NACDS NATIONAL ASSOCIATION OF CHAIN DRUG STORES

Steven C. Anderson, IOM, CAE
President & Chief Executive Officer

December 18, 2014

The Honorable Alphonso Maldon, Jr.
Chairman
Military Compensation and Retirement Modernization Commission
P. O. Box 13170
Arlington, Virginia 22209

Dear Chairman Maldon:

The National Association of Chain Drug Stores (NACDS) appreciates the important work of the Military Compensation and Retirement Modernization Commission ("Commission") as you work to find efficiencies in military compensation and benefits while also maintaining a high quality of life for military service members and their families.

NACDS represents traditional drug stores and supermarkets and mass merchants with pharmacies. Chains operate 40,000 pharmacies, and NACDS' 115 chain member companies include regional chains, with a minimum of four stores, and national companies. Chains employ nearly 3.3 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 health care affordability. NACDS members also include more than 800 supplier partners and 60 international members representing 22 countries. For more information, visit www.NACDS.org.

Policies that Unnecessarily Burden TRICARE Beneficiaries also Increase Costs

As policies to control spending in the Department of Defense (DoD) TRICARE program are examined, we would like to share with you our concerns about the TRICARE Pharmacy benefit, and proposals that would seriously affect access to care by driving TRICARE beneficiaries out of local retail pharmacies. These proposals include increasing TRICARE copayments for retail prescriptions and requiring the use of the national mail order program.

Such proposals place great financial burdens on TRICARE beneficiaries, and also severely limit their ability to receive medications and services from their neighborhood pharmacies. This is especially troublesome for retirees and the families of active duty military, who rely most heavily on the convenience and reliability of their local pharmacies.

In addition to unfairly penalizing TRICARE beneficiaries who prefer to use local pharmacies, the proposals could actually increase overall program costs. Increasing copayments can have the unintended effect of reducing medication adherence, resulting in decreased health outcomes and increased use of more costly medical interventions, such as physician and emergency room visits, and hospitalizations. Numerous studies have shown the link between increased copayments and decreased medication adherence. For example, a recent literature review concluded that increasing patient cost sharing was associated with declines in medication adherence, which in turn was associated with poorer health outcomes.[1]

The importance of medication adherence cannot be understated. The failure to take medications as prescribed costs the U.S. health system $290 billion annually, or 13 percent of total health expenditures.[2] The research shows that increased adherence improves health and reduces overall health care costs. For example, last summer Avalere conducted a study of published research on medication adherence which concluded that the evidence largely shows that patients who are adherent to their medications have more favorable health outcomes such as reduced mortality and use fewer health care services (especially hospital readmissions and ER visits).[3] Such patients are thus less costly to treat overall, relative to non-adherent patients. The studies showed that for every $1.00 increase in costs related to prescription drug spending for adherent patients, medical cost decreases by more than $1.00. The magnitude of the decrease varies depending on a patient's condition. For example:

- Roebuck et al. estimated medical cost offsets of $10.10 for hypertension, $8.40 for congestive heart failure, $6.70 for diabetes and $3.10 for dyslipidemia. This translated into an annual per person savings of $7,823 for congestive heart failure, $3,908 for hypertension, $3,756 for diabetes and $1,258 for dyslipidemia. (Roebuck et al. 2011).

- Sokol et al. estimated a reduction in total health care costs by $7.00 for diabetes patients, $5.00 for high cholesterol patients and $4.00 for high blood pressure patients for every $1.00 increase in prescription drug spending for adherent patients. (Sokol et al. 2005).

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[1] Eaddy et al., How Patient Cost-Sharing Trends Affect Adherence and Outcomes: A Literature Review, P&T, January 2012, 37(1): 45-55

[2] NEHI, Thinking Outside the Pillbox A System-wide Approach to Improving Patient Medication Adherence for Chronic Disease, August 2008

[3] Johnsrud et al., The Role of Medication Adherence in the U.S. Healthcare System, Avalere Health, June 2013

- In a study of Medicaid patients with congestive heart failure, patients who were adherent to medications had fewer hospitalizations, lower incidence of ER visits and had overall costs that were 23 percent lower than non-adherent patients (Esposito et al. 2009).

- A study of Medicare patients found that for every 10 percent increase in adherence to diabetes medication, total health care costs declined between nine and 29 percent (Balkrishnan et al. 2003).

- A subsequent study of Medicare patients diagnosed with diabetes found that patients who were adherent to cardiovascular drugs as part of their treatment therapy had lower total health care costs within the Medicare system over three years, with savings from medical costs outweighing additional costs from greater prescription drug use (Stuart et al. 2011).

- Another study found that patients who increased adherence to their diabetes medications were 13 percent less likely to be hospitalized or visit the ER relative to those who remained non-adherent (Jha et al. 2012). They also compared outcomes between people who decreased their adherence during this time to patients that remained adherent. For patients with lower adherence, they calculated a 15 percent higher likelihood of hospitalization or visiting the ER relative to patients who remained adherent. Due to these utilization impacts, the authors estimated that measures designed to increase adherence could generate potential health care savings of $8.3 billion (Jha et al. 2012)

Moreover, the benefits of interacting with a patient in a face-to-face setting are especially valuable. Pharmacists are leaders in promoting cost savings, by helping to educate consumers and providers about affordable alternatives like generic drugs and over-the-counter remedies. A study published in the January 2012 edition of *Health Affairs* looked at the ability of retail and mail order pharmacies to contribute to medication adherence. The study found that the benefits were greater in patients who received counseling in the retail setting than in those who received phone calls from mail order facilities.[4] This suggests that the in-person interaction between the retail pharmacist and patient contributed to improved behavior. The interventions were cost-effective, with a return on investment of approximately $3 for every $1 spent.[5]

We support sensible cost savings initiatives. Thus, we urge the Commission to ensure TRICARE beneficiaries can obtain their prescription medications at their

[4] Brennan et al., An Integrated Pharmacy-based Program Improved Medication Prescription and Adherence Rates in Diabetes Patients, Health Affairs 2012 Jan;31(1):120
[5] Ibid.

local pharmacies. Doing so would decrease overall program costs while also preserving beneficiaries' ability to choose their local pharmacies.

Immunizations and Continuity of Care

Considering recent copay changes and other policy proposals that push beneficiaries to mail order, we are also concerned about issues with continuity of care if beneficiaries are forced to receive their maintenance medications through the mail.

As DoD acknowledged in its Final Rule that recognizes retail pharmacies as authorized TRICARE providers for the administration of vaccines, allowing beneficiaries to receive immunizations from their local pharmacy is "an important public health initiative for TRICARE."[6] Moreover, DoD agreed that "pharmacists are essential in meeting the health care needs of all communities, especially those of TRICARE beneficiaries."[7] Importantly, the DoD recognized the cost effectiveness of pharmacist-provided immunizations, and estimated that in the first six month of the immunization program, it had saved over $1.8 million by having immunizations provided through the pharmacy rather than the medical benefit.[8] The total savings is likely even greater as that estimate did not take into consideration the savings from medical costs that would have been incurred in treating influenza and other illnesses, if TRICARE beneficiaries had not been immunized.[9] As DoD has recognized the significant benefits of pharmacist-provided immunizations, we urge that the Commission recommend policies that promote the increased use of immunizations in the retail pharmacy setting.

TRICARE beneficiaries rely heavily on their local retail pharmacies for a wide range of cost-saving services, including acute care and preventative services such as immunizations. Considering the convenience and value that local retail pharmacies provide, we question the wisdom of policies that seek to drive TRICARE beneficiaries away from the benefit of their local, trusted pharmacists and unnecessarily complicate the delivery of care. Beneficiaries that know and trust their local retail pharmacists for such services as immunizations are being forced to obtain medications from mail order facilities in remote locations with no opportunity for in-person consultation. There is no substitute for the pharmacist-patient face-to-face relationship. Community pharmacy services help to improve patient health and lower overall health care costs. Maintaining patient choice of how to obtain prescription medications is essential.

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[6] 76 Fed. Reg. 41063 (July 13, 2011)
[7] Ibid., at 41064
[8] Ibid.
[9] Ibid.

Conclusion

NACDS members are privileged to provide prescription drugs, immunizations and pharmacy services to TRICARE beneficiaries. We are honored to treat our nation's heroes and their families, and to do so in a cost-saving, highly cost efficient manner. We urge the rejection of policies that prohibit our heroes from accessing their convenient, local, trusted pharmacists for their critical health care needs.

Sincerely,

Steven C. Anderson, IOM, CAE
President and Chief Executive Officer
National Association of Chain Drug Stores