

December 9, 2009

Cindy Mann, Director
Center for Medicaid and State Operations
Centers for Medicare and Medicaid Services
200 Independence Avenue S.W.
Washington, D.C. 20201

Re: Proposed Ohio State Plan Amendment

The National Community Pharmacists Association (NCPA) is writing to request that the Centers for Medicare and Medicaid Services (CMS) not approve the proposed State Plan Amendment submitted by the Ohio Department of Job and Family Services in late September that would cut the pharmacy dispensing fee from \$3.70 down to \$1.80.

NCPA represents the pharmacy owners, managers and employees of more than 22, 000 independent community pharmacies across the U.S. The nation's independent pharmacies, independent pharmacy franchises and independent chains dispense nearly half of the nation's retail prescription medications. At the present time, there are 607 independent community pharmacies that employ over 6,500 people in the state of Ohio.

NCPA is very concerned that the drastic proposed cut in the pharmacy dispensing fee will have a devastating effect on independent community pharmacies. Independent pharmacies are far more likely to be located in rural areas or in traditionally underserved areas than their chain counterparts. Because of their location in these areas, independent pharmacies serve a significant number of Medicaid beneficiaries and derive on average about 15.5% of their total revenue from such business. In contrast, the typical chain pharmacy derives on average only about 7% of its total revenue from serving Medicaid beneficiaries. In addition, independent community pharmacies derive virtually all their revenue from the sale of prescription drugs versus the chain pharmacies that oftentimes sell a large amount of general retail items.

The proposed cut, if approved, could very well have the result of forcing some independent community pharmacies with a high volume of Medicaid patients to close their doors. If this occurs, there may be significant disparities in access to pharmacy providers and needed medications for Medicaid beneficiaries as opposed to other state residents in violation of the Medicaid Act under 42 U.S.C. 1396a(30)(A). In turn, this could lead to an increased need for other more costly health care services, such as emergency room admissions, at significant cost to the state.

The cost of dispensing (COD) is a measurement of the direct and indirect costs associated with dispensing a prescription drug. NCPA has calculated the COD in Ohio to be \$10.23 based on the 2007 Grant Thornton *Cost of Dispensing Study*. The state of Ohio in its most recent cost of dispensing survey

conducted in 2008 calculated the cost of dispensing a prescription in Ohio to be \$7.77. The variance between the two studies can be attributed to a difference in the underlying methodologies employed in the two calculations. In addition, the average Medicaid dispensing fee nationwide is \$5.02. While we are sympathetic to the significant budgetary shortfall in Ohio, the proposed cut of the pharmacy dispensing rate down to \$1.80 is not consistent with the true cost of dispensing regardless of the methodology employed and is ultimately shortsighted given the fact that this action could force numerous small business owners to shut down, eliminate needed jobs, and jeopardize the health of Medicaid beneficiaries in the state of Ohio. (Also, please reference the attached document that provides additional information about independent community pharmacies and dispensing in the state of Ohio).

Independent community pharmacists can play an active role in reducing health care costs by promoting the optimal use of prescription drugs and counseling beneficiaries to remain adherent to their drug regimens. These actions alone can reduce the number of hospitalizations and emergency room visits that are ultimately more costly to the Medicaid system than pharmacy reimbursement. Alternate solutions to reduction of pharmacy dispensing fees that will save states in reduced drug costs include step therapy, therapeutic substitution and medication therapy management.

Thank you for allowing us the opportunity to comment on the proposed Ohio State Plan Amendment and please do not hesitate to contact us for any additional information or to dialogue further on this matter and alternate solutions.

Sincerely,

John M. Coster, Ph.D., R.Ph.
Senior Vice President, Government Affairs
National Community Pharmacists Association