NACDS
NATIONAL ASSOCIATION OF CHAIN DRUG STORES

NCPA
NATIONAL COMMUNITY PHARMACISTS ASSOCIATION

The Proposed Express Scripts-Medco Merger Would Reduce Competition, Decrease Access to Quality Patient Care and Open the Door to Higher Prescription Drug Costs

The proposed merger of Express Scripts, Inc. and Medco Health Solutions would create a "mega" pharmacy benefit manager (PBM), specialty pharmacy provider and mail-order pharmacy with market power in all of these markets that are critical to controlling health care costs. The resulting merger will harm patients by reducing choice, decreasing access to pharmacy services and ultimately leading to higher prescription drug costs paid by plan sponsors and consumers. The National Community Pharmacists Association (NCPA) represents 23,000 independent community pharmacies. As community pharmacists whose primary concern is patient-well-being, NCPA fervently opposes the proposed merger. The National Association of Chain Drug Stores (NACDS) represents traditional drug stores, supermarkets, and mass merchants with pharmacies – from regional chains with four stores to national companies. Chains operate 39,000 pharmacies, and employ more than 2.7 million employees, including 118,000 full-time pharmacists. As the face of neighborhood healthcare, our member pharmacies strongly oppose the proposed merger.

The Merger Would Create a PBM with Substantial Market Power

- The proposed merger of Express Scripts and Medco is a tipping point in terms of PBM market concentration. The merger will cause a substantial reduction in both price and non-price competition among PBMs, especially in certain defined customer segments. If approved, the merger will create a "mega PBM" that controls **over 40% of the national prescription drug** volume.[1]

- Large national employers, unions, large health plans without an in-house (captive) PBM, insurance companies and federal and state government sponsored health plans, are already largely limited in their PBM choices. Smaller regional, captive, and niche PBMs are simply not alternatives when it comes to breadth of services and capability to manage and administer the complex prescription drug benefits of these customers.

- Post-merger, these customer segments will have few alternatives, which will allow the merged entity to dictate plan design and benefit structures at the expense of purchasers.

- The merged entity will be able to shift patients to favor their in-house mail operations. This shift in "mix" will force more customers to mail order and deprive consumers access to their local pharmacy, which provides vital healthcare services. The merged entity may also restrict pharmacy networks by limiting access points. This will directly impact the viability of community pharmacies and lead to a reduction in services in the form of reduced hours, less consult time, and longer fill times.

The Merger Would Create a Dominant PBM with Substantial Market Power In Specialty Pharmacy and Mail-Order Services

- The merger will combine two of the three largest suppliers of specialty pharmacy services, creating an entity with more than a 50% share of all specialty pharmaceutical sales.[2] This entity will have both the incentive and ability to reduce competition and prevent new competition in specialty pharmacy.

- The merger also may force more customers into mail order. The merger will create the largest mail-order pharmacy accounting for close to 60% of all mail-order scripts processed in the U.S.[3] The merged firm will have an increased incentive to force consumers to utilize their mail order business. But mail order businesses consistently dispense more costly brand-name drugs and fewer generics than retail pharmacies; therefore, the shift to more mail order will lower the rate of generic dispensing, ultimately raising drug costs.

The Merger Would Open the Door to Less Transparency and Higher Prescription Drug Costs for Patients

- The combined Express Scripts-Medco will have an increased incentive to reduce transparency. Transparency into PBM practices has been an important concern of consumers, employers and pharmacies. Vigorous competition among PBMs improves transparency because plan sponsors who encounter or suspect a lack of transparency with their current PBM can switch or credibly threaten to switch to a competing PBM.

- Absent effective competition there is no guarantee that any hypothetical savings claimed by Express Scripts and Medco would be passed along to consumers or plan sponsors.

- The far more likely scenario is savings that result in *increased profits for the merged entity* as a result of rebates, discounts and other spreads between the parties with which they contract.

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[1] Atlantic Information Services ("AIS"), 2010 data; J.P. Morgan, Healthcare Technology & Distribution, Gill's Guide to Rx Channel – An Investor Handbook, May 10, 2011.
[2] Based on 2009 reported market shares of CuraScript and Accredo to AIS and estimates from Pembroke Consulting.
[3] AIS 2011 data.