

Communities at Risk TEXAS MEDICAID FACT SHEET

In Texas, 1,750 independent pharmacies are threatened by dramatic federal cuts to Medicaid pharmacy reimbursement. The resulting financial hardship could force pharmacies to opt out of Medicaid or even close their stores, endangering the health and safety of thousands of Texas' Medicaid recipients—more than half of whom are children.

In thousands of communities across the nation, the local community pharmacy is a vital, indispensable community health resource.

- More than 50% of community pharmacies are located in an area with a population of less than 20,000.
- For the average independent pharmacy, 20% of prescriptions dispensed are for Medicaid recipients.
- Medicaid is the joint federal-state program that provides health care to more than 50 million poor and disabled persons, more than half of whom are children.
- In FY2005, Texas' Medicaid program paid \$2.4 billion for approximately 38 million prescriptions.

Pharmacies are being forced to operate below their costs.

- In December, CMS proposed \$8.4 billion in Medicaid cuts over the next five years. More than 90% of those cuts are expected to come from slashing pharmacy reimbursement for generic prescription medicines to Medicaid patients, despite the fact that pharmacy makes up only 2% of the budget.
- A study released by the Government Accountability Office (GAO) on Jan. 22 found that basing reimbursement on a new Average Manufacturer Price formula, as dictated by CMS, will result in pharmacists being paid, on average, 36% less than their acquisition cost on Medicaid prescriptions.
- Below-cost reimbursement and inadequate state Medicaid dispensing fees mean that pharmacies are being asked to subsidize the Medicaid program—losing money on nearly every Medicaid prescription they dispense.

Whole communities are at risk of losing their only pharmacy.

- Cuts to the Medicaid program disproportionately affect independent pharmacies since, on average, 92% of their business comes from prescription drugs, and they can not make up the losses in front-end store sales.
- NCPA conducted a national survey, which found that 86% of independent community pharmacists say the proposed regulations, as evaluated by the GAO, will influence their decision to continue participating in the Medicaid program.

The Texas House and Senate recently passed appropriations bills (HB1 and SB1), which are now in conference committee, which would increase state-paid dispensing fees and help offset the federal cuts.

- In Texas, the current Medicaid dispensing fee is \$5.14 + 1.95% (inventory management factor).
- The bills currently in conference would increase the dispensing fee paid to pharmacists. The House is currently considering a \$6.33 dispensing fee, while the Senate version indicates a \$7.50 dispensing fee. Both are a step in the right direction, but they are still short of what is needed to cover pharmacists' costs.

In states like Texas, protecting patient access to community pharmacies is an issue that rises to the level of public health policy.

- Texas' rural landscape is home to a greater population than the combined populations of Alaska, Delaware, North Dakota, Vermont, and Wyoming.¹
- Of the 1,196 incorporated cities in Texas, 1,012 (or 85%) have fewer than 10,000 residents.¹
- During the next four decades, the population in urban areas is expected to grow by almost 75%.¹
- Between 2000 and 2040, the population in rural counties will grow by 19%. The Hispanic population in all areas of Texas is expected to grow the fastest, increasing from nearly 320,000 to almost 590,000 in rural areas.¹
- One out of every four Texans lacks health insurance, the highest percentage of uninsured residents in any state in the nation, according to Census Bureau figures.¹

Source

¹ *The Status of Rural Texas, 2003*. Office of Rural Community Affairs.