January 3, 2017

The Honorable Orrin Hatch
104 Hart Senate Office Building
Washington, DC 20510

Dear Senator Hatch:

We read with interest your December 19, 2016 letter from Republican Senate Finance Committee members to Republican governors requesting feedback on future changes to Medicaid and wanted to take this opportunity to provide you with the community pharmacist perspective on these issues. The National Community Pharmacists Association (NCPA) represents America's community pharmacists, including the owners of more than 22,000 independent community pharmacies. Together they represent an $81.5 billion health care marketplace and employ more than 250,000 individuals on a full or part-time basis. Independent community pharmacies are often located in underserved inner-city and rural areas. Community pharmacists are front-line health care providers who regularly talk to patients about their concerns with prescription drug costs and work to address them.

Independent community pharmacists play a vital role in the Medicaid program as the backbone of its drug benefit. Local pharmacists provide expert medication counseling and other cost-saving services that help mitigate the estimated $290 billion that is spent annually as a result of patients who do not adhere properly to their medication regimen. More than any other segment of the pharmacy industry, independent pharmacies are often located in the underserved urban and rural areas that are home to many Medicaid recipients. In fact, independent pharmacies represent 52% of all rural retail pharmacies and there are over 1,800 independent community pharmacies operating as the only retail pharmacy within their rural communities.[1] For the average independent community pharmacy, 92% of all revenues are derived from prescription sales, and 17% of all prescription revenues are from Medicaid.

Every day, our members see first-hand and try to address both the struggle that patients face in paying for their medication as well as the financial burden the federal government and states face in trying to provide for the needs of Medicaid patients. Pharmacists are ready to work constructively with Congress, HHS, and individual states to address these issues.

[1] *Based upon NCPA analysis of National Council for Prescription Drug Programs (NCPDP) data, Rural Urban Commuting Area (RUCA) Codes, and 2000 U.S. Census data.*

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As various Medicaid reform proposals are considered that have the potential to trim or modify how covered services are provided, NCPA would like to present the following guiding principles that should be incorporated in any Medicaid overhaul to ensure cost savings and successful patient outcomes.

Prescription Drug Coverage is Vital for Medicaid Recipients to Stave Off Costly Downstream Medical Interventions; Therefore, Pharmacy Networks Should Allow the Participation of Any Willing Pharmacy.

NCPA maintains that prescription drug coverage is an essential component to the Medicaid program and should never be considered an optional benefit. The savings that a state may realize by severing access to prescription medications are likely to be eclipsed by the downstream medical interventions necessary to treat beneficiaries who have had to forgo their medications necessary to control a variety of life-threatening chronic conditions. Likewise, restrictive pharmacy networks would have a negative impact on beneficiary access to prescription medications and generate confusion. Therefore pharmacy networks should allow the participation of "any willing pharmacy" or any pharmacy willing to accept the terms and conditions of the contract.

One concept that is increasingly discussed is that of the potential cost savings that could be realized by increased beneficiary cost sharing. We do believe that increased cost sharing can help create incentives for beneficiaries to use more cost-effective drugs. However, under current Medicaid regulation, pharmacists must provide prescription services to Medicaid patients regardless of whether they can pay the copay. This reduces the potential of differential copays to encourage the use of more cost-effective drugs. While federal law currently allows states to require payment of these copays as a condition of receiving such prescriptions, most states have not exercised this authority. We support increased beneficiary cost sharing in the form of prescription copays if they were to be mandated by law to be paid. If not, limited savings would be realized from this opportunity.

Pharmacists Play a Key Role in Managing Care for High-Cost Medicaid Enrollees and Access to Face-to-Face Pharmacist Interaction Must be Maintained

Community pharmacists play a critical role in caring for Medicaid beneficiaries, especially the one percent of all beneficiaries who account for 25% of expenditures. This high-need subset of patients who typically suffer from more than one chronic condition, benefit greatly from one-on-one interaction with a community pharmacist. The community pharmacist can provide critical advice and guidance to these patients who need instruction and reinforcement of optimal medication use and can emphasize the importance of medication adherence. Beneficiary access to mail order pharmacy care services is not of equal value to face-to-face interaction with a pharmacist. In fact, the 2011 CVS Caremark Trend Report states that face-to-face counseling by local pharmacists is two to three times more effective at ensuring that patients adhere to their medication regimen than any other type of intervention. In addition, Medicaid beneficiaries as a demographic group are more transient than the rest of the population which makes mail order pharmacy services at times inappropriate.

Community Pharmacists Serve As Safety Net Health Care Providers and Currently Provide Needed Services and Related Savings

Community pharmacists are the most accessible health care provider available to members of the public. In addition to being available to answer medication and health-related questions from members of the public without an appointment, most community pharmacies also provide additional patient-care services. In fact, the National Governors Association (NGA) released a white paper in 2015[2] encouraging states to better integrate pharmacists into the health care delivery system based on the significant role pharmacists can play in helping patients manage chronic disease. In addition, the following statistics demonstrate just how pharmacy services can provide savings and contribute to patient health. For example:

- **The average independent community pharmacy has a generic dispensing rate of 82%**
- **67% of independent community pharmacies offer immunizations**
- **70% offer medication synchronization services (for patients that take multiple medications, ensuring that these medications are on the same refill schedule)**
- **65% offer home/work delivery for added convenience**
- **31% offer collaborative practice agreements (with other health care providers) to better manage a patient's chronic conditions**
- **10% offer transitions of care programs—decreasing the total cost of care and 30-day hospital readmissions**

If a Managed Care Organization (MCO) is Utilized to Administer a State Medicaid Program, the State Must Retain Meaningful Oversight

While a number of states have turned to managed care organizations (MCOs) with the touted goal of MCOs increasing access to care and reducing overall costs, many Medicaid directors have discovered that this result is not easily achieved. Without the appropriate level of state oversight, an MCO program can actually result in higher overall costs—particularly as the MCO adds an additional "layer" of administrative cost. Specifically, states must demand inspection and audit rights of their MCO as well as of the MCO's contractors and subcontractors. It is critical that the state be able to audit and inspect the Pharmacy Benefit Manager (PBM) that the MCO utilizes to manage the prescription drug benefit to ensure that the PBM is passing along Medicaid manufacturer rebates to the state. Particularly with regard to Medicaid pharmacy services, it is essential that the state maintain program oversight and pharmacy program integration with other health care services. The state must also ensure that protections are in place for the fair treatment and reimbursement of pharmacy. Specifically, states should stipulate to MCOs that pharmacy networks be "any willing pharmacy" and utilize the fee-for-service Medicaid pharmacy

[2] *The Expanding Role of Pharmacists in a Transformed Health Care System*. The National Governors Association; January 2015

reimbursement rate as a minimum "floor." Failure to do so will result in a disparity in the access to pharmacy care services between those beneficiaries covered under Medicaid fee-for-service and Medicaid managed care.

In conclusion, we appreciate the opportunity to provide our thoughts and recommendations as you consider various Medicaid reform proposals.

Sincerely,

B. Douglas Hoey, R.Ph., MBA
NCPA Chief Executive Officer

cc:
The Honorable Chuck Grassley
The Honorable Mike Crapo
The Honorable Pat Roberts
The Honorable Mike Enzi
The Honorable John Cornyn
The Honorable John Thune
The Honorable Richard Burr
The Honorable Johnny Isakson
The Honorable Rob Portman
The Honorable Patrick Toomey
The Honorable Bill Cassidy
The Honorable Dean Heller
The Honorable Tim Scott

Republican Governors Association (RGA)