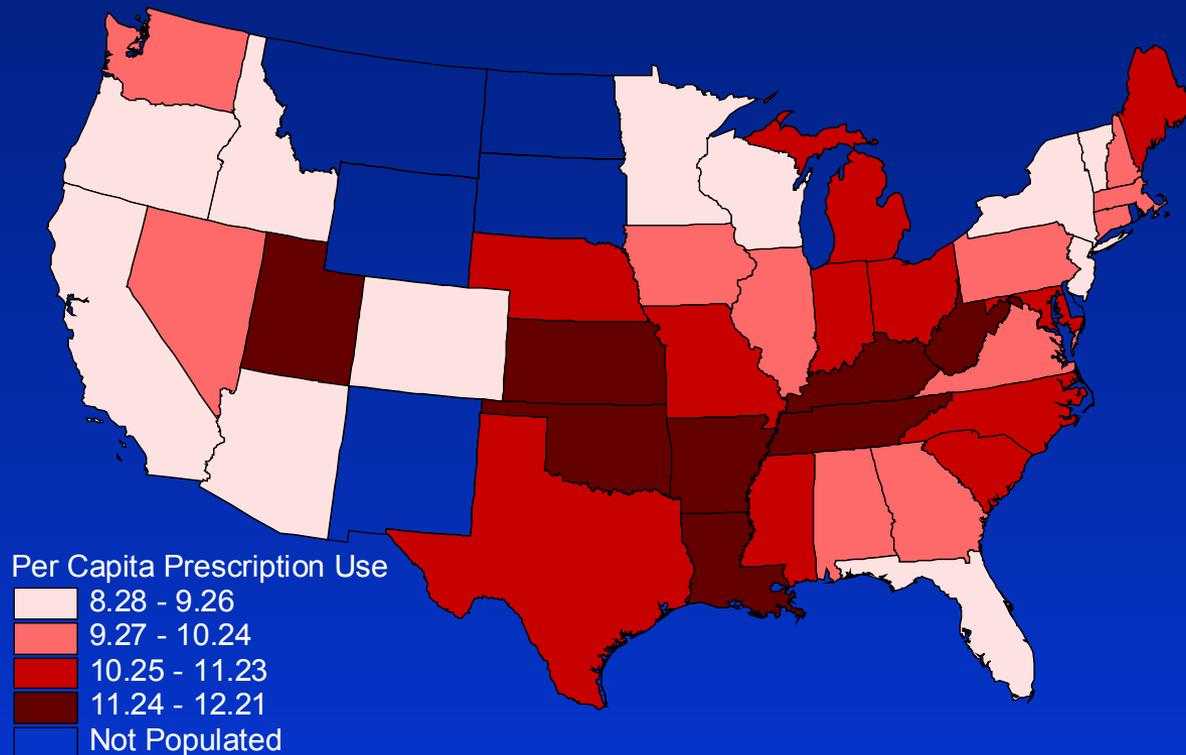
- Study found that implementation of three-tier co-payment structure did not result in negative medical consequences.
- Rates of emergency room visits and inpatient hospitalization were not impacted.
- Study also found decreased cost because of greater economic incentives to use more cost effective medications.

Motheral BR, Fairman KA. *Medical Care* 2001;39(12):1293-304.

Affordability and Safety

Geographic Variation

Age and Gender Adjusted Per Capita Prescription Use
Among Adult Beneficiaries, 2000



Affordability and Safety

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Safety

Express Scripts Pharmacy and Therapeutics Committee Process

Pharmacy and Therapeutics Committee made up of independent physicians 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

Affordability and Safety

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More Affordable Prescription Drugs

Affordable: Formulary Management

Effectiveness Criteria

Cost

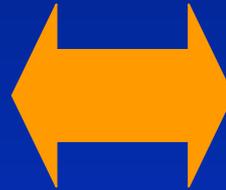
Efficacy

Side Effects

Indications

Ease of administration

Likelihood of compliance



Cost per Prescription

Affordability

Creating a Formulary

A

B

c (Generic)

D

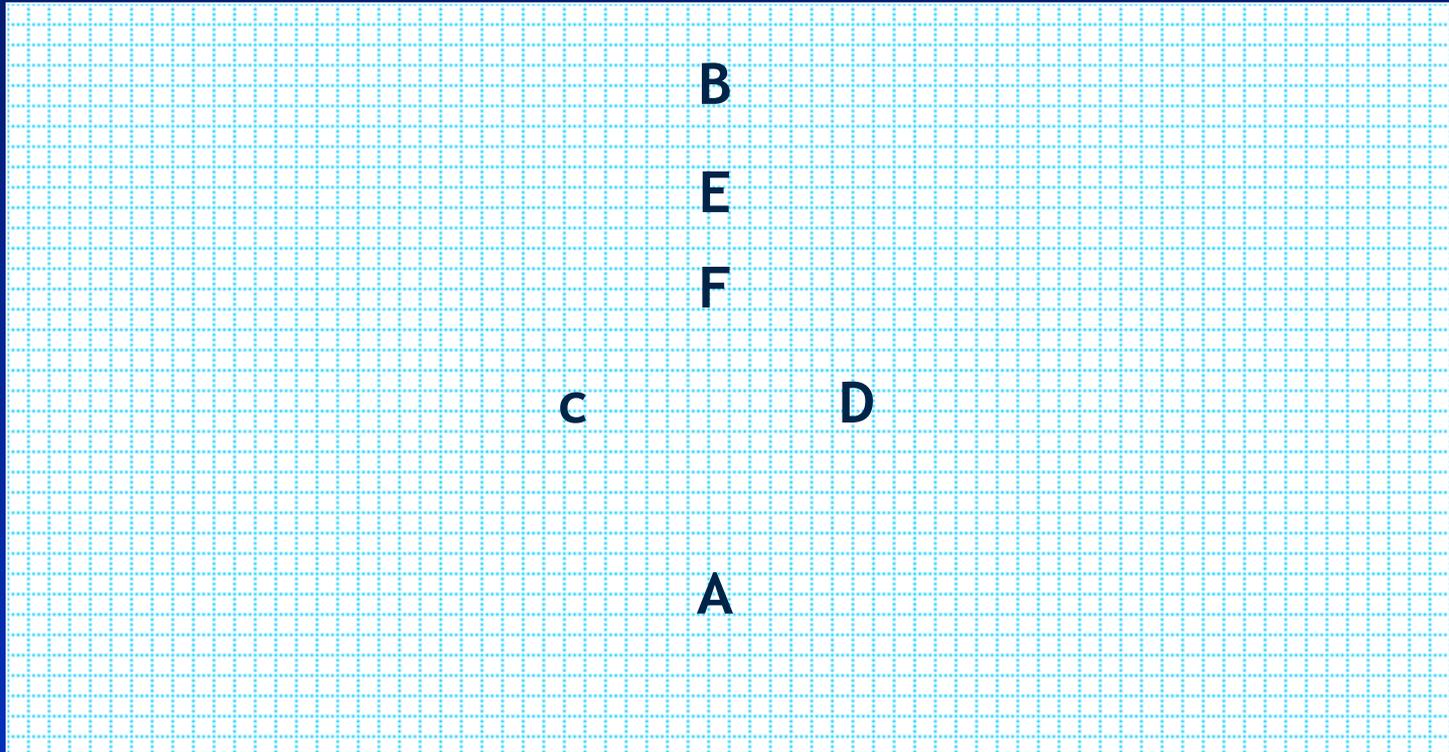
E

F

Affordability

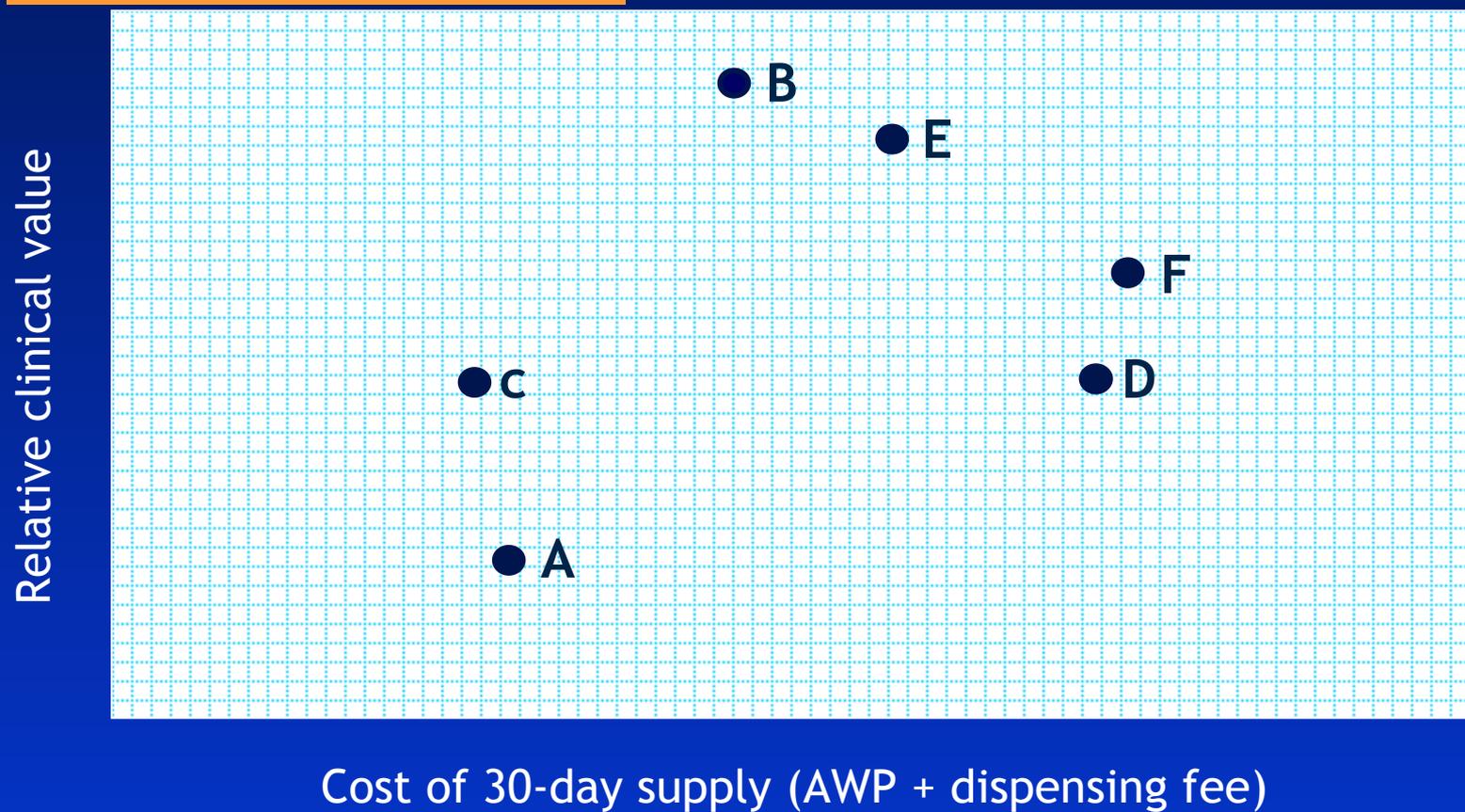
Step 1: Assess clinical value

Relative clinical value



Affordability

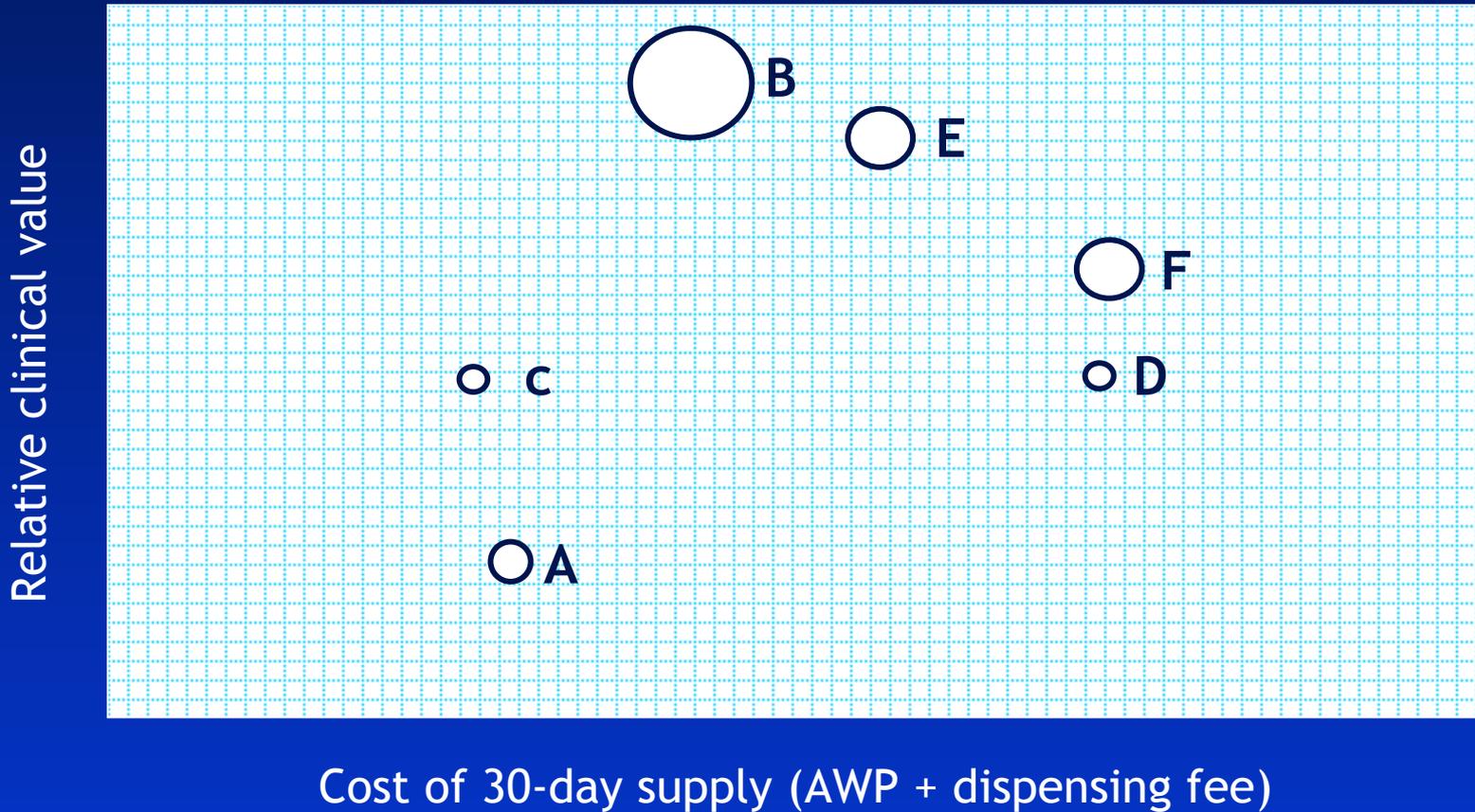
Step 2: Consider Cost



More Affordable Prescription Drugs

Formulary Management: Class Example

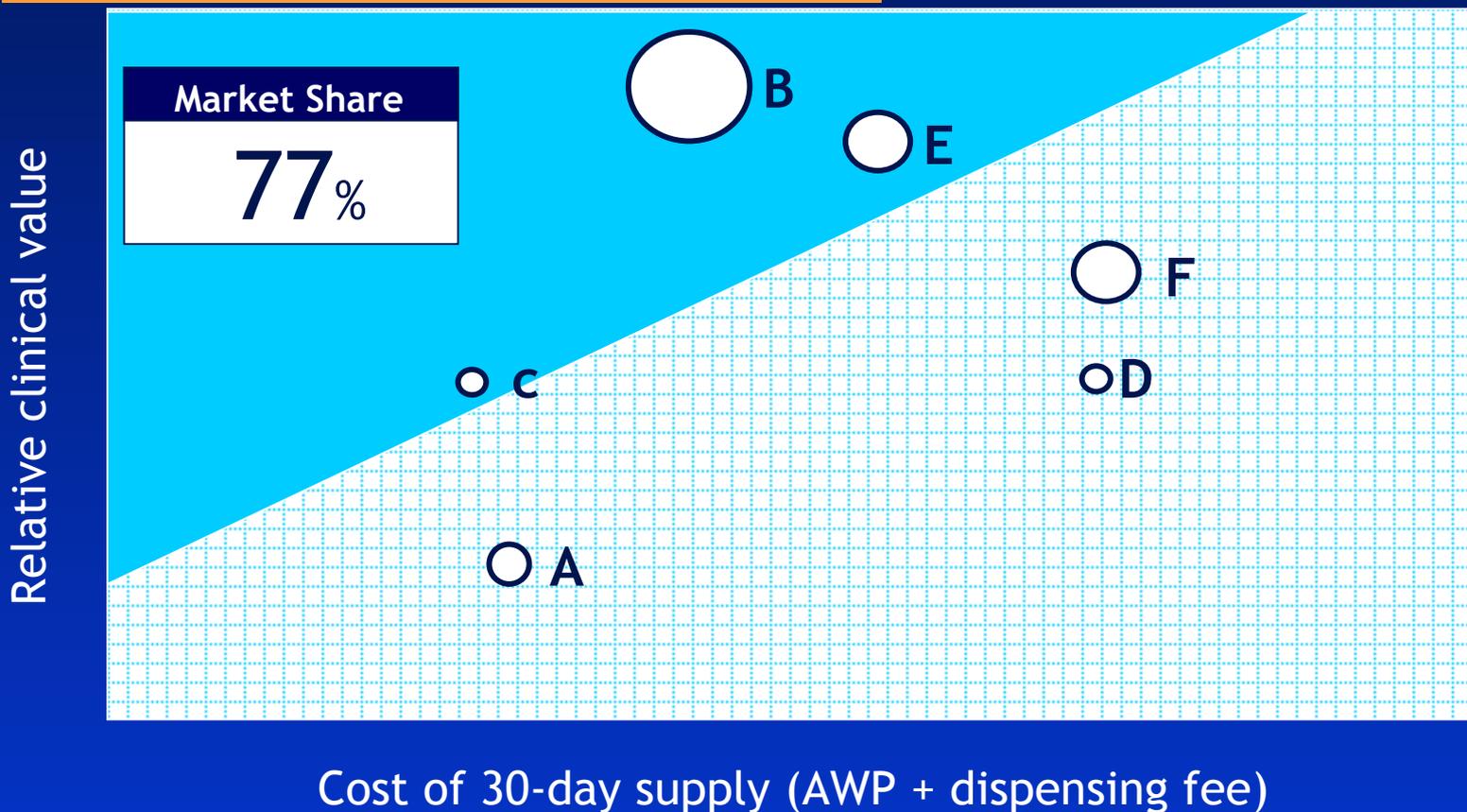
Step 3: Account for Market Conditions



More Affordable Prescription Drugs

Formulary Management: Class Example

Step 4: Recommend Formulary



Affordability and Safety

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Manufacturer Discounts

- Formulary is the foundation
- System based largely on sealed bids from manufacturers
- Disclosed to and auditable by clients

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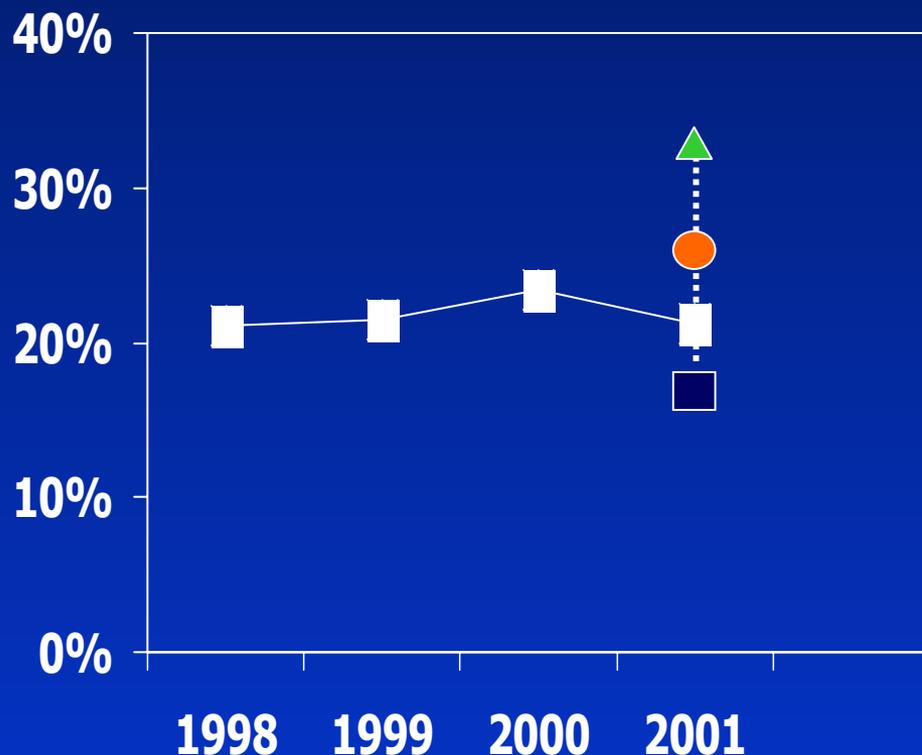
Affordability

Plan Design Incentives

- Based on both formulary and manufacturer discount process
- Express Scripts recommends structured co-pay design that:
 - Promotes low cost generics, brands
 - Rewards patients with lower co-pay
- Goal is to harness market forces for greater affordability

Affordability

Designing a Three-Tier Co-Pay Structure



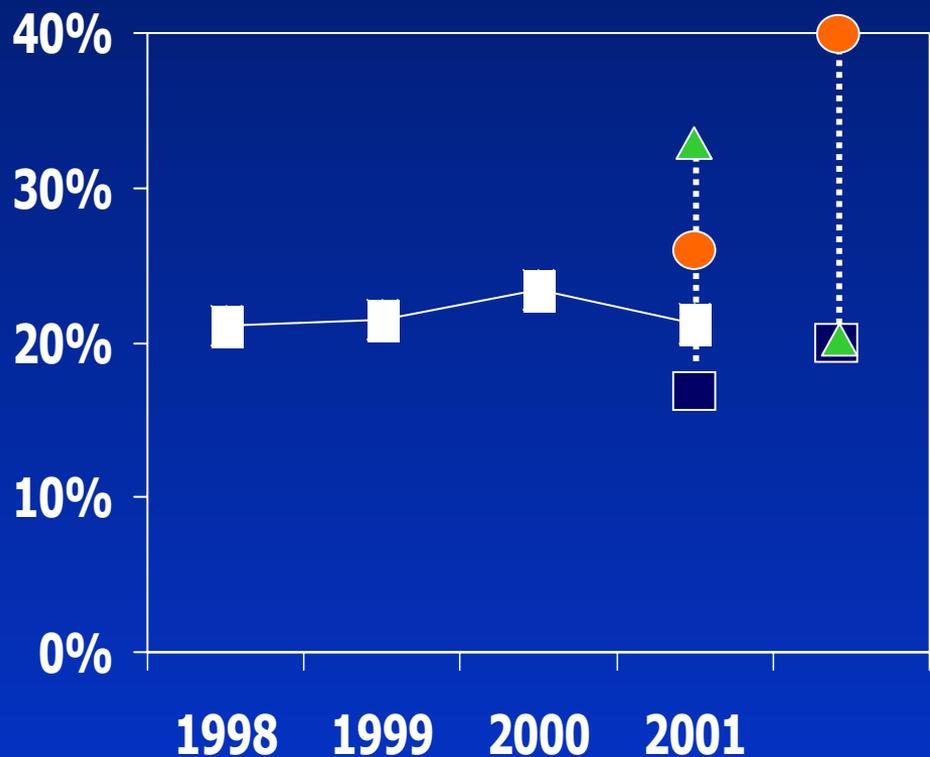
Member share depends on Rx drug selected

- Non-preferred brand
- Preferred brand
- ▲ Generic

**Member share,
Express Scripts Clients**

Affordability

Designing a Three-Tier Co-Pay Structure



**Member share,
Express Scripts Clients**

	Copay	Member share
● Non-pref brand	\$30	40%
▲ Preferred brand	\$15	20%
▲ Generic	\$ 5	20%

BUY UP

Affordability and Safety

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Affordability

Price Check

Prescription	1-Month Supply Local Pharmacy	*Estimated 1-Month Supply Mail Service	3-Month Supply Mail Service
PROZAC 40MG PULVULE 1 per day	\$15.00	\$10.00	\$30.00
Generic Available FLUOXETINE HCL 40MG CAPSULE 1 per day	\$5.00	\$3.33	\$10.00
* Note: This price is for comparative purposes only. Most mail service prescriptions must be ordered in 3-month supplies.			



Pay Less!

- [Use Mail Service](#)
- [Switch to Generic](#)

[Back](#)
[New Price Check](#)
[Home](#)

Note: All prices are estimates only. All estimates are calculated using the patient's current benefit details (including deductible amounts) as of **May 31, 2002**.

Affordability

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- Provides tailored out-of-pocket costs
- Mail & generic savings (if applicable)

- 30% switched to home delivery
- 70% of those pricing multi-source brands switched to generic

Affordability

DrugDigest - Microsoft Internet Explorer

Address <http://www.drugdigest.org/DD/Home>


EXPRESS SCRIPTS

Drug Digest

[Drug Library](#) |
 [Check Interactions](#) |
 [Compare Drugs](#) |
 [Conditions & Treatments](#) |
 [News & Reviews](#)

Search

Drugs & Herbs

Match:

All words

Any words

Exact phrase

[Glossary](#)

[Senior Corner](#)

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Migraines Don't Have to Sideline You

New remedies for this debilitating ailment, which affects approximately 28 million Americans, mean a migraine headache no longer has to put you out of commission.



[Learn more ...](#)

Health Highlights: July 1, 2002

- ▶ NYC Cigarette Tax Now Highest in Nation
- ▶ Pediatricians Lack Expertise for Helping Obese Kids: Survey
- ▶ Lead Poisoning Strikes the Unborn

[Read these stories and more ...](#)

Health News

- ▶ [Passing Up Your Period](#)
Taking birth control pills for months at a time reduces headaches, cramping, study shows
- ▶ [Bladder Control May Be in Your Mind](#)
Study shows behavioral therapy works as well as drugs for older women
- ▶ [Suicide More Prevalent in the Elderly](#)
Studies show why they're more likely to take their own lives
- ▶ [Lead Poisoning Strikes the Unborn](#)
Buildup in mom's bone transferred to babies
- ▶ [Will You Please Keep the Racket Down?](#)

Tell Us What You Think

Along with my healthcare insurance, I receive prescription drug benefits through:

AdvancePCS

Caremark

Express Scripts

Merck-Medco

Other benefits provider

No coverage

I don't know

FDA Alerts

- ▶ [A Skin Test for Cholesterol](#)
Palm monitor may be more accurate than just a blood test

Prostate Cancer



Internet

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Affordability

Retail Network Discounts

- Discounts are negotiated with retail pharmacies as we build networks
- Smaller the network, the bigger the discount



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Affordability



Mail Pharmacy

@ \$20/Rx
for 90-day supply

Alignment of Interests

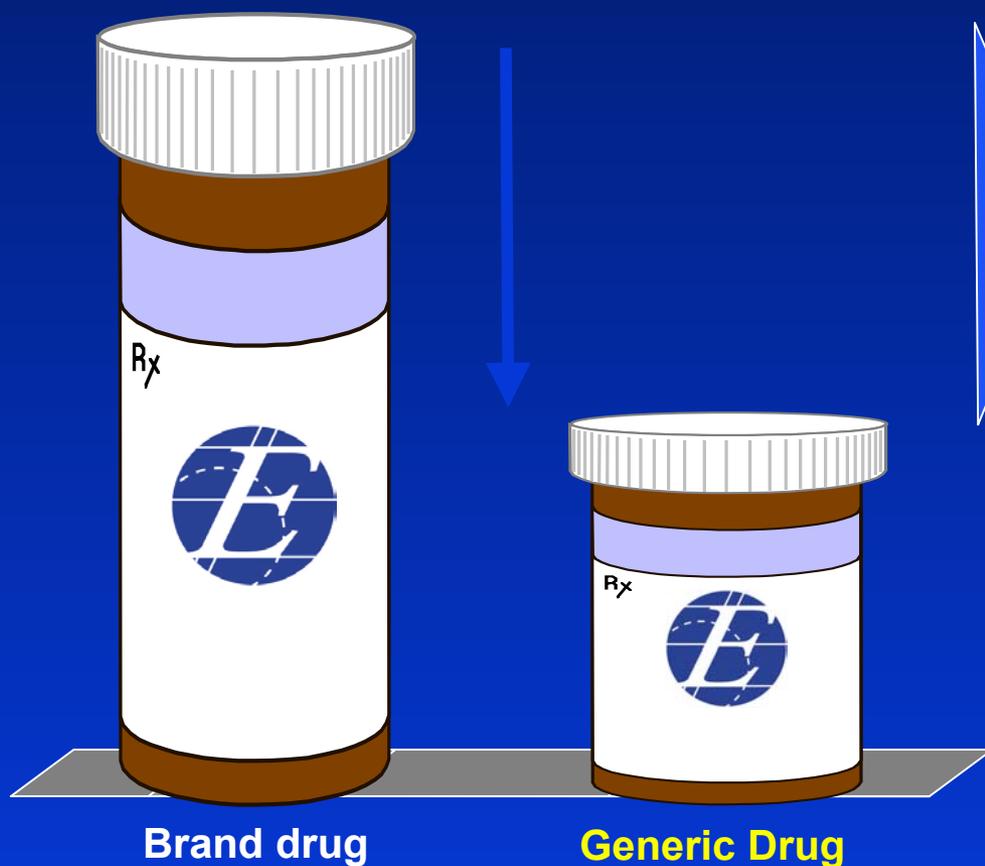
	Patient	Plan Sponsor	Express Scripts
Network Discounts	No claim form at participating retail drug stores	Pays lower price per prescription due to retail discount	Paid for network management, claim processing
Mail Order	Pays lower co-pay	Pays less for mail prescriptions than in network	Makes margin on mail order prescriptions
Formulary	Pays lower co-pay for generics and low cost brand drugs.	Receives most of the manufacturer discounts for promoting low cost brand drugs	Receives a portion of the manufacturer discounts and incented to increase manufacturer discounts

ESI's retail, mail & manufacturer discounts pricing improve allowing greater savings to clients over time

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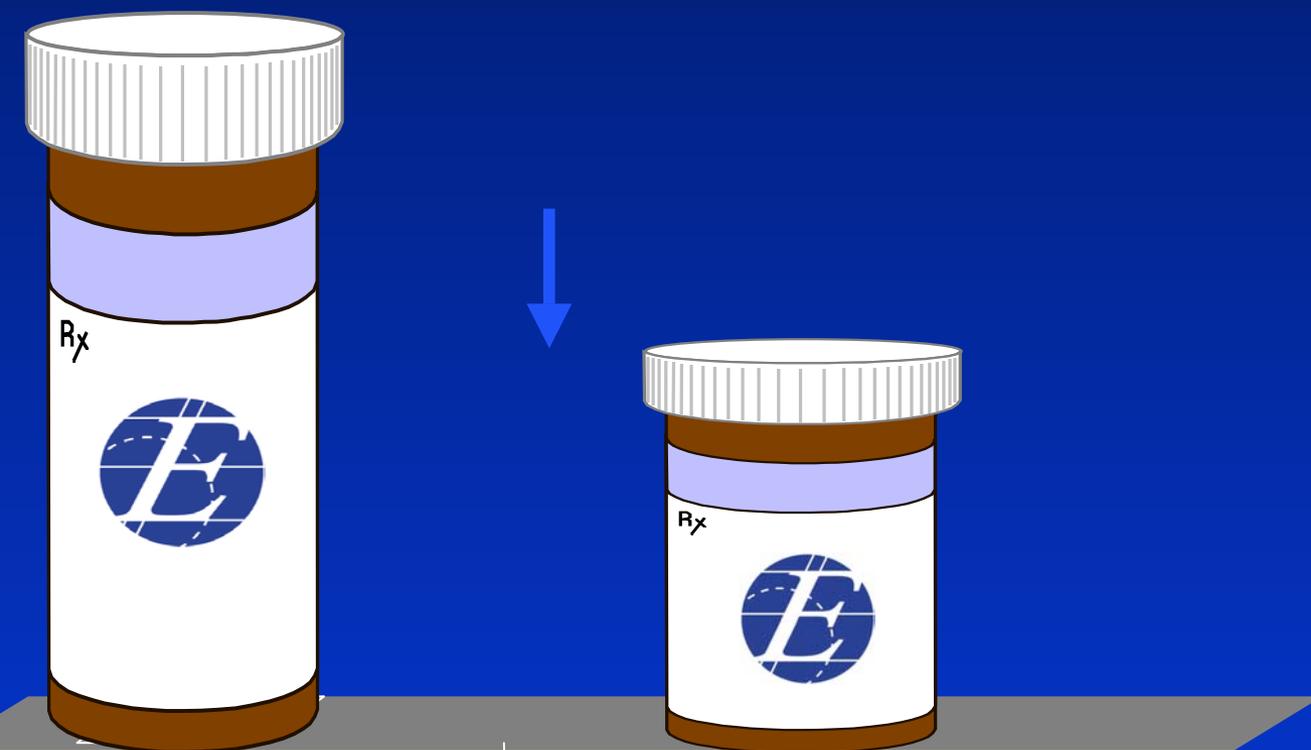


40% to 80% discount on a generic drug possible after market exclusivity compared to brand drugs.

Promoting greater use of generics is one of ESI's top business priorities

Affordability

Manufacturer discounts on low-cost brand drugs produce further savings



Non-preferred Brand

Preferred Brand with Discount

5% to 10% total discount per product when manufacturer discounts are considered on preferred low-cost brands.

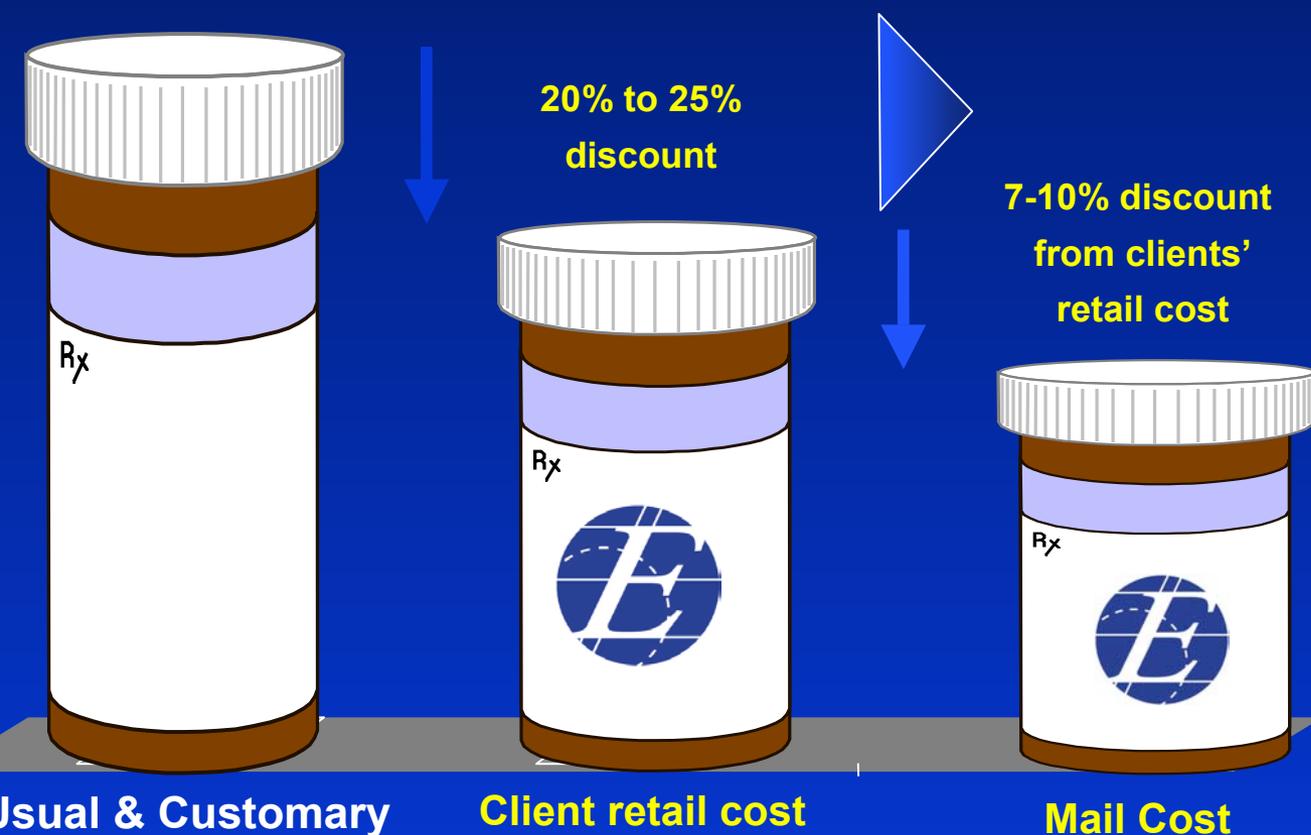
Manufacturer discounts are increasing due to Express Scripts formulary control and number of prescribers

Affordability

	Co-pay <u>Differential</u>
Generic vs. multi-source brand	\$7-15 decrease
Preferred brand vs. non-preferred brand	\$10-30 decrease

**Members, clients and Express Scripts all benefit when
generics and low-cost formulary drugs are used**

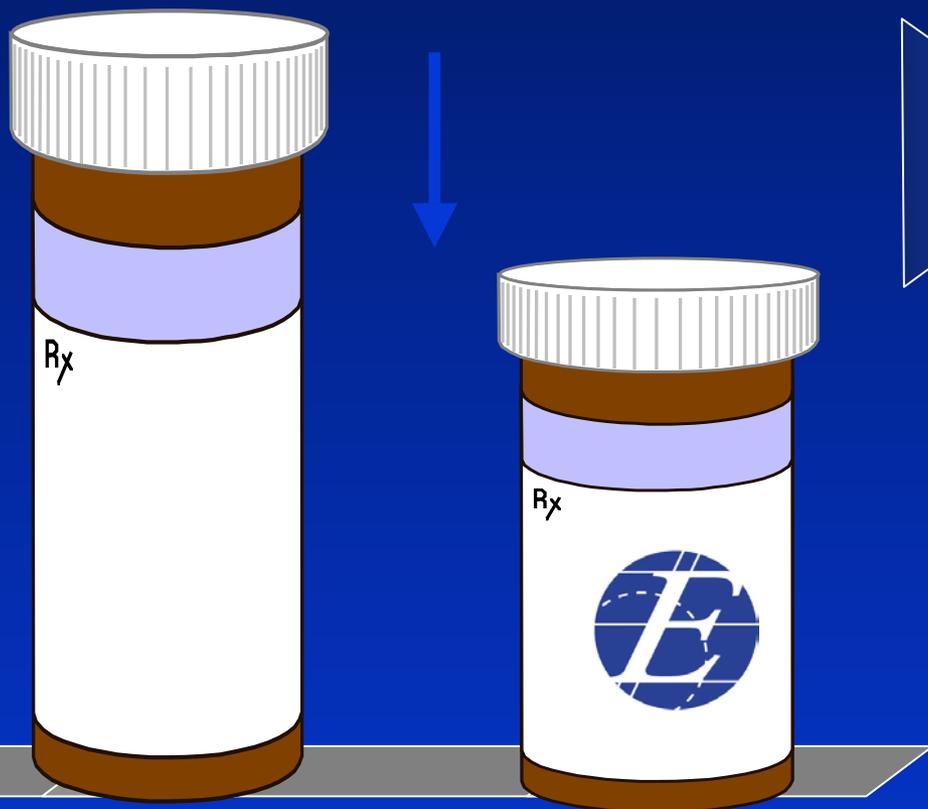
Affordability



Network discounts have increased with ESI's growth.

Mail order operates at lower margins, saving clients and members each time it is used

Affordability



Total Cost

Cost to serve an average American without a PBM

Client Cost

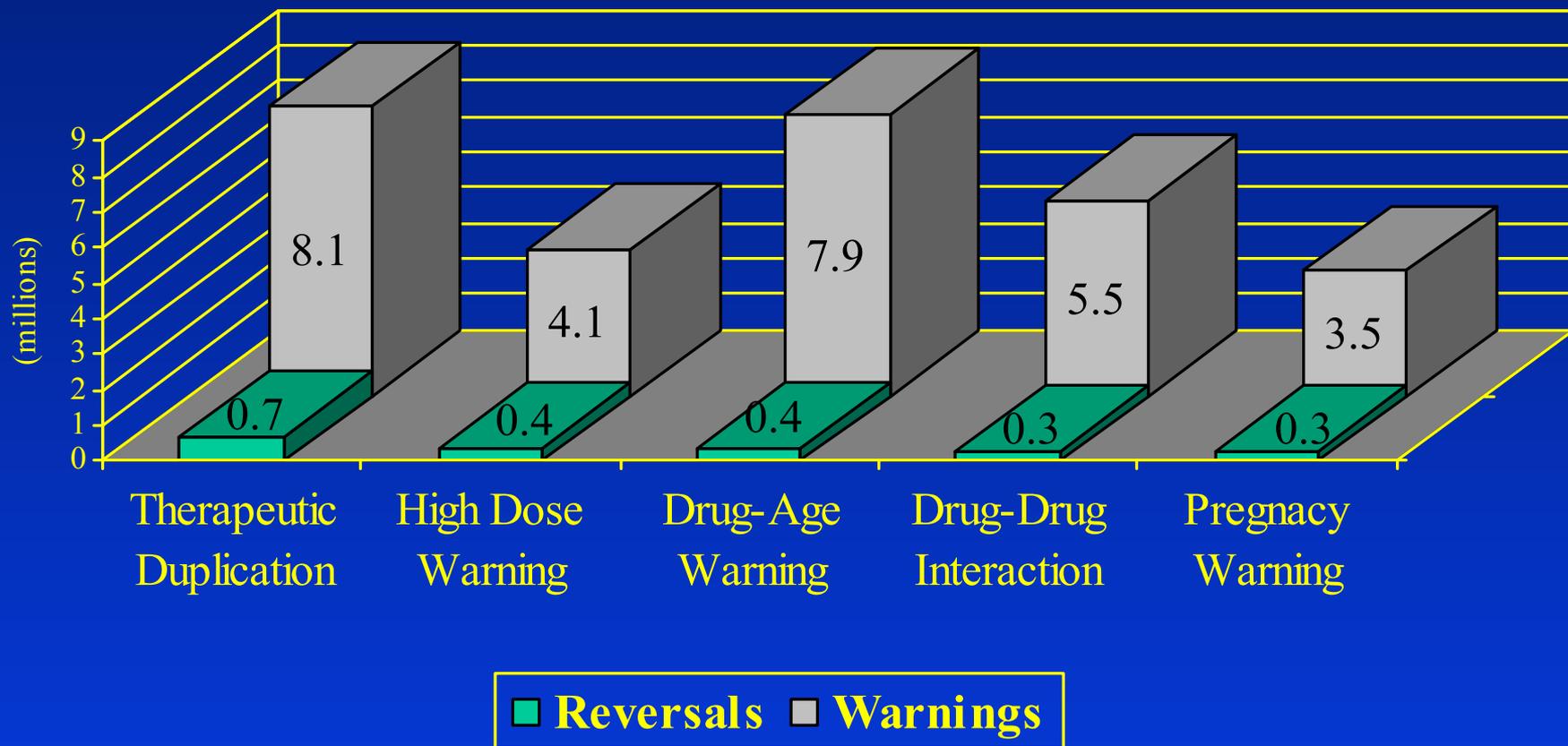
Costs with Express Scripts savings

25% to 35% individual client total discount possible from PBM tools:

- **Retail network management**
- **Formulary management**
 - Low-cost brands
 - Generics
- **Manufacturer Discounts**
- **Mail pharmacy services**

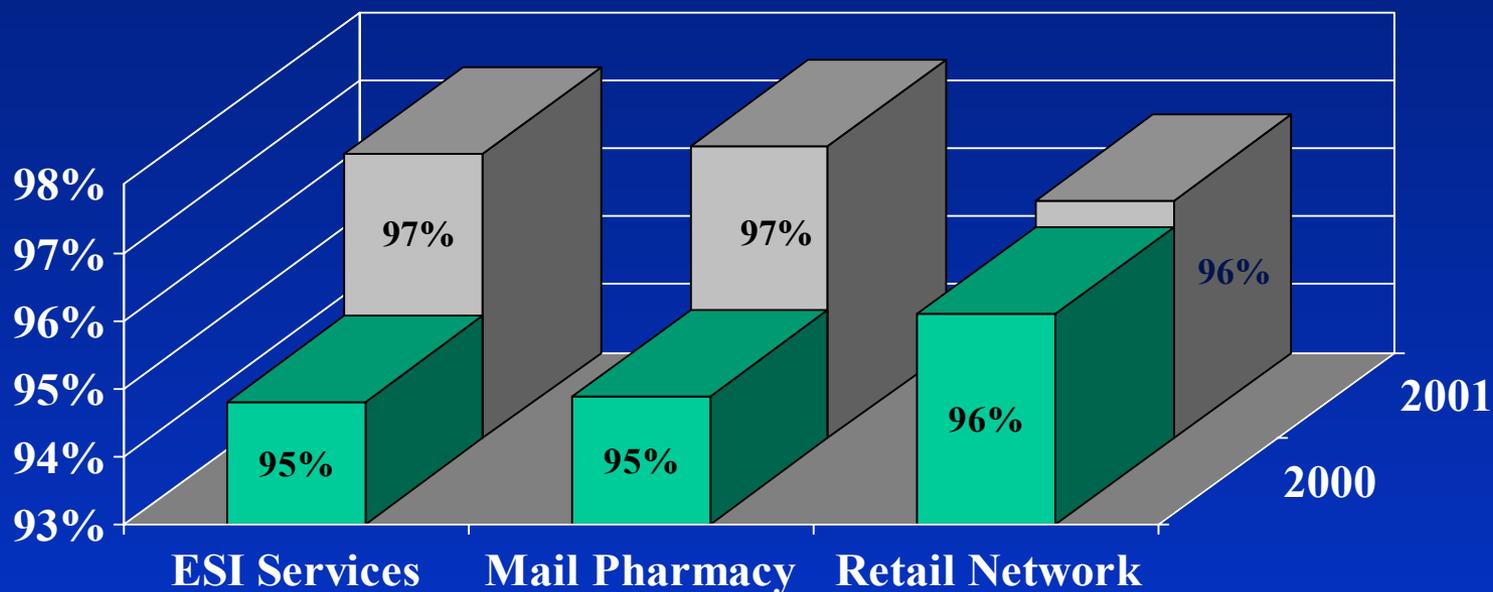
Safety

Annual Warnings to Pharmacists and Subsequent Reversals



Affordability and Safety

Member Satisfaction Exceeds 95%



Affordability and Safety

Thank You