Testimony Submitted before the Human Services Committee
Tuesday
March 13, 2012

Re: ***SB 392: An Act Concerning Pharmacy Medicaid Reimbursement***

Good afternoon Senator Musto, Representative Tercyak and members of the Human Services Committee. My name is Marghie 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 to testify in strong support of SB 392: An Act Concerning Pharmacy Medicaid Reimbursement. I want to take the opportunity to thank the Committee for their leadership in addressing this important issue.

This legislation offers reasonable reimbursement to all pharmacies in the state of Connecticut. It does so by recognizing the fact that 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.**

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 believe 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 support the increase in reimbursement for brand name drugs for independent pharmacies be restored to AWP – 14% and the chains remain at AWP -16%. We are also pleased that this legislation provides for a differential in dispensing fees by increasing dispensing fees to $4.00 for independent pharmacies while leaving the chain pharmacies at $2.00. It is evident that legislators finally understand that there is a difference in the dispensing of a product from the smaller pharmacies that provide deliveries, special packaging and personal patient counseling.

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. This could help minimize the impact to the current budget.

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 quality access to care. We look forward to continuing the dialogue.

Restoring the reimbursement for the cost of the drug to AWP -14% for the independent pharmacies is the right thing to do. 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. I am pleased to see that this is also included in this legislation. We appreciate your strong show of support.