



NATIONAL ASSOCIATION OF
CHAIN DRUG STORES

Statement

of:

The National Association of Chain Drug Stores

for:

United States House of Representatives
Oversight and Government Reform Committee

Hearing on:

Premiums, Provider Networks and the Health Care Law

December 12, 2013

9:30 a.m.

2154 Rayburn House Office Building

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The National Association of Chain Drug Stores (NACDS) thanks the Members of the House Oversight and Government Reform Committee for consideration of our comments for the hearing entitled “Premiums, Provider Networks and the Health Care Law.” NACDS and the chain pharmacy industry are committed to partnering with Congress, the Department of Health and Human Services, patients, and other healthcare providers to improve the quality and affordability of our nation’s healthcare system.

NACDS represents traditional drug stores along with supermarkets and mass merchants with pharmacies. Its 125 chain-member companies include regional chains with a minimum of four stores to national companies numbering their stores in the thousands. NACDS members also include more than 800 suppliers of pharmacy and front-end products, and nearly 40 international members representing 13 countries. Chains operate more than 40,000 pharmacies, and employ a total of more than 3.8 million employees, including 175,000 pharmacists. They fill over 2.7 billion prescriptions yearly, and have annual sales of over \$1 trillion. For more information about NACDS, please visit www.NACDS.org.

NACDS is concerned about the lack of federal and state regulation addressing restricted pharmacy networks within the Affordable Care Act (ACA) exchange plans. Preferred networks in the pharmacy sector may interfere with patient access to quality care. The use of preferred networks limits patient access to pharmacy providers whose services improve lives and help address poor medication adherence, an issue that costs the nation approximately \$290 billion annually.¹ That amounts to 13% of total healthcare expenditures, and is associated with costs of about \$47 billion annually for drug-related hospitalizations and an estimated 40% of nursing home admissions.²

NACDS believes that patients should be free to choose their pharmacy provider. Nearly all Americans (92%) live within five miles of a community retail pharmacy.³ Open networks provide greater access and more choices, particularly in more rural areas with fewer

¹ New England Healthcare Institute, 2009, Thinking outside the Pillbox: A System-Wide Approach to Improving Patient Medication Adherence for Chronic Disease

² Id.

³ Source: NCPDP Pharmacy Provider File, ArcGIS Census Tract Files, and NACDS Economics Department.

pharmacies. Additionally, community pharmacies meet patients' needs for convenient access through a highly competitive environment that gives consumers choices in how their medications and healthcare services are provided.

By limiting the number of pharmacies that participate in a network, exchange plans are limiting patients' access to knowledgeable professionals that play a critical role in providing care and cost savings. People who take prescription medications regularly, manage chronic diseases, use emerging pharmacy services, and who are older have even stronger positive opinions about access to a pharmacy of their choice.

Similar to the concerns regarding restricted networks, NACDS is also concerned that restricted drug formularies in exchange plans may interfere with patient access to important medications. It appears that exchange plans are using the same restricted formularies for insurance products sold across all metal tiers, and that the average drug co-insurance for a top formulary tier drug in a silver or bronze plan is 40%.⁴ It further appears that there are formulary gaps for certain high cost drugs.

NACDS is concerned that patients who face restricted drug formularies and cost sharing may choose to skip their necessary medications, because they simply cannot afford the out-of-pocket costs. Overall care for these patients may prove more costly in the long run, defeating the goals of providing high quality, more affordable care.

Thank you for the opportunity to share our concerns about restricted networks and restricted formularies in health exchange plans. Although these may appear to reduce short term costs, we believe that they result in lower healthcare quality and greater overall healthcare costs. We look forward to continuing to work with the committee to advance policies that improve patient quality of care in a cost-efficient manner.

⁴ Caroline F. Pearson, Avalere Health, PlanScape: Exchange Implementation Update & Initial Formulary Findings, October, 2013.