Human Services Committee

HB 6367, An Act Implementing the Governor's Budget Recommendations for the Human Services Programs

February 26, 2013

Senator Slossberg, Representative Abercrombie and the Distinguished Members of the Human Services Committee:

My name is Edward Schreiner. I am a resident of Oakville, Ct. I have owned and operated Stoll's Pharmacy in Waterbury, Ct, since 1988. I am also the Chairman of the Board of Directors for Northeast Pharmacy Service Corporation (NPSC), a buying group that provides business development services to approximately 250 participating community pharmacies throughout New England.

I am writing this letter to strongly urge you to **oppose HB 6367**, An Act Implementing the Governor's Budget Recommendations for the Human Services Programs due to the reduction of the pharmacy dispensing fee in the Medicaid program from the current $1.70 to $1.40. Last year's legislature agreed with testimony from Connecticut-based, independent community pharmacies that we provide valuable, cost-saving services to Medicaid residents and purchase drugs differently than chain pharmacies do, even with the assistance of buying groups such as NPSC. The result of this discussion was legislation that increased the drug acquisition cost reimbursement rate to independent pharmacies for brand name drugs by 2%, pending approval of a federal CMS waiver. As of today, that waiver has not been approved, and the rate increase has been rescinded in the Governor's current budget proposal. Effective January 16, 2013, the dispensing fee paid to pharmacies was reduced from two dollars ($2.00) to one dollar and seventy cents ($1.70) under the Deficit Mitigation Plan for fiscal year ending June 30, 2013. The current budget proposal seeks to further reduce the pharmacy dispensing fee to $1.40.

It is my understanding that the Governor's proposal seeks to align reimbursement levels under Medicaid with those of the state employee drug program. It must be noted that the vast majority of community pharmacies in Connecticut, including Walgreens and Rite Aid, do not participate with the program because of the extremely low reimbursement rate. The pharmacy network consists primarily of CVS (the company providing the mail order benefit and its corporate affiliated plan administrator), a few grocery store chains, Walmart, and a handful of independent pharmacies. As state employees can attest, this strategy has certainly reduced access to the pharmacy of their choice.

Being located in downtown Waterbury, approximately 35% of Stoll's Pharmacy's revenue is generated by providing pharmacy services to Medicaid recipients. As such, pharmacy reimbursement reductions in the Medicaid program have a significant impact on my ability to retain jobs and contribute to the local economy. As I testified during the last legislative session, continued reimbursement reductions will force pharmacies to close, jeopardize jobs, reduce payroll tax contributions and reduce spending in the local community.

These comments have already proven accurate, as 13 more independent pharmacies have closed since 2011. As a result of Medicaid reimbursement reductions implemented since 2011 and the loss of business due to changes in the State Employee Pharmacy Program, Stoll's Pharmacy has experienced an almost 15% reduction in gross revenue. Simply stated, this means that my pharmacy has 15% less money to spend on staffing payroll and expenditures in the Waterbury economy.

Payroll reductions are one of the few areas where local businesses can influence the "cost of doing business" in Connecticut; however, this type of reduction has a significant impact on the local and state economy as well. For my business to survive I have terminated plans to expand my workforce. I have been forced to lay off one full-time employee and will be reducing a second full-time position to part-time in the next month. I have also reduced working hours for two other full-timers. Stoll's Pharmacy provides full medical insurance and life insurance coverage for full-time employees. Having two less full-time employees (on a staff of 14) reduces my healthcare insurance burden while exposing the state to greater healthcare costs as these employees will now look to the state for medical coverage. All of my employees live in Waterbury and the surrounding towns. I have not been able to offer a pay increase in the last 2 years. These employees spend their paychecks locally. Payroll reductions directly reduce money available for my staff to spend in the local economy.

Payroll reductions also impact state income tax collections. Obviously, fewer employees, working fewer hours, results in lower payroll withholding for state income taxes. In addition, my business paid $0.00 in Corporate Income Tax to the state in 2011 (i.e. the business lost money for the first time since I assumed ownership in 1988), and I do not anticipate paying significant Corporate Income Taxes for 2012. It is clear that continued reductions in pharmacy reimbursement have contributed to the well known fact that state tax collection rates have fallen well below anticipated levels in the last few years.

I have also been forced to make significant reductions in donations to deserving local organizations such as Waterbury's PAL, Police Explorer's, Easter Seals, local High School and Community Sports Associations. I have also eliminated funding for staff development. This represents over $3,700 annually spent in the local economy for food, lodging, and fees necessary for Stoll's management and employees to attend various pharmacy-related functions.

In summary, by accepting the governor's budget proposals to reduce pharmacy reimbursement once again:

- The state will continue to lose corporate and personal tax revenues and jobs as numerous pharmacies close or reduce staffing levels,
- State residents will rely more heavily on unemployment compensation and state funded healthcare programs,
- As pharmacies close, access for Medicaid patients (and all other residents of Connecticut) will suffer,
- There will be a void of service for those with special needs,
- Independent community pharmacies will continue to be hampered in their ability to contribute to the economies of their local communities.

I have heard it said that some in Hartford feel that the state should not be in the business of "subsidizing" pharmacies. I would argue that paying fair market value reimbursement rates do not "subsidize" Connecticut pharmacies. It is an investment in the ability of small business to generate jobs and contribute back to the state & local economy while maintaining an adequate network of professional pharmacies in the state's safety net programs for Connecticut's residents. It is commendable that the Governor and Legislature desire a strong safety net program for Connecticut's most vulnerable residents; however, with this desire comes a responsibility to ensure fair and adequate reimbursement to the providers of these services. Paying below market value is asking pharmacies to do the states' job of funding the Medicaid pharmacy benefit program.

In conclusion, I strongly urge you to oppose further reduction of the pharmacy dispensing fee in the Medicaid program from the current $1.70 to $1.40. Simply reducing reimbursement to pharmacies has not solved the pharmacy cost issues of the Medicaid program for the last 20 years. The prescription drug line item in the budget has increased steadily for 2 reasons: increased cost of the drug product and increased utilization by a growing Medicaid recipient population. As a taxpayer I ask you to work with Connecticut's pharmacists and the Department of Social Services to find better, more innovative ways to control prescription drug spending for the Medicaid population, without jeopardizing more Connecticut jobs, tax revenue and pharmacy access for Connecticut's most fragile patient population.

Thank you for the opportunity to express my opinion.

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