

Seeking Alpha α

Medco Health Solutions, Inc. Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). Your first question comes from the line of Lisa Gill with J.P. Morgan.

Lisa Gill – J.P. Morgan

Dave, just a couple of quick questions around what we see for plan design. First, can you talk about for 2009, any kind of performance guarantees that you are giving, things you're doing around gaps in care, adherence to pharmaceuticals? What're your clients saying about that and how you are potentially sharing in the savings, and then secondly, are you seeing opportunities around plan design changes? I think that Rich made a comment that we could potentially see greater mail penetration in the back half of the year, so should we expect that we will see some plan design changes that will go into effect mid year to drive some of that activity, and then just lastly, I know there's been lots of talk about some of your larger customers and layoffs. Do they come and talk to you prior to the layoff? Do you get any kind of heads-up around this or are you watching all the same kind of data that we are?

David Snow

On the plan design question, a lot of clients put in effective change benefit design to favor mail even more strongly. That doesn't mean that the mail volume picks up day one. Once the plan design has changed, there is work Medco needs to do with the client, with mailings to the members, etc., and so forth, and you see that volume build over time which is why Rich reflected in his comments that we will see this grow over time as these new benefit designs get fully understood by the employees of the customers that we serve, and by the way I would tell you that relative to plan design and the spectrum of plan design, the most popular thing right now has been benefit design to drive mail and drive generics. That's the number one focus of most of the major changes we made in plan design year over year.

Relative to guarantees, I just want to make sure everybody understands. You asked about guarantees around gaps in care. Medco always has made guarantees around elements of our service, whether it be phone answer time, whether it be rebate levels, whether it be generic dispensing rates. There's an assortment of things we do. What we've seen since the implementation of our therapeutic resource centers is a desire to shift the guarantees to some extent from some of those administrative things that we do extremely well to closing gaps and care clinically, and so the way that works is we put a set amount of money up as we would for other service parameters around closing gaps in care, and let me just explain that for a minute.

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