



NATIONAL ASSOCIATION OF
CHAIN DRUG STORES

Statement
Of
The National Association of Chain Drug Stores
For
U.S. Senate Committee on Finance
Hearing on:
The President's Budget for Fiscal Year 2014
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The National Association of Chain Drug Stores (NACDS) thanks the Members of U.S. Senate Committee on Finance for consideration of our statement for the hearing on “The President’s Budget for Fiscal Year 2014.” NACDS and the chain pharmacy industry are committed to partnering with Congress, the Department of Health and Human Services (HHS), patients, and other healthcare providers to improve the quality and affordability of healthcare services.

NACDS represents traditional drug stores, supermarkets, and mass merchants with pharmacies – from regional chains with four stores to national companies. Chains operate more than 41,000 pharmacies and employ more than 3.8 million employees, including 132,000 pharmacists. They fill over 2.7 billion prescriptions annually, which is more than 72 percent of annual prescriptions in the United States. The majority of Medicare Part D and Medicaid prescriptions are dispensed by chain pharmacies.

As the face of neighborhood healthcare, community pharmacies and pharmacists provide access to prescription medications and over-the-counter products, as well as cost-effective health services such as immunizations and disease screenings. Through personal interactions with patients, face-to-face consultations and convenient access to preventive care services, local pharmacists – in partnership with doctors, nurses and others –are helping to shape the healthcare delivery system of tomorrow..

In recent years, retail community pharmacies have played an increasingly important role in providing patient care. Activities such as the increased number of health screenings provided by pharmacists, help educate patients and give them a better understanding of their health status and potential needs. Pharmacists also provide vital patient care through services such as medication therapy management (MTM) and their expanded role in providing immunizations.

Policymakers have begun to recognize the vital role that local pharmacists can play in improving medication adherence. The role of appropriate medication use in lowering healthcare costs was recently acknowledged by the Congressional Budget Office (CBO). The CBO revised its methodology for scoring proposals related to Medicare Part D and found that each one percent increase in the number of prescriptions filled by beneficiaries causes a decrease in overall Medicare medical spending. When extrapolated to the entire population, this translates into a

savings of \$1.7 billion in overall healthcare costs, or a savings of \$5.76 per person in the U.S. for every one percent increase in the number of prescriptions filled.

Congress has recognized the importance of pharmacist-provided services such as MTM by including it as a required offering in the Medicare Part D program. The experiences of Part D beneficiaries, as well as public and private studies, have confirmed the effectiveness of pharmacist-provided MTM. A recent report by CMS found that Medicare Part D beneficiaries with congestive heart failure and COPD who were newly enrolled in the Part D MTM program experienced increased medication adherence and discontinuation of high-risk medications. The report also found that monthly prescription drug costs for these beneficiaries were lowered by approximately \$4 to \$6 per month and that they had nearly \$400 to \$500 lower overall hospitalization costs than those who did not participate in the Part D MTM program.

How and where MTM services are provided also impact its effectiveness. A study published in the January 2012 edition of *Health Affairs* identified the key role of retail pharmacies in providing MTM services. The study found that a pharmacy-based intervention program increased patient adherence for patients with diabetes and that the benefits were greater for those who received counseling in a retail, face-to-face setting as opposed to a phone call from a mail order pharmacist. The study suggested that interventions such as in-person, face-to-face interaction between the retail pharmacist and the patient contributed to improved behavior with a return on investment of 3 to 1.

Since pharmacists have the proven ability to provide services that lead to better clinical outcomes and lower healthcare costs, we urge the implementation of budget proposals that allow all healthcare providers, including retail pharmacists, to practice to their maximum capabilities, working in partnership to provide accessible, high quality care to patients.

NACDS appreciates HHS's proposed goals to reduce healthcare costs and produce a more efficient healthcare system; however, we have concerns with some proposals contained in the FY2014 HHS Budget. In a proposal to "Lower Drug Costs", HHS proposes excluding authorized generic drugs from the calculation of average manufacture price (AMP) and calculating Medicaid Federal Upper Limits (FULs) based only on generic drug prices. While the

goal of this provision may be to decrease Medicaid costs, we believe it may in fact reduce access to prescription drugs and pharmacy services for Medicaid patients, resulting in increased overall healthcare expenditures. Given that AMP has never been used as a basis for pharmacy reimbursement, and that AMP-based FULs remain in draft form, we believe the FY2014 budget provisions changing the calculation of FULs are premature. In fact, based on NACDS analysis, in any given month, over one-third of the draft FULs are below National Average Drug Acquisition Cost (NADAC). This analysis confirms that additional efforts by the Centers for Medicare and Medicaid Services (CMS) are necessary to ensure that pharmacies are not reimbursed below their costs using the reimbursement formula created by the Affordable Care Act. We urge CMS to utilize the rulemaking process to implement the Medicaid pharmacy provisions in a manner consistent with congressional intent, rather than pursuing policies that would further cut pharmacy reimbursement.

The FY2014 HHS Budget also includes a proposal to limit Medicaid reimbursement of durable medical equipment (DME) to the rates paid by Medicare. Implementing a blanket proposal to reduce payment for Medicaid DME has the potential to disrupt access to DME and produce poorer health outcomes. This is particularly true in the case of diabetes testing supplies (DTS). In late January, CMS established a new single payment amount of \$10.41 for DTS starting on or about July 1. This amount drastically decreases reimbursement by an average of 72% for retail pharmacies. The current \$37 fee schedule amount barely covers a pharmacy's costs of goods plus dispensing and counseling for these products and services. Moreover, pharmacies bear the additional cost of participating in Medicare Part B, including surety bonding, accreditation, the costs of arduous pre-payment and post-payment reviews, the need for separate contractors to help process Part B claims, and audit recoveries. This unprecedented cut in reimbursement will undoubtedly threaten elderly Americans with diabetes access to community pharmacies, as it is unclear how many pharmacies will be able to continue to participate. Inability of community pharmacies to participate threatens the important safety net that many elderly Americans with diabetes rely on for their care. Reducing Medicaid reimbursement for DTS to match the Medicare rate will produce similar hardships for Medicaid beneficiaries in terms of reducing access to needed supplies and threatening the health of an already fragile population. NACDS urges HHS to refrain from making any changes to Medicaid reimbursement for DTS, especially

in light of the unknown and potentially harmful effects the impending changes in DTS reimbursement will have on Medicare beneficiaries.

The FY2014 HHS Budget includes a number of proposals to cut waste, fraud and abuse in the Medicare and Medicaid programs. NACDS applauds HHS for working to ensure that such activity does not exist in these federal programs. However, NACDS urges HHS to move forward in a cautious manner which does not disrupt beneficiary access or jeopardize beneficiary health. This can be done by ensuring that over-burdensome requirements are not placed on providers to the point that it interferes with the ability to treat and care for patients.

The FY2014 budget also includes several provisions to increase the utilization of generic drugs. NACDS applauds the inclusion of these important provisions, which would encourage the use of generic medications by Medicare Low Income Subsidy beneficiaries, and promote generic competition for biologics. Increasing generic utilization is one of the most effective ways of controlling prescription drug costs, and the generic dispensing rate of retail pharmacies – 78 percent- is higher than any other practice setting.

CONCLUSION

NACDS thanks the Committee for consideration of our comments. We look forward to working with policy makers and stakeholders on these important issues.