NACDS NATIONAL ASSOCIATION OF CHAIN DRUG STORES

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

September 8, 2011

The Honorable Patty Murray
Co-Chair
Joint Select Committee on Deficit Reduction
United States Senate
Washington, DC 20510

The Honorable Jeb Hensarling
Co-Chair
Joint Select Committee on Deficit Reduction
United States House of Representatives
Washington, DC 20510

413 North Lee Street
Alexandria, Virginia
22314

Dear Co-Chairs Murray and Hensarling:

As you work to address the nation's budget deficit, I am writing to offer the partnership of NACDS and its membership in developing effective solutions to reduce healthcare costs, while at the same time maintaining patient access to prescription drugs and pharmacy services. NACDS understands the monumental task facing the committee. As an organization representing healthcare companies that create and support millions of jobs in the U.S., we understand the importance of reducing and controlling our nation's mounting debt, and we pledge to partner with you to support thoughtful efforts to tackle this critically important issue.

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.

Available in virtually every community, local pharmacists are our nation's most accessible healthcare provider and operate as the face of neighborhood health care. In addition to dispensing prescription medications, community pharmacies provide vital, cost effective services such as medication therapy management (MTM), immunizations, health education and screenings.

(703) 549-3001
Fax (703) 836-4869
www.nacds.org

We strongly believe any deficit reduction plan must include policies to improve medication adherence. The costs of poor adherence are staggering, costing the U.S. approximately $290 billion annually, 13% of total healthcare costs.[1] These unnecessary costs fall disproportionately on government programs such as Medicare and Medicaid, which cover approximately 30 percent of all prescription drugs dispensed in this country.

There is no silver bullet solution to end the problem of poor medication adherence. Only by addressing the problem comprehensively, and engaging pharmacists, physicians, and other healthcare providers as true partners in helping patients to take medications as prescribed, will we be successful in reducing hospital readmissions, doctor and emergency room visits, and other higher cost healthcare interventions that are the inevitable result of poor medication adherence.

Maintaining patient choice of where to receive prescription drugs and pharmacy services is critical to improving medication adherence. Community pharmacists are the most effective at teaching patients to take their medications as prescribed. In fact, studies have shown that community pharmacists in the face-to-face setting are twice as effective as pharmacists speaking to patients over the telephone at improving adherence.[2] The cost effectiveness of face-to-face interaction with pharmacists is exemplified by initiatives such as ChecKmeds, a North Carolina program where community pharmacists provide MTM services. For every $1 spent in the program for MTM services, the benefit was $13.55 in savings.[3] This is just one example of a fact that NACDS would like to emphasize: while reducing healthcare costs is essential, it is not possible or advisable to consider spending on prescription drugs in a vacuum, separate from the substantial cost avoidance that they make possible. Furthermore, community pharmacy's role in maximizing the effectiveness of prescription drugs makes community pharmacy's value unsurpassed within healthcare delivery.

Despite proven cost effectiveness, beneficiary access is continually limited to these services by the actions of pharmacy benefit managers (PBMs). Although the Centers for Medicare & Medicaid Services (CMS) has attempted to expand access to MTM in Medicare Part D, PBMs frequently limit patient choice and utilize their own call centers for the provision of MTM. Furthermore, even with pharmacy copayments that coerce the use of mail order, the majority of beneficiaries in Medicaid, Medicare, TRICARE, and other health programs continue to demonstrate a clear preference for their local community pharmacy.

Specifically, we urge the committee to:

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

[1] New England Healthcare Institute, 2009
[2] Cutrona, Shrank, American Journal of Managed Care, 2010
[3] Benefit-Cost Analyses, North Carolina Health and Wellness Trust Fund, February 2011

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 $558 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 $6.56 billion annually. NACDS has endorsed S. 1536, The Affordable Medicines Utilization Act, which would encourage states to increase Medicaid generic dispensing rates.

Utilize Medicare Part D for Immunization Coverage
Currently, vaccines are covered in both Medicare Part D and Medicare Part B. In order to create a streamlined, consistent and cost effective vaccine policy, NACDS believes coverage of Part B vaccines should also be available under Medicare Part D. In addition to increasing immunization rates, coverage in Part D would be more cost effective. In a final rule expanding the ability of pharmacies to administer immunizations, the Department of Defense TRICARE program highlighted the cost savings associated with this approach. According to DoD, by administering immunizations through the drug benefit, rather than the medical benefit, it saved $1.77 million dollars in six months.[4]

Move Coverage of Diabetes Testing Supplies from Medicare Part B to Medicare Part D
Prescription drugs related to diabetes, such as insulin, are provided to Medicare beneficiaries through Part D. However, durable medical equipment such as diabetes monitors, testing strips and lancets are provided to Medicare beneficiaries through Part B. This results in difficulties in coordinating care. NACDS believes diabetes supplies should be covered through the Part D benefit. This would mirror commercial practices, would allow diabetic patients 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. Proposals to expand the competitive bidding program to include retail pharmacy-provided diabetes testing supplies are inherently flawed, as they fail to take into account that fragmenting care for Medicare beneficiaries with diabetes will inevitably result in increased costs. Chain pharmacies, which make up 66% of retail community pharmacies, are a vital access point for both diabetes testing supplies and prescription medications.

Spur Competition in Biopharmaceuticals
In order to expand patient access to biopharmaceuticals, competition and choice are critical. NACDS supports an appropriate balance between pharmaceutical innovation and access to needed and affordable medications. Reducing the exclusivity period for brand drug manufacturers would increase competition in the biopharmaceutical marketplace, thereby reducing costs. The President's FY2012 budget estimated $2.3 billion in savings over ten years associated with reducing the biologic exclusivity period.

[4] Federal Register, Vol. 76, No. 134, July 13, 2011

Maintain Patient Access to Healthcare Services
As the Committee considers options to reduce the nation's deficit, we urge you to reject short sighted policies such as reductions in provider reimbursement. Community pharmacies are highly automated, efficient providers, operating on razor thin profit margins of approximately 2%. Further reductions in pharmacy reimbursement in public programs such as Medicare and Medicaid will not generate significant savings, and may only result in reducing access to prescription medications and medication adherence programs, which would have the unintended effect of increasing overall healthcare costs.

Thank you for the opportunity to share our views. We look forward to working with you on developing innovative and effective policy solutions to reduce overall health costs while maintaining patient access to prescription drugs and pharmacy services, thus improving lives. If you have any questions, please contact Paul T. Kelly, Vice President, Federal Government Affairs at (703) 837-4216 or pkelly@nacds.org.

Sincerely,

Steven C. Anderson, IOM, CAE
President and CEO