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ST. LOUIS, Jun 19, 2001 (BW HealthWire) -- California and New York may be the nation's most populous states, but they and other big states like Florida, New Jersey, Minnesota, and Massachusetts, placed at or near the bottom when Express Scripts (Nasdaq:ESRX) measured per capita prescription drug use across the nation, using a random sample of commercially insured members (age 18 to 64) of its pharmacy benefit plans.

New York's drug utilization rate was 7.7 prescriptions per year, as were the rates for California, Massachusetts and Colorado, putting all four states at the bottom of the list. Florida, New Jersey, and Minnesota, respectively, showed rates of 8.2, 8.2, and 8.1.

Topping the list of high prescription drug utilizing states were Kentucky, West Virginia, and Ohio, where per capita prescription drug use among Express Scripts members exceeded 11 prescriptions per year. Louisiana was a close fourth at 11.0 prescriptions per member per year and Texas was not far behind at 10.5.

Express Scripts announced the findings of its study of regional variation in prescription drug use at its annual Outcomes Conference in St. Louis today. The company is one of the nation's leading pharmacy benefits managers, serving more than 45 million Americans.

"Such wide regional variation adds an entirely new dimension to an already complex pharmacy landscape. We suspect the explanation lies in physician prescribing habits and the health status of a state's population, but consumer preferences may also play a role. At Express Scripts, we have already embarked on further research to explain the geographic variation in drug use," said Barrett Toan, chief executive officer of Express Scripts.

Express Scripts researcher Brenda Motheral noted that geographic patterns of prescription drug usage by adults also fluctuated across therapy classes. Notable findings, adjusted for age and gender, included:

- Higher rates of antidepressant use in Utah, Maine, Oregon, and Washington
- Higher rates of cardiovascular medication use in the South (West Virginia, Kentucky, Tennessee, South Carolina,

Mississippi and Louisiana)

- Higher rates of antidiabetic medication use in West Virginia, Texas, North Carolina, Utah and Ohio;
- Lower rates of asthma medication use in the South (Mississippi, Arkansas, Louisiana and South Carolina);
- Lower rates of antihyperlipidemics use in New Mexico, Colorado, Idaho, Alabama, Montana and California; and
- Lower rates of estrogen use among women in Northeastern states, such as New Jersey, New York, and Massachusetts.

Among children in the five to 14 age category, use of medications to treat attention deficit hyperactivity disorder (ADHD) varied by a factor of 3.3 across states in 2000. Louisiana had the highest prevalence of use, with South Carolina, and Alabama rounding out the top three. Western states, including Colorado, California and Nevada, demonstrated the lowest prevalence of use.

"Our findings regarding ADHD medications highlight the controversy and uncertainty surrounding both the diagnosis and the use of psychostimulants in the treatment of ADHD in children," observed Motheral.

Drug Spending Up Again, But Rate of Increase Slows

Also released at the company's Outcomes Conference was the fifth annual Express Scripts Drug Trend Report, based on a sample of 8.8 million Express Scripts members. According to the report, Average Wholesale Price (AWP) prescription drug spending to \$449.74 per member per year (PMPY) in 2000.

This was an increase of \$62.65 - or 16.2 percent - above the previous year's total of \$387.09 and more than double the 1995 total of \$215.63. Express Scripts plan sponsors that actively managed their pharmacy benefits were able to cut the 2000 per member per year Average Wholesale Price trend by half, or more.

The rate of increase in drug spending slowed slightly in 2000, in part because no new blockbuster drugs were introduced. In 1999, the drug spending increase was larger - 17.4 percent - primarily due to introduction of the blockbuster anti-inflammatory drugs Celebrex® and Vioxx®.

Excluding the impact of new, first-year-on-the-market drugs, spending actually increased at a record 15.9 percent rate in 2000 for all other, "common" drugs, a category including for the first time Celebrex® and Vioxx®, then in their second year on the market. In fact, drugs introduced since 1992 accounted for about 47 cents of every dollar spent on prescription drugs in 2000.

Overall, utilization of drugs grew from an average 8.3 prescriptions per member per year in 1999 to 8.6 prescriptions per member per year in 2000 - a 3.6 percent increase. Showing the most significant utilization increases were widely used gastrointestinal, antidepressant, anti-rheumatic and cardiovascular drugs.

Average Prescription Cost Change Biggest for Children's Medications

The Express Scripts Drug Trend Report also showed a 17.6 percent increase in the Average Wholesale Price (AWP) cost per prescription for drugs prescribed for children under 10 years old, more than for any other age group. Factors contributing to the cost increase - from \$28.25 to \$33.23 - were higher prices for existing products, use of more expensive products, stronger dosages and more units per prescription.

According to Fred Teitelbaum, lead author of the Express Scripts Drug Trend Report, antibiotics played a major role in the per prescription cost increase for young children. This occurred despite a decline in utilization amidst concerns that improper use of antibiotics contributes to bacterial resistance.

Among Express Scripts' clients, prescriptions for two antibiotic classes, penicillins and cephalosporins, accounted for 30.1 percent of all prescriptions written for children under 10 years of age. In 2000, more penicillin and cephalosporin prescriptions were written for children in that age segment than for any other age group.

Prices of widely used branded antibiotics increased last year. Recently introduced, stronger formulations of these branded products may have improved adherence by reducing the number of doses per day, but the higher strengths also cost more. Market shares for branded products also expanded in 2000.

Prescriptions for antiasthmatics, antihistamines, and cough and cold products - drug classes used to treat respiratory conditions - accounted for an additional 25.8 percent of prescriptions in the birth to nine-year age category.

Teitelbaum explained that advances in the treatment of asthma have played a role in boosting per prescription costs for antiasthmatic drugs over the past several years. Instead of relying mainly on inhaled medications to stop an occasional asthma attack, many children with asthma now regularly take "controller" medications to help prevent and lessen the severity of such attacks. The market shares for the more expensive asthma controllers nearly doubled, thereby contributing to the increase in the per prescription Average Wholesale Price of drugs used by young children.

"There are many reasons why prescription drug costs are going up, not the least of which are changes in the way drugs are used that add convenience, enhance compliance with doctors' orders, and improve the quality of life," observed Teitelbaum.

Drug Cost Increases Hit Women, Too

"In general, women felt the impact of cost increases as the predominant users of thyroid drugs, estrogens and antidepressants," observed Teitelbaum. He explained that the per prescription cost of branded estrogen products, although relatively low, went up 14 percent last year, while utilization dropped slightly. It was the biggest percentage increase among branded products in the top 25 therapy classes. Similarly, thyroid drugs accounted for the largest price change among generics at 22.7 percent and for all products, generic or branded, at 13.2 percent. Utilization of these products grew by 5.7 percent in 2000.

For antidepressants, although the average price increase of 5.3 percent was slightly below the overall average, the price increase combined with even greater use by both women and men. In turn, this resulted in the class accounting for \$5.87 of the overall spending increase of \$62.65 - almost ten percent of the total.

Men Using More Antihypertensive and Antihyperlipidemic Drugs

Men, on the other hand, were the predominant users of antihypertensive and antihyperlipidemic prescription drugs. These drug classes accounted for 12.5 percent of all prescription drug spending in 2000 as well as 14.4 percent of last year's overall spending increase.

Per prescription cost increases for both antihypertensive and antihyperlipidemic drugs, plus utilization increase of 17 percent for antihyperlipidemic drugs and 9.5 percent for antihypertensives, drove the spending increase. No other class saw utilization increase as much, making cholesterol-lowering antihyperlipidemics the fastest growing category in 2000. This growth came on top of 16.3 percent and 18.1 percent as seen in 1998

and 1999, respectively.

"We expect continued growth in the use of cholesterol lowering drugs, especially following a recent report of the National Cholesterol Education Project recommending that even more Americans need to be treated for high cholesterol," observed Teitelbaum.

Much of Drug Spending Concentrated in a Few

Also presented at the Outcomes Conference was a new, groundbreaking Express Scripts study, which found that 5 percent of the people receiving drug benefits account for more than 50 percent of the spending. "High cost" prescription drug users include those with conditions like cancer, diabetes and cardiovascular disease.

In addition, the likelihood is very high that a high cost prescription drug user in one year will be a high cost user in a subsequent year. Rates of use for certain drug classes are very high among the highest cost adult patients. Specifically, 48 percent use antidepressants or anti-anxiety medications, 46 percent use pain medications, 40 percent use anti-ulcer medications, and 59 percent use antihypertensives.

"Not all of these classes are good predictors of high cost because some are being used in conjunction with other drugs that account for a substantial part of the cost, for example a patient with cancer who uses antidepressants," explained Express Scripts researcher Kathi Fairman.

Express Scripts Introduces New Benefit Plan Design

"We have the tools to help plan sponsors address the unique characteristics of their members while making the many tough choices involved in reconciling the need to control costs with the desire to provide access to the drugs their members need and want," explained Toan, noting that some plans accept higher costs to achieve other goals like better health or greater access.

As an example, Toan pointed to the increasingly popular three tier structure drug plan structure where consumer co-payments are lower for preferred or cheaper generic drugs but higher for more expensive, branded drugs.

At the Express Scripts Outcomes Conference, Toan announced the introduction of a new drug plan design. "This new design groups drugs along a continuum that distinguishes between the benefit and costs of the therapy," said Toan. It also recognizes the differential cost of generics and the formulary status of branded products.

Greater Physician, Consumer Involvement Needed - Technology an Aid

According to Toan, any solution that successfully controls costs while ensuring continued access to prescription drug therapy ultimately requires more active and earlier participation by physicians and consumers equipped with better, more useful information.

He cited Express Scripts participation in RxHub, a joint venture involving other leading pharmacy benefit management companies, as helping to improve the prescribing process for physicians using the latest in information technology. The launch of RxHub was announced earlier this year.

Express Scripts recently announced the launch of Express Choice, an extensive suite of personalized, Web-based tools for its members. Designed to adapt the pharmacy benefit to members' growing consumer awareness and changing needs, Express Choice gives members enhanced control, choice and convenience. These tools, available for members at www.express-scripts.com, educate and empower members to make more

informed decisions regarding their pharmacy benefit.

Also included is one of the most complete drug information services available, including new features that enable consumers to select and compare specific drugs, by brand name to learn about differences in how well they work and side effects. The comparisons are based on the same analyses of peer reviewed, scientific research Express Scripts makes available to its plan sponsor clients. These tools are publicly available at www.drugdigest.org.

Toan also said that Express Scripts offers its clients Internet-based tools that allow them to offer a choice of pharmacy benefit plans to its members. By using Express Scripts' member tools to educate people on important issues around the pharmacy benefit, individual members can select the optimal benefit plan based on their specific needs, including drug use patterns.

Discussion of these new information services for plan sponsors, members and consumers will occur June 21, during an Express Scripts presentation at a Chicago conference - Health Benefits at a Crossroads: The Defined Contribution Alternative - sponsored by The Consumer Driven Health Care Association. The presentation, "Balancing Prescription Cost Trend and Employee Satisfaction Through Choice," will help explore the dilemma employers face in balancing the need to reduce pharmacy benefit costs - both drug trend as well as administrative costs - with the increasing demand from employees for empowerment and choice.

The Express Scripts 2000 Drug Trend Report, data on other studies and the outcomes conference available at http://www.express-scripts.com/other/news_views/outcomes_conf.htm beginning June 19, 2001.

About Express Scripts

Express Scripts, a Fortune 500 and Forbes Platinum 400 company, is one of the largest pharmacy benefit management (PBM) companies in North America. Through facilities in seven states and Canada, the company provides pharmacy services and pharmacy benefit plan-design consultation for more than 10,000 client groups, including managed-care organizations, insurance carriers, third-party administrators, employers and union-sponsored benefit plans. The company covers 45.5 million lives. Core services include pharmacy network management, mail and Internet pharmacies, formulary management, targeted clinical programs, integrated drug and medical data analysis, market research programs, medical information management, workers' compensation programs and informed-decision counseling. The company also provides non-PBM services, including infusion therapy services through its Express Scripts Infusion Services subsidiary and distribution services for specialty pharmaceuticals through its Specialty Distribution subsidiary. Express Scripts is headquartered in St. Louis, Missouri. More information can be found at <http://www.express-scripts.com>, which includes expanded investor information and resources.

Safe Harbor Statement

This press release contains forward-looking statements, including, but not limited to, statements related to the company's plans, objectives, expectations (financial and otherwise) or intentions. Actual results may differ significantly from those projected or suggested in any forward-looking statements. Factors that may impact these forward-looking statements include but are not limited to: (i) risks associated with our ability to maintain internal growth rates, or to control operating or capital costs; (ii) continued pressure on margins resulting from client demands for enhanced service offerings and higher service levels; (iii) competition, including price competition, and our ability to consummate contract negotiations with prospective clients; (iv) adverse results in regulatory matters, the adoption of new legislation or regulations (including increased

costs associated with compliance with new laws and regulations, such as privacy regulations under the Health Insurance Portability and Accountability Act (HIPAA)), more aggressive enforcement of existing legislation or regulations, or a change in the interpretation of existing legislation or regulations; (v) the possible termination of contracts with key clients or providers; (vi) the possible loss of relationships with pharmaceutical manufacturers, or changes in pricing, discount or other practices of pharmaceutical manufacturers; (vii) adverse results in litigation; (viii) risks associated with our leverage and debt-service obligations; (ix) risks associated with our ability to continue to develop new products, services and delivery channels; (x) developments in the healthcare industry, including the impact of increases in health care costs, changes in drug utilization and cost patterns and introductions of new drugs; (xi) competition from new competitors offering services that may in whole or in part replace services that the company now provides to its customers; and (xii) other risks described from time to time in our filings with the SEC. The company does not undertake any obligation to release publicly any revisions to such forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

EDITOR'S NOTE: For additional information, including color maps, fact sheets and the full Drug Trend Report go to http://www.express-scripts.com/other/news_views/outcomes_conf.htm.

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