Sen. Kohl's Follow-Up Questions for the Record for Hearing on

"The Express Scripts/Medco Merger: Cost Savings for Consumers

Or More Profits for the Middlemen?"

For Mike Bettiga

1. What percentage of your pharmacy business is through the big 3 (Express Scripts, Medco and CVS Caremark) PBMs?

Response: Currently, 46.2% of our business is through the Big 3 PBMs.

2. What is your response to the PBMs' argument that need thriving pharmacies in order to serve consumers, so they have no desire to threaten your business?

Response: Pharmacies are in direct competition with PBMs that own their own mail order pharmacy, which all of the largest ones do. PBMs prefer to have fewer pharmacies because that would mean less competition, and more business, for their own mail order and specialty pharmacies. Even if PBMs provide pharmacy networks to their customers, the plans and employers, they include terms in their agreements with them to drive patients to their own mail order pharmacy. It is the equivalent to allowing coffee shop X to set prices for coffee shop Y to ensure customers go to coffee shop X. I am hard pressed to think of any other industry or commercial relationship where this occurs.

3. Should the FTC decide to approve the merger, would you recommend the FTC require any conditions to preserve competition?

Response: Although there are many potential restrictions that could be discussed with the FTC and state attorneys general, such as divestiture of specialty pharmacies and mail order pharmacies, we could never completely eliminate the anticompetitive impact of such a massive merger and the ultimate impact it will have on critical patient access to community pharmacies and the services that they provide.

4. If the FTC does not approve the merger, pharmacists would still be dealing with three large PBMs with a significant share of the market. How would the situation for pharmacists be worse with two large PBMs as compared to three?

Response: The problems we are experiencing with PBMs would only get worse with this proposed merger. We believe that the merger of two of the three largest PBMs will harm the patients we serve by reducing choice, decreasing access to pharmacy services and ultimately leading to higher prescription drug costs paid by consumers and plan sponsors. The largest PBMs already control the vast majority of the prescription benefits for large national health plans, which provide benefits for our patients. Refusing a contract with one of the Big 3 PBMs would mean decreased patient access to community pharmacies and the valuable pharmacy services we provide.

In addition, the large PBMs – including Express Scripts and Medco – already use their existing market share to dictate contract terms, including plan design, benefit structure, and pricing. Among the business practices for the current two separate PBMs are “take it or leave it” contracts without any form of negotiation even for organizations the size of Shopko. We expect that situation would worsen considerably with a merged entity. That is one key reason we oppose the merger and are seeking legislative relief on PBM practices. Less competition among PBMs will provide them with greater ability to dictate contract terms to health plans and employers. This will allow them to keep even more of the healthcare dollar and increase costs for everyone in the healthcare system. We need more – not less – competition among PBMs to ensure that patients have choice and access to pharmacy services, as well as affordable prescription drug prices.