



Express Scripts, Inc. Q2 2008 Earnings Call

Question-and-Answer Session

[Operator Instructions]. Our first question comes from the line of John Kreger with William Blair. Please go ahead.

John Kreger - William Blair

Great, thanks very much. George, could you give us an update on the SAAS segment and how you feel about the various aspects of specialty these days?

George Paz - Chairman of the Board, President and Chief Executive Officer

Sure. I think it's... as we've told you over the last several calls, it truly is a focus of ours. Specialty is an important component of our business and at the end of the day, as you know there are several components in our reported SAAS segment. The one that gets our biggest attention, I think the driver of our futures, is our specialty pharmacy. That business has done well. The acquisition of Priority has rounded out our portfolio.

And I believe we are as competitive as anyone in the industry, if not more, with respect to specialty products and meeting the needs and demands of our patients and clients. So we continue to emphasize and focus that area of our business. You know, as we've said in the past there are still two other businesses that are combined in that group.

One's a distribution business where we provide oncology and other products to doctor's offices. That business is pretty... it's got lower margins, higher use of capital. But it's a... as the business itself is doing much better, now that we've got our some receivable issues under control. Likewise, our PAP programs continue to be a bit of an issue for us from our growth perspective.

Those businesses are doing fine. I think our pharma company clients are happy with the work we're doing. We like the mission internally because we believe it's important for those individuals who cannot otherwise afford medications, to have access to drugs as an incredibly important mission.

So it's an important business for us. But as, with the passage of the Medicare Part D programs, that business is running off. And we continue to see more and more people as they turn 65 and avail themselves for the Medicare program that business is under continuous pressure. The margins in that business are okay. But of course, we are faced with the challenge of a declining revenue stream, which makes managing profitability much harder.

But again, I think the program on its face is a good program and we're going to continue to administer it and just try to monitor it. Overall, I would tell you we're happy with, with the results we are gaining.

We still have a ways to go and we'll absolutely keep you informed on our progress as the quarters unfold.

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