



COALITION *for* COMMUNITY
PHARMACY ACTION

FOR IMMEDIATE RELEASE
June 19, 2008

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Pharmacies May Face More Than \$110,000 Costs Per Store in First-Year to Implement Drug Track and Trace Technology if Mandated; Safety of Normal Distribution Channel Affirmed

Alexandria, Va. – The Coalition of Community Pharmacy (CCPA), comprised of the National Community Pharmacists Association (NCPA) and the National Association of Chain Drug Stores (NACDS), today released the results of a [study](#) on the safety of the U.S. pharmaceutical supply chain and the impact of a federally mandated track and trace system on the retail pharmacy segment of U.S. prescription drug supply chain, if implemented.

The study found that existing changes in supply chain security including changes in state laws regulating wholesaler licensure have deterred instances of counterfeit drugs in the U.S. drug distribution channel since 2005; track and trace technology is still years away from widespread deployment in the U.S. supply chain; and the cost of implementing track and trace technology would cost pharmacies between \$84,000 to more than \$110,000 per store in the first year alone, along with other substantial costs for implementing track and trace systems.

The study further reveals that supply chain partners have taken voluntary and vigilant steps to help ensure a secure drug distribution system. “Since 2005, changes in the way that manufacturers, wholesalers, and pharmacies obtain and purchase prescription drugs may be responsible for the low number of reported counterfeit incidents in the United States,” the report states. The report also indicates that the counterfeit problems that do exist largely are fueled by illicit internet websites. Through a combination of literature review and industry interviews, the study documents no instances of counterfeit drugs in the normal distribution channel since 2005.

CCPA has maintained that the substantial cost to retail pharmacy to implement a federally mandated track and trace program would be detrimental to the industry and other cost beneficial alternatives to enhance the security of the U.S. drug distribution

supply chain should be explored. CCPA also has noted track and trace is not ready to be implemented broadly.

The report states, “In addition to a lofty price tag, there are other cost considerations that need to be taken into account for a 100% compliant implementation of track and trace, such as costs for operational improvements to deter higher costs, the need for a uniform data carrier standard, and the lack of a unified track and trace model among all industry segments and trading partners. Furthermore, the ability to move forward with implementation of a track and trace system on a large scale will not be in place for many years.”

The more than **\$84,000 to over \$110,000 per-pharmacy first year cost** estimate includes expenses for full implementation of hardware/software, infrastructure, implementation resource costs as well as additional labor costs for operating a track and trace system - notwithstanding other substantial costs for pharmacies to build and maintain data centers to manage the required information and investment costs for pharmacy distribution centers. The financial cost of implementing a track and trace system could reach upwards of two percent of total annual pharmacy sales in the first year, in an industry which only averages an annual net profit margin of three percent.

“This study provides important perspective for policymakers at the federal and state levels, as they consider policy options for safeguarding the drug supply,” said NACDS President and CEO Steven C. Anderson. “Seeing that patients receive legitimate, safe and effective products is a top priority for pharmacy, as is pursuing the right courses of action toward this goal.”

“The decision makers now have evidence to substantiate two critical facts when it comes to the admirable goal of stopping counterfeit drugs from entering the marketplace,” said Bruce T. Roberts, RPh, NCPA Executive Vice President and CEO. “First, the problem is caused by internet drug operators, who are not legitimate health care providers that unfortunately are not targeted in the current legislative solutions being bandied about Congress. Second, the cost to fix this problem is an enormous unfunded mandate that would create a tremendous financial strain on community pharmacies. We hope that Congress realizes these facts and opposes the ill-conceived provisions that are contained in the bill addressing this issue—H.R. 5839.”

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The National Association of Chain Drug Stores (NACDS) represents traditional drug stores, supermarkets and mass merchandisers with pharmacies. Its approximately 200 chain member companies include regional chains with a minimum of four stores to national companies. NACDS members also include approximately 1,000 suppliers of pharmacy and front-end products, and approximately 100 international members representing more than 30 countries. Chains operate more than 39,000 pharmacies, and employ a total of more than 2.7 million employees, including 118,000 pharmacists. They fill nearly 2.5 billion prescriptions yearly, and have annual sales of over \$750 billion. For more information about NACDS, visit www.NACDS.org.

[The National Community Pharmacists Association](#), founded in 1898, represents the nation's community pharmacists, including the owners of more than 23,000 pharmacies. The nation's independent pharmacies, independent pharmacy franchises, and independent chains dispense nearly half of the nation's retail prescription medicines.