

CHAMBER OF COMMERCE
OF THE
UNITED STATES OF AMERICA

R. BRUCE JOSTEN
EXECUTIVE VICE PRESIDENT
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August 17, 2007

The Honorable Max Baucus
United States Senate
Washington, DC 20510

Dear Senator Baucus:

The U.S. Chamber of Commerce, the world's largest business federation representing more than three million businesses and organizations of every size, sector, and region, applauds your introduction of S. 1951, the "Fair Medicaid Drug Payment Act of 2007." This bill would correct Medicaid reimbursement rules that threaten to raise drug costs for the nation's most in-need patients and put community pharmacies out of business. The Chamber supports keeping these pharmacies viable so they can continue to serve the Medicaid population.

According to the Government Accountability Office, the new Medicaid reimbursement formula will not cover pharmacies' costs of buying many drugs. Combined with the costs of dispensing the drugs, pharmacies would be facing serious financial losses. This would limit Medicaid beneficiaries' access to medications, driving down the quality of care they receive, and increasing health care costs throughout the system. If affordable medications are not accessible to Medicaid beneficiaries, decreased wellness could lead to devastating cost increases for beneficiaries, the Medicaid program, and other payers. It is in the best interest of the federal and state governments who fund Medicaid, and the business community for Medicaid beneficiaries to be on their medications—which requires that those medications be reasonably available and affordable.

The Chamber supports S. 1951 because it corrects the formula for Average Manufacturer Price (AMP) to exclude mail-order discounts and takes drug utilization into account. The corrected formula will average generic prices to calculate adequate pharmacy reimbursement, and increase Medicaid reimbursement from 250 percent of the AMP to 300 percent, so that pharmacies are not reimbursed below costs.

Thank you for sponsoring S. 1951, which will help maintain Medicaid beneficiaries' access to affordable prescription drugs, support America's small businesses, and help control the rising costs of health care in the United States. The Chamber looks forward to working with you to enact this important legislation.

Sincerely,



R. Bruce Josten