

August 17, 2011

The Honorable Maggie Crotty
Illinois State Senate
Co-Chair Joint Committee on Administrative Rules
5119 West 159th Street, 1st Floor East
Oak Forest, IL 60452

The Honorable Angelo “Skip” Saviano
Illinois House of Representatives
Co-Chair Joint Committee on Administrative Rules
14 Conti Parkway
Elmwood Park, IL 60707

Subject: Opposition to Proposed Decrease to Medicaid Pharmacy Reimbursement

Dear Senator Crotty and Representative Saviano:

On behalf of the National Community Pharmacists Association (NCPA) I provide this letter in opposition to the Illinois Department of Healthcare and Family Services proposal to decrease Medicaid pharmacy reimbursement from AWP-12% to WAC+1% and to slow the reimbursement cycle to 160 days. NCPA feels that the proposed decrease in reimbursement in conjunction with the delayed payment cycle would be devastating to community pharmacy and could result in many providers being forced to opt out of participation in the Medicaid program. Thereby, this proposal may negatively impact Illinois Medicaid beneficiaries’ access to needed medications leading to costly downstream medical interventions—such as hospitalizations and emergency room visits—at an even greater cost to the state.

NCPA represents America’s independent community pharmacists, including the owners of more than 23,000 community pharmacies, pharmacy franchises and chains. Our members employ over 300,000 full-time employees and dispense nearly half of our nation’s retail prescription medicines. In Illinois alone our members are responsible for over 7,000 employees and \$2,862,554,967 in total annual sales (2009 statistic). Given the greater prevalence of independent community pharmacies in rural and low income areas they typically serve a higher concentration of Medicaid beneficiaries than chain pharmacies. On average, independent community pharmacies derive approximately 14% of their annual prescription volume from Medicaid patients as opposed to the chain pharmacies that derive about 7% of their annual prescription volume from the Medicaid program. In other words, our members understand the value of the Medicaid program as well as the challenges inherent in providing care to this population.

The proposed cut and delayed reimbursement if approved could result in forcing independent community pharmacies with a high volume of Medicaid beneficiaries to close their doors. If this occurs, there may be significant disparities in access to pharmacy providers and needed medications for Medicaid beneficiaries in violation of 42 U.S.C. 1396a(a)(13)(A)(2000), which provides in relevant part: “A state plan for medical assistance must...provide...for public process for determining rates of payment...” and payments “...must be sufficient to enlist enough providers so that services under the plan are available to recipients at least to the extent that those services are available to the general population.” As stated above, such disparities caused by pharmacy providers closing their doors or not opting to participate in the program could result in more costly healthcare services being required.

The inclusion of a provision that would slow or delay the reimbursement cycle would prove to be particularly onerous on independent community pharmacies. These small business owners simply do not have the same financial flexibility that a chain pharmacy may have in being able to effectively reimburse their suppliers or pharmaceutical wholesalers out of monies on hand while waiting for Medicaid reimbursement from the state. In addition, this proposal to delay the payment cycle for pharmacy providers stands in direct contrast to the emerging trend of encouraging the timely reimbursement of pharmacy providers in government programs. For example, effective January 1, 2010, Medicare Part D plans must pay pharmacies within 14 days of the submission of clean prescription claims.

NCPA is sympathetic to the plight that many states are facing to balance budgets while maintaining services to their citizens. However, we feel Illinois is attempting to implement blanket Medicaid reductions to balance a budget shortfall that could be remedied by the implementation of a variety of other options. These other options could save the state and the overall healthcare system even greater dollars than the proposed pharmacy reimbursement cut.

Community Pharmacists Can Help Increase Generic Usage and Decrease Medicaid Spending:

The increased use of generic medications would substantially reduce overall cost to the Medicaid system. One study developed by IMS Health, a company that provides market research for the pharmaceutical industry, states that with each 1% increase in generic drug dispensing the overall healthcare system would see a savings of approximately \$4 billion. In 2006 a report concluded that Medicare Part D showed a \$12 billion lower than estimated operating cost due to higher than expected generic dispensing (HHS, Generic Drug Utilization in Medicare Part D, November 2007). Independent Community Pharmacists play a key role in the dispensing of generic medications and do so at a higher rate than other pharmacy options.

Community Pharmacists Can Play an Active Role in Containing Medicaid Spending:

Community pharmacists play a vital role in the Medicaid program as the backbone of its drug benefit. In addition, local pharmacists provide expert medication counseling and other cost saving services that mitigate \$290 billion annual costs of treating patients that do not adhere to their medication regimen. This form of pharmacist patient interaction should be supported by the Medicaid system.

Through generic dispensing, promoting optimal medication usage and adherence through face-to-face pharmacist interaction, and coordinating patient care with other healthcare provider's, community pharmacists can play an active role in averting downstream medical interventions at an even greater cost to the state.

In conclusion, NCPA urges JCAR members to oppose the proposed rule. NCPA recommends that Illinois partner with Medicaid providers to find cost savings that do not jeopardize the care of vulnerable beneficiaries. NCPA would be happy to work with JCAR members to further discuss how teaming with Illinois's community pharmacists can save the Illinois Medicaid system money during these difficult financial times.

NCPA respectfully urges you to consider these concerns. We appreciate the opportunity to share our thoughts and recommendations with you.

Sincerely,



Susan Pilch
Senior Director, Policy and Regulatory Affairs