



NATIONAL ASSOCIATION OF
CHAIN DRUG STORES

Statement
Of
The National Association of Chain Drug Stores
For
Budget Committee Conferees
October 29, 2013

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As Congress works to address the nation's budget deficit, the National Association of Chain Drugs Stores (NACDS) and our members are writing to offer our support for developing effective solutions to reduce healthcare costs, while at the same time maintaining patient access to prescription drugs and pharmacy 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 total economic impact of all retail stores with pharmacies transcends their over \$1 trillion in annual sales. Every \$1 spent in these stores creates a ripple effect of \$1.81 in other industries, for a total economic impact of \$1.81 trillion, equal to 12 percent of GDP.

NACDS believes that pharmacists play a vital role in advancing the health, safety and well-being of the American people. 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 are helping to shape the healthcare delivery system of tomorrow – in partnership with doctors, nurses and others.

As an organization representing healthcare companies that create and support millions of jobs in the U.S., we understand the importance of reducing and controlling our nation's mounting debt, and we offer our solutions as to how pharmacy can add value and save money for the nation. In recent years, retail community pharmacies have played an increasingly important role in providing patient care. For example, pharmacists promote cost savings through improving medication adherence through medication management therapy (MTM), expanding the proportion of Americans that are immunized and increasing the use of generic drugs.

Medication Therapy Management (MTM) - Better Outcomes and Lower Costs

Pharmacists have the ability to improve medication adherence. The costs of poor adherence are staggering, costing the U.S. approximately \$290 billion annually, 13% of total healthcare costs.¹ These unnecessary costs fall disproportionately on government programs such as Medicare and Medicaid, which cover approximately 30 percent of all prescription drugs dispensed in this country. 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 diabetes, congestive heart failure (CHF) and chronic obstructive pulmonary disease (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 for patients with CHF and diabetes, they had nearly \$400 to \$525 lower overall hospitalization costs than those who did not participate in the Part D MTM program.

¹ New England Healthcare Institute, 2009

A *Health Affairs* article from this July reported the findings of a study demonstrating that targeting efforts to improve medication adherence, especially among people who are high users of health care services, and increasing Medicare Part D enrollment in MTM could improve health and lower costs. The study found that poor medication adherence was associated with additional medical and hospital visits resulting in otherwise avoidable spending for Medicare Part A and B services in the range of \$49 to \$840 per beneficiary per month. In addition, the study demonstrated that aligning medication therapy management eligibility with a metric such as potentially preventable future costs holds promise for both improving the quality of care and reducing spending.

Moreover, how and where MTM services are provided also impacts 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 pharmacy-based intervention programs increased patient adherence for patients with diabetes and 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.

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 for each one percent increase in the number of prescriptions filled by beneficiaries there is a corresponding decrease in overall Medicare medical spending. When projected to the entire population, this translates into a savings of \$1.7 billion in overall healthcare costs, or a savings of \$5.76 for every person in the U.S. for every one percent increase in the number of prescriptions filled.

Vaccinations

Neighborhood retail pharmacies have played an integral role in recent years in providing vaccinations and immunizations against illnesses such as flu, pneumonia, and shingles. Despite the availability of effective immunizations, many Americans remain unvaccinated and susceptible to vaccine-preventable diseases. An Institute of Medicine Report estimates that more than 50,000 adults and 300 children in the United States die each year from vaccine-preventable diseases or their complications.² However, the United States Department of Health and Human Services has found that immunizations, including those administered by pharmacists, help prevent 14 million cases of disease and 33,000 deaths yearly.³

² Institute of Medicine Report. Shaping the Future For Health – Calling the Shots – Immunization Finance Policies and Practice. http://books.nap.edu/html/calling_the_shots/reportbrief.pdf

³ Department of Health and Human Services, Fiscal Year 2008. Centers for Disease Control and Prevention. *Justification of Estimates for Appropriation Committees*. Available: http://www.317coalition.org/documents/cdc_fy2008budget_immunization.pdf

Expanding pharmacists' vaccination authority can also lead to decreased healthcare costs. In a final rule expanding the portfolio of vaccines that TRICARE beneficiaries may obtain from community pharmacies, the Department of Defense (DoD) noted significant savings were achieved under the TRICARE program in allowing beneficiaries to obtain flu and pneumococcal vaccines from retail pharmacies. Notably, the DoD not only allows its beneficiaries to obtain vaccinations at local network pharmacies, but by encouraging beneficiaries to obtain vaccinations at local pharmacies and waiving cost sharing when pharmacies are used for immunizations, the DoD estimates it saved nearly \$1.5 million in administration costs. Additionally, it was estimated that the DoD had a savings of over \$600,000 annually through avoiding medical costs that would have been incurred in treating influenza. (Fed Register Vol. 76, No. 134, p. 41064).

Currently all 50 states allow pharmacists to provide certain immunizations. Encouraging Medicare beneficiaries and others to obtain vaccinations at their neighborhood pharmacy is a cost effective and convenient way to prevent illness and reduce healthcare costs.

Utilization of Generic Drugs

Pharmacists are also leaders in promoting cost savings, by helping to educate consumers and providers about affordable alternatives like generic drugs and over-the-counter remedies. Pharmacies have long promoted generic drugs as safe, cost-effective alternatives for many patients.

Increasing the use of generic drugs in public programs, such as Medicare and Medicaid, is one of the most effective ways to reduce prescription drug costs. For every one percent increase in generic utilization, the Medicaid program could save \$558 million. If all other states could match the generic utilization rate of Hawaii (82.7%), the Medicaid program could save \$6.56 billion annually. Because community pharmacies have a higher generic dispensing rate – 71% - than any other practice setting, it is important to recognize the role of community pharmacies in promoting generic drug utilization.

We thank you for your leadership on these critically important healthcare issues and look forward to working with you as the nation seeks to address the fiscal challenges before it.