
DRUG BENEFIT NEWS

Weak Economy, Cash-Strapped Consumers May Take Toll on Pharmaceutical Benefits

Anecdotal evidence is mounting that the sluggish economy is taking a toll on the pharmacy benefit sector, even as large PBMs manage to weather the financial turmoil that is rocking the nation. More and more health plans and industry observers are reporting decreases in prescription drug utilization, while cash-strapped consumers say they have had to curtail spending on medications in light of the tough economy.

A recent national survey by the National Association of Insurance Commissioners finds that 22% of responding consumers say they have reduced the number of times they see the doctor as a result of the weak economy, and 11% say they have reduced the number of drugs they take or the dosage of those medications to make the prescription last longer.

And a soon-to-be published survey by CIGNA Corp., obtained early by *DBN*, finds that 36% of Americans say the economy has changed the way that they take care of themselves. Of this group, 41% say they are taking "worse care," with 17% reporting that they are "taking their medications less often or not at all."

Some health plan pharmacy executives contacted by *DBN* also report a significant drop in drug utilization this year. The decline is likely related to the economy, says Steven Evans, M.D., vice president of medical affairs and pharmacy director at Health Plan of Nevada (HPN), a UnitedHealthcare subsidiary.

"Year over year, from 2004 to 2007, we were experiencing about an 8% increase in the number of scripts that members were taking every month," he says in an interview. "In 2008, it's been completely flat. Our overall pharmacy costs in 2008 have actually gone down. What that says to me is that people are continuing to take the same number of medications and are taking less expensive medications."

Indeed, Evans notes, use of generic drugs has gone "through the roof in 2008," reaching 80% generic utilization. "Members are looking at copays and deciding they're going to take a less expensive drug," he explains. "We've never been anywhere near 80%."

BlueCross BlueShield of Tennessee (BCBSTN)

also recently saw a drop in drug utilization. "Up until August, we had not seen a significant decrease in the number of prescriptions being reimbursed for our members," says Terry Shea, Pharm.D., director of pharmacy services at the Blues plan. "But August did show a significant drop compared with August of last year." Meanwhile, BCBSTN's generic drug utilization rate is up six percentage points this year to 66% generic utilization.

Shea declines to speculate on whether the weak economy played a role in these developments. But he adds that lower drug utilization can actually be seen in a positive light. Simply taking more and more pharmaceuticals is not necessarily a good thing, he says. "You get more adverse drug reactions, you get more overdoses," he asserts. "And if people don't take as many, we may be moving down to the more appropriate level."

On the other hand, Shea acknowledges, it's not good for people to stop taking drugs that are essential to their well-being, such as blood thinners. "You don't want someone who has blood clots to stop taking their blood thinner, because they may end up with deep vein thrombosis and in the ER [emergency room] or worse," he says.

U.S. Drug Sales Are Down

Other industry executives point to the economy as the primary cause of recent downward pressure on the prescription drug sector.

"As many of you know, we are facing a continuation of the slowest-growing prescription drug market in 47 years, according to IMS Health," Jeff Rein, chairman and CEO of Walgreen Co., told a Sept. 30 investors conference call on the company's financial results for the quarter that ended Aug. 31.

"We believe the biggest impact has been the very tough economy," he says.

Still, the tough economy hasn't hurt sales at Walgreens stores. Prescription sales, which accounted for 66% of store sales in the quarter, climbed 7.9% in the latest three-month period, compared with the year-ago period. By contrast, U.S. retail prescription sales vol-

ume (excluding Walgreens) decreased 1.9% during the same period, according to Walgreens, which cited its own figures and those of IMS Health.

PBMs also appear to be holding their own. Stock prices of large publicly traded PBMs rose moderately Sept. 30 following the record 777-point plunge of the Dow Jones Industrial Average on Sept. 29. That day, Medco Health Solutions, Inc. stock dropped \$2.82 (6.07%) from the previous day's closing price, while Express Scripts, Inc. stock dropped \$8.29 (11.07%) from the previous day's close. PBMs all reported strong earnings for the second quarter of 2008 (*DBN* 8/15/08, p. 1).

But others warn that if the economy worsens, employers may start shifting more health care costs onto employees, which could exacerbate the problem of patients skipping their pills. "It's a logical place for employers to start looking," says **Kevin Gorman**, managing partner and founder of pharmaceutical consulting firm Putnam Associates. "Do they raise the copays on Tier 2 products from \$25 to \$30 or from \$35 to \$40, and thus try to cut their exposure and costs that way?"

The result of such a change could be that individuals with marginal incomes will have to decide to opt for food over blood-pressure medications, he says as an example. "It's logical that that will happen. We haven't seen hard data that would say it has happened."

Still, health plans and PBMs have plenty of tools aimed at helping cash-strapped members.

"During uncertain economic times, people are looking for ways to save money," says Claire Marie Burchill, vice president of strategy, product and marketing at CIGNA Pharmacy Management. "Therefore, the combination of CIGNA's pharmacy health and wellness and cost-saving programs are more important than ever." These include generic discount and promotional programs and home delivery of drugs with reduced copays.

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