

July 16, 2018

The Honorable Alex M. Azar II
Secretary
U.S. Department of Health and Human Services
200 Independence Ave, SW
Room 600E
Washington, DC 20201

Re: CMS-2018-0075-0001- HHS Blueprint to Lower Drug Prices and Reduce Out-of-Pocket Costs

Dear Secretary Azar:

We write to voice our strong support and appreciation for this administration's efforts on reducing drug prices. We are a group of multi-disciplined stakeholders who represent pharmacies and pharmacists and have a vested interest in lowering drug prices and seniors' out-of-pockets costs. To meaningfully address skyrocketing drug prices, we urge the administration to move forward with a proposal to address pharmacy direct and indirect remuneration (DIR) fees in the Medicare Part D program.

DIR fees imposed on pharmacies participating in Medicare Part D networks by plan sponsors and their pharmacy benefit managers (PBMs) have increased exponentially in recent years. These pharmacy price concessions have been treated as DIR rather than as reductions in the "negotiated price" of a drug, which has had a crippling impact on patients, the government, and pharmacies. The retroactive nature of pharmacy DIR fees means beneficiaries face higher cost-sharing for drugs and are accelerated into the coverage gap or "donut hole" phase of their benefit. What's more, beneficiaries reach the catastrophic phase of the benefit, for which CMS incurs approximately eighty percent of the cost. Finally, all retroactive pharmacy DIR fees are taken back from pharmacies months later rather than deducted from claims on a real-time basis with no transparency to the process. This reimbursement uncertainty makes it extremely difficult for pharmacies to operate and take care of their patients.

As referenced in the Blueprint, just this spring CMS collected information on including at least a portion of manufacturer rebates and all pharmacy price concessions in the negotiated price at point of sale, thereby lowering seniors' out-of-pocket costs at the pharmacy counter. CMS asserted its authority to address DIR through regulation but did not release any specific plan to do so.

In HHS' Blueprint, the administration suggests a policy in which PBMs would be prohibited from using rebates in contracts with manufacturers. We strongly support extending this policy to pharmacy, and therefore ask the administration to eliminate pharmacy DIR in the Medicare Part D program. However, if the administration does not entirely eliminate pharmacy DIR, the administration should prohibit at least all retroactive pharmacy DIR fees leveraged against pharmacies and ensure any ongoing fees and performance-based bonus payments are based on performance metrics that the pharmacy can reasonably influence and are applicable to the pharmacy's service model and disease state being managed. The administration has considered these types of policies several times over the past years, and we urge you to move forward now.

Given the overall negative impact of pharmacy DIR fees, we urge the administration to act swiftly in implementing policy changes surrounding this issue. This would demonstrate your dedication to providing immediate savings for seniors at the pharmacy counter and needed support to pharmacies and the patients we serve.

As concerned stakeholders, we offer our continued support to aid the administration in your goals.

Thank you,

Alabama Grocers Association
Alabama Pharmacy Association
Alaska Pharmacists Association
Albertsons Companies
Alliance of Independent Pharmacists of Texas
American Associated Pharmacies
American Pharmacies
American Pharmacists Association
American Pharmacy Cooperative, Inc.
American Pharmacy Services Corporation
American Society of Consultant Pharmacists
Arizona Pharmacy Association
Arkansas Grocers and Retail Merchants Association
Arkansas Pharmacists Association
ASHP (American Society of Health-System Pharmacists)
Associated Food and Petroleum Dealers
Bartell Drugs
Big Y Foods
Brookshire Grocery Company
Burlington Drug Company
California Pharmacists Association
CARE Pharmacies Cooperative, Inc.
Cleveland Clinic
Coborn's, Inc.
Colorado Pharmacists Society
Compliant Pharmacy Alliance
Connecticut Food Association
Connecticut Pharmacists Association
Currus (formerly known as Ks. Independent Pharmacy Service Corp.)
Dakota Drug, Inc.
Discount Drug Mart
EPIC Pharmacies, Inc.
Federation of Pharmacy Networks
Florida Pharmacy Association

Food Marketing Institute
Fruth Pharmacy, Inc.
G.F. Buche Co.
Garden State Pharmacy Owners
Genoa
Georgia Food Industry Association
Georgia Pharmacy Association/Academy of Independent Pharmacy
GeriMed
Good Neighbor Pharmacy
HAC, Inc.
Harps Food Stores
Hartig Drug
Health Mart
HealthWise Pharmacies
Hercules Pharmaceuticals
Hi-School Pharmacy
Hometown Pharmacies of Wisconsin
Idaho Retailers Association
Idaho State Pharmacy Association
Illinois Food Retailers Association
Illinois Pharmacists Association
Independent Pharmacy Alliance
Independent Pharmacy Buying Group, Inc.
Independent Pharmacy Cooperative
Indiana Pharmacists Alliance
International Academy of Compounding Pharmacists
Iowa Grocery Industry Association
Iowa Pharmacy Association
Kansas Food Dealers Association
Kansas Pharmacists Association
Kentucky Independent Pharmacist Alliance
Kentucky Pharmacists Association
Keystone Pharmacy Purchasing Alliance
KTA Super Stores
K-VA-T Food Stores Inc.
Lewis Drug
Louisiana Independent Pharmacies Association
Louisiana Retailers Association
Louisiana Wholesale Drug Company, Inc.
Maine Grocers and Food Producers Association
Maryland Pharmacists Association
Maryland Retailers Association
Massachusetts Food Association
Massachusetts Independent Pharmacists Association

Massachusetts Pharmacists Association
McKesson
Medicine Shoppe International, Inc. representing the Medicine Shoppe and Medicap Pharmacy franchises
MedStar Health
Michigan Pharmacists Association
Minnesota Grocers Association
Minnesota Pharmacists Association
Mississippi Independent Pharmacies Association
Mississippi Pharmacists Association
Missouri Grocers Association
Missouri Pharmacy Association
Montana Pharmacy Association
Morris & Dickson Co., LLC
Mutual Wholesale Drug Co.
National Community Pharmacists Association
National Grocers Association
ND Pharmacy Service Corporation
Nebraska Pharmacists Association
New Hampshire Grocers Association
New Hampshire Pharmacists Association
New Jersey Pharmacists Association
New Mexico Pharmacists Association
New Mexico Pharmacy Business Council
Niemann Foods, Inc.
North Dakota Pharmacists Association
Northeast Pharmacy Service Corporation
Ohio Grocers Association
Ohio Pharmacists Association
Oklahoma Grocers Association
Oklahoma Pharmacists Association
Oregon State Pharmacy Association
Osborn Drugs, Inc.
PARD, an Association of Community Pharmacies
PBA Health
PCCA
Pennsylvania Pharmacists Association
Pharmacists Society of the State of New York
Pharmacy First
Pharmacy Franchisees and Owners Association
Pharmacy Providers of Oklahoma (PPOk)
Pharmacy Society of Wisconsin
PPSC USA, LLC
Price Chopper Supermarkets

QualityCare Pharmacies
Retail Grocers Association of Greater Kansas City
Rhode Island Food Dealers Association
Ritzman Pharmacy
Rochester Drug Cooperative
RxPlus Pharmacies, Inc.
Save Mart Companies
Sav-Mor Drug Stores
Smith Drug Company
South Carolina Pharmacy Association
South Dakota Pharmacists Association
Southern Pharmacy Cooperative
Tennessee Grocers and Convenience Store Association
Tennessee Pharmacists Association
Texas Pharmacy Association
Texas Pharmacy Business Council
Texas Retailers Association
Thrifty White
Utah Food Industry Association
Utah Pharmacy Association
Utah Retail Merchants Association
UW Health
Value Drug Company
Virginia Pharmacists Association
Wakefern Food Corp.
Washington Food Industry Association
Washington State Pharmacy Association
West Virginia Independent Pharmacy Association
West Virginia Pharmacists Association
West Virginia University Health System
Western States Pharmacy Coalition
Wisconsin Grocers Association
Wyoming Pharmacy Association