



Gregory D. Wasson
President and CEO

July 15, 2009

The Honorable Charles B. Rangel
Chairman
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Dear Chairman Rangel:

On behalf of Walgreens, our nation-wide network of 6,900 community pharmacies and 240,000 employees, thank you for your leadership on health care reform and efforts to address issues important to community pharmacy. Reforming the country's health care system is an enormous task and as a health care provider, Walgreens recognizes the need to get it right. We appreciate the Committee's leadership in seeking to make the necessary improvements to the Deficit Reduction Act of 2005 (DRA) policy on pharmacy reimbursement for generic medications. H.R. 3200, the "America's Affordable Health Choices Act of 2009," makes significant progress towards addressing the issue of pharmacy reimbursement cuts for generic medications in the Medicaid program but falls just short of completely fixing the problem. Walgreens believes principles put forth in the 110th Congress to address the DRA cuts fully correct this issue by creating fair and appropriate generic drug reimbursement. Those principles would maintain pharmacy access for Medicaid patients and promote generic utilization, which we both know saves the Medicaid program billions of dollars annually.

Walgreens appreciates the Committee's effort to appropriately define AMP in H.R. 3200. AMP was designed to represent the average prices paid by wholesalers for drugs distributed to the 'retail class of trade' and should therefore exclude rebates, discounts and sales unavailable to retail pharmacies. We strongly support the language in H.R. 3200 to determine federal upper limits (FUL) for generic drugs based on a weighted average AMP rather than the lowest AMP. Use of the lowest AMP does not reflect market prices for generic drugs, whereas weighted AMP is an appropriate metric for pharmacy reimbursement.

Walgreens believes the 'multiplier' of a weighted AMP should be an appropriate number to provide incentive for pharmacies to dispense low cost generics. Preliminary analysis indicates the multiplier in H.R. 3200 (130% of weighted AMP) would be insufficient to ensure reimbursement covers pharmacies' costs and maintain Medicaid patients' access to pharmacy services. I know we both share the goal of wanting to avoid the unintended consequence of driving higher-cost brand name drugs over generic drugs, which could lead to an increase in overall prescription drug cost in the Medicaid program.

As Congress moves toward enacting health care reform legislation, I hope you give further consideration to the Medicaid generic reimbursement formula and enable pharmacies to continue the practice of serving our nation's most vulnerable citizens. Walgreens has a long and distinguished history of serving rural, urban, and underserved neighborhoods and we want to continue this tradition of care. I deeply appreciate your attention to this issue thus far and thank you for further consideration. Walgreens is happy to provide any additional information regarding the suggestions we have and look forward to working with the Committee.

Sincerely,

Gregory D. Wasson

cc: The Honorable Dave Camp
Ranking Member

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