

Testimony before the Joint Committees
February 14, 2011

Good afternoon. My name is Margherita Giuliano. I am a pharmacist and Executive Vice President of the Connecticut Pharmacists Association, a professional organization representing close to 1,000 pharmacists in the state.

I am here today to discuss the impact that *HB 6322 AAC State Prescription Drug Purchasing* will have on pharmacies, the Medicaid patients and the residents in the state of CT. We are strongly opposed to this legislation because it is wrought with too many unknowns. It is exactly for this reason that I ask the committee to insist on more information before passing such sweeping legislation.

We have several concerns with this legislation based on what we have read and interpreted:

- First and foremost, the legislature is abdicating its control over the types of medications, reimbursement and other offerings of the prescription drug component of the HUSKY, Medicaid, ConnPACE, Charter Oak and CADAP programs to the Comptroller and DSS commissioner to develop a plan to be negotiated by contract with a PBM. It authorizes the Comptroller to implement the plan, with no further input from the legislature, by July 1, 2012. Even the state employees' union has the right to approve their part of the plan under this proposal, but the legislative voice will be silenced.
 - We are also very concerned because the entity that the state is "negotiating" with is being investigated on a federal level by the Federal Trade Commission for alleged anticompetitive activities and by our own Attorney General's office as part of a multi-state consortium. Is this something the legislature is comfortable with?

Over the years, the legislature has intervened many times to rectify problems in the Medicaid and ConnPACE programs with mental health medications, AIDS medications, copayment issues, prior authorization adjudications, reimbursement issues, etc **That will no longer be allowed under this proposal**

- From a business perspective, pharmacists are concerned that pharmacies will be reimbursed *at a rate equal to the actual costs of procurement by the Comptroller for prescription drugs*
 - The Comptroller does not purchase drugs; pharmacies do.
 - How do we ensure that pharmacies will be able to purchase the drugs at the rate that the comptroller negotiates with the PBM?
- While we appreciate and acknowledge that the dispensing fee remains at \$2.90, there are two components to dispensing a prescription: the dispensing fee, and the reimbursement cost for the drug. It is important to understand that we will be taking a more devastating hit on the drug cost side.
 - The dispensing fee does not cover our true cost of dispensing.
 - An independent study done in 2007 by Grant Thornton reported that the actual cost of dispensing for a Medicaid patient in the State of Connecticut is greater than \$12.00. That figure is now 4 years old.
 - Pharmacies accept less because there is some profit on the product cost side
 - The Centers for Medicare and Medicaid Services are considering the development of a national reimbursement based on an approved and transparent methodology. As CMS moves toward a

reimbursement to Actual Acquisition Cost or Average Acquisition Cost they recognize that pharmacy dispensing fees will have to increase dramatically to ensure adequate access.

- Section 8 of this legislation states that generics will be reimbursed at the actual acquisition cost. How will this be administered and will there be an enhanced dispensing fee?
- Our pharmacy owners are very concerned. The independent pharmacies can't negotiate with CVS/Caremark or any other PBM. We don't have the power of the chains to say unequivocally that we will pull our 200 pharmacies out of a network as leverage.

Other questions include:

- How will this program be audited and by whom?
- If patients are moved to CVS/Caremark
 - Will there be formularies?
 - Will there be co-pays?
 - Will our patients be moved to mail order?
 - Who controls what is marketed to Medicaid patients?
- If CVS/Caremark is processing claims, how does the state get the Federal Matching dollars?
 - What about the rebates?
 - What about the preferred drug list?

In conclusion, if the Medicaid, HUSKY, ConnPACE, CADAP, Charter Oak programs go to CVS/Caremark, there will be pharmacies that close. There will be people out of work. I don't believe this is the intention of the legislature but it is most assuredly an outcome. It is important to remember that pharmacies are businesses that pay taxes and employ people. They cannot afford to remain in a program where they lose money filling prescriptions. Our pharmacies have already gone through the devastating effects of the AWP rollback that took \$20 million dollars directly out of their businesses in 2009. They had to trim staff and make cuts to survive. This move will bury them.

The CPA has been very vocal about many of the practices of the PBMs. We cannot understand why we continue to send dollars and jobs out of state. Connecticut is suffering. Our businesses are closing.

However, we do want to be part of the solution and dialogue about our state budget issues.

We would recommend that the state consider starting their own PBM to handle Medicaid, SAGA, ConnPACE CADAP and the new Sustinet plans. It should be a model PBM that is completely transparent. This would create jobs for the state of Connecticut. The savings realized would be even greater. And it wouldn't take too long to put in place.

This could be a win-win solution. Please consider this recommendation, and please know that the CT pharmacists are ready and willing to come to the table to solve these issues in a productive and pro-active manner.