



NATIONAL ASSOCIATION OF
CHAIN DRUG STORES



VIA Electronic Submission

October 22, 2013

Ms. Cindy Mann
Deputy Administrator and Director
Center for Medicaid, CHIP and Survey & Certification
Centers for Medicare & Medicaid Services
Department of Health and Human Services
200 Independence Avenue, SW
Washington, DC 20201

Subject: Draft Federal Upper Limits (FULs)

Dear Ms. Mann:

On behalf of the National Association of Chain Drugs Stores (NACDS), the National Community Pharmacists Association (NCPA), and their respective memberships, we are writing to urge CMS to assure that the States increase their dispensing fees for Medicaid drugs in conjunction with the upcoming new Federal Upper Limits (FULs), anticipated in 2014.

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.

NCPA represents the interests of America's community pharmacists, including the owners of more than 23,000 independent community pharmacies. Together they represent an \$88.7 billion health care marketplace, dispense nearly 40% of all retail prescriptions, and employ more than 300,000 individuals, including over 62,000 pharmacists.

As we have outlined in our previous comment letters to CMS on the draft FULs, we believe that AMP is an inaccurate benchmark for pharmacy reimbursement; there is no correlation between the weighted AMP and pharmacy acquisition costs. In our July, 2013 letter, we noted that when comparing the August 2012 AMP-based FULs with corresponding products from the November 1, 2012 NADAC file, a large number of FULs were found to be lower than the lowest published NADAC for each corresponding product group. For March 2013 FUL groups, a total of 44.7% had a published FUL that was lower than the published NADAC for that group. Additionally, 22.3% of products

had a FUL value set below ingredient purchase cost (AAC). In a number of instances, the AMP-based FUL is lower than the pharmacy's acquisition cost for a given drug.

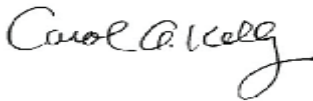
In light of the looming problem of under reimbursement, it is important for CMS to advocate to State Medicaid directors the importance of increasing dispensing fees to account for this problem. We urge CMS to make clear to states that in order to maintain patient access to pharmacies, dispensing fees must be increased to reflect no less than the true cost of dispensing prescription medications to Medicaid patients. Based on our in-house calculations, on average, states would need to increase their dispensing fees by \$4.45 to offset the decrease in pharmacy reimbursement under the new AMP-based FULs.

Just as important, states that fail to increase their dispensing fees also risk failing to meet the federal patient access requirements for state Medicaid plans. If states fail to increase Medicaid dispensing fees at the same time that AMP-based reimbursement is falling, then pharmacies may be forced to withdraw from the Medicaid program, denying patients access to Medicaid drugs.

Conclusion

Thank you again for the opportunity to share our views on the need for states to increase their Medicaid dispensing fees. We remain committed to working with you to implement these provisions in a manner that complies with current law and maintains access to prescription drugs and services for Medicaid beneficiaries.

Sincerely,



Carol Kelly
Senior Vice President
Government Affairs and Public Policy
National Association of Chain Drug Stores



Steve Pfister
Senior Vice President
Government Affairs and Advocacy
National Community Pharmacists Association

cc: Penny Thompson, Deputy Director, Center for Medicaid and CHIP Services
Larry Reed, Director, Division of Pharmacy