

Communities at Risk

COMMUNITY PHARMACY FACT SHEET

Proposed cuts in Medicaid pharmacy reimbursement and inadequate state dispensing fees are threatening the health and safety of millions of Americans by driving independent community pharmacies out of the Medicaid program, and even out of business.

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

- More than 50 percent of community pharmacies are located in an area with a population of less than 20,000.
- For the average independent pharmacy, 20 percent 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.

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 percent of those cuts are expected to come from slashing pharmacy reimbursement for generic prescription medicines to Medicaid patients.
- 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 percent less than their acquisition cost on Medicaid prescriptions.
- On January 31, the Coalition for Community Pharmacy Action released a study on the cost to dispense a prescription, based on data from nearly half of all the retail pharmacies in the country. The study found it costs an average of \$10.50 for a pharmacist to dispense a prescription, not including the cost of the medication itself.
- The GAO report, together with the cost to dispense study, highlights the steep shortfall between pharmacy costs and the new pharmacy reimbursement proposed by CMS for the Medicaid program.

Whole communities are at risk of losing their only pharmacy.

- Medicaid cuts, combined with low and slow reimbursement under the Medicare Part D program, could force many pharmacies to close so that ALL patients lose access. In some states, six percent of all pharmacies closed in 2006 due to low and slow reimbursement under the Medicare Part D program. Further cuts to Medicaid will further threaten the economic viability of many pharmacies.
- Cuts to the Medicaid program disproportionately affect independent pharmacies since, on average, 92 percent of their business comes from prescription drugs, and they can not make up the losses in front-end store sales.
- Results from a new NCPA survey show that 86 percent of community pharmacists say they are likely to drop out of the Medicaid program if regulations being finalized by CMS, as evaluated by the GAO, go into effect.

Protecting patient access to community pharmacies is an issue that rises to the level of public health policy.

- Government policies that drive independent community pharmacies out of Medicaid, or even out of business, will result in increased costs to taxpayers in terms of increased emergency room visits, hospitalizations, and other unintended health consequences.
- The local community pharmacy is a crucial health care resource that's taken for granted—until it's gone, as we saw in the aftermath of Hurricane Katrina in the Gulf Coast region.