

July 21, 2011

The Honorable Scott Brown
317 Russell Senate Office Building
United States Senate
Washington, DC 20510

Subject: The Affordable Medicines Utilization Act of 2011

Dear Senator Brown:

On behalf of the National Association of Chain Drug Stores (NACDS), I am writing to offer our support for the Affordable Medicines Utilization Act of 2011 which would incentivize state Medicaid programs to increase use of generic drugs which could generate savings for the state and the patient, and decrease overall healthcare cost.

NACDS represents traditional drug stores, supermarkets, and mass merchants with pharmacies – from regional chains with four stores to national companies. Chains operate 39,000 pharmacies, and employ more than 2.7 million employees, including 118,000 full-time pharmacists. They fill nearly 2.6 billion prescriptions annually, which is more than 72 percent of annual prescriptions in the United States.

Pharmacists are leaders in promoting cost savings, helping educate consumers and providers about affordable alternatives like generic drugs. Pharmacies have long promoted generic drugs as safe, cost-effective alternatives for many patients. Substituting generic pharmaceuticals for their brand-name equivalents or other brand name drugs within the same drug classes is a cost-effective way of achieving Medicaid savings.

Community pharmacies are leading the way to maximize the appropriate use of generic drugs. Community pharmacy has a higher rate of generic dispensing -- 71% -- than any other practice setting, including mail order pharmacy. In calendar year 2010 the generic dispensing rate increased by 3.8% from 2009. For every 1% increase in generic utilization, the Medicaid program could save approximately \$809 million. For example, for calendar year 2010, the Hawaii fee for service Medicaid program had 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.

We believe that there are many best practices that could be put in place to reduce Medicaid spending, while at the same time allowing Medicaid patients to continue to use the pharmacy of their choice. Medicaid programs generally have a good generic dispensing rate, but greater savings could be achieved by encouraging or mandating more aggressive prescribing of generic drugs. The Affordable Medicines Utilization Act of 2011 will provide incentives that will encourage state programs to efficiently use their healthcare dollars through increased use of more cost-efficient generic drugs while at the same time generating savings for states and for patients.

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We are please to offer our strong support for the Affordable Medicines Utilization Act of 2011. We applaud your leadership introducing this important bill, and thank you for your efforts to ensure that Medicaid patients have continued access to more affordable healthcare services.

Sincerely,

Steve C. Anderson, IOM, CAE

Cc: The Honorable Ron Wyden, United States Senate
The Honorable John McCain, United States Senate