



NATIONAL ASSOCIATION OF
CHAIN DRUG STORES

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

January 23, 2012

The Honorable Max Baucus
United States Senate
Washington, DC 20510

Dear Senator Baucus:

I am writing to offer the views of NACDS and its membership as the conference committee meets to develop a fix to the Medicare Sustainable Growth Rate (SGR). We believe the Congress can reduce healthcare costs, while at the same time maintaining patient access to prescription drugs and pharmacy services.

The National Association of Chain Drug Stores (NACDS) represents traditional drug stores, 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 3.5 million employees, including 130,000 pharmacists. They fill over 2.6 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 \$900 billion 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 \$1.76 trillion, equal to 12 percent of GDP.

NACDS understands the challenges facing the House-Senate Conference Committee as it begins its work on a number of important issues, including a long-term fix to the Medicare SGR. However, we are concerned that the Committee may consider changes that would impact access to diabetes testing supplies (DTS) for Medicare beneficiaries. We believe limiting access to DTS will lead to poorer health outcomes and escalating costs of care. In order to avoid these complications NACDS urges the Committee to:

- Resist moving any segment of retail pharmacy into the Medicare competitive bidding program (CPB). Chain pharmacies represent approximately two-thirds of all retail locations and are critical to access and care coordination for diabetes patients.
- Avoid proposals to reduce reimbursement for DTS obtained at a retail pharmacy to the level provided to mail order suppliers participating in the competitive bidding program, given that such an approach would not reflect the health-improving, cost-saving value of retail pharmacy services.
- Consider alternative approaches which would produce program savings without compromising beneficiary access and health.

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Continue Exemption of Retail Pharmacies from Competitive Bidding

In 2003, Congress created the Medicare Part B competitive bidding program for durable medical equipment (DME). While diabetes testing supplies are considered DME under the Medicare program, the Centers for Medicare & Medicaid Services (CMS) has intentionally and wisely excluded DTS furnished by retail pharmacies from competitive bidding, thereby ensuring beneficiary access to these vital supplies. Without this exclusion, it is highly unlikely that retail pharmacies would be able to furnish DTS in Medicare, because competitive bidding reimbursement rates are below DTS product costs for retail pharmacies.

Chain pharmacies, which make up 66% of retail community pharmacies, are a vital access point for both DTS and prescription medications. Maintaining access to DTS at local pharmacies allows seniors to access all of the equipment and prescription drugs they need to manage their disease from a single source.

Do Not Lower Reimbursement for Retail DTS to Mail Order Levels

Similarly, NACDS is concerned with proposals which would lower the reimbursement rate for DTS obtained at retail pharmacies to the level paid to mail order suppliers in the CBP. Such an approach does not take into consideration the added value provided by retail pharmacies in terms of improved health and reduced costs that result from services. This reimbursement reduction would hurt access to care and severely limit the valuable role of pharmacist-patient interactions in reducing overall program spending. Such reduced access and the elimination of face-to-face pharmacist counseling will lead to under-testing, decreased medication adherence, poorer outcomes, and increased overall costs. The Committee should be looking at healthcare proposals that not only improve patient outcomes, but can be implemented in a manner that does not increase overall costs. Lowering reimbursement for retail DTS would accomplish neither of these goals.

Alternative Approaches to Produce Healthcare Savings

Community pharmacies and pharmacists have a unique role in the healthcare system. Working directly with their patients to take their medications as prescribed, local pharmacists can improve quality of care and optimize medication use while reducing overall healthcare costs. In addition to maintaining the current DTS policy, the Committee should consider the following money-saving initiatives to pay for the SGR fix:

Move DTS from Medicare Part B to Part D

The Committee should consider moving DTS from Medicare Part B to the Part D program. Prescription drugs related to diabetes, such as insulin, are provided to Medicare beneficiaries through Part D. However, DME such as diabetes monitors, testing strips and lancets are provided to Medicare beneficiaries through Part B. This results in difficulties coordinating care.

Diabetes supplies should be covered through the Part D benefit. This would mirror commercial practices, would allow beneficiaries with diabetes to access necessary

medications and supplies from the same provider if they chose, and would reduce costs by moving products to the more efficient Part D program, which continues to operate below Congressional Budget Office (CBO) projections. Conversely, proposals to expand the CBP to include retail pharmacy-provided DTS are inherently flawed, as they fail to take into account that fragmenting care for Medicare beneficiaries with diabetes will inevitably result in increased costs.

Increase Access to Medication Therapy Management (MTM) Services

One of the key ways pharmacists improve patients' health is through medication therapy management (MTM). Pharmacist-provided MTM improves therapeutic outcomes while reducing costly medical services, such as emergency room visits and unnecessary physician visits. The results of one study, published in this month's edition of *Health Affairs*, found that pharmacist intervention improved medication adherence in diabetes patients, with a return on investment of 3:1. Importantly, the benefits were found to be better for patients who received care in the retail setting than those patients who were contacted by telephone by mail order-based pharmacists, leading the researchers to conclude, "The more personal nature of the face-to-face interaction and patients' familiarity with the retail setting no doubt contribute to the stronger effect."

Improve Generic Drug Utilization

Community pharmacies have a higher generic dispensing rate – 71% - than any other practice setting. Increasing the use of generic drugs in public programs such as Medicare and Medicaid is one of the most effective ways to reduce prescription drug costs. For example, for every one percent increase in generic utilization, the Medicaid program could save \$809 million. The Hawaii fee for service Medicaid program has the highest generic dispensing rate in the nation, at 82.7%. If all other states could match the Hawaii rate, the Medicaid program could save \$9.49 billion annually.

Thank you for the opportunity to share our views. We appreciate your leadership and your attention to our views on this critically important healthcare issue. Should you have any questions, please contact Carol Kelly at ckelly@nacds.org.

Sincerely,



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President and Chief Executive Officer