

Update #11

Comparative Cost of a Similar Market Basket of Drugs and the PBM's (Prescription Benefit Managers) that Distribute Them ©

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“Comments and Parameters of Data”

1. See I. C. 4 Conclusions – Surprise!! – Are all the complexed statistics kept by PBM's a game or a smoke screen?
2. On a comparable market basket, Caremark and RESTAT are less expensive than Medco. See II. – Quarterly cost per prescription.
3. Three PBM's were studied serving seven groups and a fourth PBM (Express Scripts) was compared to the most favorable of the four (Caremark).
4. All are serving groups of at least 70 employees.
5. The two PBM's are compared on one year of 2003 to 2004 data (attached-III.P.1 & P. 2).
6. Three PBM's compared- For the Second and Third quarters of 2005, from their Quarterly Reports, the fourth PBM had no comparable data.
7. **All PBM reports differ in data and quality of data to the detriment of the consumer. Comparable data points are hard to find.**
8. The best reporting is from CARE Cooperative/Caremark. Demanded by the UMWLUC of which CARE is a part.
9. **Note: Contracts with groups change constantly as PBM's compete for business.**
10. Pricing differs if the agent, TPA or Insurance Company wants commission per script or if there are rebates given. One or both can be at play.
11. The same PBM, because of the nature of Prescription usage, will not yield the same cost or discounts for each group they serve because the type of drugs used differs. (Caremark discounts, before copays, varies 18% to 23%.) You cannot say this PBM delivers this exact discount on all of their clients.

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Note: This is only a brief summary of reports and concepts. Please refer to the actual reports or contracts for detailed information. This is not a huge sample to study.

How Big is the “Universe of Drugs” that your M.D. and Pharmacist must navigate to arrive at your correct (and changing) drug therapy/prescription?

According to the “Thompson Physician Desk Reference PDR 58th Addition 2004”;

1. There are approximately 170 Drug Manufacturers.
2. The total number of “Brands or Generic Types” available are 2,160. Two examples include: *Ibuprofen* has 11 “prescription needed” varieties or dosage sizes; and *Acetaminophen* has 104 varieties or dosage sizes.
3. The total number of Varieties and Sizes of a Drug of a Specific “Brand or Generic Type” is approximately 4,440.

Note: In this study, GlaxoSmithKline, Merck and Pfizer are the leading manufacturers, in that order.

I. Observations and Basic Data Used in Comparing PBM Costs in a Universe of 2,160 “Brands and Generic Types of Drugs”.

- A. The biggest problem in comparisons is that the employee and/or dependents (populations) differ group to group with different illnesses, accidents, and the prescribing patterns of prevailing M.D.’s could produce a different mix. One group can be totally absent of the use of a drug that’s used in excess in the next three groups. The number of drugs by “Brand” name in a report can be in the hundreds.

However: Only six drugs (Brand or Generic Type) of comparable dosage are comparable by price for standard quantities of 30 or a 9 day units (ie. 10mg, 30mg, 50mg, 300 mg) in all seven groups/companies. If we only wanted to compare two PBM’s there would be eleven comparable drugs of comparable units (“A1” and “F” Groups). Only six drugs are comparable between Medco and RESTAT. Seven drugs are comparable between Caremark and RESTAT, and fifty drugs between Caremark and Prime Therapeutics.

The wide spectrum of drugs prescribed possibly shows a difference in medical problems from group to group, or a lack of standard protocols for treatment. This wide spectrum might also indicate a lack in the drug industry of a willingness to say that one PBM (distributor) or a specific manufactures’ drug for cholesterol, for example, is really the best out of that class of drugs.

We go to Consumer Reports and we know the best of everything. Where are our professionals and highly scientific medical journals in this area? Or are all the drugs of one family (no matter what the manufacturer) really the same or varied only slightly, like chrome on cars, to game the M.D. and insured? In talking to M.D.’s, in fact, there are mostly only slight strength differences, brand to brand, in a family of drugs. Gases of different octane’s.

B. Second or Third Quarter Totals Basic Data Used for Comparison

Company Quarter of 2005 # Drugs or Generic Types	S 2 nd <u>Top50</u>	I 2 nd <u>All</u>	A1 2 nd <u>Top 42</u>	A2 3 rd <u>Top 50</u>	W1 3 rd <u>Top 50</u>	W2 3 rd <u>Top 50</u>	F 3 rd <u>Top 50</u>
# of Varieties/Sizes	-	79	-	408	188	357	790
# Rx/Scripts	646	655	423	847	266	840	1,472
# Employees	223	154	92	133	70	191	329
# Members	-	-	226	324	174	445	970
# Utilizing Members	-	-	100	174	38	174	259
Cost for Quarter	\$82,585	\$38,957	\$25,365	\$54,492	\$11,579	\$47,791	\$97,162

- Out of the Top 50 and Top 42 drugs that were prescribed, only 6 drugs were found to be comparable (of comparable milligram units for comparable days of supply of 30 or 9) to create a comparable shopping basket across seven companies and three PBM’s.

C. Quarterly Costs for PBM's – Vary by Utilization, Cost and Dominant Drug Types; but *for all PBM's on average, the cost of prescriptions are very similar*. Therefore, pick a PBM that gives you data, so you can manage health cost with low administration and good rebates. Discounting is a deceptive game at best.

1. Medco/System Med.- all Merck Medco

Company	S	I	
# Employees	223	154	
# Prescriptions	646	655	
# Prescriptions per Employee per Quarter	2.89	4.25	= 3.45 Weighted Average
Average Cost per Prescription	\$127.84 *	\$59.47	= <u>\$59.47</u> Average Cost/Prescription

*This could be an aberration due to the use of some “boutique” drugs, real prescription cost average could be \$59.00. Also “S” is a national company with mostly out of area employees, using M.D.’s in areas with different practice patterns than our area. This could have an effect.

2. RESTAT

Company	A1	
# Employees	92	
# Prescriptions	423	
# Prescriptions per Employee per Quarter	4.59	= 4.59 Average
Average Cost per Prescription	\$59.96	= <u>\$59.96</u> Average Cost/Prescription

3. Caremark

Company	A2	W1	W2	F	
# Employees	133	191	70	339	
# Prescription	847	840	266	1,472	
# Prescriptions per Employee per Quarter	6.37	4.39	3.8	4.34	= 4.67 Weighted Average
Average Cost per Prescription	\$64.37 *	\$56.68	\$43.53	\$66.00 *	= <u>\$57.69</u> Average Cost/Prescription

- High Cost Boutique drugs for cancer, depression and blood conditions.

Note: High Utilization does not correlate to a highly educated, technical workforce.

- You can be of any group size, with any of the 3 PBM's, and no matter how creative their statistical games, you will still pay from \$57 to \$59 per prescription per quarter.

II. For the same shopping cart of comparable Prescription cost after discounts, but before copays, the cost difference is derived mostly from the level of utilization of specific drugs (the greater the volume difference the greater the cost difference. (The number of prescriptions of a given drug, at that time that you choose to do a comparison, will shift market basket costs.)

PBM Prescription	<u>Merck Medco</u>			<u>RESTAT</u>			<u>CARE</u>		
	Cost/Qtr.			Cost/Qtr.			Cost/Qtr.		
	Price	#	\$	Price	#	\$	Price	#	\$
Prevacid									
30 mg	-	-	-	*\$98.40	x 28 =	\$2,755	*\$116.88	x 28 =	\$3,273
15 mg	-	-	-	*\$117.59	x 11 =	<u>\$1,293</u>	*\$130.92	x 11 =	<u>\$1,440</u>
						\$4,048			\$4,713
Lipitor									
A 80 mg	\$132.00	x 15 =	\$1,980	\$93.23	x 15 =	\$1,398	\$89.93	x 15 =	\$1,344
A 20 mg	\$115.00	x 58 =	\$6,670	\$101.09	x 58 =	\$5,863	\$90.93	x 58 =	\$5,274
40 mg	-	-	-	*\$78.87	x 4 =	-	*\$52.14	x 4 =	-
A 10 mg	\$54.00	x 8 =	\$432	\$104.36	x 8 =	\$835	\$53.84	x 8 =	\$431
Zoloft									
A 50 mg	\$138.00	x 6 =	\$828	\$67.60	x 6 =	\$406	\$78.93	x 6 =	\$474
A 100 mg	\$102.00	x 17 =	\$1,734	\$55.76	x 17 =	\$948	\$89.34	x 17 =	\$1,518
Imitrix									
A 100 mg	\$166.00	x 3 =	\$498	\$151.79	x 3 =	\$455	\$147.35	x 3 =	\$442
50 mg	-	-	-	-	-	-	\$151.40	x 9 =	-
25 mg	-	-	-	-	-	-	\$163.24	x 4 =	-
Wellbutrin XL (9 days)									
A 300 mg	\$108.32	x 3 =	\$325	\$103.91	x 3 =	\$311	\$112.24	x 3 =	\$336
150 mg	-	-	-	-	-	-	\$89.11	-	-
Bupropion (9 days)									
A 150 mg	\$85.00	x 3 =	\$255	\$82.63	x 3 =	\$248	\$112.24	x 3 =	\$336
100 mg	-	-	-	-	-	-	\$98.26	-	-
Zocor									
A 40 mg	\$121.00	x 22 =	\$2,662	\$113.00	x 22 =	\$2,468	\$120.00	x 22 =	\$2,640
80 mg	-	-	-	-	-	-	\$94.93	-	-
20 mg	-	-	-	*\$111.40	x 11 =	-	*\$114.66	x 11 =	-
10 mg	-	-	-	-	-	\$16,980	-	-	\$17,513
						- \$4,048			- \$4,713
		A= 135	\$15,384		A= 135	\$12,932		A= 135	\$12,800
Admin. x Prescription	+ 135 x .90 = \$121.50			+ 145 x .45 = \$60.75			+ 135 x .25 = \$34.00		
Dispensing Fee x Rx	+ 135 x 2.50 = \$337.51			+			+ 135 x 2.00 = 270.00		
Mail Rebate	- ? x 2.10 = -			+			- ? x \$5.80 = ?		
Retail Rebate	- 135 x .70 = \$94.50			+			-\$2.30 x 135 = \$311.00		
Quarterly	\$15,749			\$12,993			\$12,793		
Annualized	\$62,996			\$51,972			\$51,172		
Quarterly Cost/Prescription	\$116.65			\$96.24			\$94.76		

Note: We are comparing one cut in time only. Overall it seems the cost of the average drug is same for all PBM's, \$57-\$59, but for this market basket RESTAT and Caremark do well.

* Take out of Totals, A=Those added into Totals., ? = No Data.

III. Prime Therapeutic Compared to Caremark for 2003 to 2004

- A. Caremark against Prime Therapeutics in 2003 to 2004 is \$695,217 less expensive on \$4,803,221 of costs for the Upper Midwest Lakes and Management Coalition, or 14% less expensive for this annual shopping basket. (See Attached)

IV. Conclusions

- A. Over all, by rough costs per prescription, **there are only minor cost differences on these totally mixed bags of drugs**. It costs \$57-\$59 per prescription in the Second or Third Quarter of 2005 with any PBM. **To make a good buy in PBM services, you better select a PBM with more added values (reports, low administration and rebates).**
- B. When comparing a similar shopping basket for low cost, then Caremark, RESTAT and Prime Therapeutic are good. (Again, isn't it amazing how the average per prescription cost on 135 prescriptions only differs by \$1.48 on \$13,000 of drugs by these two PBM's? You can check a meticulous market basket or a grab bag per 1,000 prescriptions per quarter and average costs, in a wild mix, are still close.) In fairness to Medco, the reporting from a TPA (where all data was gotten) was not good quality – but it's all they had for groups over 100 lives. Medco's next price break might be over 250 lives and the results could differ. Note: Third Quarter data of 2006 will be compared to this data in January of 2007.
- C. The PBM with the most basic clean reporting and good pricing is RESTAT. If you want more complete clean reporting with great managed Care data, then you'll like Caremark through CARE Cooperative.
- D. Caremark (after discounts and administration costs and less Coop rebates) is the lowest cost. Caremark has the lowest administration, rebates and good data control. However, if we had multiple accounts with comparable RESTAT data they would most likely be of lower cost than Caremark. (We don't have their rebate data. It is possible this employer is not paid rebates.)
- E. However, seeing they all average \$57-\$59 per prescription. You will not get a huge price advantage, PBM to PBM, based on this data.
- Rebates and Reports favor CARE/Caremark.
 - For good prices with clarity of use go with RESTAT.
- F. This study is dated only for the Second or Third Quarters of 2005 and in 2003 to 2004 for the market basket of Prime Therapeutics and Caremark.