

**National Association of Chain Drug Stores 2008 Pharmacy and Technology Conference  
*Business Program***

**Monday, August 25, 2008**

**Remarks as prepared: Steven C. Anderson, IOM, CAE, President & CEO, NACDS**

Thank you, Chris. We appreciate your leadership. Thank you for your commitment as the Conference Chairman. And as a member of the NACDS Policy Council, and Pharmacy Industry Council. SUPER-VALU's active role means a lot. It speaks to the value of NACDS for companies throughout this great industry.

In describing the state of NACDS, I want to start by thanking some others as well. They are responsible for the optimism and enthusiasm that flow from getting some key wins – public policy triumphs vital to an industry ... to a profession ... and to the patients they serve.

I want to thank NACDS Chairman Warren Bryant, the NACDS Board of Directors, and the Policy Council. The government affairs professionals of member companies. Those who have written and called your elected officials. Those who invest in NACDS. Our partners in allied organizations. And I want to thank those with whom I'm privileged to serve on the incredible and dedicated NACDS staff.

It's been said that thanking someone isn't something that you *say*; it's something that you *do*. I plan to make the case today about what we need to do next to acknowledge, appreciate, and build on some hard-earned victories since I spoke to you last in August of 2007.

I recently came across a framed print that I had packed away, but that has made a welcome return to my office wall at the NACDS headquarters. To me, it symbolizes much of what has gone right for NACDS lately, and what still lies ahead.

It's a World War II poster depicting Winston Churchill. Accompanying his image are two simple, yet powerful words: "*Deserve Victory.*" They demand a clear focus on the objective – the win – and a firm commitment to all it requires.

At NACDS, we are doing that increasingly well.

We are telling the story of this industry. We are establishing NACDS and pharmacy at the center of the healthcare debate. And, from this position, we are securing bottom-line results in the form of better public policy.

Hopefully you have heard about our proactive ad campaign in Washington, D.C. It includes compelling images and the tagline: "Pharmacies. The face of neighborhood healthcare." We are building on peoples' positive experiences with pharmacies. We are translating them into a greater appreciation of what you do.

These ads appear in publications read by elected officials, Capitol Hill and administration staff, the policy media and opinion leaders. And they are in the area's

Metrorail trains and stations. For many, these ads are among the first messages they see on the way to work, and the last they see as they return home.

What's critical in these ads is that the words "pharmacies" and "healthcare" appear in the same phrase. As we see it, "pharmacies" and "healthcare" must appear side-by-side more often – in debates, in reform proposals, in legislation, in regulations – and anywhere that quality, access, affordability, and patient-centricity are the goals. To you, this is not a revolutionary concept. But to many in positions of power, it requires nothing short of a renaissance.

After grabbing Washington's attention, NACDS is now capturing its policymaking imagination as well. This spring, we unveiled the NACDS Principles of Healthcare Reform. We need Washington to think and to act anew, and creatively, about pharmacy's role. We have big ideas that can sell in Washington: invest in pharmacy, and we can save on overall healthcare costs, and improve lives.

In our Principles, we stand up for fair reimbursement for healthcare providers. We describe the ability of medication therapy and pharmacist services to improve, and reduce the costs of care. We insist that the costs of pharmacy legislation must not be calculated in a vacuum, but rather in light of the tremendous savings that pharmacy delivers in other areas. Can you believe that is not the current approach to policy analysis? We also highlight the benefits of electronic prescribing and electronic medical records. And we recognize the emergence of in-store clinics as a new source for

healthcare services. In all, we lay out 11 concepts vital to improving healthcare delivery. And we back up them up with examples of pharmacy's success, and of pharmacy's promise.

We have other persuasive resources as well. This year, we are beginning to see the culmination of Project Destiny. This is our joint initiative with the National Community Pharmacists Association and the American Pharmacists Association. Its objective is to develop potential models for community pharmacy practice that are replicable, scalable, measurable, and economically viable. How can patients and the healthcare system benefit from community pharmacy's medication expertise? And do so in a way that works for all parties? This initiative helps to answer that question, and helps us lay out the healthcare reform roadmap.

In this project, BearingPoint conducted extensive research and interviews with patient and provider groups, and private and public payers. The company also led the intensive analysis of the interview results, as well as the development of potential next steps for pharmacy. The initial report revealed enthusiasm for the healthcare services of pharmacy that go beyond dispensing medication. The report concluded that these services can be embraced, if pharmacy acts cooperatively with healthcare providers.

On behalf of NACDS, NCPA and APhA, I would like to thank the pharmaceutical companies that share in the new vision for community pharmacy, and that supported

the project financially: sanofi-aventis, GlaxoSmithKline, Boehringer Ingelheim Pharmaceuticals, Pfizer U.S. Pharmaceuticals, and Wyeth.

This project demonstrates the power of collaboration, as well as our commitment to acting proactively to achieve pharmacy's rightful role in healthcare.

Project Destiny, our ad campaign, and our Principles of Healthcare Reform, are culminating at exactly the right time. Today, the Democratic National Convention kicks off in Denver. Next week, the Republicans convene in Minneapolis-St. Paul. As Americans, we are poised to elect a new President and a new Congress, and to witness the crafting of a new Administration. In the lead-up to the Conventions, NACDS joined with NCPA to speak in the official language of candidates – polling data. A survey conducted for our Coalition for Community Pharmacy Action found that healthcare remains a priority issue. For 69 percent of registered voters, healthcare is one of their top five issues. And 89 percent had it in their top ten. Specifically, prescription drug issues were among the top five issues for 46 percent, and among the top ten issues for 77 percent.

We also found that 92 percent of registered voters agreed that pharmacists are accessible and helpful with information about medications and other health issues. And 81 percent supported the concept of offering Medication Therapy Management for Medicare patients, when they learned that it can prevent extra doctor's visits and hospitalizations, and save money.

So, NACDS is telling the candidates for public office that America cares about our issues, and NACDS is showing them that we are part of the healthcare solution.

Last year in Boston, when I reported on the State of NACDS at this Conference, after only five months on the job, I talked about the need to boldly and creatively communicate the value of pharmacy, and the need to deliver results in shaping policy. This year, with the vision of the NACDS Board of Directors, and the will and wherewithal of an ever-stronger NACDS staff team, the needs analysis is complete. The execution is underway. When it comes to promoting who you are, we have sewn a flag for pharmacy, and together we have raised it high in our nation's capital.

However, doing what it takes to deserve victory does not stop at telling the positive story of pharmacy. We also need to stand firm, speak clearly, commit to proactive advocacy, and even shake our fists when pushed too far. And, in this regard as well, we have notched major, bona fide wins on your behalf.

Take for example the Medicaid pharmacy reimbursement issue. At this Conference last year, the Centers for Medicare and Medicaid Services – CMS – had just published the final rule to implement the Deficit Reduction Act. On this stage, I was more than a little fired up about the cuts under the Average Manufacturer Price model. Laughing, crying or screaming – I'm not sure which is the best response to a proposal that expects a business to sell products below cost. But what we did was launch an all-

branches-of-government strategy that has – to this point – delivered two very huge wins.

Together with NCPA, we sued CMS and the Department of Health and Human Services. We won a preliminary injunction blocking the cuts, while the Court considers the case. Then, we secured an important provision in the recently enacted Medicare bill. That provision delays the Medicaid cuts until October 1, 2009.

So, here is the bottom line. The AMP cuts were scheduled to take effect January 1 of this year, and we have delayed them until at least the fourth quarter of 2009. With each day that the cuts remain stalled, pharmacy is spared \$5.5 million. That's \$3.5 *billion* in savings that NACDS has worked to secure for you from January 1, 2008, to September 30<sup>th</sup> of next year. Someone tell me you are not getting a return on your investment for your dues dollars.

Through a study conducted by PricewaterhouseCoopers, which NACDS released with the Food Marketing Institute, we were able to explain to lawmakers how important it is to address these cuts. The study showed that the cuts could force the closing of more than 11,000 pharmacies across the country, and that these pharmacies account for more than 300,000 jobs and \$31.1 billion in economic activity. Of course, this is all in addition to the human costs of reduced pharmacy services and access.

That study also will be important in the new Congress. We will continue the fight not just for a delay, but for a long-term legislative remedy to these unconscionable cuts.

The fight for fair reimbursement also is raging at the state level. Just last week, a federal district court about 125 miles to the north of us, in Los Angeles, delivered another victory. The court issued a preliminary injunction against the 10 percent Medi-Cal cuts, which would hit pharmacies hard on both products and services. But here's the thing about the legal system. It is not self-executing. For the judicial branch of the government to work, somebody needs to stand up and make the case that the law has been violated. In this case, that somebody is pharmacy. In the form of the California Pharmacists Association, the California Retailers Association, NCPA, community groups, pharmacies, and NACDS. This fight is not over, and the fight is not over in states nationwide. But this is progress for you and for the patients you serve, and a major win for the concept of collaboration among pharmacy advocates.

While these victories are tremendous, and consequential for pharmacy, there are many more examples of our recent successes together.

With the passage of the Medicare bill – the same one that contained the AMP-cut delay – we actually achieved three other victories. First, a requirement for prompt payment to pharmacies for Medicare Part D prescriptions. Second, a delay of the Medicare competitive bidding program for durable medical equipment, which will allow

time to reform that program. And third, incentives for the use of electronic prescribing in Medicare.

On e-prescribing, we have won a victory whose timing is ideal. It came exactly two weeks after SureScripts and RxHub announced their merger. Even with all that we have accomplished in the past year, our staff and members worked tirelessly to merge these two companies into one even stronger company, which promises to accelerate the transition to paperless prescribing. And it comes amid real progress in our campaign to allow e-prescribing for controlled substances. This would eliminate one of the most commonly cited obstacles to broader adoption of this technology.

And our list of accomplishments goes on. In TRICARE, NACDS has preserved the right of military families and veterans to choose community pharmacy services.

We delayed the new tamper-resistant paper requirement for Medicaid prescriptions. That bought some time for better implementation, and better service for patients.

And our work with partners in California delivered a delay of the electronic pedigree requirement for prescription drugs. That is a \$90 million savings for members operating there.

This is an issue we are confronting at the federal level as well. This year, we saw a major push to require track and trace technology for prescription drugs. In the first year, this mandate may cost pharmacies more than \$110,000 per store to implement. Again, we worked with NCPA to advance research. We released a study that drove the debate beyond this proposal's lofty, though well-intentioned, promises ... and focused the debate on the realities of supply chain safety, and of the true state of the technology. While our work on this issue continues, at this point, no *new* policy is *good* policy.

Our victories over the past year certainly are deserved. I am absolutely convinced that NACDS is right on these issues, for the good of healthcare, for the good of patients and consumers, and yes – for the good of the industry we serve.

But being right on the issues is only good for so much. And I wish I could suggest that, more often than not, good policy prevails. You don't have to be a cynic to know that is not the case.

While our results over the past 12 months have turned out well, we had our share of intrigue along the way.

Take the tamper-resistant paper requirement. It was scheduled to take effect on a Monday. And on Saturday morning NACDS was contacted by the White House,

telling us that President Bush had signed a bill into law blocking it. A high-wire act indeed.

Also, consider the vetoes that have been part of the drama on our issues. Both the Medicare bill and the defense bill that includes our TRICARE provisions had to overcome the President's veto stamp. In the case of TRICARE, the bill was first rejected due to a provision related to Iraq. In the end, the White House and Congress reached an agreement and a new law was enacted. But in the case of the Medicare bill, an actual veto override was necessary – only the third veto override of this Presidency.

Regarding the Medicare bill, there was intense drama even before the bill got to that point. At one critical stage, the bill failed to advance in the Senate by just one vote. It wasn't until a couple of weeks later that it achieved sufficient votes. And a significant development in generating this momentum was the return to the Capitol of Senator Ted Kennedy. You may recall it was his first appearance in Washington, D.C. following the announcement of his illness, and the beginning of his treatment.

He entered the Senate chamber about halfway through the actual vote, as Senators' names were being called to ask for their position. He walked into the Chamber unannounced. Drew Armstrong, a *Congressional Quarterly* reporter, described the cheers and applause as "raucous" and "cascading." He described

Senator Schumer of New York, sensing the rising tide, blowing a kiss at the Republican side of the aisle.

Think of the image of Senator Kennedy, with arms raised, thumbs up, and with that strong baritone voice voting “aye.” Some might say it was a political parting of the waters. Maybe the bill was cleared for passage on the weight of that moment. Or, maybe we would have had enough Republican votes to advance the bill. There were Republicans who stood strong for our position, despite amazing political pressure to sustain the veto. It took votes from Republicans and Democrats to override the veto. Who knows – would we be where we are if it weren’t for that day? Right now, at this moment, with at least a temporary win, I’d prefer not to think about it, but we must.

We know that we need to think about it, if we are serious about deserving victory. This time, the political dynamic shifted dramatically, and favorably, for us. What about next time? If the political tide turns against our position, will we have what it takes to sustain victory?

We are achieving new heights in advocating on public policy. We are offering solid positions. We are articulating them persuasively. We are winning support. But are we willing to do what it takes to steel this support into iron-clad commitments? Are we willing to not only excel in policy, but also in politics? There is a difference. And, over time, this difference will form the margin between victories, and defeats.

If a majority of members of Congress agree with our position, we will prevail more often than not in up-or-down votes. But up-or-down votes are not the main ingredient of progress in Washington.

For every up-or-down vote, there are hundreds, even thousands, of incremental steps that can contribute to success, or failure. There are decisions made behind the scenes about which provisions are going to be included in larger bills. And these are not one-time decisions. There are ongoing negotiations. There are budgetary strains. There is horse-trading.

On the AMP-cut issue, perhaps our greatest victory was not on the day that Senator Kennedy raised his arms upon casting his vote. Perhaps it wasn't even on that terrific day that both the House and the Senate overrode the veto. It may be that our greatest victory was actually a series of victories – every day, and every minute, that NACDS and our allies fought to keep the AMP-cut delay in the bill, and off the editing room floor.

What goes into victories like that? What does it take for an association and an industry to be known for even more than credibility and authority on policy? What does it take to be a dominant and undeniable political force? Together, how will we protect the viability of your business and your livelihood, ensure the appropriate role of your profession, and position pharmacy to maximize its value for patients and for the healthcare delivery system?

Last year, I alluded to some of what it will take, and I emphasized that everyone has a role in forging their own future through NACDS. In closing, I will describe three political imperatives. These are the steps NACDS will take to bring about this important phase of transformation.

First, we need to increase our power to help elect and re-elect friends of pharmacy. People are policy. Either they get our issues and will stand firm with us – or they won't. The mechanism that we have to engage in these critical federal elections is the NACDS Political Action Committee – NACDS-PAC.

Think back once again to our example of the AMP-cut delay. Overriding a Presidential veto requires a two-thirds vote. This is a high hurdle. Historically, fewer than 10 percent of veto overrides have been successful. We needed our friends. And over 90 percent of the Senators and Representatives supported by NACDS-PAC in the 2007-2008 election cycle voted in favor of the veto override.

Creating a stronger and more robust NACDS-PAC in order to assist more deserving campaigns is essential to what we do.

Second, NACDS will embolden the role of grassroots outreach within the organization. What we've shown at NACDS is that when we prioritize a function, and put the right people in the right places, good things happen. This has been the case

with our new Marketing, Communications and Media Relations Department that NACDS created in 2007. And this has been the case with our new Government Affairs and Public Policy Department that we redesigned and reorganized late last year. The results speak for themselves.

The staff has done a brilliant job with what they have. But we will be enhancing the staff function of grassroots outreach, and we also will increase its accountability. You can expect an announcement about our new approach to this position and its related functions in the near future.

The third political imperative flows from the second. NACDS will extend the theme of our ad campaign tagline – “Pharmacies. The face of neighborhood healthcare.” – and use this as a rallying cry for our grassroots initiatives. We will develop new and effective ways for NACDS members to literally put a face on our industry for their members of Congress.

NACDS has realized some important successes in the area of grassroots. It's just that we need to be even more aggressive. In fact, one of the Capitol Hill publications, called the *Politico*, reported on pharmacy's engagement on the AMP issue. *Politico* reported that, at one point, NACDS members had sent nearly 13,000 emails to Congressional offices through our website, NACDS-dot-org.

But, according to the report that I mentioned earlier, the pharmacies that could close as a result of the AMP cuts account for more than 300,000 jobs. Shouldn't the number of emails to Congress look a lot more like that number?

We also can act more strategically based on this important fact: NACDS has a membership presence in every single Congressional District and state. This delivers amazing potential, and we have not yet begun to tap this true power.

Though grassroots requires ongoing attention, the crowning event of our new approach will be a future event in Washington, D.C. It is based on a simple philosophy: we need more white coats on the steps of the United States Capitol. NACDS has conducted these "fly-ins" – days on which members come to Washington to make their voices heard. And they have meant a lot. But we need to take these events to a new level, with broader participation and sharper messages. Simply put, we need to make more noise.

I realize this might be controversial. Stores need to be staffed. Businesses need to be run. People have jobs to do. But, at the same time, stores and businesses need to be saved. And if pharmacy and its people are going to be able to make the maximum impact for the patients they serve, the time to be heard is now.

We will share the details of this new event as soon as possible. *You* are the face of neighborhood healthcare. And we need *you*, if our advocacy is going to be effective in an increasingly political environment.

Think back for a moment to the image of Winston Churchill that I described earlier. The challenge to “Deserve Victory” was more than a commentary on what would be required of a country facing an ominous threat. It was more personal than that. It was a call to action, stating what would be required of each citizen.

From Churchill, we can learn that true leadership confronts the harsh reality that victory is anything but sure. But he warned that being hesitant to fight may require us to do so later – against even greater odds. Churchill said, “You ask, what is our aim? I can answer in one word. It is victory ... Victory, however long and hard the road may be, for without victory, there is no survival.” As many of the members of the pharmacy industry told me when I took this job, without our victories, there may be no survival for them.

Thankfully, our circumstances are much different from the ones confronting Churchill, his nation and ours, and the world at that time. And our ultimate respect is reserved for those who have answered the call of freedom, and do so today. But, in a different yet powerful way, the challenge to “deserve victory” is indeed ours. As Churchill said, “We cannot guarantee victory, but only deserve it.”

This approach reflects the mentality, the passion and the commitment required of us now. Make no mistake, we have adversaries. We have challenges. Victory is not certain. And it may ultimately be determined by forces beyond our control. But intellectually, and emotionally, we know that what we are fighting for improves lives, and saves lives. And we know that there is no alternative than to commit our all to this calling.

What will be the outcomes? Nobody in this room knows. But will we deserve to win? The answer is within each of us.

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