



NATIONAL ASSOCIATION OF  
CHAIN DRUG STORES

Statement

Of

The National Association of Chain Drug Stores

For

U.S. House of Representatives  
Committee on Energy and Commerce  
Subcommittee on Health

Hearing Entitled:

“Messing with Success: How CMS’ Attack on the Part D Program  
Will Increase Costs and Reduce Choices for Seniors”

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The National Association of Chain Drug Stores (NACDS) thanks the Members of the Subcommittee on Health for consideration of our comments for the hearing entitled “Messing with Success: How CMS’ Attack on the Part D Program Will Increase Costs and Reduce Choices for Seniors.” NACDS and the chain pharmacy industry are committed to partnering with Congress, the Centers for Medicare & Medicaid Services (CMS), patients, and other healthcare providers to improve the quality and affordability of the Medicare program.

We are currently reviewing CMS’s recently issued proposed rule regarding “Contract Year 2015 Policy and Technical Changes to the Medicare Advantage and the Medicare Prescription Drug Benefit Programs.” To respond to CMS, we are drafting written comments, and would be pleased to provide copies to the Subcommittee Members when completed. At this time, however, we would like to share with the Committee comments of interest for the hearing.

NACDS represents traditional drug stores and supermarkets and mass merchants with pharmacies. Chains operate more than 40,000 pharmacies, and NACDS’ 125 chain member companies include regional chains, with a minimum of four stores, and national companies. Chains employ more than 3.8 million individuals, including 175,000 pharmacists. They fill over 2.7 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 800 supplier partners and nearly 40 international members representing 13 countries.

**Introduction: Value of Pharmacy**

NACDS believes that pharmacists play a vital role in advancing the health, safety and well-being of the American people. 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.

As an organization representing healthcare companies that create and support millions of jobs in the U.S., we understand the importance of reducing and controlling our nation’s mounting debt, and we offer our solutions as to how pharmacy can add value and save money for the nation. In recent years, retail community pharmacies have played an increasingly important role in providing patient care. For example, pharmacists promote cost savings by improving medication adherence through medication management therapy (MTM), expanding the proportion of Americans that are immunized and increasing the use of generic drugs.

**Medication Therapy Management (MTM): Better Outcomes and Lower Costs**

Pharmacists have the ability to improve medication adherence. The costs of poor adherence are staggering, costing the U.S. approximately \$290 billion annually, 13% of total healthcare costs.<sup>1</sup> These unnecessary costs fall disproportionately on government programs such as Medicare and Medicaid, which cover approximately 30 percent of all prescription drugs

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<sup>1</sup> New England Healthcare Institute, 2009

dispensed in this country. The experiences of Part D beneficiaries, as well as public and private studies, have confirmed the effectiveness of pharmacist-provided MTM.

A recent report by CMS found that Medicare Part D beneficiaries with diabetes, congestive heart failure (CHF) and chronic obstructive pulmonary disease (COPD) who were newly enrolled in the Part D MTM program experienced increased medication adherence and discontinuation of high-risk medications. According to the report, patients with CHF and diabetes had nearly \$400 to \$525 in lower overall hospitalization costs than those who did not participate in the Part D MTM program. The report also found that MTM can lead to reduced costs in the Part D program as well, showing that the best performing plan reduced Part D costs for diabetes patients by an average of \$45 per patient.

A *Health Affairs* article from July 2013 reported the findings of a study demonstrating that targeting efforts to improve medication adherence, especially among people who are high users of healthcare services, and increasing Medicare Part D enrollment in MTM could improve health and lower costs. The study found that poor medication adherence was associated with additional medical and hospital visits resulting in otherwise avoidable spending for Medicare Part A and B services in the range of \$49 to \$840 per beneficiary per month. In addition, the study demonstrated that aligning MTM eligibility with a metric such as potentially preventable future costs holds promise for both improving the quality of care and reducing spending.

Moreover, how and where MTM services are provided also impacts effectiveness. A study published in the January 2012 edition of *Health Affairs* identified the key role of retail pharmacies in providing MTM services. The study found that pharmacy-based intervention programs increased patient adherence for patients with diabetes and the benefits were greater for those who received counseling in a retail, face-to-face setting as opposed to a phone call from a mail order pharmacist. The study suggested that interventions such as in-person, face-to-face interactions between the retail pharmacist and the patient contributed to improved behavior with a return on investment of 3 to 1. Policymakers have begun to recognize the vital role that local pharmacists can play in improving medication adherence. The role of appropriate medication use in lowering healthcare costs was recently acknowledged by the Congressional Budget Office (CBO). The CBO revised its methodology for scoring proposals related to Medicare Part D and found that for each one percent increase in the number of prescriptions filled by beneficiaries there is a corresponding decrease in overall Medicare medical spending. When projected to the entire population, this translates into a savings of \$1.7 billion in overall healthcare costs, or a savings of \$5.76 for every person in the U.S. for every one percent increase in the number of prescriptions filled.

### **NACDS Model PBM Legislation**

NACDS has promoted state model legislation that we believe will contribute to maintaining patient access and reducing barriers to care, particularly for beneficiaries who reside in rural areas or face cultural or linguistic challenges. Community pharmacies meet patients' needs

for convenient access through a highly competitive environment that gives consumers choices in how their medications and healthcare services are provided.

We believe that imposing narrow pharmacy networks would restrict patient freedom to patronize the business of their choosing and the knowledgeable professionals that play a critical role in providing care and cost savings. People who take prescription medications regularly, manage chronic diseases, use emerging pharmacy services, and who are older have even stronger positive opinions about access to their own pharmacy.

NACDS has also promoted with our model legislation in the states the need for honest and transparent pricing. We believe prescription drug pricing standards are vital and that regular updating of pricing lists and notification of changes are imperative. Transparency in pricing determinations helps providers have a clear understanding of the standard benchmarks that will be used in establishing the cost of a drug. This allows for proper business planning and can help alleviate the impact of acquisition cost swings in the generic drug market that have occurred recently. The ability to address any volatility in drug cost pricing is essential to the success of pharmacies.

In addition to supporting transparency in pricing determinations, NACDS also has promoted initiatives to require fair and honest dealing with pharmacies with respect to appeals processes for challenging pricing determinations. Finally, in our model legislation we have supported measures to ensure that pharmacies are not subject to unfair pharmacy audits. Audits are intended as tools to seek out and eliminate fraud, waste, and abuse. However, pharmacies

have been forced to endure audits that impose inordinate penalties for minor oversights and technical miscues.

### **Conclusion**

We thank you for your leadership on these critically important healthcare issues and look forward to working with you as the nation seeks to address the fiscal challenges before it.