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**Testimony Before the Human Services Committee
In Opposition to SB 843 An Act Implementing the Governor's Budget Recommendations
Concerning Social Services
Specifically To Medicaid Pharmacy Reimbursement**

Senator Doyle, Representative Walker and members of the Human Services Committee. My name is Carrie Rand-Anastasiades and I am the Executive Director of the CT Association of Community Pharmacies. We are an Association representing large pharmacies such as CVS, Walgreens, Rite-Aid, Stop & Shop and Big Y to name a few.

Connecticut Medicaid is currently considering dramatic cuts to its Medicaid program, including cuts to pharmacy reimbursement. Because states are experiencing continuous pressure from the current economic downturn, they are forced to find ways to cut costs and minimize budget shortfalls. The effect the proposed cuts could have on pharmacies and the quality of care patients receive should remain an important factor before these cuts are implemented. It is also important to keep in mind the history of reimbursement cuts to pharmacies over the last five years as well as the impact that a pending lawsuit and a federal rule will have on pharmacy reimbursement.

History of Pharmacy Reimbursement Cuts

Connecticut Medicaid has cut pharmacy reimbursement four times over the past six years. These cuts included decreases in pharmacy reimbursement for brand name drugs as well as decreases in the dispensing fee paid to pharmacies. The Governor's budget proposes to further reduce pharmacy reimbursement to AWP% minus 15% for brands, AWP minus 50% for generic and a \$1.00 decrease in dispensing fee. These cuts would result in the loss of over \$14.26 million for Connecticut Medicaid pharmacy providers and would be potentially devastating to community retail pharmacies. In some cases these rates are lower than what some insurers pay, and we do not want companies to be in the position of making a choice as to whether it is financially feasible to service the Medicaid population. We strongly urge the Connecticut Legislature to reconsider the proposed cuts that will have a negative impact on community pharmacies in Connecticut.

Proposed First DataBank and Medi-Span Settlements

Connecticut Medicaid should also consider the impact that litigation settlements by First DataBank (FDB) and Medi-Span (MS) will have on pharmacy reimbursement. State Medicaid programs often reimburse pharmacies based on the Average Wholesale Price (AWP) for drug products. Drug manufacturers

provide the Wholesale Acquisition Price ("WAC") for drug products, and then FDB and MS usually calculate AWP as 125 percent of WAC. The FDB settlement will result in a reduction of AWP to 120% of WAC and as a result, a reduction in Medicaid pharmacy reimbursement of approximately four percent. Despite this reimbursement reduction however, the settlements do nothing to reduce the cost to pharmacies to purchase prescription drugs. While pharmacies can attempt to address this issue contractually with private plans, they must rely on legislative and regulatory changes to resolve this issue in Medicaid.

Without action by state Medicaid programs, a four percent reduction in reimbursement will further reduce the rate that pharmacies are being paid which is less than the actual cost to acquire and dispense prescription drugs. This alone may make it impossible for some pharmacies to be able to remain in the Medicaid program or even remain in business.

Impact on Pharmacies and Patient Access

The average net profit margin for pharmacies is just 2 to 3 percent, a profit margin that has been continuously shrinking due to increasing product, labor, and administrative costs. Further reductions to pharmacy reimbursement, as proposed in the Governor's budget, means that Connecticut pharmacies may be forced to reduce their workforces, store hours, and courtesy in-store services. Some could even be forced to close. This, in turn, would likely mean an inevitable reduction in beneficiary access to pharmacy services not just for Connecticut Medicaid beneficiaries, but for other residents of the affected low-income communities.

Section 1902(a)(30) of the Social Security Act requires that Medicaid reimbursement be set at a level adequate to enlist a sufficient number of providers to ensure that care and services are available under Medicaid at the same level as they are available to the general population. The proposed pharmacy reimbursement cuts would limit Connecticut Medicaid recipients' access to care, as some pharmacies may be unable to bear the loss of Medicaid revenue. These cuts could have a detrimental effect on overall Connecticut Medicaid program costs as beneficiaries who are not able to access prescription drugs on a timely basis or access them at all will be forced to seek higher cost care. As a result, the state would incur costs that are greater than the savings the reductions are supposed to produce.

While we applaud the Governor's willingness to expand the Medicaid Preferred Drug List to include mental health drugs as a cost savings initiative, we strongly urge the Connecticut Legislature to reconsider the implementation of the proposed reduced reimbursement rates and to explore other cost savings mechanism that will not further compromise patient access to prescription drugs.

Conclusion

Because states are experiencing continuous pressures to find ways to cut costs to minimize budget shortfalls, the National Association of Chain Drug Stores (NACDS) and the Connecticut Association of Community Pharmacies has worked with Connecticut Medicaid to identify potential costs savings alternatives that could generate additional savings for the state. In addition, with the passage of the federal economic stimulus package, Connecticut Medicaid could receive approximately a billion dollars

in additional federal assistance through a temporary increase in the Federal Medical Assistance Percentage (FMAP). Not only would this minimize some of budget shortfalls that the state is currently experiencing, but implementation of cost savings initiatives could generate additional savings for the state and also minimize the affect these budget constraints could have on pharmacies and the quality of service provided to patients. Cost savings presented to the state included increasing generic utilization, enhancement of prior authorization, quantity limits and step therapy programs, implementation of medication therapy management and disease management programs, counter detailing and other pharmaceutical product cost management methods.

Thank you for your consideration of my testimony.

