February 18, 2010

The Honorable Barack H. Obama
President of the United States of America
The White House
1600 Pennsylvania Avenue, NW
Washington, D.C. 20500

Subject: Pharmacy Recommendations for Bipartisan Meeting on Health Care Reform Legislation

Dear Mr. President:

The National Community Pharmacists Association (NCPA) appreciates the opportunity to provide our views on health care reform legislation. NCPA represents approximately 23,000 owners and operators of independent community pharmacies in the United States.

We appreciate all the hard work that has gone into health care reform legislation in this Congress on behalf of the patients community pharmacies serve. Health care reform presents many opportunities to improve the use of prescription medications, reduce health care costs, and enhance patient care through an expansion of pharmacist services. NCPA shares the goals of the White House summit, which are to find ways to reform the insurance marketplace, contain costs while improving quality, and expand coverage, all in a fiscally-responsible manner.

NCPA Supports Reform of Medicaid Pharmacy Reimbursement to Encourage Generic Use: NCPA strongly encourages that health care reform legislation include important reforms to the Average Manufacturer Price (AMP)-based reimbursement system for Medicaid generic drugs that was originally enacted in the Deficit Reduction Act (DRA) of 2005. These reforms, which have important bipartisan bicameral support, are critical to assuring both the continued dispensing of lower cost generic medications, and patient access to their neighborhood community pharmacies. These reforms are also critical because Medicaid could become an even larger payer for prescriptions in the future. Encouraging generic drug use is also important for containing costs in the Federal and state Medicaid prescription drug programs.

In general, we support the reforms that are included in the Senate health care reform bill, which would set a minimum reimbursement of “no less than 175% of the weighted average AMP”. This reimbursement level is critically important for the small business owners of independent and small community pharmacies, which derive 90 percent or more of their revenues from prescription sales. Independents also serve a higher percentage of Medicaid recipients than other pharmacies. Many independents operate pharmacies in rural and urban locations where most Medicaid recipients live. Access to community pharmacies is vital, as they often provide other health care services, such as vaccines and durable medical equipment.
NCPA Supports Strong PBM Transparency Language to Lower Drug Costs: We strongly support the provisions included in both House and Senate health care reform bills that would begin the process of creating transparency requirements for pharmacy benefit managers (PBMs). This transparency language begins the process of making important reforms to the last bastion of unregulated entities in the health insurance marketplace: PBMs. While applying only to plans that would have operated in the health insurance exchange, we believe that these requirements should apply to all health plans in general, including Medicare Part D plans.

Transparency gives health plans and payers important information that will empower them to make sure that PBMs are putting the best interests of the plan sponsor and its enrollees ahead of the self-serving financial interests of the PBMs. PBMs will argue that transparency will reveal sensitive financial information about individual drugs that will compromise their ability to negotiate with pharmaceutical manufacturers. In truth, transparency does not require PBMs to disclose rebates or sensitive pricing information. It simply requires disclosure of aggregate information on some of the most basic key elements of how PBMs work so that payers can assess if they are getting a good deal. In addition, CBO has indicated that the provision will have no cost. Many public and private plans have significantly reduced their drug costs through PBM transparency.

Recent Congressional hearings demonstrate that government agencies – such as the OPM - have done a relatively ineffective job in managing the FEHBP’s PBM-administered prescription drug benefits. The program receives fewer manufacturer rebates than other Federal government prescription drug benefit programs. Further, the PBMs administering the programs are not disclosing important information to OPM that would help determine whether Federal employees and retirees are getting a good deal. PBM transparency would make health plans – including government plans – more effective negotiators for and purchasers of pharmacy services.

NCPA Supports Expansion of Pharmacist Patient Care Services to Improve Quality of Care: We urge that health care reform legislation include an expanded role for pharmacists as included in both House and Senate health care reform bills. These provisions recognize the importance of an expanded patient care role for pharmacists through the delivery of medication therapy management (MTM) services and coordination of care with other health care providers. We strongly support provisions that will help assure more appropriate patient medication use and result in a decrease in medication-related problems, which cost the nation’s health care system more than $290 billion annually. Pharmacists should have a central role in the health care system in assuring medication adherence and compliance.

Specifically, we support programs that would test new innovative ways to deliver MTM services to patients, as well as provisions that allow for pharmacists to play a vital role as part of transitional care activities, the management of chronic disease, integrated care models, and accountable care organizations. Pharmacists will be able to provide these services with increasing frequency as they become part of the emerging interoperable health information network and have access to important patient-specific medical information.
NCPA Concerns with Health Insurance Requirements on Small Businesses: NCPA is concerned about any additional mandates, taxes or penalties that might be levied on small businesses at this crucial juncture. Health care reform should be targeted toward lowering the cost of health care and making it more affordable for small businesses to provide it to their employees. Legislation that sets overly burdensome national employer-provided coverage standards could lead to thousands of small independent pharmacies having to lay off staff or even close their doors.

We appreciate attempts to provide tax credits to small businesses to ease the burden of providing health insurance. However, NCPA is concerned that these tax credits will not aid a large majority of our members because our employees’ average salaries may be higher than the eligibility criteria. Because we employee highly-trained professionals, including pharmacists and pharmacy technicians, we tend to have higher average wages than other small businesses. However, we also employee lower-end wage earners. Moreover, unlike other small businesses, our average annual after tax profit is about 2 percent, while other small businesses average about 5 percent.

For these reasons, we ask that tax credits be available to small businesses which may have higher than average annual salaries, but which also may have a mix of skilled employees and lower than average net profit margins. Such small businesses should not be denied assistance because of the high level of training their employees are required to receive in order to operate these small businesses.

Mr. President, we appreciate your hard work and that of all the Members of Congress on health care reform. We also appreciate the support you have shown for patients and community pharmacies, which have more day-to-day interaction with patients than any other health care provider. We look forward to working with you as health care legislation moves forward. Thank you again.

Sincerely,

Bruce T. Roberts
Executive Vice President and CEO

cc: Kathleen Sebelius, Secretary, Department of Health and Human Services
    Nancy Ann Min-DeParle, White House Office of Health Care Reform
    Jeanne Lambrew, HHS Office of Health Care Reform