



NATIONAL ASSOCIATION OF  
CHAIN DRUG STORES

Statement  
Of  
The National Association of Chain Drug Stores  
For  
U.S. Senate  
Armed Services Committee  
Personnel Subcommittee  
Hearing on  
FY2013 Defense Authorization  
March 28, 2012  
2:00p.m.  
232-A Russell Senate Office Building

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### ***Introduction***

Chairman Webb, Ranking Member Graham, and members of the Military Personnel Subcommittee. The National Association of Chain Drug Stores (NACDS) thanks the committee for the opportunity to submit a statement for today's hearing on the FY2013 Defense Authorization.

NACDS represents traditional drug stores, supermarkets, and mass merchants with pharmacies – from regional chains with four stores to national companies. Chains operate more than 40,000 pharmacies and employ more than 3.5 million employees, including 130,000 pharmacists. They fill over 2.6 billion prescriptions annually, which is more than 72 percent of annual prescriptions in the United States.

### ***Community Pharmacies are the Most Readily Accessible Healthcare Providers***

Ninety-two percent of Americans live within five miles of a community pharmacy, making pharmacies among the most accessible healthcare providers. Local pharmacists play a key role in helping patients to take their medications as prescribed and offer a variety of pharmacist-delivered services to improve health quality and outcomes. With preventive immunizations and appropriate medication use, it is possible to reduce utilization of costly medical services such as emergency department visits and unnecessary physician visits. The proximity of community pharmacies to each and every American and pharmacists' exceptional knowledge and training renders pharmacies uniquely positioned to provide care for the American public.

### ***Pharmacist-Administered Vaccinations Improve Public Health***

Increasingly, local pharmacies are not only a reliable, convenient source for obtaining prescription drugs, but also a healthcare destination. For example, retail network

pharmacies now provide vaccinations to TRICARE beneficiaries. Recognizing the cost effectiveness of pharmacist-provided vaccinations, the Department of Defense (DoD) authorizes TRICARE beneficiaries to obtain vaccinations at a retail network pharmacy for a \$0 co-payment. In its final rule expanding the authority of retail pharmacies to provide vaccinations, DoD estimated that in the first six month of the immunization program, it had saved over \$1.5 million by having vaccinations provided through the pharmacy rather than the medical benefit (*Federal Register*, Vol. 76, No. 134, p. 41064). This cost savings did not take into consideration the savings from medical costs that would have been incurred in treating influenza and other illnesses, if TRICARE beneficiaries had not been vaccinated. In addition, DoD also noted in the final rule that “adding immunizations to the pharmacy benefits program is an important public health initiative for TRICARE, making immunizations more readily available to beneficiaries. It is especially important as part of the Nation’s public health preparations for a potential pandemic, such as was threatened last fall and winter by a novel H1N1 virus strain. Ensuring that TRICARE beneficiaries have ready access to vaccine supplies allocated to private sector pharmacies will facilitate making vaccines appropriately available to high risk groups of TRICARE beneficiaries” (*Federal Register*, Vol. 76, No. 134, p. 41063).

### ***Medication Therapy Management Improves Health Outcomes and Reduces Spending***

Medication therapy management (MTM) is a distinct service or group of services that optimize therapeutic outcomes of medications for individuals based on their unique needs. MTM services increase medication adherence, enhance communication and collaboration among providers and patients, optimize medication use, and reduce overall healthcare costs. Increasingly, MTM services provided face-to-face by retail pharmacists is proving to be the most effective. For example, a recent study published in the January 2012 edition of *Health Affairs* demonstrated the key role retail pharmacies play in providing MTM services to patients with diabetes. The study found that a pharmacy-based intervention program increased patient adherence 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 also suggested that an integrated, pharmacy-based program, including 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.

***Preserving Patient Access and Choice in the TRICARE Program***

As the Congress considers FY2013 Defense Authorization, NACDS urges consideration of policies that control spending while protecting patient choice and preserving access to local pharmacies.

NACDS was disappointed to learn that the President's Budget proposed further changes to co-payments and other policies that would further drive TRICARE beneficiaries out of their local pharmacies and to the TRICARE Mail Order Pharmacy (TMOP). There are strong incentives in place to encourage beneficiaries to use mail order. Additional changes were put in place in October 2011. Currently TRICARE beneficiaries can receive a 30-day supply of medication at a local pharmacy for co-payments of \$5 (generic), \$12 (brand) or \$25 (non-formulary brand), versus co-payments of \$0 (generic), \$9 (brand) or \$25 (non-formulary brand) for a 90-day supply of medication from TMOP.

The President's FY2013 budget includes even more draconian changes. In most cases, TRICARE beneficiaries will be unable to obtain non-formulary medications at their local pharmacy. Furthermore, cost sharing will increase to as much as \$34 for a 30-day supply of a formulary medication at retail, and as much as \$66 for a 90-day supply of a non-formulary medication at TMOP.

In addition to unfairly penalizing TRICARE beneficiaries who prefer to use local pharmacies, NACDS believes this proposal is penny wise and pound foolish. Failure to take medications as prescribed costs the U.S. health system \$290 billion annually, or 13%

of total health expenditures. Threatening beneficiary access to prescription medications and their preferred healthcare provider will only increase the use of more costly medical interventions, such as physician and emergency room visits and hospitalizations.

NACDS supports cost savings initiatives that preserve patient choice. For example, the utilization of generic medications by TRICARE beneficiaries is low in comparison with other plans. According to Wolters Kluwer Health, in 2010, generic drugs were dispensed 71.2% of the time by community pharmacies, compared with 56.1% by mail order. In contrast, for the TRICARE program, generic medications were dispensed 69.7% by community pharmacies, and 51% by TMOP. Modest increases in generic utilization by TRICARE beneficiaries would have a dramatic impact on the DoD budget.

We also urge DoD to conduct a demonstration project on the effectiveness of medication therapy management (MTM) in improving patient medication adherence and reducing healthcare costs. The demo should target TRICARE beneficiaries with at least one chronic condition that accounts for high spending in TRICARE. Targeted beneficiaries should be eligible for MTM services at a TRICARE retail network pharmacy. Services should include a face-to-face comprehensive medication review as well as quarterly follow-up reviews as deemed necessary. Beneficiaries may opt-out of the MTM program, but those who elect to participate and comply with program recommendations will have cost sharing for maintenance medications waived while participating.

Finally, we encourage Congress to consider the use of a “drug-stock replacement” program for retail pharmacies, similar to the program currently in use by the TRICARE mail order pharmacy. NACDS believes using depot pricing for covered prescription drugs provided through the retail pharmacy network would assist DoD in negotiating addition discounts from drug manufacturers, beyond the Federal Ceiling Price (FCP) discounts currently required by law.

Potential savings for the TRICARE program through these initiatives are significant. For example, use of a drug stock replacement program using depot pricing for retail prescriptions could result in savings of up to 30%. Since the Department of Defense spends an estimated \$5 billion annually on prescription medications dispensed by retail pharmacies, the resulting savings could be as much as \$1.5 billion.

***Conclusion***

Thank you for the opportunity to share our views. We look forward to working with you on policies that control costs and preserve access to local pharmacies.