



SOLUTIONS TODAY

A daily update brought to you by

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MAY 18, 2004

TODAY'S AGENDA

- 7 a.m. Breakfast and Registration
- 8 a.m. General Sessions featuring Dave Snow, Thomas Scully, and Dr. Robert Epstein
- 11 a.m. Breakout Sessions
- 12 p.m. Lunch
- 1 p.m. Panel Discussion
- 2 p.m. Networking Activities

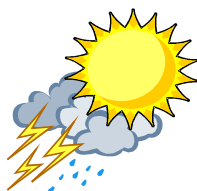
ORLANDO WEATHER



Today
Sunny with a high of about 87 degrees. Tonight will be partly cloudy with a low of 69 degrees.

Tomorrow

Mostly sunny with a high of 87 degrees and a chance of afternoon showers.



CLOSING MARKET SUMMARY

For Monday, May 17, 2004

Dow Jones	↓	-105.96 (-1.06%)
NASDAQ	↓	-27.61 (-1.45%)
S&P 500	↓	-11.60 (-1.06%)
10-Yr Bond	↓	-0.089
NYSE Volume		1,430,067,000
NADAQ Volume		1,529,431,000

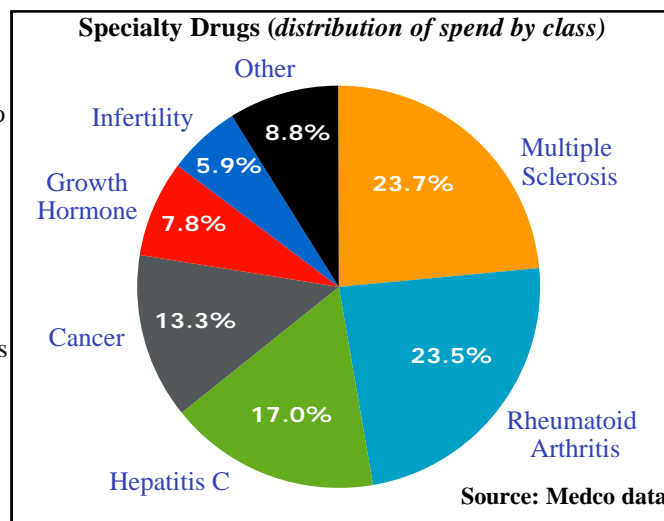
Specialty Drug Spending Climbs 26 Percent in 2003; Driven by Arthritis, Cancer Therapies

Proportion of Overall Spending on Expensive Treatments Highest Among Children

Fueled by a biotech surge, spending on high-cost "specialty" medications for people with complex, chronic conditions, such as rheumatoid arthritis or infertility, grew 26.6 percent in 2003. This represents a growth rate that is approximately double the national average increase in drug spend (13.4 percent), according to new data released today by Medco Health Solutions, Inc.

Medco's 2004 Drug Trend Report, which reviewed the company's top 150 clients, revealed data that points toward two therapeutic categories - rheumatoid arthritis and multiple sclerosis - which combined contributed to nearly 50 percent of pharmaceutical spending in the specialty drug category in 2003. Rheumatoid arthritis drugs alone made up 50 percent of drug trend (the year-over-year growth in spending) under the pharmacy benefit.

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Medco Study Reveals Pediatric Spending Spike on Drugs to Treat Behavioral Problems

77 Percent Four-Year Spending Rise Linked to Increased Use and Medicine Costs

Spending on drugs primarily used to treat attention deficit hyperactivity disorder (ADHD) surged 369 percent for children under age 5, while the number of kids taking one or more prescription medicines to treat behavior-related conditions hit nearly 9 percent for those children taking at least one medication overall, according to new data released Monday at the Medco Health Solutions, Inc. 2004 Drug Trend Symposium.

"This analysis provides a striking commentary on the state of pediatric treatment in this country, as well as the costs shouldered by parents whose children live with these conditions," said Dr. Robert Epstein, Medco's chief medical officer. "It goes without saying that early detection and appropriate treatment of these conditions is extremely important, but the emphasis is on 'appropriate' with an eye on cost-effective therapy, as well."

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Pediatric Spending

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The research reviewed the prescription data of 300,000 children ages 19 and younger in four major categories of behavioral medications used to treat a variety of conditions including ADHD, depression, autism and conduct disorders. Although recent studies have found an increase in the use of antidepressants, the Medco research found an even greater growth in the use of medications to treat other behavioral conditions.

Major findings of the analysis:

- Prescription drug spending for behavioral conditions rose 77 percent between 2000 and 2003 due to increased costs and increased use.

- In 2003, spending on behavioral medications to treat children overtook both the antibiotic and asthma categories, which are traditionally high-use categories in pediatric medicine.

- The number of children on behavioral medications jumped more than 20 percent between 2000 and 2003, outpaced only by the increase of children on drugs to treat gastrointestinal conditions, which increased by nearly 28 percent.

- Among the largest increases were medications primarily used to treat attention deficit/hyperactivity disorder (ADHD) -- where spending increased by 183 percent for children overall, and by 369 percent for children under age 5. Utilization in preschoolers was up 49 percent from 2000 to 2003.

- Spending on antidepressants for children grew 25 percent, while use of these drugs rose 27 percent between 2000 and 2003. A review of 2004 data shows that of the children on at least one prescription medication in the first quarter of this year, the number of children using antidepressants increased by 15 percent over the first three months of 2003.

- The number of children on medications to treat severe behavioral conditions related to autism and conduct disorders

increased by more than 60 percent from 2000 to 2003, while spending on these drugs rose 142 percent in the pediatric group. Among children ages 5 through 9, utilization was up 85 percent, while spending in this category grew 174 percent.

- Although children continue significant use of antibiotics, allergy and asthma drugs, the rate of increase in utilization and cost for these categories has been more moderate over the past four years than for behavioral medications; antibiotics showed no change in utilization and a 24 percent increase in spending; the use of allergy treatments increased 3 percent, while spending decreased by 7 percent; and asthma medications showed a 12 percent increase in utilization and a 24 percent rise in costs.

Pediatric Drug Trend - A Window into Future Costs

Medco's annual Drug Trend Report examines the drug spending experience representative of its more than 60 million members to help identify factors that contribute to the rising costs of prescription drug care. The total number of dollars invested in prescription medications for patients under age 19 remains a relatively modest percentage compared to other age groups. However, the rate of increase in spending was significant -- an indicator of future trends.

Surprisingly, the average unit cost per child per day is more than 60 percent higher than that of seniors. Although children take fewer medications than seniors, medications used by children have the highest average cost -- \$2.12 per day for children versus \$1.29 per day for seniors.

"The unit costs of medications for children outweigh those of all other age groups, so we have made it a priority to help our clients understand the factors that drive pediatric drug trends, and offer solutions to those challenges," said Epstein. "Through education and encouraging appropriate medication use, plans can help curb the explosive trend in the pediatric population."

Medco's analysis uncovered additional drug trend drivers in the pediatric market:

Biotech/specialty medication spending highest among pediatrics:

Only a very small proportion of children are prescribed specialty medications, although there has been significant growth in this area. Select biotechnology drugs contribute a larger portion of overall drug spending among children than any other age group. Among children, spending growth from 2000 to 2003 was greatest for select biotechnology medications (127 percent) and rheumatological therapies (44 percent) within the specialty area. Additionally, one of the key cost drivers in the asthma category was Xolair, a new biotech medication to treat asthma in children 12 years and older.

Diabetes treatment rising more slowly:

Spending on diabetes therapies increased by only 7 percent, a significantly lower annual rate of increase than 2002 (20 percent) and 2001 (23 percent). Diabetes therapy utilization fell 3 percent in 2003, following three consecutive years of growth -- potentially reflecting a move toward lifestyle changes such as diet and exercise as a first line course of therapy.

Gastrointestinal medications continue growth among infants:

Spending on ulcer and acid-reflux medications for children younger than five rose 26 percent last year. The class continues to be one of the fastest growing among the pediatric age group, perhaps related to the new treatment indications for these medications in children 2 and older.

Drug Trend & Spend Cost Containment Strategies

Mail Order for Maintenance Meds:

Prices for maintenance medications are significantly lower at the average mail order pharmacy than at retail, and can provide up to 10 percent savings for health plans. Drug trend for the 50 largest Medco clients enrolled in a mail order program averaged 6.9 percent, significantly lower than the national average of 13.4 percent.

Generics: Drugs with total U.S. sales of almost \$30 billion could lose patent protection over the next three years. Generic drugs could comprise as much as 57 percent of the prescription drug market by the end of 2005, up from 47 percent in 2002. Generic medications may lower the overall cost of providing a prescription drug plan by 4 percent.

Health Plan Changes: Prudent changes to co-payment incentives, capitalizing on over-the-counter (OTC) drugs, and implementing coverage rules that require prior authorization can lead to a dramatic reduction in drug trend.

Integrated Data: Using integrated patient medical and health plan information can identify possible drug interactions - thus averting potential hospitalizations and resulting in significant health plan savings.

Specialty Drug Spending

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Current spending on specialty drugs is approximately \$25 billion and is expected to reach \$40 billion by the end of 2006. The annual cost of specialty drug therapy can range from \$6,000 to more than \$350,000 per patient.

"The pipeline for biotechnology drugs has become the fastest growing segment of drug trend in America," said Dr. Alan Lotvin, president, Specialty Pharmacy Services, Medco. "To aggressively manage costs associated with specialty pharmaceuticals, Medco focuses on addressing the spend that is often buried within major medical claims. Through a proprietary integrated data management system, we can help health plans and employers manage the rising costs of these expensive medications, while also delivering a high standard of personalized patient care."

The specialty drug trend analysis, highlighted in the Drug Trend Report, uncovers growth in spending and use of particular high-cost medications, including:

- Rapid rise in rheumatologics:

Spending on treatments for rheumatoid arthritis increased 80.6 percent, and utilization increased 71.2 percent. Drug trend for rheumatologic conditions overall rose 64.5 percent last year, driven by a 28.8 percent increase in unit costs and new drug introductions.

- Growth among children: In 2003, specialty medications comprised the largest proportion of the total prescription drug spend among children under 19 years of age - 8 percent. The 35-49 age group had the second largest proportion of specialty spend at 5 percent. Specialty drugs in seniors 65+ made up only 1 percent of their drug spend.

- Specialty Drivers: Besides the dramatic increase in trend for rheumatologics, cancer and hemophilia drugs drove trend in 2003 with jumps of more than 33 percent and 28 percent respectively.

- Overflowing Pipeline: More than 195 biotech drugs are in Phase II or Phase III clinical development. Currently, 178 biotech drugs are in development for cancer therapies; 47 for infectious diseases; 26 for autoimmune diseases; and 21 for AIDS/HIV.

"As specialty medication use grows, health plans would be well advised to consider developing specific strategies to deal with the potentially destabilizing cost implications," said Lotvin. "By considering options, such as the integration of major medical and pharmacy claims for specialty medications, tiered co-pays geared specifically for specialty medications, and coordinated clinical support services, plans can better equip themselves to address the challenges brought by this continually emerging category of treatment."

Medco Symposium Addresses Prescription Paradox

Focused on addressing, head-on, some of the most vexing issues confronted by prescription benefit plan managers, Medco Health Monday convened its 2004 National Drug Trend Symposium - Navigating the New Health Economy.

"It's the paradox of the new millennium. Our world is driven by 21st Century technology, yet we struggle to overcome the trappings of a 20th Century healthcare system," said David B. Snow Jr., Medco chairman, president and CEO, who welcomed attendees at a Monday evening reception. "Now's the time to develop new policies and implement better processes to ensure higher quality, more affordable healthcare."

In conjunction with the Symposium, Medco released its 2004 Drug Trend Report, which examines the factors influencing prescription drug spending, and received broad press coverage Monday in major national newspapers including *The New York Times* and *The Wall Street Journal*, and metropolitan dailies nationwide.



Medco Chairman David B. Snow Jr. welcomes clients to Medco's first annual Drug Trend Symposium

In The News... A Healthcare Roundup

US Healthcare: Less Bang For The Buck

Americans spent about twice as much, per person, on healthcare than residents of either Canada or the European Union, but don't feel any better for the investment, according to a study published by two Oregon researchers.

"We spend much more than any industrialized country on a per capita basis and we get much less in return," report co-author Dr. Bentson McFarland of Oregon Health & Science University told the Associated Press. "It's a terrible waste of resources and, of course, it's inequitable."

At the same time, Americans were far more likely to describe their own health as "fair" or "poor" than were Canadians and Europeans across nearly all age groups. Starting at age 30, Americans had a significantly higher prevalence of poor self-rated health than their Canadian and European counterparts; the disparity between health care spending and self-rated health increased with age.

The report, published in the June edition of the *Journal of Epidemiology & Public Health*, follows *Cover the Uninsured Week*, a campaign to secure health coverage for every American.

Study Links Diabetes and Alzheimer's

Diabetes might significantly increase the risk of developing Alzheimer's, a study of 824 nuns, priests and Catholic brothers found, bolstering the evidence linking the two diseases.

The participants in the study were 55 and older when the research began and were followed for an average of about six years. Alzheimer's developed in 151 participants, including 31 who had diabetes.

The researchers calculated that diabetics faced a 65 percent increased risk of developing the mind-robbing disease.

The link remained strong even when the researchers factored in the prevalence of strokes, which are a common complication of diabetes and are also believed to raise the risk of Alzheimer's.

Previous research has linked diabetes

with memory problems, and diabetes is known to damage blood vessels that supply the brain. But studies looking specifically at diabetes and Alzheimer's have had conflicting results.

Canada Lacks Capacity to Meet America's Pharmaceutical Needs

Demand for pharmaceuticals by American consumers would overwhelm Canadian exporters if Congress changed laws to liberalize drug imports, according to a University of Texas study released Monday.

Marv Shepherd, director of the Center for Pharmoeconomic Studies at UT-Austin, analyzed U.S. and Canadian government data. Among his conclusions:

- If all Americans filled their prescriptions through Canada, its supply would only last 38 days.

- If just half of America's seniors purchased their drugs from Canada, that country would need to more than double its pharmaceutical supplies.

- Drug imports to Canada increased dramatically to \$4.7 billion last year from \$2.3 billion in 1999.

Testifying before the federal Task Force on Drug Importation, Shepherd said importing pharmaceuticals raises major safety concerns. "It's only a matter of time before a horrific tragedy occurs involving imported drugs," he said.

The UT researcher said that Americans purchasing pharmaceuticals from Canada frequently, and unknowingly, are buying drugs manufactured overseas. That's because Canada imports drugs from more than 100 nations, including India, Ireland, Ecuador, Columbia, Mexico and Cuba.

By the way... Grape Scott, Wine for Smoother Skin?

Tastes great, but also leaves your skin silky smooth.

Researchers for a beauty company based in France suggest that vitamins and antioxidants found in grapes, when applied to the skin as part of a cream, could have rejuvenating effects.

Researcher's have patented resveratrol, which acts like an antibiotic to protect grape vines from fungus; but when extracted and applied to skin, the company claims it firms the surface, improves elasticity and stimulates cell multiplication.

The company's Merlot Wrap features oil from the merlot grape seed combined with benzonite clay to absorb impurities in the skin; a wrap from wine and honey yeast extract, used to jump-start fermentation in the wine-making process, focuses on toning and strengthening skin. Other "vinothrapy" treatments include baths enhanced with an extract from a blend of grape skin and stems, which helps remove dead skin cells; and a crushed cabernet scrub that uses real seeds to exfoliate.



Lights! Camera! Action! -- Medco staff put the finishing touches on the keynote pavillion at its first annual Drug Trend Symposium.



Copies of Medco's Drug Trend report are available online at www.drugtrend.com.