NACDS NATIONAL ASSOCIATION OF CHAIN DRUG STORES

Statement

Of

The National Association of Chain Drug Stores

For

U.S. House of Representatives
Committee on the Budget

Hearing on:

Fiscal 2015 Budget

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The National Association of Chain Drug Stores (NACDS) thanks the Members of the Committee on the Budget for consideration of our statement for the hearing entitled "Fiscal 2015 Budget." NACDS and the chain pharmacy industry are committed to partnering with Congress, the Department of Health and Human Services (HHS), patients, and other healthcare providers to improve the quality and affordability of healthcare services.

NACDS represents traditional drug stores and supermarkets and mass merchants with pharmacies. Chains operate more than 40,000 pharmacies, and NACDS' 125 chain member companies include regional chains, with a minimum of four stores, and national companies. Chains employ more than 3.8 million individuals, including 175,000 pharmacists. They fill over 2.7 billion prescriptions yearly, and help patients use medicines correctly and safely, while offering innovative services that improve patient health and healthcare affordability. NACDS members also include more than 800 supplier partners and nearly 40 international members representing 13 countries. For more information, visit www.NACDS.org.

As the face of neighborhood healthcare, community pharmacies and pharmacists provide access to prescription medications and over-the-counter products, as well as cost-effective health services such as immunizations and disease screenings. Through personal interactions with patients, face-to-face consultations and convenient access to preventive care services, local pharmacists are helping to shape the healthcare delivery system of tomorrow—in partnership with doctors, nurses and others.

In recent years, retail community pharmacies have played an increasingly important role in providing patient care, including medication therapy management (MTM) and expanded immunization services. Moreover, policymakers have begun to recognize the vital role that local pharmacists can play in improving medication adherence. The role of appropriate medication use in lowering healthcare costs was recently acknowledged by the Congressional Budget Office (CBO). The CBO revised its methodology for scoring proposals related to Medicare Part D and found that for each one percent increase in the number of prescriptions filled by beneficiaries there is a corresponding decrease in overall Medicare spending. When projected to the entire population, this translates into a savings of $1.7 billion in overall healthcare costs, or a savings of

$5.76 for every person in the U.S. for every one percent increase in the number of prescriptions filled.

Congress has recognized the importance of pharmacist-provided services such as MTM by including it as a required offering in the Medicare Part D program. The experiences of Part D beneficiaries, as well as public and private studies, have confirmed the effectiveness of pharmacist-provided MTM. A 2013 CMS report found that Part D MTM programs consistently and substantially improved medication adherence and quality of prescribing for evidence-based medications for beneficiaries with congestive heart failure, COPD, and diabetes. The study also found significant reductions in hospital costs, particularly when a comprehensive medication review (CMR) was utilized. This included savings of nearly $400 to $525 in lower overall hospitalization costs for beneficiaries with diabetes and congestive heart failure. The report also found that MTM can lead to reduced costs in the Part D program as well, showing that the best performing plan reduced Part D costs for diabetes patients by an average of $45 per patient.

How and where MTM services are provided also impact its effectiveness. A study published in the January 2012 edition of *Health Affairs* identified the key role of retail pharmacies in providing MTM services. The study found that a pharmacy-based intervention program increased patient adherence for patients with diabetes and that the benefits were greater for those who received counseling in a retail, face-to-face setting as opposed to a phone call from a mail order pharmacist. The study suggested that interventions such as in-person, face-to-face interaction between the retail pharmacist and the patient contributed to improved adherence behavior with a return on investment of 3 to 1.

Since pharmacists have the proven ability to provide services that lead to better clinical outcomes and lower healthcare costs, we urge the implementation of budget proposals that allow all healthcare providers, including retail pharmacists, to practice to their maximum capabilities, working in partnership to provide accessible, high quality care to patients.

NACDS appreciates HHS's proposed goals to reduce healthcare costs and produce a more efficient healthcare system; however, we have concerns with some proposals contained in the

FY2015 HHS Budget. HHS has proposed excluding brand and authorized generic drugs from the calculation of average manufacture price (AMP), thereby calculating Medicaid Federal Upper Limits (FULs) based only on generic drug prices. While the goal of this provision may be to decrease Medicaid costs, we believe it may in fact reduce access to prescription drugs and pharmacy services for Medicaid patients, resulting in increased overall healthcare expenditures.

Given that AMP has never been used as a basis for pharmacy reimbursement, and that AMP-based FULs remain in draft form, we believe the FY2015 budget provisions changing the calculation of FULs are premature. In fact, based on NACDS' most recent analysis, approximately 35 percent of the draft FULs are below National Average Drug Acquisition Cost (NADAC). This analysis confirms that additional efforts by the Centers for Medicare and Medicaid Services (CMS) are necessary to ensure that pharmacies are not reimbursed below their costs using the reimbursement formula created by the Affordable Care Act. We urge CMS to utilize the rulemaking process to implement the Medicaid pharmacy provisions in a manner consistent with congressional intent, rather than pursuing policies that would further cut pharmacy reimbursement.

The FY2015 HHS Budget includes a proposal to limit Medicaid reimbursement of durable medical equipment (DME) to the rates paid by Medicare. Implementing a blanket proposal to reduce payment for Medicaid DME has the potential to disrupt access to DME and produce poorer health outcomes. This is particularly true in the case of diabetes testing supplies (DTS). Last year, CMS established a new Medicare single payment of amount of $10.41 for DTS. This amount drastically decreased Medicare reimbursement by an average of 72 percent for retail pharmacies. The current reimbursement amount barely covers a pharmacy's costs-of-goods plus dispensing and counseling for these products and services. Reducing Medicaid reimbursement for DTS to match the Medicare rate could similarly produce hardships for Medicaid beneficiaries in terms of reducing access to needed supplies and threatening the health of an already fragile population. NACDS urges CMS to refrain from making any changes to Medicaid reimbursement for DTS.

The FY2015 budget also includes several provisions to increase the utilization of generic drugs. NACDS applauds the inclusion of these important provisions, which would encourage the use of generic medications by Medicare Low Income Subsidy beneficiaries, and promote generic competition for biologics. Increasing generic utilization is one of the most effective ways of controlling prescription drug costs, and the generic dispensing rate of retail pharmacies—80 percent—is higher than any other practice setting.

Finally, the FY2015 HHS Budget includes a number of proposals to cut waste, fraud and abuse in the Medicare and Medicaid programs, including the ability to suspend coverage and payment for questionable Part D prescriptions. NACDS applauds HHS for working to ensure that such activity does not exist in these federal programs. However, NACDS urges HHS to move forward in a cautious manner which does not disrupt beneficiary access or jeopardize beneficiary health. This can be done by ensuring that overly-burdensome requirements are not placed on providers to the point that it interferes with the ability to treat and care for patients.

NACDS thanks the Committee for consideration of our comments. We look forward to working with policymakers and stakeholders on these important issues.