



EXPRESS SCRIPTS®

June 22, 2015

The Honorable Orrin Hatch
Chairman
Senate Finance Committee
Washington, DC 20510

The Honorable Ron Wyden
Ranking Member
Senate Finance Committee
Washington, DC 20510

The Honorable Johnny Isakson
Co-Chair, Chronic Care Working Group
Senate Finance Committee
Washington, DC 20510

The Honorable Mark Warner
Co-Chair, Chronic Care Working Group
Senate Finance Committee
Washington, DC 20510

Re: Express Scripts Submission to Medicare Chronic Care Working Group

Dear Chairman Hatch, Ranking Member Wyden, and Senators Isakson & Warner:

Express Scripts applauds your efforts to improve the quality of care provided to chronically ill Medicare beneficiaries and modernize the program's payment and delivery-system models. With the overwhelming majority of Medicare spending devoted to chronically ill patients, our nation must address these challenges if we are to improve outcomes and strengthen the program for current and future beneficiaries. In particular, Medicare's prescription drug benefit has a pivotal role to play in addressing the comprehensive needs of more than 50 million senior and disabled beneficiaries.

As background, Express Scripts is the nation's largest pharmacy benefit manager serving more than 85 million Americans with coverage through self-insured plans, health plans, Taft-Hartley union plans, state-employee benefit plans, Medicare, Medicaid, state and federal Marketplace plans, the Children's Health Insurance Plan (CHIP), workers' compensation arrangements, and other plans. In 2014, Express Scripts managed more than 1.3 billion pharmacy encounters for our patients and clients, thereby providing us with an unparalleled insight into what works best in pharmacy management.

In Medicare, Express Scripts provides comprehensive pharmacy benefit services to more than 6 million beneficiaries. Express Scripts partners with Medicare Advantage plans to provide enrollees a Medicare Advantage Prescription Drug Plan (MA-PD). Express Scripts also offers its own stand-alone Prescription Drug Plan (PDP). Lastly, we provide a prescription drug benefit to retirees through Employer Group Waiver Plans (EGWPs).

US Prescription Drug Spending Increasing at Highest Rate Since 2003

On average, a Medicare beneficiary is taking six medications at any given time. Fully 15% of seniors take 10 prescriptions at the same time. Medicare beneficiaries are the highest utilizers of prescription drugs and thus particularly sensitive to prescription drug price increases. In 2014, our data show that US prescription drug spending overall increased 13.1% – the largest annual rate of

increase since 2003. This increase was driven largely by an unprecedented 31% increase in spending on specialty medications. Express Scripts has segmented Medicare prescription drug spending to provide a more detailed picture of costs and utilization:

- The total drug spend for Medicare plans increased 13.8% in 2014, to \$2,987.96 per beneficiary, as a result of a modest increase in utilization, 0.5%, combined with a steep 13.3% increase in unit costs.
- Traditional drug spending, defined as drug spend for the top ten conditions, increased 6.4%, driven by relatively stable utilization and a 5.9% increase in unit costs.
- While specialty medications now account for about one-quarter of all Medicare drug spend, their contribution to overall Medicare trend is significant: Medicare specialty spend increased 45.9%, compared to a far more modest increase of 14.7% in 2013 and a stark difference to the 12% trend seen in 2010 for specialty medications.

A more detailed description of the components of 2014 Medicare trend for both traditional and specialty medications can be found in Appendix I.

Proven Tools to Expand Medicare Beneficiaries' Access to Affordable Medications

Express Scripts has a number of tools and techniques available to counter the rising cost of prescription drugs, improve adherence, and generate better outcomes. Depending on client preferences and marketplace rules, Express Scripts can provide a customized offering of services and products tailored to individuals' needs.

Pharmacy Networks

Express Scripts has been a pioneer in creating preferred retail pharmacy networks that effectively align beneficiary and Medicare program priorities. For decades, doctors, hospitals, and other providers have been routinely designated as either preferred or non-preferred – a strategy which aligns the best interests of the patient, the provider and the plan sponsor. Without a preferred pharmacy strategy, plan sponsors and members are exposed to higher drug spend. With about 65,000 retail pharmacies nationwide to draw upon in setting up preferred pharmacy networks – including chain drugstores, independent pharmacies, grocery store pharmacies, and “big box” retail pharmacies – beneficiary pharmacy access has never been more robust.

Express Scripts' preferred retail pharmacy network, known as Express Advantage Network®, offers patients about 34,000 retail pharmacies. In fact, Express Scripts research confirms preferred network pharmacies are, on average, nearly one mile *closer* to the patient's home than the patient's current pharmacy: the average patient lives 2.6 miles from a preferred pharmacy and 3.4 miles from the pharmacy he or she most frequently uses.

At the macro level, industry studies have shown that Medicare Part D plans with preferred pharmacy networks offer high quality benefits with lower-than-average premiums, and significantly reduce Medicare spending. Recent research also debunks claims about access, documenting how the average beneficiary need only travel about one extra mile to use a preferred

retail pharmacy to save \$20-\$40 on monthly cost sharing – a significant savings for an individual on a fixed income. A 2013 study by [Milliman](#) estimated that preferred pharmacy network plans will reduce federal Medicare spending by up to \$9.3 billion over 10 years.

A Pembroke Consulting [analysis](#) of newly released 2015 CMS enrollment data shows that 81% of seniors chose Part D plans with a preferred pharmacy network. Further, a recent [survey](#) conducted by the Pharmaceutical Care Management Association (PCMA) of 453 Medicare beneficiaries enrolled in a Part D plan with a preferred pharmacy network found that 90% of seniors in rural, suburban and urban areas reported convenient access to a pharmacy in a preferred pharmacy network in Part D. In addition, seniors in small town and rural areas reported high satisfaction with their Part D plans and the pharmacies in their preferred network.

Express Scripts believes the hallmarks of a successful preferred pharmacy network include:

- A sizable network that complies with CMS standards and ensures patients will not have to travel more than 2 miles in urban areas, 5 miles in suburban areas, or 15 miles in rural areas to access a preferred pharmacy. The Express Scripts Medicare Preferred Network includes more than 28,000 pharmacies nationwide and complies with these standards;
- Diversity in the types of pharmacies provided – chain, grocery and independent community pharmacies;
- A home delivery pharmacy that can offer even greater savings and convenience for maintenance medications; and
- True savings for the patient, both in premium costs and co-pay differential.

Despite the clear value offered by preferred pharmacy networks, retail pharmacy trade groups have pushed questionable data – based solely on a patient’s home address – that suggests seniors in urban areas do not have convenient pharmacy access. However, these trade groups’ flawed methodology fails to account for *where* a member has historically chosen to fill a prescription when all retail pharmacies were available options. **Once a member’s historical preference is accounted for, there is no discernible loss of pharmacy access for plans that transition to a preferred pharmacy network.** Bottom line: Part D preferred networks deliver significant cost savings, while still fulfilling CMS’ high standards for pharmacy access.

Formulary

Prescription-drug formularies help create competition in the pharmaceutical marketplace that lowers costs for beneficiaries and taxpayers. Plans rely on independent Pharmacy & Therapeutics committees – comprised of independent physicians, pharmacists, and other experts – to develop clinically based lists of preferred drugs, known as formularies.

While formularies have helped manage Medicare spending, Medicare’s rules do not allow plans to leverage all available tools. Unlike commercial health plans, Medicare health plans are not allowed to make mid-year formulary changes to remove high-cost drugs when lower cost, but equally effective, alternatives come to market. While plans can – and do – add new drugs to formularies

during the plan year, CMS hampers their ability to remove medications mid-year. Brand-pharma companies have taken advantage of these rules by strategically timing their product launches early in a new plan year to maximize plan coverage – and profits – at the expense of beneficiaries, Medicare, and taxpayers.

In the first quarter of 2014, new breakthrough therapies treating hepatitis C -- Sovaldi, Olysio, and Harvoni -- came to market. While effective, the cost of a single course of therapy for one of these drugs was \$150,000 in the United States. When an additional, equally efficacious hepatitis C therapy, Viekira Pak, came to market later in 2014, Express Scripts chose this drug as its exclusive option for treating genotype 1 hepatitis C for 2015. However, Express Scripts was precluded by CMS formulary rules from making a mid-year change that could have yielded Medicare significant savings.

Home Delivery Pharmacy

Home delivery pharmacy is a critically important pharmacy option available to Medicare beneficiaries. While individuals taking short-term prescriptions for acute conditions typically go through a retail pharmacy, home delivery is ideal for beneficiaries taking long-term maintenance medications. An increasingly popular choice, home delivery has proven to be a lifeline for beneficiaries with limited mobility and/or limited incomes.

Home delivery typically provides a 90-day prescription that costs less than three 30-day fills at a retail pharmacy. Beneficiaries can save an average of 29% in their out of pocket costs compared to retail. Highly automated, cutting edge-technology allows for 99.99% dispensing accuracy, which data show is higher than retail. Medications with protective and insulated packaging are delivered right to a beneficiary's doorstep. Beneficiaries have 24/7 access to a pharmacist in the comfort and privacy of their own home and automatic refills help improve patient adherence 19% compared to retail pharmacies.

In 2014, Express Scripts conducted the first known, well-controlled, head-to-head comparison of prescriptions dispensed at retail pharmacies and at home delivery pharmacies. The peer-reviewed study, which controlled for socioeconomic status and excluded patients using home delivery automatic refill programs, examined 29 million de-identified claims corresponding to nearly 1 million Medicare beneficiaries taking medication for diabetes, high blood pressure or high cholesterol over a two-year period. **The study found that beneficiaries who receive medication for diabetes, high blood pressure and high cholesterol via home delivery pharmacy are between 25% and 29% more likely to be adherent to prescription drug therapy than patients with these conditions who fill their prescriptions at a retail pharmacy.**¹

Specialty Pharmacy

With the high cost and complexity of specialty drugs pressuring public and private payers alike, more health plans are turning to specialty pharmacies to help manage the distribution and

¹ Iyengar RN, Balagere D, Henderson R, LeFrancois A, Rabbitt R, Frazee S. Association between dispensing channel and medication adherence among Medicare beneficiaries taking medications to treat diabetes, high blood pressure, or high blood cholesterol. J Manag Care Pharm. 2014; 20(8):851-61.

administration of these medicines. Specialty pharmacies provide a clinical value to chronically ill beneficiaries that cannot be easily replicated elsewhere in the system. In reality, very few pharmacies have the expertise and capacity to manage high-cost, sophisticated specialty medications. For these reasons, Express Scripts has created Therapeutic Resource Centers, which enable our specialty pharmacists and other clinicians such as nurses and nurse practitioners to focus on patients with complex conditions needing specialized pharmacy care.

Express Scripts' Therapeutic Resource Centers (TRC) focus on complex conditions such as cancer, HIV/AIDS, heart disease, high-blood pressure, asthma, bleeding disorders, and diabetes. These centers provide vital clinical support services that enable patients to focus on getting better and managing their conditions. For example, Express Scripts cancer patients have access to a team of specialized pharmacists and nurses that can help mitigate prescription-drug side effects like arthritic pain and nausea, provide nutritional counseling for those with little appetite, and be especially attuned to therapy failure and resistance.

Medication Therapy Management

Medication Therapy Management (MTM) programs play an important role in identifying and assisting beneficiaries at risk for gaps in care. However, only a small percentage of the Medicare Part D population is eligible for MTM according to CMS criteria. Express Scripts' Expanded MTM program applies [Health Decision Science™](#) to leverage behavioral science, clinical specialization, and use of actionable data to target additional members at risk for non-adherence; engage beneficiaries and prescribers; issue clinical alerts; and conduct medication reviews and implement tailored interventions.

Express Scripts relies on other tools as well. [Express Scripts' ScreenRx® program](#) has been tailored for the Medicare population. In this market segment, ScreenRx® has a unique effectiveness through a proprietary, Medicare-specific predictive model that identifies seniors who are at future risk of non-adherence, and then customizes support to help seniors overcome behavioral, clinical, and financial barriers to adherence and keep them on course.

Medicare-Medicaid Demonstration

The MMP demonstration provides a landmark opportunity to create a streamlined experience for both provider and member to improve health outcomes while helping to contain skyrocketing healthcare costs. However, streamlined requirements for the plan sponsors seem to have been overlooked, and the lack of aligned requirements from CMS and participating states is hindering the plan's ability to execute demonstration's intent. Many requirements for plan oversight and operations are only included to provide the state and CMS with their preferred reporting formats. Accommodating these variances between state and federal requirements have taken up significant financial resources by the plan that may have been better allocated toward member centric services to improved health outcomes.

Better coordination and alignment of the MMP requirements would lead to more efficiency for all stakeholders. A unified set of demonstration requirements for CMS and all participating states would give plans the ability to focus on processes that improve member outcomes, and would reduce the distraction of duplicative operational requirements that do not provide additional value.

Biosimilars

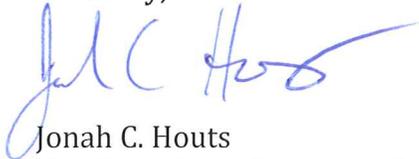
Spurred by enactment of the Hatch-Waxman Act in 1984, generic drugs have helped dramatically slow the rate of growth in prescription drug spending, improve outcomes, and make coverage more affordable. In Medicare, for example, in 2014, the generic fill rate (GFR) for high blood pressure/heart disease class increased to 96.2%, while the GFR for depression treatments increased to 97.4%. The prevalence of generic drugs in Medicare has no doubt helped keep Part D premiums lower than originally forecast, reduced beneficiary cost sharing, and contributed to high beneficiary satisfaction.

In response to policymakers' consensus that projected biologic cost increases were untenable, Congress enacted the Biologics Price Competition and Innovation Act (BPCIA) of 2009. While the Food and Drug Administration has lagged behind the 27 other industrialized nations that have already brought biosimilars to market, biosimilars are poised to finally reach the US market. In March, the FDA approved the first US biosimilar, Novartis' Zarxio (filgrastim-sndz), to compete with Amgen's Neupogen, which has been available since 1991. Amgen has filed suit to block Zarxio's market entry, but Express Scripts is hopeful that specific biosimilars will be available this year. While the handful of biosimilars that are expected this year will not alone mitigate the marked increases in specialty trend, we do foresee discounts of about 20-30% compared to their reference product.

In anticipation of biosimilars coming to market, CMS and FDA face two critical issues that the Senate Finance Committee should monitor closely: reimbursement and naming. With respect to reimbursement, CMS has asked that plans treat biosimilars as brand products for the purposes of reimbursement – yet these drugs will not qualify for the manufacturer discount in the coverage gap. These drugs will have higher copays, like brand drug copays, but without the manufacturer discount, the remaining costs will be borne by the plan and CMS. Similarly, Express Scripts believes that identical naming between the reference product and its biosimilar is important to helping patients and clinicians recognize and utilize biosimilars.

Thank you for the opportunity to provide our perspective. We look forward to working closely with each of you and your respective staff to strengthen and modernize the Medicare program for chronically ill beneficiaries. Please do not hesitate to contact me at jhouts@express-scripts.com or 202-383-7983 if we can be of further assistance.

Sincerely,



Jonah C. Houts
Vice President, Corporate Government Affairs
Express Scripts
202-383-7983
jhouts@express-scripts.com

APPENDIX I MEDICARE DRUG TRENDS, 2014

COMPONENTS OF MEDICARE TREND

2014

	PMPY SPEND	TREND		
		UTILIZATION	UNIT COST	TOTAL
Traditional	\$2,262.41	0.5%	5.9%	6.4%
Specialty	\$724.94	11.6%	34.3%	45.9%
TOTAL OVERALL	\$2,987.36	0.5%	13.3%	13.8%

January-December 2014 compared to same period in 2013

MAPD

	PMPY SPEND	TREND		
		UTILIZATION	UNIT COST	TOTAL
Traditional	\$1,751.11	0.9%	6.1%	7.0%
Specialty	\$542.05	9.1%	34.2%	43.3%
TOTAL OVERALL	\$2,293.16	1.0%	12.9%	13.9%

January-December 2014 compared to same period in 2013

PDP

	PMPY SPEND	TREND		
		UTILIZATION	UNIT COST	TOTAL
Traditional	\$2,403.49	1.0%	7.6%	8.6%
Specialty	\$872.89	18.5%	41.5%	60.0%
TOTAL OVERALL	\$3,276.38	1.1%	17.7%	18.8%

January-December 2014 compared to same period in 2013

EGWP

	PMPY SPEND	TREND		
		UTILIZATION	UNIT COST	TOTAL
Traditional	\$2,800.49	0.8%	6.0%	6.8%
Specialty	\$738.25	11.2%	22.7%	33.9%
TOTAL OVERALL	\$3,538.74	0.8%	10.6%	11.5%

January-December 2014 compared to same period in 2013

COMPONENTS OF TREND FOR THE TOP 10 MEDICARE TRADITIONAL THERAPY CLASSES

RANKED BY 2014 PMPY SPEND

RANK	THERAPY CLASS	PMPY SPEND	TREND		
			UTILIZATION	UNIT COST	TOTAL
1	Diabetes	\$358.93	4.9%	21.5%	26.4%
2	High Blood Cholesterol	\$205.70	0.3%	-1.3%	-1.0%
3	Pain/Inflammation	\$196.26	-1.4%	10.4%	9.1%
4	High Blood Pressure/Heart Disease	\$184.93	0.1%	-11.2%	-11.1%
5	Mental/Neurological Disorders	\$183.18	-3.0%	7.3%	4.2%
6	Asthma	\$130.51	2.6%	-0.2%	2.4%
7	Heartburn/Ulcer Disease	\$113.11	0.0%	-4.1%	-4.1%
8	Depression	\$71.95	1.5%	-20.2%	-18.7%
9	Urinary Disorders	\$71.29	3.4%	0.5%	3.9%
10	Anticoagulants	\$57.22	4.2%	56.1%	60.2%
TOTAL TRADITIONAL		\$2,262.41	0.5%	5.9%	6.4%

COMPONENTS OF TREND FOR THE TOP 10 MEDICARE SPECIALTY THERAPY CLASSES

RANKED BY 2014 PMPY SPEND

RANK	THERAPY CLASS	PMPY SPEND	TREND		
			UTILIZATION	UNIT COST	TOTAL
1	Oncology	\$206.97	24.6%	12.6%	37.2%
2	Multiple Sclerosis	\$106.09	15.9%	12.1%	27.9%
3	Hepatitis C	\$106.02	145.2%	922.3%	1,067.5%
4	Inflammatory Conditions	\$86.95	12.8%	17.8%	30.7%
5	HIV	\$65.38	0.5%	7.8%	8.3%
6	Pulmonary Arterial Hypertension	\$34.66	13.4%	10.6%	24.0%
7	Miscellaneous Specialty Conditions	\$29.80	29.1%	27.4%	56.6%
8	Anticoagulants	\$14.31	-3.1%	-12.9%	-15.9%
9	Immune Deficiency	\$13.61	29.4%	-5.9%	23.6%
10	Blood Cell Deficiency	\$13.60	-1.7%	11.3%	9.6%
TOTAL SPECIALTY		\$724.94	11.6%	34.3%	45.9%

MEDICARE TREND VERSUS COMMERCIAL TREND FOR THE TOP 10 MEDICARE TRADITIONAL THERAPY CLASSES

RANKED BY MEDICARE TREND

RANK	THERAPY CLASS	TREND		
		MEDICARE	COMMERCIAL	DIFFERENCE
1	Anticoagulants	60.2%	60.7%	-0.5%
2	Diabetes	26.4%	18.0%	8.4%
3	Pain/Inflammation	9.1%	16.0%	-6.9%
4	Mental/Neurological Disorders	4.2%	9.1%	-4.9%
5	Urinary Disorders	3.9%	-2.9%	6.8%
6	Asthma	2.4%	-14.9%	17.3%
7	High Blood Cholesterol	-1.0%	-6.8%	5.8%
8	Heartburn/Ulcer Disease	-4.1%	-10.6%	6.5%
9	High Blood Pressure/Heart Disease	-11.1%	-12.6%	1.5%
10	Depression	-18.7%	-18.4%	-0.3%
TOTAL		6.4%	6.4%	0.0%

MEDICARE TREND VERSUS COMMERCIAL TREND FOR THE TOP 10 MEDICARE SPECIALTY THERAPY CLASSES

RANKED BY MEDICARE TREND

RANK	THERAPY CLASS	TREND		
		MEDICARE	COMMERCIAL	DIFFERENCE
1	Hepatitis C	1,067.5%	742.6%	324.9%
2	Miscellaneous Specialty Conditions	56.6%	35.6%	21.0%
3	Oncology	37.2%	20.7%	16.5%
4	Inflammatory Conditions	30.7%	24.3%	6.4%
5	Multiple Sclerosis	27.9%	12.9%	15.0%
6	Pulmonary Arterial Hypertension	24.0%	13.8%	10.2%
7	Immune Deficiency	23.6%	21.2%	2.4%
8	Blood Cell Deficiency	9.6%	0.9%	8.7%
9	HIV	8.3%	14.8%	-6.5%
10	Anticoagulants	-15.9%	-14.1%	-1.8%
TOTAL SPECIALTY		45.9%	30.9%	15.0%

TOP 10 MEDICARE SPECIALTY THERAPY DRUGS

RANKED BY 2014 PMPY SPEND

RANK	DRUG NAME	THERAPY CLASS	PMPY SPEND	% OF TOTAL SPECIALTY SPEND	TREND		
					UTILIZATION	UNIT COST	TOTAL
1	Sovaldi® (sofosbuvir)	Hepatitis C	\$66.22	9.1%	15,624.4%	476.7%	16,101.1%
2	Revlimid® (lenalidomide)	Oncology	\$47.78	6.6%	14.1%	6.3%	20.3%
3	Copaxone® (glatiramer)	Multiple Sclerosis	\$36.91	5.1%	-2.2%	10.2%	8.0%
4	Enbrel® (etanercept)	Inflammatory Conditions	\$33.46	4.6%	3.4%	17.0%	20.4%
5	Humira® (adalimumab)	Inflammatory Conditions	\$33.17	4.6%	6.4%	17.6%	24.0%
6	Gleevec® (imatinib)	Oncology	\$29.31	4.0%	6.0%	20.4%	26.4%
7	Zytiga® (abiraterone)	Oncology	\$21.05	2.9%	39.9%	14.2%	54.1%
8	Olysio® (simeprevir)	Hepatitis C	\$18.60	2.6%	25,964.2%	64.5%	26,028.7%
9	Harvoni® (ledipasvir/sofosbuvir)	Hepatitis C	\$18.01	2.5%	N/A	N/A	N/A
10	Avonex® (interferon beta 1-a)	Multiple Sclerosis	\$17.66	2.4%	-4.4%	11.6%	7.2%