December 18, 2011

Governor Sean Parnell
Office of the Governor, Alaska State Capitol Building
PO Box 110001
Juneau, Alaska 99811-0001

Subject: Potential Savings for State Employee Benefit Plans by Increased Utilization of Generic Medications

Dear Governor Parnell:

The National Community Pharmacists Association (NCPA) has compiled the enclosed information to document the cost savings opportunities available to the New Hampshire Employees Health Benefit Plan through increased utilization of generic medications. New Hampshire’s independent community pharmacies have demonstrated a unique capability to drive higher generic utilization through in store face-to-face counseling of patients. If utilized properly, NCPA estimates that community pharmacists, through the increased use of generic medications, could potentially save the state employee benefit health plan over $57 million.

NCPA represents America’s community pharmacists, including the owners of more than 23,000 community pharmacies, pharmacy franchises and chains. Together, these small business entities employ over 300,000 full-time employees and dispense nearly half of the nation’s retail prescription medicines. There are currently 39 independent community pharmacies in New Hampshire that employ about 414 persons.

Increase in Generic Drug Availability Signals a Unique Opportunity for Significant Cost Savings

States provide healthcare coverage for large numbers of employees. The National Conference of State Legislatures (NCSL) reported that in 2002, states provided coverage for over 3.4 million state government employees and retirees. When their covered dependents and family members were included, this number increased to about seven million people covered under state plans. Given the size and number of beneficiaries covered under state employee benefit plans, it only makes sense to encourage the increased use of generic medications as a proven way to save state healthcare dollars.

Most notably, in the next two years, many costly brand name medications will also be losing their patents, falling off the so-called “patent cliff”. This will result in the increased availability of
generic versions of many well-known and highly utilized brand name maintenance medications such as Lipitor®, Plavix®, Seroquel® and Nexium®. The enclosed information demonstrates the estimated savings to the state that can be achieved through generic drug dispensing and pharmacist interaction.

Generic Utilization Cost Savings are Greater at Community Pharmacies, Not Mail Order

It is critical to remember that cost savings are best realized through the use of community retail pharmacy.

Community pharmacies lead the field in increasing generic utilization and reinforcing patient adherence to their drug regimens. Studies have shown that the use of mail order can actually undermine savings from generics. Moreover, mail order pharmacy does not offer the valuable face-to-face interaction between patient and pharmacist that is so instrumental in reinforcing optimal drug usage.
Although there seems to be a widespread perception that mail order pharmacy saves money—this is not a proven fact. In reality, several studies that reviewed health plan claims have shown that for all claims, the generic dispensing ratios were lower in the mail-order outlet than in community pharmacy. PBMs make excuses regarding mail order’s sub-optimal generic dispensing rates, such as the scarcity of generics available in the maintenance medication classes, that drive up the cost of generics. Community pharmacies are leading the way in dispensing cost-saving generics, saving money for both health plans and their beneficiaries. For every one percent increase in generic utilization, health plans save 2.5 percent of total drug spending.

- Community pharmacies dispense generic drugs more often by 10 to 13 percentage points than do the top three mail order pharmacies operated by Medco, Express Scripts and CVS Caremark.

- For a health plan with 10,000 beneficiaries, for every 1 percent increase in generic use, the health plan can save $180,000.

As reported by the PBM’s SEC filings, the 10 to 13 percentage point increase in the use of generics driven by community pharmacies can potentially save a health plan with 10,000 beneficiaries $1.8 million to $2.34 million annually. Rebates on brand name drugs – which are five times more expensive than generics – drive the PBMs’ appetite for brands since a significant portion of their profit maximizing strategy is to retain as much of these rebates as possible.

### Community Pharmacists Increase Patient Medication Adherence & Produce Better Health Outcomes

Patient pharmacist interaction is vital to patient care, cost savings and medication adherence. Individualized attention for a patient available in community pharmacies can provide increased cost savings and optimized patient outcomes. It’s estimated that the minimum annual cost of non-adherence to patients prescribed medication regimen to the U.S. health system is $290 billion. Community pharmacists are medication experts and provide counseling that ensures patients are taking their medications properly. Face-to-face patient/pharmacist counseling is 2 to 3 times more effective at increasing a patient’s medication adherence than other pharmacy options. A retrospective analysis of data published over 40 years found that face-to-face pharmacist counseling was the most effective at driving patient adherence followed by nurses talking directly with patients as they leave a hospital.

### Mail Order Pharmacy is More Costly: Fewer Generics Dispensed and Lower Patient Compliance:

Study after study has shown that health plans that subsidize the co-payment of drugs for their members to encourage them to use PBM-owned mail order dispensing actually pay more for drugs. Many pharmacy benefit consultants, the pharmacy cost expert’s health plan sponsors pay for advice, agree with these studies’ findings. Community pharmacies dispense cost savings generic medications 72.7% of the time and as stated above face-to-face patient/pharmacist counseling is 2 to 3 times more effective at increasing a patient’s medication adherence.

### Conclusion

NCPA respectfully requests that you take these recommendations into consideration and choose to work with NCPA and your states community pharmacists to achieve cost savings for your state employee benefit plan. Optimal results can be achieved through aligning the interests of patients, prescribers, pharmacy and payers. With so many brand medications coming off patent in the near future, now is the time to take action and work with the medication experts, your community pharmacists, to achieve savings.

NCPA welcomes the opportunity to work with you, and encourages you to contact us at your convenience.

Sincerely,

B. Douglas Hoey, RPh, MBA
Chief Executive Officer
National Community Pharmacists Association

Cc: The Honorable Gary Stevens / The Honorable Mike Chenault
In 2011 and 2012, 43 commonly used branded drugs are scheduled to have a generic alternative. The table on the reverse side provides a summary of the generic equivalents that will be made available and the potential savings that these generics will bring to your state government.

- NCPA estimates that approximately 70,000 state employees and family members in Alaska currently use these commonly prescribed branded drugs
- Total current spending on these branded drugs amounts to $80M annually
- Total potential savings from generic equivalents amount to $57M annually

The largest savings will come from generic equivalents to Lipitor and Plavix, saving Alaska $18M annually.

Retail pharmacies dispense generic drugs more often by 10 to 13 percentage points than do the top three mail order pharmacies operated by Medco, Express Scripts and CVS Caremark. For a health plan with 10,000 beneficiaries, for every 1 percent increase in generic use, the health plan can save $180,000. The 10 to 13 percentage point increase in the use of generic drugs driven by retail pharmacies can potentially save a health plan with 10,000 beneficiaries $1.8 million to $2.34 million.

**Methodology:**
It is assumed that one year after the generic equivalent becomes available, the generic price will fall by 80 percent relative to the brand price. A generic substitution rate of 90 percent is also assumed. Estimated usage is based on extrapolation of drug utilization data provided by Excellus BlueCross BlueShield’s pharmacy management division. Estimated annual spend is the current annual spend on branded drugs. Estimated annualized savings opportunities is the potential savings if 90% of the brand drug use is to transition to generic use and if the price of the generic equivalent is 80% lower than the current price of the brand drug.

![Chart showing potential savings by drug category](chart.png)

## 2012 Savings to Alaska from Increased Generic Drug Use

<table>
<thead>
<tr>
<th>Brand Drug</th>
<th>Estimated Annual Spend</th>
<th>Estimated Annualized Savings Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Infectious Disease</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Doryx</td>
<td>$308,000.00</td>
<td>$221,760.00</td>
</tr>
<tr>
<td>Vfend</td>
<td>$273,000.00</td>
<td>$196,560.00</td>
</tr>
<tr>
<td>Levaquin</td>
<td>$1,505,000.00</td>
<td>$1,083,600.00</td>
</tr>
<tr>
<td>Viramune</td>
<td>$59,500.00</td>
<td>$42,840.00</td>
</tr>
<tr>
<td>Combivir</td>
<td>$259,000.00</td>
<td>$186,480.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$2,404,500.00</td>
<td>$1,731,240.00</td>
</tr>
<tr>
<td><strong>Cardiovascular</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rythmol SR</td>
<td>$420,000.00</td>
<td>$302,400.00</td>
</tr>
<tr>
<td>Sular SR</td>
<td>$98,000.00</td>
<td>$70,560.00</td>
</tr>
<tr>
<td>Lipitor</td>
<td>$14,217,000.00</td>
<td>$10,236,240.00</td>
</tr>
<tr>
<td>Caduet</td>
<td>$371,000.00</td>
<td>$267,120.00</td>
</tr>
<tr>
<td>Avapro</td>
<td>$2,709,000.00</td>
<td>$1,950,480.00</td>
</tr>
<tr>
<td>Avalide</td>
<td>$1,750,000.00</td>
<td>$1,260,000.00</td>
</tr>
<tr>
<td>Plavix</td>
<td>$10,717,000.00</td>
<td>$7,716,240.00</td>
</tr>
<tr>
<td>Lescol/ Lescol XL</td>
<td>$301,000.00</td>
<td>$216,720.00</td>
</tr>
<tr>
<td>Tricor</td>
<td>$3,479,000.00</td>
<td>$2,504,880.00</td>
</tr>
<tr>
<td>Exforge/Exforge HCT</td>
<td>$210,000.00</td>
<td>$151,200.00</td>
</tr>
<tr>
<td>Diovan</td>
<td>$3,976,000.00</td>
<td>$2,862,720.00</td>
</tr>
<tr>
<td>Diovan HCT</td>
<td>$3,080,000.00</td>
<td>$2,217,600.00</td>
</tr>
<tr>
<td>Atacand/Atacand HCT</td>
<td>$399,000.00</td>
<td>$287,280.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$41,727,000.00</td>
<td>$30,043,440.00</td>
</tr>
<tr>
<td><strong>Neuropsychiatric</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Zyprexa</td>
<td>$1,995,000.00</td>
<td>$1,436,400.00</td>
</tr>
<tr>
<td>Lexapro</td>
<td>$3,885,000.00</td>
<td>$2,797,200.00</td>
</tr>
<tr>
<td>Seroquel</td>
<td>$3,325,000.00</td>
<td>$2,394,000.00</td>
</tr>
<tr>
<td>Provigil</td>
<td>$2,688,000.00</td>
<td>$1,935,360.00</td>
</tr>
<tr>
<td>Geodon</td>
<td>$903,000.00</td>
<td>$650,160.00</td>
</tr>
<tr>
<td>Maxalt/Maxalt MLT</td>
<td>$1,449,000.00</td>
<td>$1,043,280.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$14,245,000.00</td>
<td>$10,256,400.00</td>
</tr>
<tr>
<td><strong>Gastrointestinal, Urinary, Hormone</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Entocort EC</td>
<td>$924,000.00</td>
<td>$665,280.00</td>
</tr>
<tr>
<td>FemHRT 1/5</td>
<td>$77,000.00</td>
<td>$55,440.00</td>
</tr>
<tr>
<td>Ovcon</td>
<td>$18,620.00</td>
<td>$13,406.40</td>
</tr>
<tr>
<td>Uroxatral</td>
<td>$483,000.00</td>
<td>$347,760.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,502,620.00</td>
<td>$1,081,886.40</td>
</tr>
<tr>
<td><strong>Diabetes</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Avandia</td>
<td>$476,000.00</td>
<td>$342,720.00</td>
</tr>
<tr>
<td>Avandaryl</td>
<td>$59,500.00</td>
<td>$42,840.00</td>
</tr>
<tr>
<td>Actos</td>
<td>$6,265,000.00</td>
<td>$4,510,800.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$6,800,500.00</td>
<td>$4,896,360.00</td>
</tr>
<tr>
<td><strong>Respiratory</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clarinex/Calrinx-D</td>
<td>$833,000.00</td>
<td>$599,760.00</td>
</tr>
<tr>
<td>Singulair</td>
<td>$8,001,000.00</td>
<td>$5,760,720.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$8,834,000.00</td>
<td>$6,360,480.00</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Xalatan</td>
<td>$1,372,000.00</td>
<td>$987,840.00</td>
</tr>
<tr>
<td>Femara</td>
<td>$1,386,000.00</td>
<td>$997,920.00</td>
</tr>
<tr>
<td>Aromasin</td>
<td>$455,000.00</td>
<td>$327,600.00</td>
</tr>
<tr>
<td>Elestat</td>
<td>$42,000.00</td>
<td>$30,240.00</td>
</tr>
<tr>
<td>Tazorac</td>
<td>$210,000.00</td>
<td>$151,200.00</td>
</tr>
<tr>
<td>Boniva</td>
<td>$896,000.00</td>
<td>$645,120.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$4,361,000.00</td>
<td>$3,139,920.00</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td>$79,874,620.00</td>
<td>$57,509,726.40</td>
</tr>
</tbody>
</table>