CPA CONNECTICUT PHARMACISTS ASSOCIATION

Testimony Submitted to the Appropriations Committee
February 17, 2012

Good afternoon Senator Harp, Representative Walker and members of the Committee. 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.

I am writing today to remind the committee of the impact that last session's budget had on the independent pharmacies across Connecticut. Although this year's budget does not directly impact us, we are asking the committee to identify revenue that may be used to return Medicaid reimbursement rate to the independent pharmacies back to AWP – 14% from the current rate of AWP – 16%.

Last year legislators recognized that the independent pharmacies were not on a level playing field with the chain pharmacies – so they suggested a higher dispensing fee for the independents. The chain pharmacies argued that the cost of dispensing for all pharmacies was the same and were unfortunately able to negate the efforts of the legislature.

Restoring the reimbursement for the cost of the drug to AWP -14% for the independent pharmacies only is a critical issue. Independent pharmacies do not have the same advantages in the distribution system that the chain pharmacies have. Drugs come from manufacturers and are sent to wholesalers and then to the pharmacy. At each distribution point there is an added layer of cost incurred that gets passed on to the pharmacy purchasing the drugs. Chain pharmacies are so large that they own their own wholesalers. So, they avoid one layer of these additional costs entirely.

This is an important distinction, and is why the chain pharmacies are not complaining about the Medicaid reimbursement being set at AWP – 16%. In fact, they were the ones that negotiated that rate with the Administration last year. Independent pharmacies were not supportive of that reimbursement. As many of you will recall, independent pharmacy owners asked that the legislature leave their reimbursement where it was and the pharmacists would help identify additional areas of savings for your consideration, as we have successfully done in the past.

When the administration changed the state MAC reimbursement for generic drugs from AWP – 50% to AWP – 72% it was **only the independent pharmacies** that submitted invoices proving to the Department of Social Services that they could not purchase the generic drugs at that rate. That in turn brought about a change in reimbursement to a tiered level – so that the state could obtain savings it had already budgeted for that year. No chain ever sent DSS an invoice showing what they paid for a generic drug.

CMS has indicated that they are looking to move pharmacy reimbursements closer to a reimbursement based on Actual Acquisition Cost (AAC). CMS has also stated that they recognize that **pharmacies need to cover their costs to maintain access for their patients and they would not approve a state plan amendment that did not reimburse pharmacies adequately.**

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I recently wrote to Commissioner Bremby asking if the State Plan Amendment that was submitted last June that reduced the reimbursement was ever approved. I have not yet heard back from Commissioner Bremby, but it is my understanding that DSS has not yet received approval. One has to wonder why.

We feel that there is plenty of room to accommodate the independent pharmacies with a minimal impact to the budget, or to even adjust it so that it is a revenue neutral action. We are asking that for brand name drugs independent pharmacies reimbursement be restored to AWP – 14% and the chains can remain at AWP -16%. We would also suggest that the state consider a differential for generics as well. Instead of the tiered approach which is difficult for DSS to manage, they could simply reimburse the independent pharmacies at AWP – 50% and move the chain pharmacies to AWP – 72% since they do not have an issue with that reimbursement rate.

Legislators might hear that to provide a different reimbursement to an independent pharmacy vs. a chain pharmacy is illegal. That is not true. We have provided documentation to the chairs of Appropriations and to the chairs of the Human Services Committee that shows there are other states that have decided to differentiate the reimbursement between chains and independents. If someone is telling you it is not legal – we urge you to exercise due diligence and ask for the documentation that proves that.

Connecticut's independent pharmacies have been struggling to keep their businesses open to continue to serve the state's vulnerable Medicaid populations. They have reduced staff, reduced hours, reduced their inventories, reduced charitable contributions to their communities and have implemented additional efficiencies in an attempt to stay afloat. This is certainly in contrast to the jobs building initiative that is being promoted.

I am confident that many of you have heard from your constituents - both pharmacists and their patients- on this issue. The level of grassroots communication has increased dramatically this year because pharmacy has reached its tipping point. They have no more to give from their bottom line. Between this reduction and the impact of the contract for the State Employee Prescription Drug Benefit going to CVS/Caremark, they are hanging on, hoping that the legislature will right this grievous wrong from last session.

Last month, a federal judge blocked California state officials from moving forward with a 10 percent Medi-Cal reimbursement rate cut for pharmacies and other providers. We are pleased that the court system recognizes that continued cuts will impact patient care and access.

Going forward, I would urge the legislature to put together a work group that will develop programs that will actually have long term savings for the prescription drug line item as well as programs that will create savings on total health care expenditures. We need to be proactive on these issues. We cannot keep reacting to budget deficits. If we had implemented just one of the programs that involve pharmacist services ten years ago the state would have saved significant dollars that may have negated the need for some other budget reductions.

Our Association has always tried to work collaboratively with the legislature and the administration to provide innovative ideas to save money. We only ask that the Legislature and the administration continue to work with us to implement some ideas that will create the savings the state is looking for without devastating the pharmacy business and access to care. We look forward to continuing the dialogue.

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