

Preface

Dear Reader,

Last year, 2003, was a watershed year for pharmacy benefit management. It was filled with events that are likely to influence prescription drug utilization for years to come.

At the forefront was the enactment of the federal Medicare Prescription Drug Act. When fully implemented in 2006, this law will provide funded pharmacy benefits for American seniors — covering up to 50% of prescription drug costs for participating Medicare beneficiaries. It will also help to subsidize the costs of retiree prescription drug programs for corporations.

The debate over the Medicare bill put pharmacy benefit managers (PBMs) like Express Scripts in the spotlight, at times raising questions about PBM policies. In this context, Express Scripts issued its Client Pledge and decided to eliminate all non-rebate related funding from pharmaceutical manufacturers. By removing even the appearance of conflicting interests, Express Scripts led the way in creating a business model which clearly aligns our interests with those of our clients.

Last year also saw dramatic developments in pharmaceuticals.

- Claritin® went over-the-counter from prescription status;
- New study findings that uncovered additional adverse effects associated with taking estrogens caused an even bigger drop in estrogen usage;
- Several major prescription drugs, such as Prilosec® and Ortho Novum® 7/7/7 went generic. Among Express Scripts clients, the generic fill rate increased by 5% from 43% to 48%; and
- New studies showed the value of statins in conditions other than heart disease.

These developments resulted in lower use of some drugs (e.g., estrogens) and higher use of others (e.g., statins); but overall trend was lower because increased generic utilization held down general price increases.

Finally, the poor economy encouraged clients to adopt stronger cost-control measures to keep their cost trends at much lower rates than in the past — with aggressive management techniques, some Express Scripts clients actually saw cost decreases in 2003.

Sincerely,



Barrett Toan
Chairman and Chief Executive Officer