



Mail Order Becomes More Important to Prescription Purchasing

*Rising costs of prescription drugs forces consumers to seek savings, reveals
Ipsos PharmTrends*

Long Island, NY, July 23, 2003 – The growth in mail order--or home delivery--for prescription drugs that treat chronic conditions is twice the rate of growth for purchases from brick-and-mortar channels over the past five years. When it comes to prescription drugs for maintenance (chronic) conditions, from 1998 to 2002, the number of prescription pills purchased via mail order increased 88%, outpacing the rate of growth for conventional brick and mortar channels such as chain drug stores (+27%), grocery stores (+33%), and even discount stores (+63%).

Pharmacy Benefit Managers (PBMs) have encouraged the use of mail order services and sometimes required it as the means for prescription (Rx) drug receipt for patients treating chronic ailments in particular. The move to mail order for maintenance ailments represents a more significant change to the bottom-line given the frequency of purchasing and the volume that maintenance ailments represent in terms of prescription pills. In 2002, maintenance ailments treatment accounted for half of total U.S. prescription pill volume (49%) and out-of-pocket dollars (53%) spent by consumers.

Given the rising cost to treat these maintenance ailments over time, consumers are taking advantage of the money and time-savings mail order provides to maintain their treatment regimen. Mail order fulfillment of prescriptions often provides 90-day supplies of approved Rx drugs for one insurance co-payment, essentially a 3-to-1 ratio when compared to the typical 30-day supply received at a retail pharmacy. These discounts have forced significant growth in consumer fulfillment of prescription drugs via mail order.

“It’s not surprising to see the importance of mail order rise during these weaker economic times,” stated Ms. Fariba Zamaniyan, Vice President and spokesperson for Ipsos PharmTrends. “The rising cost of healthcare, specifically prescription drugs, is top of mind for sufferers of chronic ailments whose needs are ongoing and often life-threatening should treatment discontinue. This has placed financial pressure on consumers as well as insurers to maintain therapy. Mail order helps offset this financial burden,” she said.

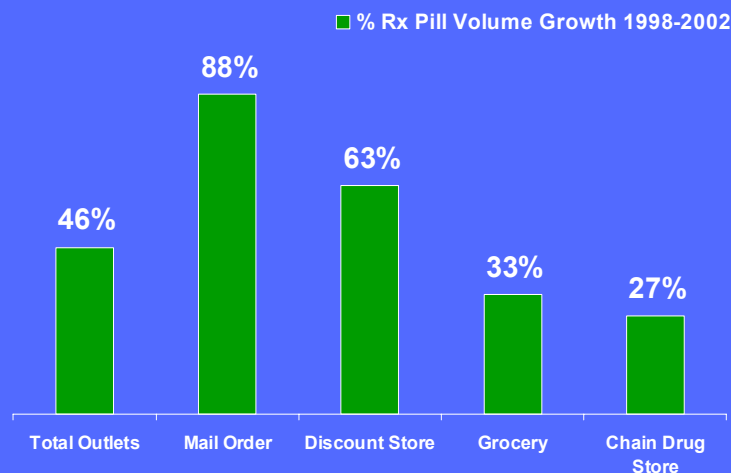
The PBM push toward mail order prescription drug fulfillment has come at a time when consumers as well as insurers and manufacturers are being forced to respond to the rising cost of branded drugs such as Statins (Elevated Cholesterol treatment), Cox-2 Inhibitors (Arthritis/Pain treatment), Proton Pump Inhibitors (also known as PPI’s for Acid Indigestion/Reflux), and Bisphosphonates (Osteoporosis treatment). All of these drug classes are predominantly used to treat chronic conditions and consist of brands often promoted directly to consumers.



In response to rising costs, managed care companies have moved branded Rx drugs such as these to higher insurance co-payment tiers, increasing the out-of-pocket expense to consumers. This increase has forced consumers to seek savings, particularly in categories where a price-value alternative such as a generic equivalent or non-prescription is not available. Examples of this rising trend include Statins and Bisphosphonates. The importance of mail order fulfillment for Statins increased from 23% in 1998 to 32% in 2002; similarly for Bisphosphonates, the share of pills purchased via mail order increased from 31% in 1998 to 45% in 2002.

“Without the overhead of a conventional outlet, mail order services are able to provide discounts for these branded drugs,” said Ms. Zamaniyan. “The awareness of this savings is increasing with the help of promotion and sometimes demands from the managed care companies consumers subscribe to. As more consumers are shifted toward home delivery and one-stop shopping, we should expect to see the landscape of pharmaceutical purchasing to continue changing,” further stated Ms. Zamaniyan.

Outlet Purchasing Trends Within Maintenance Categories*



* In this analysis, “Maintenance Categories” included all Rx pill purchasing for self-reported treatment of the following chronic conditions: Arthritis, Digestive (Acid Indigestion, GERD, Ulcer), Cardiovascular (Elevated Cholesterol, Hypertension, Blood Clotting), Hormonal Imbalance (HRT, ERT, Menopause), Diabetes (Type II), Osteoporosis, and Thyroid Disorders.



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For more information on this news release, please contact:

Fariba Zamaniyan

Vice-President

Ipsos PharmTrends
(516) 507-3047

fariba.zamaniyan@ipsos-na.com

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