

Thank you, Chairman Lynch and Chairman Carper, as well as Ranking Members Chaffetz and McCain. My name is Keith McFalls, and I am a pharmacist and the Vice President of Mail Pharmacy Operations for Prime Therapeutics. Prime is a pharmacy benefit management company collectively owned by 12 non-profit Blue Cross and Blue Shield Plans. We manage the prescription drug benefits for enrollees in Blue plans, employer groups, and union groups, covering about 17 million people. While here representing Prime, I am also speaking on behalf of the Pharmaceutical Care Management Association (PCMA). PCMA is the national trade association for pharmacy benefit managers (PBMs), which administer prescription drug plans for more than 210 million Americans.

PBMs such as Prime aggregate the purchasing clout of enrollees through their client health plans, enabling plan sponsors and individuals to obtain lower prices for their prescription drugs. We do this by negotiating price discounts from retail pharmacies, rebates from pharmaceutical manufacturers, and by running highly efficient mail-service pharmacies. Last year, PBM mail-service pharmacies collectively filled more than 238 million prescriptions nationwide, nearly 90 percent of which were shipped via the US Postal Service – which brings us here today. Mail-service pharmacies are not only a growing and reliable customer of the USPS, but increasingly are an essential point of treatment access for patients suffering from chronic conditions. Mail service represents the fastest growing distribution channel for prescription drugs. We expect continued growth in the coming years as mail service provides a means for controlling costs and increasing savings. This will be particularly important as health care reform implementation increases access to the health system overall.

Mail Service Background

While retail pharmacies are essential for medications needed urgently, a growing number of patients, including the elderly, disabled, and people living far from both post offices and pharmacies, find that having regularly needed medication delivered to their home is more convenient. Consumers, physicians, or other medical professionals can use the telephone, fax, mail, or internet to communicate with the mail-service pharmacy. Prescriptions are filled and mailed to the consumer, usually within a three- to five-day time frame. Some mail-service pharmacies offer delivery within 24 to 48 hours depending on the patients needs and the type of medication required.

Mail-service pharmacies also provide many of the other services offered by full-service retail pharmacies. They retain pharmacists on staff who are available to counsel consumers and consult with physicians on appropriate drug therapies. Counseling is done primarily through toll-free telephone communication, which offers more privacy than the in-store setting, and is available 24 hours a day/seven days a week in some cases.

Mail-service pharmacies are thoroughly regulated by both federal and state governments. All pharmacies must be licensed by and be in good standing with the boards of pharmacy in the states in which they are physically located. This licensure includes full compliance with all state

pharmacy and controlled substances laws as well as federal DEA regulations. In addition, mail service pharmacies must comply with the rules and regulations of each state in which they provide care.

Benefits of Mail-Service Pharmacy

The benefits of receiving prescriptions by mail are well documented, including not only increased savings, but also safety and adherence.

- According to the Federal Trade Commission, mail-service pharmacies provide more savings than retail pharmacies.¹ Mail-service pharmacies have lower drug acquisition costs and fewer logistics expenses. A mail-service pharmacy buys in bulk and stores large quantities in a single, centralized location. Looking at total prescription expense (plan sponsor cost plus consumer co-payment), mail-service pharmacies save 27% for a generic drug and save 14% for a brand drug versus a retail pharmacy.²
- Peer reviewed data has also found that highly automated mail-service pharmacies dispensed prescriptions with 23-times greater accuracy than retail pharmacies.³
- In addition, research has shown that patients who receive their medication in 90-day supplies, the typical quantity dispensed through mail, have higher adherence rates compared to 30-day supplies.⁴
- A 2006 by the Lewin Group concluded that mail pharmacy, at the current state of market penetration, could save our healthcare system as much as \$85 billion over ten years.⁵

Delivery Service Cuts

While we appreciate the current financial situation of the USPS, Prime Therapeutics has significant concerns with the Postmaster General's proposed elimination of Saturday mail delivery. A reduction in service delivery would mean a reduction in individuals' ability to obtain their drugs easily and conveniently, and could keep much needed medication out of patients' hands. PBM mail-service pharmacies rely heavily on the Postal Service for both inbound and outbound mail, utilizing the full range of classes, from first class and priority to express mail.

¹ Federal Trade Commission, *Pharmacy benefit manager: Ownership of mail-order pharmacies*, August 2005, available at <http://ftc.gov/reports/pharmbenefit05/050906pharmbenefitrpt.pdf>

² *2009–10 Prescription Drug Benefit Cost and Plan Design Report*, Pharmacy Benefit Management Institute, 2009, 18, 20.

³ J. Russell Teagarden et. Al., *Dispensing error rate in a highly automated mail-service pharmacy practice*, *Pharmacotherapy: Official Journal of the American College of Clinical Pharmacy*, Volume 25, Issue 11, pgs 1629-1635 (2005)

⁴ Hermes M, et al. *Adherence to Chronic Medication Therapy Associated with 90-Day Supplies Compared with 30-Day Supplies*. *J Manag Care Pharm* 2010;16:141-142.

⁵ The Lewin Group, *Mail –Service Pharmacy Savings and the Cost of Proposed Limitations in Medicare and the Commercial Sector*, Sept. 2006

Our pharmacies often receive paper copies of prescriptions for filling at mail facilities. Cutting service would result in a prescription processing delay of at least one, but potentially multiple days.

For patients, eliminating Saturday deliveries will add additional complications and delays during weeks with a federal holiday. A Monday holiday would require patients relying on USPS delivery to go from Friday to Tuesday without mail delivery. It is my understanding that Postmaster General Potter has suggested that service days, in addition to Saturdays, could be cut to save money. This would further compound delays for patient waiting for prescriptions. For example, eliminating Tuesday deliveries, which is currently the lightest delivery day for the USPS, would result in four consecutive days without delivery during weeks with federal holidays falling on a Monday.

The USPS proposes that Saturday counter service would allow people needing a critical package or piece of mail to come to the Post Office to retrieve it. We would counter that the very reason some people use mail delivery of drugs is because they are unable to travel to a drug store, or the Post Office, to get their drugs. For others, having to go to the drug store simply discourages them from getting their prescriptions filled at all. About 25 percent of all prescriptions are never filled, in part because having to go to the drug store – or the Post Office – is an impediment for some people.

As noted above, mail service pharmacies help improve drug adherence by delivering drugs to people's doorsteps. Thus, our member companies would likely look for other ways to ensure timely deliveries. Indeed, PCMA has already received inquiries from organizations seeking to assure our member companies that they could fill in the delivery gap should mail delivery be reduced to five days.

In order to continue to ensure timely delivery of prescriptions to plan enrollees, mail-service pharmacies would be forced to look to the postal service's competitors for deliveries that need to be made over the weekend (and potentially for all deliveries). Eliminating Saturday delivery would likely mean that the Postal Service's competitors would increase their delivery rates on weekends. This development would no doubt drive up costs for patients, as we would have no choice but to shift these costs to our customers. Research shows that as patient cost sharing increases, adherence to medications decreases. Poor adherence adds approximately \$290 billion in additional costs to our health system.

PBMs rely heavily on the USPS for our mail-service pharmacies, and we are a growing business partner of the Postal Service. Ensuring continued Saturday delivery is not only in our interest, but is also of critical importance to the millions of Americans who rely on mail-service pharmacy to obtain their prescription drugs.

We look forward to working with this Committee to ensure the continued vitality of the US Postal Service. We urge you to explore all possible options to expand the Postal Service's ability to remain competitive in this marketplace, including pricing and product flexibility. Thank you for your time. I am happy answer any questions that you may have.