

TESTIMONY SUBMITTED REGARDING CONNECTICUT SENATE BILL 16

COMMITTEE on INSURANCE and REAL ESTATE

Submitted by:

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Mister Chairmen, and members of the Committee, my name is Andrew Friedell and I am Director of Government Affairs for Medco Health Solutions, Inc., which is a leading health care company that is advancing the practice of pharmacy and serving the needs of approximately 65 million people. I would like to thank you for this opportunity to testify today regarding our opposition to Senate Bill 16 as drafted. This bill would make changes to the amount of time that insurers have to pay providers -- increasing the amount of time allowed for paper claims from 45 to 60 days and reducing the amount of time to pay electronic claims from 45 to 15 days. The change to 15 days for electronic claims will require that extra check cycles be built into the process of paying pharmacy claims and will thus increase the cost of these benefits for payors in the state of Connecticut.

Medco provides clinically driven pharmacy services designed to improve the quality of care and lower total health care costs for private and public employers, health plans, labor unions, government agencies of all sizes, and for individuals served by Medicare Part D Prescription Drug Plans. About one third of the companies on the Fortune 500 list are Medco clients. Medco provides drug benefits to roughly 18 percent of the Connecticut population and we also operate a specialty pharmacy in Vernon, Connecticut.

Building and maintaining networks of retail pharmacies is an important part of the pharmacy benefit management services that we provide to many of our clients. In fact, in Connecticut, we process over 5.5 million pharmacy claims each year at independent and chain-owned retail pharmacies across the state.

In order to ensure prompt payment of these pharmacy claims, Medco has a very robust system, tested over many years of use, which ensures that pharmacy providers in a Medco network generally receive a payment from Medco once every two weeks. In fact, I've attached a graphic slide which outlines details of this process.

When a Medco member presents a prescription to their retail pharmacist, the pharmacist will generally submit an electronic claim to Medco. We take all of the claims that are successfully adjudicated over a two-week period and process those claims over the following two days. After those two days, we then bill our clients and allow five days for our clients to begin making payments. At the end of that period, we make a payment to the pharmacy. The result is that pharmacies are always paid within 26 days and are generally being paid for claims anywhere from 13 to 26 days after the claim was submitted to Medco (depending on when the patient came into the store during that two week period). Also, because the cycle runs continuously, this means that pharmacies in our networks are generally receiving a payment from Medco once every two weeks.

If the state were to enact SB16, we would have to build in additional check cycles in order to meet the shorter turnaround requirements. These additional cycles would have added costs that would further drive up the cost of care for health plans and employers in Connecticut. These added costs come from both the time and resources required to build and maintain these additional cycles and to process the additional payments, as well as the cost that is associated with having to make the payments to pharmacies more quickly -- whether or not our clients have had sufficient time to make a payment to Medco.

Given that the bill increases the amount of time that insurers have to pay claims received in a paper format from 45 to 60 days and decreases the time allowed to pay claims received electronically from 45 to 15 days, we assume that part of the intent of the bill is to encourage wider adoption of electronic claims submissions. To that point, we'd like to highlight the fact that almost all pharmacy claims are already being submitted electronically and adjudicated through a real-time point-of-sale system that is common across the retail pharmacy sector.

Furthermore, we would also like to point out that the bill increases the number of days allowed for paying paper claims by 15 days (from 45 to 60) while decreasing the amount of time required to pay electronic claims by 25 days (from 45 to 15). This is a significant disparity which would have the effect of establishing in Connecticut among the shortest payment terms of any state.

In summary, the current system results in pharmacists receiving payment with 26 days or less -- well below the time frame established under current law and within the reasonable parameters seen across most other industries. Requiring 15 day payment terms will add to the cost of health care benefits. At a time when coverage is eroding, when overall healthcare costs are going up and when employees and retirees' out-of-pocket costs are on the rise, we urge you to oppose legislation of this sort that will further drive up costs. I appreciate the opportunity to submit our concerns with this legislation and I look forward to answering any questions you may have on my testimony.

Prompt Pay Application to Medco Health

Medco currently pays pharmacies on an established 2-week cycle basis defined in the pharmacy provider contract

Medco Pharmacy check cycle flow



