

Statement
Of
The National Association of Chain Drug Stores
For
United States House of Representatives
Committee on Ways and Means
On
Department of Health and
Human Services' (HHS) Fiscal Year 2017 Budget Request
February 10, 2016
2:00 P.M.
1100 Longworth House Office Building

National Association of Chain Drug Stores (NACDS)
1776 Wilson Blvd., Suite 200
Arlington, VA 22209
703-549-3001
www.nacds.org

Introduction

The National Association of Chain Drug Stores (NACDS) thanks Chairman Brady and the members of the Committee on Ways and Means for the opportunity to submit the following statement for the record regarding pharmacy-related provisions contained within the Fiscal Year 2017 Department of Health and Human Services (HHS) Budget. NACDS and the chain pharmacy industry are committed to partnering with Congress, HHS, patients, and other healthcare providers to improve the quality and affordability of healthcare services.

NACDS represents traditional drug stores and supermarkets and mass merchants with pharmacies. Chains operate more than 40,000 pharmacies, and NACDS' chain member companies include regional chains, with a minimum of four stores, and national companies. Chains employ more than 3.2 million individuals, including 179,000 pharmacists. They fill over 2.9 billion prescriptions yearly, and help patients use medicines correctly and safely, while offering innovative services that improve patient health and healthcare affordability. NACDS members also include more than 850 supplier partners and over 60 international members representing 22 countries. For more information, visit www.NACDS.org.

As the face of neighborhood healthcare, community pharmacies and pharmacists provide access to prescription medications and over-the-counter products, as well as cost-effective health services such as immunizations and disease screenings. Through personal interactions with patients, face-to-face consultations, and convenient access to preventive care services, local pharmacists are helping to shape the healthcare delivery system of tomorrow—in partnership with doctors, nurses and others.

Concerns with Budget Proposal

NACDS appreciates HHS's proposed goals to reduce healthcare costs and produce a more efficient healthcare system; however, we have concerns with some proposals contained in the FY2017 HHS Budget. HHS has proposed excluding brand and authorized generic drugs from the calculation of average manufacture price (AMP), thereby calculating Medicaid Federal Upper Limits (FULs) based only on generic drug prices. While the goal of this provision may be to decrease Medicaid costs, we believe it may in fact reduce access to prescription drugs and pharmacy services for Medicaid patients, resulting in increased overall healthcare expenditures.

Given that AMP has not yet been used as a basis for pharmacy reimbursement, and that AMP-based FULs remain in draft form, we believe the FY2017 budget proposals changing the calculation of FULs are premature. It is necessary for the Centers for Medicare and Medicaid Services (CMS) to meet its goal of ensuring that pharmacies are not reimbursed below their costs using the reimbursement formula created by the Affordable Care Act. Therefore, we urge Congress to reject this proposal that would conflict with CMS' objective of ensuring fair and adequate reimbursement for pharmacies so that the Medicaid population does not suffer a loss of access.

The FY2017 HHS Budget also includes a number of proposals to cut waste, fraud and abuse in the Medicare and Medicaid programs, including the ability to suspend coverage and payment for questionable Part D prescriptions, the ability to impose civil monetary penalties for providers and suppliers who fail to update enrollment records, and the authority to establish a program that would require that high-risk Medicare beneficiaries only utilize

certain prescribers and/or pharmacies to obtain controlled substance prescriptions (i.e. a pharmacy lock-in program). NACDS applauds HHS for working to eliminate fraudulent activities from federal programs. However, NACDS urges HHS to move forward in a cautious manner so as not to disrupt beneficiary access or jeopardize beneficiary health. This can be done by ensuring that overly-burdensome requirements are not placed on providers to the point of interfering with the ability to treat and care for patients. For example, any potential program which limits a beneficiary's ability to obtain their prescription medications must ensure legitimate beneficiary access to needed medications is not impeded. Policies to reduce overutilization must be balanced with maintaining access to prescription medications by the beneficiaries who need them most.

We have specific concerns that a lock-in provision may actually be a barrier to care as supply chain issues exist around controlled substance medications that are beyond the pharmacy's control. If a pharmacy is unable to obtain the medication for a lock-in patient, then it creates a barrier that could result in harm to the patient's health. Mechanisms must be developed and executed to allow a pharmacy, in consultation with the prescriber, to fill legitimate prescriptions without needlessly delaying treatment for beneficiaries. To minimize any potential harm and address supply issues, a beneficiary should be allowed to use all locations for a pharmacy organization if that pharmacy uses a common database with an integrated patient profile. Additionally, to reduce the potential for further abuse and confusion, claim rejections should occur at the point of sale, otherwise pharmacies will have no way to determine whether a beneficiary is enrolled in a lock-in program.

The FY2017 budget includes several provisions to increase the utilization of generic drugs. NACDS applauds the inclusion of these important provisions, which would encourage the use of generic medications by Medicare Low Income Subsidy beneficiaries, and promote generic competition for biologics. Increasing generic utilization is one of the most effective ways of controlling prescription drug costs, and the generic dispensing rate of retail pharmacies—83.5 percent—is higher than any other practice setting.

NACDS believes there are other opportunities to reduce program spending while vastly improving the health of Medicare beneficiaries; including improving access for underserved beneficiaries and the better use of medication therapy management (MTM) services.

Pharmacists as Providers

As the U.S. healthcare system continues to evolve, a prevailing issue will be the adequacy of access to affordable, quality healthcare. The national physician shortage coupled with the continued expansion of health insurance coverage in recent years will have serious implications for the nation's healthcare system. Access, quality, cost and efficiency in healthcare are all critical factors – especially to the medically underserved. Without ensuring access to requisite healthcare services for this vulnerable population, it will be very difficult for the nation to achieve the aims of healthcare reform.

The medically-underserved population includes seniors with cultural or linguistic access barriers, residents of public housing, persons with HIV/AIDS, as well as rural populations and many others. Significant consideration should be given to innovative initiatives within the medically underserved population to enhance healthcare capacity and strengthen

community partnerships to offset provider shortages and the surge in individuals with healthcare coverage.

Pharmacists play an increasingly important role in the delivery of services, including key roles in new models of care beyond the traditional fee-for-service structure. Pharmacists are engaged with other professionals and participating in models of care based on quality of services and outcomes, such as accountable care organizations (ACOs). Pharmacists now commonly provide immunizations and medication therapy management (MTM) services.

In addition to medication adherence services such as MTM, pharmacists are capable of providing many other cost-saving services (subject to state scope of practice laws).

Examples include access to health tests, helping to manage chronic conditions such as diabetes and heart disease, plus expanded immunization services. However, the lack of pharmacist recognition as a provider by third-party payors, including Medicare and Medicaid, limits the number and types of services pharmacists can provide, even though fully qualified to do so. Retail pharmacies are often the most readily accessible healthcare provider. Research shows that nearly all Americans (94 percent) live within five miles of a retail pharmacy. Such access is vital in reaching the medically underserved.

We urge you to increase access to much-needed services for underserved Medicare beneficiaries by supporting H.R. 592/S. 314, the *Pharmacy and Medically Underserved Areas Enhancement Act*, which will allow Medicare Part B to utilize pharmacists to their full capability by providing those underserved beneficiaries with services (subject to state scope of practice laws) not currently reaching them. This important legislation would lead not only

to reduced overall healthcare costs, but also to increased access to healthcare services and improved healthcare quality.

The Benefits of Pharmacist-Provided MTM

Poor medication adherence costs the U.S. healthcare system \$290 billion annually.

Pharmacist-provided services such as MTM are important tools in the effort to improve medication adherence, patient health and healthcare affordability. Studies have shown that patients who are adherent to their medications have more favorable health outcomes, such as reduced mortality, and use fewer healthcare services (especially hospital readmissions and ER visits). These studies included patients with cardiovascular disease, chronic obstructive pulmonary disease (COPD), high cholesterol and diabetes. Current MTM restrictions require that Medicare Part D beneficiaries suffer from multiple chronic conditions, be prescribed multiple medications, and meet a minimum annual cost threshold of \$3,138 in 2015 for their prescriptions before they are eligible for Part D MTM. According to the CMS MTM Fact Sheet, approximately 85% of programs opt to target beneficiaries with at least three chronic diseases in 2014. This is a contributing factor to the lower than projected eligibility levels in the MTM program.

NACDS has long been supportive of exploring new and innovative approaches to improve the Part D MTM program. One of the approaches we believe can be successful is the Enhanced MTM Model pilot allowing Part D plans the opportunity to utilize new and innovative approaches to MTM, such as more efficient outreach and targeting strategies and tailoring the level of services to the beneficiary's needs. The Enhanced MTM Pilot program

presents an opportunity to create better alignment of program incentives and has the potential to lead to improved access to MTM services for beneficiaries and greater medication adherence. NACDS believes that the MTM Pilot program should include retail pharmacies, as a successful model test must include retail community pharmacists. Medication management services provided by community pharmacists improve patient care; improve collaboration among providers; optimize medication use for improved patient outcomes; contribute to medication error prevention; improve hospital and readmission cost avoidance; and enable patients to be more actively involved in medication self-management.

Since the pilot is scheduled to last for five years beginning in 2017, we also urge lawmakers to explore new and innovative approaches to improving the MTM program that could be implemented in the short term. NACDS believes one short term approach is more efficiently targeting beneficiaries who can most benefit from the services that will improve medication adherence and overall program effectiveness. Congress recognized the importance of MTM on a bipartisan basis, including it as a required offering in the Medicare Part D program. We urge Congress to build on this earlier action and strengthen the MTM benefit in Medicare Part D through support of legislation such as that introduced by Sen. Pat Roberts (R-KS) and Sen. Jeanne Shaheen (D-NH), S. 776, the *Medication Therapy Management Empowerment Act of 2015*, which will provide access to MTM for beneficiaries with diabetes, cardiovascular disease, COPD, and high cholesterol.

Conclusion

NACDS thanks the Committee for consideration of our comments. We look forward to working with policymakers and stakeholders on these important issues.