

I am Brian M. Quigley and I appear on behalf of Express Scripts to express our strong opposition to Senate Bill 616, which imposes restrictions on mail-service pharmacies that would unfairly limit the ability of health plans to design cost effective prescription drug benefits and that would ultimately harm consumers by raising the cost of prescriptions. Express Scripts is one of America's largest pharmacy benefit managers, providing the pharmacy benefit for millions of people nationwide through employers, managed-care plans, unions and governmental entities. Express Scripts also operates a mail service facility in Bensalem, Pennsylvania and employs over 1200 people in Pennsylvania.

We believe on behalf of our customers that it is critical to preserve full flexibility in developing mail order options. Prescription drugs are currently the fastest growing component of health care expenses. Employers and health plans are being challenged to develop products that ensure access to prescription drugs while keeping premiums and out-of-pocket expenses at an affordable level. Our customers look to us to find cost effective solutions so that they can maintain affordable drug coverage. Mail service is one of the most effective ways to do this. The cost savings from mail service can be the difference between keeping drug coverage or dropping it. To that end, employers and health plans typically offer their members the option of obtaining many prescription drugs through a mail order pharmacy. The projected savings from the use of mail service for our Pennsylvania clients in 2009 are over \$31 million.

Mail order vendors are generally able to offer more favorable pricing than what is offered by retail pharmacies due to high volume and reduced handling cost. The General Accounting Office has found that the average price of prescriptions through mail-order pharmacies is 27% below the price consumers pay at a retail pharmacy for brand name drugs and 53% below the retail price for generic drugs. (US General Accounting Office, "Effects of Using Pharmacy Benefit Managers on Health Plans, Enrollees and Pharmacies," GAO-03-196, January 2003.)

Because mail service pharmacies have a prescription for a longer period of time, and are not rushed by the patient waiting at the counter, they have a much greater opportunity to pursue interventions such as therapeutic interchanges and generic substitutions. These and other programs generate significant savings opportunities for the benefit plan and for the consumer covered under the benefit plan.

In an April 17, 2007 letter to New Jersey Assemblywoman Pou, concerning a similar legislative restriction on mail order incentives, the Federal Trade Commission expressed concerns:

"The Bill also may limit Health Benefit Plans' abilities to require or encourage, through financial incentives, beneficiary use of mail-order pharmacies for certain prescriptions. Because the potential cost-savings from the mail-order provision of maintenance drugs are substantial, such limitations may raise the cost of providing pharmaceutical benefits to New Jersey consumers..."

To the extent that A-320 impedes Health Benefit Plans from creating incentives for beneficiaries to use mail-order pharmacies, the Bill is likely to increase drug prices for both Health Benefit Plans and New Jersey consumers. As a Maryland study has shown,

statutory impediments to mail-order provision of, e.g., maintenance drugs, can be very costly for a State and its citizens.”

The lower cost of mail order is shared with the member through reduced co-pays. Retail pharmacies are more costly and the higher co-pays reflect that reality.

Mail order is also safer than retail pharmacy in the delivery of prescriptions. State of the art, computerized facilities, combined with review of every prescription by an on-site pharmacist, allow mail order pharmacies to achieve 99.9997% quality levels for dispensing accuracy, a level that is not possible for the typical retail pharmacy. The error rate for mail service has been shown to be 23 times better than at retail. (J. Russell Teagarden et al., “Dispensing Error Rate in a Highly Automated Mail-Service Pharmacy Practice,” *Pharmacotherapy: Official Journal of the American College of Clinical Pharmacy*, Volume 25, Issue 11, pgs 1629 –1635 (2005)

The mail order option is used mainly for the purchase of maintenance drugs for people with chronic conditions. It may be difficult for people with chronic conditions, especially those who are elderly or disabled, to travel to the pharmacy on a regular basis to pick up prescriptions. Putting restrictions on the mail order option that health plans are able to offer members only serves to penalize those people who are most in need of a low cost alternative and who take advantage of the mail order option. The only people protected by such restrictions are retail pharmacists, not consumers.

Employers and health insurers offer different co-payment incentives and allow for longer days of supply in an effort to encourage their employees to use mail service for maintenance drugs because it saves money. In a *Wall Street Journal* article dated 2/15/05, General Motors stated that the use of mail service in their benefit plan saved about \$ 80 million in a drug benefit of about \$ 1.3 billion.

As an example of how limitations on the use of such incentives negatively impacts savings, an article in the *Boston Globe*, dated 2/10/09 states that Medicare recipients order only 10 percent of their chronic care drugs by mail - far less than retirees with drug benefits through their former employers, who get 40 percent of drugs that way. One reason for the low rate is that when Congress created the Medicare drug benefit in 2003, lobbyists for retail pharmacies won provisions that prohibit mail-service pharmacies from offering large incentives to switch to mail order. According to the article, the Obama administration has been told that Medicare could save \$1 billion over 10 years for every 1 percent of recipients who switch to mail-service for their chronic care medications. If Pennsylvania adopts similar restrictions on the use of mail order incentives, significant savings will be lost.

To the extent employers cannot achieve these savings, they may drop their drug benefit or shift the cost of the lost savings to their employees in the form of higher co-payments or deductibles.

This bill will have a disproportionate negative impact on small employers. Large employers already self-insure or can move to self-insurance if state law limits their flexibility in plan benefit design. They can and will avoid this limitation. Small

employers must purchase their benefit plans from insurers, including their drug benefits, if they choose to have a drug benefit in their health plan. If insurers are prohibited from using mail service incentives, the cost of drug coverage will go up for small employers.

We are also concerned about the requirements of the new Section 5(15)(iv) which would mandate a state-prescribed business model for contractually negotiated private payment agreements between PBMs and their health plan and employer clients, thereby limiting the ability to tailor a contract that best suits the client's interests and goals. PBMs' clients are sophisticated purchasers of health care, including health plans, insurers, major employers, unions, the federal government, and state and local governments that rely on PBMs to manage their drug benefit.

Based on a client's Request for Proposals (RFPs), a PBM may offer the client multiple variations of models from the more basic plan to the most comprehensive plan relying on multi-tiered co-payments, formularies developed with physicians and pharmacists, pharmacy networks, mail-service pharmacy, and other similar tools that make drugs more affordable and accessible.

This provision takes away the ability of health plans and employers to create a pharmacy benefit plan that best suits their needs by requiring certain disclosures and a specific pricing model be used in all contracts. If a health plan or employer wants certain pricing information, they can make this a requirement of their bid and negotiate the terms in their contract. State-mandated contract terms on private market agreements would impede the health plans' and employers' ability to dictate favorable terms through bid and contract negotiations. This type of burdensome regulation would stifle price and product competition and hurt all parties, including health plans and employers, who want to provide access to high quality, affordable prescription drug benefits to their beneficiaries and employees.

The use of mail order saves money for health plans and their employer customers, provides convenience for members and increases the safety in the delivery of drugs. The restrictions on mail order services are anti-consumer and should be rejected by the Legislature, as should the unnecessary limits on the design of drug benefit plans for sophisticated plan sponsors.

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