

# Financial Analysis of Express Scripts

By David Belk MD

## Overview

There are four major corporations that derive the majority of their revenue from prescription drug sales in the United States. They are CVS Caremark, Express Scripts, Rite Aid and Walgreen. Together, these four companies sold 57% of the prescription drugs bought in the US in 2013.

Of these four companies, Walgreen and Rite Aid sell prescription medications almost entirely via retail pharmacy stores. CVS Caremark provides prescription drugs through both retail pharmacies and its pharmacy benefits manager service (Caremark) and Express Scripts is solely a Pharmacy Benefits Manager with a mail order prescription drug service.

All other prescription drugs in the US are sold either by small independent pharmacies, large retail stores for whom prescription drugs sales are a small portion of their overall revenue (like Walmart) or pharmacy benefit managers that act as a subdivision of a major health insurance company.

## Express Scripts

Unlike CVS, Walgreen or Rite Aid, Express Scripts has no retail pharmacy stores. Instead Express Scripts is solely a pharmacy benefits manager that provides prescription medications through its mail order service and mediates retail prescription drug purchases through other retail pharmacies for health insurance companies.

In 2011 Express Scripts merged with Medco to become the largest pharmacy benefits manager in the US. In 2013, the total revenue for express scripts was about \$104 billion and \$37 billion of this was for mail order prescription drugs.

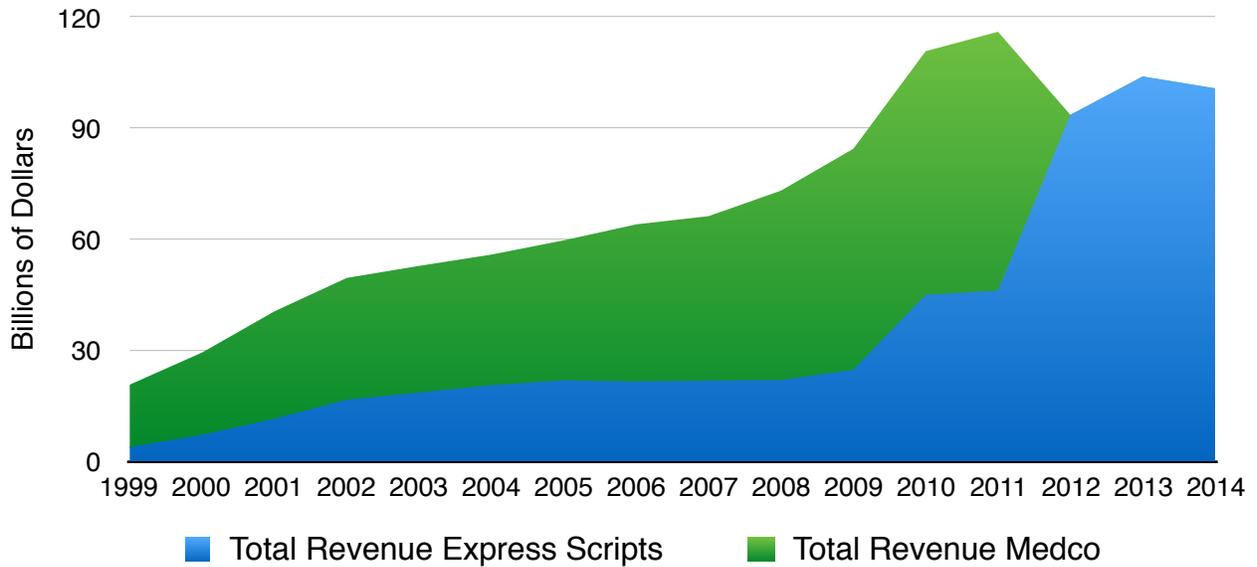
The actual purpose of a pharmacy benefits manager (PBM) is somewhat questionable. Their stated purpose is to mediate prescription medications prices for insurance companies. What's interesting is the fact that over 80% of prescription drugs sold since 2012 are generic which means that most of these medications are inexpensive to begin with. What's more, there's no evidence that PBMs provide any real discounts to the prices of brand name medications.

What PBMs appear to be doing is extracting money simply to add an extra layer of bureaucracy to the purchase of prescription medications. Most of these medications should be inexpensive already so, what actual help is the PBM providing? They do provide mail order prescription services so that people don't have to go to a pharmacy to pick up their medications, but that appears to be it.

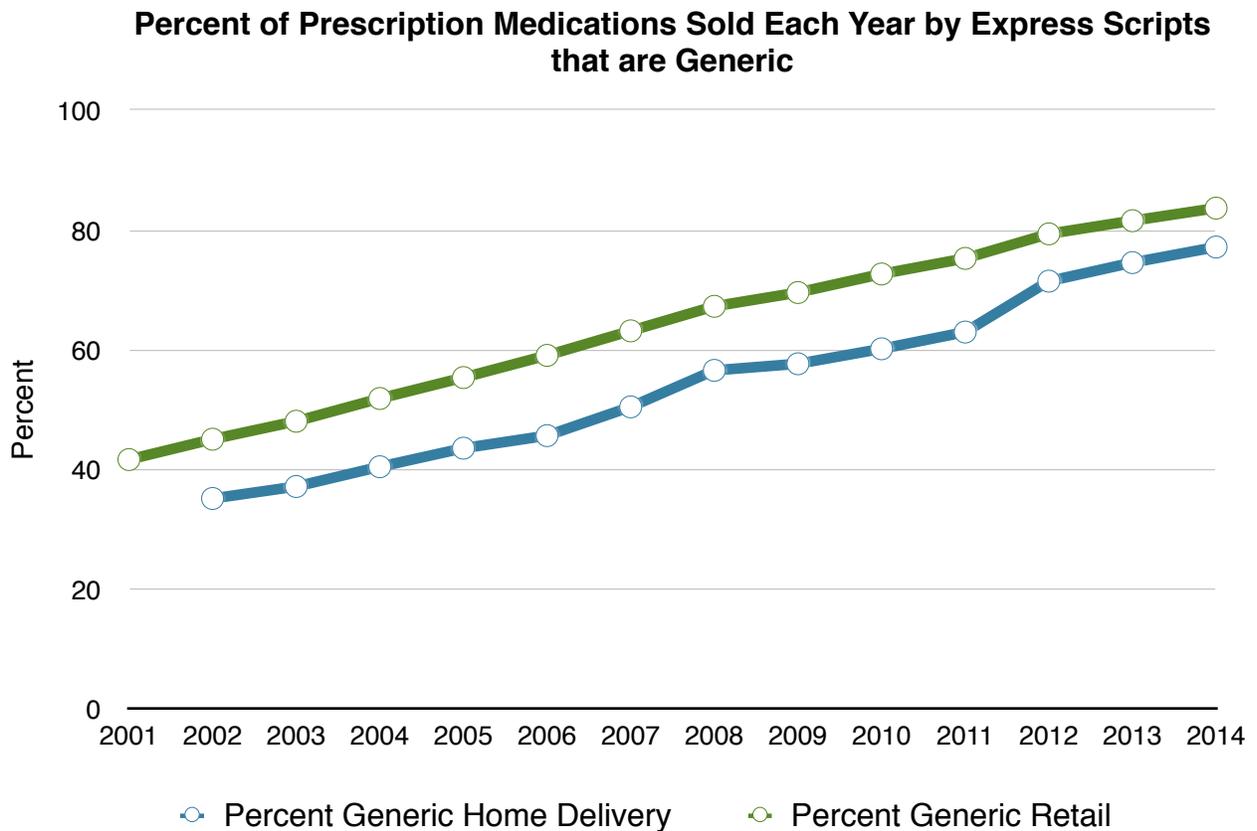
**Sources:** <http://truecostofhealthcare.net/pharmacy-financial-index/>

<http://truecostofhealthcare.net/wp-content/uploads/2014/12/LargestPharmacies2013.pdf>

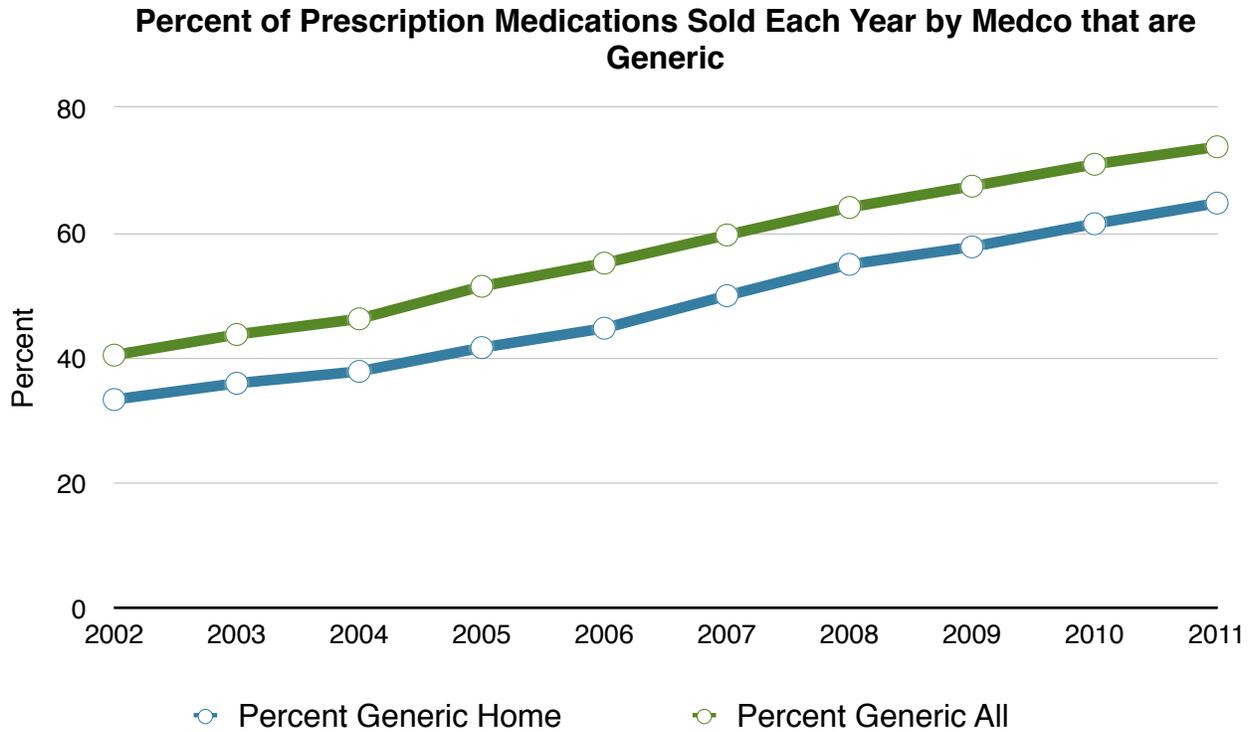
<http://www.usatoday.com/story/money/personalfinance/2014/03/03/pharmacy-benefit-managers-healthcare-costs-savings/5495317/>



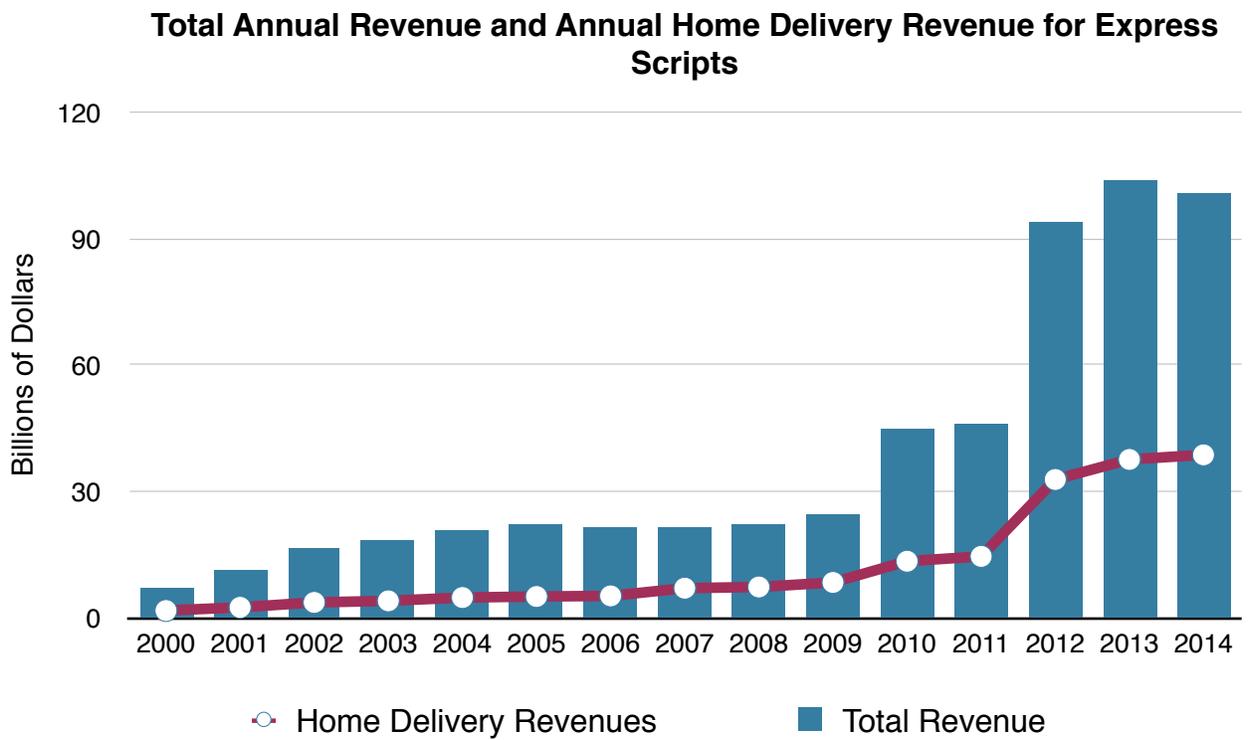
**Figure 1:** The total revenue for Express Scripts and Medco combined peaked at nearly \$120 billion in 2011. Since then their revenue appears to be dropping.



**Figures 2&3:** The proportion of prescription drugs sold through both Express scripts and Medco (figure 3 below) that were generic was around 40% in 2001. Now more than 80% of the prescriptions that go though Express scripts are for generic medications

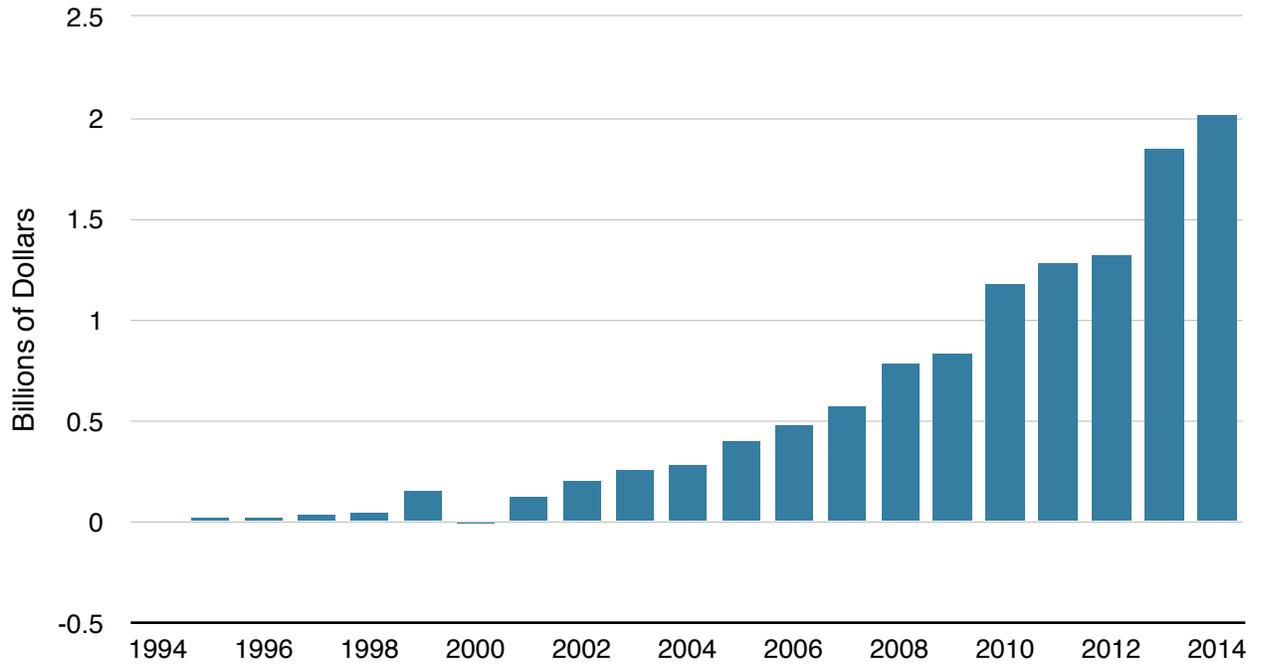


**Figure 3**



**Figure 4:** More than 60% of the revenue for Express Scripts is for “mediating” medication purchases at retail pharmacies. Only about 40% goes toward medications they sell directly through their home delivery service

### Annual Profits for Express Scripts



**Figure 5:** Express Scripts has had no trouble maintaining their profit even while total revenue is declining.