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**Carrie Rand-Anastasiades - CT Association of Community Pharmacies
Testimony Before the Appropriations Committee
RE: Cuts to CT Medicaid Pharmacy Reimbursement
Thursday, February 11, 2010**

Good evening Senator Harp, Representative Geragosian and members of the Appropriations Committee. My name is Carrie Rand-Anastasiades and I am the executive Director for the Connecticut Association of Community Pharmacies. We represent chain pharmacies around the State such as CVS, Walgreens, Stop & Shop, and PriceChopper to name a few.

I am here tonight to not only testify against the State's proposed plan to cut the MAC reimbursement from -45% to -50%, but also to let the legislature know the devastating impact the First DataBank (FDB) and Medi-Span settlements have had on CT Pharmacies. It is because of this that we feel the legislature should redefine how the reimbursement is calculated and move to a WAC formula instead of using the actual acquisition cost.

With the passage of the budget in September, CT pharmacies have seen a fifty cent decrease in dispensing fee, and with the lack of action in response to the FDB and MS settlements they are losing \$7.2 million dollars annually. They cannot withstand and further cuts.

State Medicaid programs including CT have used the Average Wholesale Price (AWP) to determine pharmacy reimbursement for drug ingredients for many years. First DataBank (FDB) and Medi-Span (MS) are the primary companies that determined and reported the AWP's by collecting wholesale acquisition costs (WAC) and marking them up to reach the AWP's. Two class action lawsuits were filed against FDB and MS that challenged how their mark-up of WAC they used to calculate AWP's for some drugs (1,356 drug products) but not all drugs. These lawsuits were settled with the court in March 2009 and the settlement became effective on September 26, 2009. The settlement required FDB and MS to reduce the AWP's for 1,356 drug products . . . BUT as a result of the settlement FDB and MS reduced the AWP's for essentially all drug products. So in actuality the State of Connecticut has achieved much greater savings than ever anticipated but on the backs of Connecticut pharmacies.

We want to stress our concerns regarding the adverse impact that the First DataBank settlement has had on pharmacy fiscal viability. As a result of the FDB settlement, in many instances, Medicaid reimbursement does not cover a pharmacy's acquisition costs for prescription medications, impacting their ability to provide prescription drugs and services to Connecticut residents.

While the FDB settlement decreases what pharmacies are paid, it does nothing to reduce the cost to pharmacies to purchase prescription drugs. Pharmacies are able to address this issue contractually with private plans, but must rely on the legislative and regulatory process to resolve this in state Medicaid programs. Recognizing that retroactively punishing pharmacies for pricing irregularities perpetrated solely by other entities is counterproductive, the majority of private payors have chosen to adjust their AWP-based reimbursement. Connecticut pharmacies are losing about \$7.2 million dollars yearly.

Community pharmacies face economic difficulties from the inadequate reimbursement and dispensing fees because the majority of their income is from dispensing prescription drugs. Community pharmacies provide vital community services from dispensing necessary medications to patients to maintaining their adherence with their prescribed medications to immunizations services and counseling patients on their health care e.g. diabetes, blood pressure, etc. They provide a crucial health care link for Medicaid patients and other residents in communities across the state. For many patients, community pharmacies are the most readily accessible health care provider. Creating access problems for these patients to their community pharmacy may result in health risks and lead to use of higher cost services such as hospitals, and emergency rooms.

A number of states currently use WAC as the calculation for reimbursement. Vermont and New Jersey took actions to fix the negative effect of the settlements so that there would not be a reduction in pharmacy reimbursement as a result of FDB lawsuits. Since FDB has advised their customers that they will cease to publish AWP within 2 years of the Sept 26, 2009, we urge the legislature to change the Medicaid methodology back to a more stable benchmark using wholesale acquisition cost, instead of actual acquisition cost.

Please reject the additional cuts to the MAC, generics reimbursement, and change brand reimbursement to WAC. If you have any questions or concerns, please feel free to contact me.