

**Testimony Submitted to the Labor and Public Employee Committee Concerning
Re: SB 287: An Act Concerning Local Pharmacies
March 13, 2012**

Dear Senator Prague, Representative Zalaski and the members of the Labor and Public Employee Committee;

My name is Edward Schreiner. I am a Pharmacist and owner of Stoll's Pharmacy, located in Waterbury, CT. I am also a member of the Connecticut Pharmacists Association which represents over 1,000 pharmacists in Connecticut and am Chairman of the Board of Directors for Northeast Pharmacy Service Corporation (NPSC), a buying group of 254 participating pharmacies, including 98 stores in Connecticut.

I wish to comment on raised Senate Bill 287. While SB 287 is well intentioned, it does not address the main issue affecting pharmacy. The driving force behind our concern remains the reimbursement rate being offered to pharmacies to participate in the State Employee Health Plan's prescription drug benefit.

My pharmacy does not participate with the current State Employee Prescription Drug Plan. In fact, there are only 20 independent pharmacies participating with this program. The network of participating businesses primarily consists of CVS, grocery stores with pharmacy departments and big box stores (like Wal-Mart). It should be noted that, with the exception of CVS, the primary focus of these other participating businesses is not the practice of pharmacy. The pharmacy department is used as an add-on service to bring more customers into their stores. The pharmacy departments are not the primary revenue generator for grocery stores and big-box stores so losses the pharmacy department may incur can be offset by raising prices for the other products these stores sell. As an example, please consider how much has the cost of a gallon of milk has risen for *all* patrons of grocery stores since this program was implemented? While I am not stating that the increases we have seen are solely due to the need to offset pharmacy department losses, it is reasonable to assume that these businesses will offset their losses by raising prices for other products they sell and that these price increases impact all state residents that patronize that business, not just state employees.

While Community Pharmacy appreciates the support of many legislators and the administration's decision to allow all pharmacies in Connecticut the opportunity to participate in the state employee drug plan, you must be wondering why so few have decided to join. Simply stated, the reimbursement rates CVS/Caremark is offering to participate are so steeply discounted that most community pharmacies (including Walgreens and Rite Aid) find it prohibitive to participate. The issue is not the way community pharmacies (including Walgreen's and Rite Aid) buy their drugs. The issue is that the program is designed around the way CVS and mail-order facilities buy their drugs. The difference is referred to as "class of trade".

Community chain stores like Walgreens, leverage buying power using the number of stores they operate and the volume of drugs they purchase. Independents can join buying groups such as NPSC to achieve economies of scale necessary to negotiate better buying terms with our drug suppliers. The difference is that community pharmacies and chain stores are offered pricing based upon the "retail class of trade". Companies that operate mail order facilities such as Express Scripts, Medco and CVS/Caremark, purchase their drugs at a highly discounted price based upon the "mail-order class of trade". Drug manufacturers and wholesalers do not extend this class of trade pricing to non-mail order groups. Thus the reason most community pharmacies cannot participate is that the reimbursement rates for the state employee drug program are based on the "mail order" class of trade that we do not have access to (no matter how large the buying group). Finally,

CVS/Caremark will not divulge what the terms of the contract are for their network of stores (CVS pharmacies) nor do they offer to extend the pricing advantages of their class of trade to all plan participants.

As you consider the merits of SB 287 and the impact the state employee health plan has had on the community pharmacy industry, I would respectfully request the following;

1. Before moving this proposed legislation forward and offering the state employee plan to others, we should look at the actual cost savings the state employee drug plan has achieved. This study should determine how much of these savings can be attributed to the numerous brand name drugs that became available generically over the past year. These saving would have been realized without the drastic reimbursement reductions that were implemented. The study should also factor in the waste factor of mandating 90 day supply of maintenance medications. As I noted above, not all prescriptions are appropriate at a 90 day supply. The same issue can be applied to grocery stores. If buying in bulk was ALWAYS better, everyone would be buying all of their groceries at wholesale clubs like Costco or BJ's. Local grocery stores that don't sell everything in bulk will always be around because savvy consumers know that buying extremely large quantities of everything is economically undesirable as they will not always consume everything they buy!
2. A fair reimbursement rate, based upon the retail class of trade (where most of these prescriptions are actually being filled), should be negotiated by the state and offered to community pharmacies so that we may compete in an equitable playing field and continue to serve the communities that we are located in.

Thank you for your consideration of my comments.

Edward R. Schreiner, Jr. R.Ph.
36 Pineridge Drive
Oakville, CT. 06779