



NATIONAL ASSOCIATION OF
CHAIN DRUG STORES

Statement
Of
The National Association of Chain Drug Stores
For
U.S. House of Representatives
Energy and Commerce Committee
Subcommittee on Health
Hearing on
“Medicaid at 50: Strengthening and Sustaining the Program”

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As Congress examines how to strengthen and sustain the Medicaid program, the National Association of Chain Drug Stores (NACDS) is writing to offer our support for those efforts and how retail pharmacy can play a role in those efforts. NACDS represents traditional drug stores and 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 3.2 million individuals, including 179,000 pharmacists. They fill over 2.9 billion prescriptions yearly, and help patients use medicines correctly and safely, while offering innovative services that improve patient health and healthcare affordability.

Pharmacists play a vital role in advancing the health, safety, and well-being of Medicaid beneficiaries. As the face of neighborhood healthcare, community pharmacies and pharmacists provide access to Medicaid prescription medications and over the counter products, as well as cost-effective health services such as immunizations and disease screenings for Medicaid beneficiaries. Through personal interactions with Medicaid beneficiaries, face-to-face consultations, and convenient access to preventive care services, local pharmacists are helping to shape the future of the Medicaid program – in partnership with doctors, nurses and others. Accordingly, as Congress examines the future of Medicaid, it is critical that Congress acts to prevent potentially harmful alterations to the Medicaid drug benefit. Doing so would ensure that community pharmacies can continue to offer positive and valuable health care services and benefits to Medicaid beneficiaries

The Value of Community Pharmacy to the Medicaid Program

Community pharmacies offer millions of Medicaid beneficiaries across the country innovative programs that deliver unsurpassed value - improving health and wellness and reducing Medicaid costs. Through services such as medication therapy management (MTM), immunization administration, health education, screenings, simple laboratory examinations and procedures, and disease management programs, community pharmacies play an instrumental role in improving overall Medicaid outcomes, patients' quality of life, and the prevention of more costly healthcare treatments for Medicaid beneficiaries.

Community pharmacies offer such value because the pharmacists that they employ are highly educated, trusted healthcare professionals who provide Medicaid patients with important healthcare services. In recent years, community pharmacists have played an increasingly important role in the care of Medicaid beneficiaries, providing convenient, accessible, and cost-effective health services and working in partnership with healthcare entities and other providers to improve health outcomes.

Not only are community pharmacists well-qualified and highly trusted, but they are also well-situated in local communities, and are often the most readily accessible healthcare provider. Research has shown that nearly all Americans (94%) live within five miles of a community retail pharmacy. Such convenient access is vital to reaching Medicaid beneficiaries who often have difficult with transportation for their healthcare needs.

Notably, millions of Medicaid beneficiaries lack adequate and timely access to primary healthcare and this is only expected to worsen as demand increases. Since open enrollment started under the Affordable Care Act (ACA), Medicaid enrollment has grown by 12.3

million. As more and more states adopt the ACA Medicaid expansions, enrollment will exponentially grow placing further strains on the Medicaid healthcare delivery system. Community pharmacies offer an important auxiliary source for Medicaid healthcare services. Notably, the Association of American Medical Colleges projects that by 2020 there will be at least 91,000 fewer doctors than needed to meet demand, and the impact will be most severe on underserved populations, such as Medicaid beneficiaries.

Pharmacists are primed to assist physicians and other healthcare providers with meeting increased demand for Medicaid healthcare services and improving patient outcomes. Highly educated and trained, pharmacists are qualified to perform an expanded set of patient care services, including health testing and chronic care management that are needed by patients - particularly those with chronic conditions. In fact, there is evidence showing that quality of care is improved when pharmacists practice to the fullest extent of their education and training. According to a report issued by the U.S. Public Health Service in 2011, pharmacists involved in the delivery of patient care services, with appropriate privileges across many practice settings, have been successful in improving patient outcomes.

Implementation Timing for AMP-Based FULs

In the near future, the Centers for Medicare and Medicaid Services (CMS) is scheduled to release its Final Rule on Medicaid Covered Outpatient Drugs. By releasing the Final Rule, CMS is expected to finalize the new Medicaid pharmacy reimbursement benchmark known as Average Manufacturer Price (AMP)-based Federal Upper Limits (FULs), as well as the guidance to states for implementing those FULs.

The release of this Final Rule and the timing for states to implement these new AMP-based FULs is a very important issue within the Medicaid program. Implementation of the AMP-based FULs must be done in the proper way to ensure continuing Medicaid beneficiary access to the drugs that they need. Medicaid beneficiary drug access under the AMP-based FULs is tied closely to fair pharmacy reimbursement for a drug's ingredient cost and the cost to dispense. CMS must allow states adequate time to implement AMP-based FULs and adjust corresponding dispensing fees that ensure Medicaid drug reimbursement does not fall below drug acquisition cost and that Medicaid beneficiaries continue to have access to critical prescription drugs.

In particular, the states need adequate time to implement the new AMP-based FULs. Many states face challenging time constraints in quickly introducing legislative and/or regulatory changes to Medicaid drug reimbursement. Many states also face challenging time constraints in performing their own cost of dispensing studies to help determine fair and adequate dispensing fees to correspond with the upcoming changes in ingredient-based drug reimbursement. Moreover, many states will have to file State Plan Amendments with CMS that could also take a number of months to complete and be approved. Accordingly, it is important that CMS provide states with a one year time period to implement the AMP-based FULs once the AMP-based FULs and Final Rule have both been published. As Congress examines the future of Medicaid, we believe that they must keep this timeline in mind regarding their communications with CMS about the future of Medicaid drug reimbursement.

AMPs for Authorized Generics for Purposes of Pharmacy Reimbursement

The House Rules Committee recently introduced proposals to generate funding for the 21st Century Cures Legislation which included a proposal to exclude authorized generic drugs from the calculation of AMPs. The intent of this proposal assumes that removal of authorized generics from the calculation of AMP will increase manufacturer rebates on brand drugs. While this assumption is true, there is a need clarify and ensure that manufacturers continue to meet the requirements and obligations to calculate and report AMPs for authorized generic drugs for rebate and pharmacy reimbursement purposes. Since the Covered Outpatient Drug Rule—which would codify the requirement for manufacturers of authorized generics to report AMPs—is still pending, it is important clarify that AMPs for authorized generics continue to be calculated and reported by manufacturers.

Failure by manufacturers in reporting of authorized generics will result in drastic cuts to pharmacy reimbursement. The lack of reporting of AMPs for authorized generics would mean that one of the higher cost products used to calculate the weighted average for pharmacy reimbursement will be eliminated, resulting in pharmacies being paid below the average acquisition cost of the drug.

On average, the current draft AMP-based FULs, which are based off of AMPs that include authorized generics, already pay pharmacies below cost for over 1/3 of generic drug products. By removing authorized generic drugs from the calculation of AMP and ultimately the calculation of FULs, pharmacy reimbursement will be even lower as a larger number of FULs will fall below pharmacy acquisition costs. These drastic cuts could lead to reduced access to prescription drugs and pharmacy services for Medicaid patients as pharmacies may not be able to withstand these additional financial burdens. As a result, there is the potential for increased overall healthcare expenditures due to the use of more costly healthcare services among Medicaid patients.

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.