

Testimony of

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**Before the
Senate Special Committee on Aging
Field Hearing**

Celebrating Medicare: Strengthening the Program for the Next 50 Years

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Senator McCaskill and other Members of the Special Committee on Aging, thank you for the opportunity to share with you Express Scripts' perspective about the success of Medicare Part D and opportunities to make the program work even better for current and future beneficiaries.

My name is Brit Pim and I am the General Manager of Express Scripts' Government Programs Division, which includes Medicare, Medicaid and Health Care Reform. When I joined Express Scripts more than a decade ago, Medicare prescription drug coverage was uncharted territory. I am proud to be part of the team that helped Express Scripts and our clients successfully launch multiple Part D plans for millions of 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 the past decade, our Medicare prescription-drug expertise has grown tremendously. In Medicare, Express Scripts provides comprehensive pharmacy benefit services to more than 7 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).

By every objective measure, the Part D program is working as Congress intended:

- Seniors have saved money on their prescription drugs – more than \$7 billion;
- Taxpayers have saved money –program costs are 45% below initial projections;
- Seniors are happy with their prescription drug benefit – 94% report being satisfied and 95% believe coverage meets their needs.

As we celebrate Medicare's 50th anniversary of providing stable and secure coverage to millions of seniors and disabled beneficiaries, we believe now is also the time to examine what is working here and now and to highlight opportunities for improving the program.

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.

While prescription drug costs are rising at the fastest rate in over a decade, Express Scripts has a number of tools and techniques available to slow trend, 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.

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 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.

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.

Waste, Fraud & Abuse

Efforts to combat fraud, waste and abuse are vital to the program's financial sustainability and have grown in recent years in response to the prescription drug abuse epidemic. Each year, this epidemic kills more than 15,000 Americans, drives 1.2 million visits to emergency rooms, and costs payers, including Medicare, billions of dollars.

Express Scripts has led the industry in innovative solutions to reduce the financial and human costs associated with prescription drug abuse. Our cutting-edge programs rely on intensive data analytics to detect fraudulent behavior, proactively identify unusual utilization patterns, ensure compliance with government requirements, and provide actionable evidence for plan sponsors. The problem is real, and so are our solutions to combat them.

Consider the experience of one patient. In 2011, a 49-year old patient filled 43 controlled-substance prescriptions from 17 prescribers and five pharmacies,. In a span of just 14 months, this patient received 825 days' worth of medication. An Express Scripts pharmacist worked with the plan to establish a member-level benefit change so that the patient would transition to a single pharmacy and prescriber for her medications. This patient-specific plan also included a nurse case manager and the plan's employee assistance program. Today, the patient has completed a rehabilitation program, sees just one pain management physician, and follows common-sense benefit guidelines. This program has saved the plan sponsor more than \$40,000 and may well have saved the patient's life.

Unfortunately, this program is not available to Medicare patients because the program does not have the ability to implement similar controls. Legislation is being considered by Congress that would allow Part D plans to adopt this best practice used in the commercial market and by 46 Medicaid programs. With overwhelming support for this policy, we are optimistic that it will be enacted in this Congress. And that is largely what has made Medicare Part D such a success – plans, lawmakers and regulators continue to innovate in ways to improve the program and protect beneficiaries.

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 had filed suit to block Zarxio's market entry, but a recent Court decision may allow Zarxio to come to market as early as September 2nd. 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 Congress 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.

As we reflect on the success of Medicare, Express Scripts is looking ahead to the next 50 years. We remain acutely focused on the challenges of high cost medications, an aging population, and the need to continuously innovate.

Express Scripts is proud to be part of this important American legacy, and believe our contributions to help keep medicine affordable will help ensure these programs celebrate more milestone anniversaries and are here for our children and grandchildren.