

20 States Investigating Practices of PBM Express Scripts, Company Officials Say

July 29, 2004

Officials for [Express Scripts](#), the third largest U.S. pharmacy benefit manager, on Wednesday announced that 20 states have launched investigations into the company's business practices, the [St. Louis Post-Dispatch](#) reports. New York Attorney General Eliot Spitzer (D) on July 12 sent Express Scripts a notice of a proposed lawsuit, company officials said. According to the notice, Express Scripts breached a contract with the state and violated other civil laws; the notice alleges that the company switched patient medications and did not pass on the savings. The state office of the attorney general declined to release additional information on the investigation, which became public in June 2003. Express Scripts spokesperson Steve Littlejohn denied the allegations and said that the company has saved New York more than \$2 billion since 1998 (Feldstein, *St. Louis Post-Dispatch*, 7/28). In addition to the New York investigation, Express Scripts officials said that Vermont Attorney General William Sorrell (D) has sent the company a civil investigative demand for documents on "a wide range of the company's business practices" (Lauerman, [Bloomberg/Orlando Sentinel](#), 7/29). Express Scripts expects to receive similar demands or subpoenas from 18 additional states, company officials said. Express Scripts plans to cooperate with the investigations (*St. Louis Post-Dispatch*, 7/28).

Reaction

Saxon Birdsong, director of investments for Maryland-based Washington Financial Advisors, which manages about \$2 million of Express Scripts shares, said, "I'm concerned that they might be doing something illegal or unethical" (*Bloomberg/Orlando Sentinel*, 7/29). John Kreger, an analyst who tracks Express Scripts for Chicago-based investment company [William Blair](#), said that investigations and lawsuits are "pretty much going to be a fact of life" in the PBM industry, adding, "This shouldn't surprise anyone. This is an industry that's been under a tremendous amount of scrutiny from regulators" (*St. Louis Post-Dispatch*, 7/28).