



EXPRESS SCRIPTS®

March 16, 2012

To: Chair Olson
Vice Chair Johnson
Members: Alaska House Labor and Commerce Committee

From: Dave Dederichs, Director, Government Affairs, Express Scripts, Inc.

Re: Opposition to HB 259

Express Scripts, Inc. (ESI), a pharmacy benefits manager (PBM) headquartered in St. Louis, MO that administers the prescription drug benefits for 50 million Americans, is submitting testimony today in formal opposition to House Bill 259.

As a company, ESI administers pharmacy benefits for Fortune 500 companies, labor unions, health insurance companies, and government entities. Our largest contract is with the United States Department of Defense – meaning we administer the pharmacy benefit for all of our country's active and retired military personnel and their families (about 13 million lives), including all the bases and military personnel at the various posts located throughout Alaska. We also have other clients in Alaska, including labor unions and businesses.

Our clients contract with us to help make their prescription drug benefits safer and more affordable. We accomplish this goal through a variety of practices, including: utilizing generic drugs; negotiating discounts on brand drugs; optimizing mail order pharmacy services; creating networks of retail pharmacies; performing drug utilization review; and many other functions.

Retail pharmacies are a critical partner in our business model. In fact, as a company, we contract with over 56,000 retail pharmacies in the United States. Last year, ESI adjudicated 750 million prescriptions, and 90% of those occurred in retail settings. Our clients have retail pharmacy access requirements, as well as auditing requirements, built into their contracts. Thus, you can see why retail pharmacies are so critical to patient care and ESI's business.

Because we transact so many claims each year, ESI has been able to build a very sophisticated computer algorithm to detect outlier claims in the prescription drug arena. We do not audit randomly or capriciously; we audit to recoup money for our clients in instances of fraud, waste and abuse. Moreover, 100% of the funds ESI recovers go directly back to our clients.

Auditing is not a revenue generating mechanism for ESI. Our auditors are all internal; we do not contract with outside auditing entities. Our auditors are pharmacists, and most

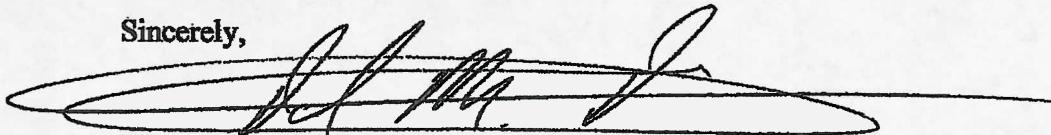
of them have backgrounds in the retail sphere. ESI's auditors understand the business and clinical components of retail pharmacy, and ESI works with retail pharmacies to correct mistakes and prevent future errors. This is best exemplified through our contractually guaranteed appeals process for retail pharmacies.

Auditing is an important part of our client contracts, and further, it helps eliminate unnecessary waste in the prescription drug portion of the people's health care benefits. Last year, in Alaska, ESI audited one-third of one percent of all claims transacted in the state (1/3 of 1% of total Alaska claims). So, you can clearly see that this is not something done often or in an egregious manner.

Finally, ESI asserts that auditing practices should be resolved when pharmacy contracts are being negotiated with retail pharmacies, and not through legislation.

Thanks you for your time and consideration. Please do not hesitate to contact me if you have any questions or concerns.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Dederichs".

Dave Dederichs
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