

TPA Communications

From: TPA Communications [communications@tnpharm.org]
Sent: Monday, October 31, 2005 4:17 PM
To: broadcast@tnpharm.org
Subject: Contact Your Members of Congress NOW about Medicaid Reform!

To: TPA Communications

On Friday, the Tennessee Pharmacists Association notified you that Committees in the House and Senate had adopted Medicaid Reforms that largely rely on cuts from the pharmacy program. We have received additional information from APhA and NCPA, both reprinted below.

According to the few TPA members who have been in contact with their legislators, Tennessee's members of Congress indicate that, for the most part, they are not hearing from pharmacists. **If you are not ready to give up your Medicaid patients, please review the material below carefully and contact your members of Congress NOW**, by visiting <http://www.tnpharm.org> and entering your zip code in the black and yellow "Write Your Legislators" box below the menu on the left.

To help you stay informed of important developments, the Tennessee Pharmacists Association is pleased to provide you with legislative, healthcare-related, regulatory and other notices as a benefit of membership.

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From the American Pharmacists Association (APhA):

House and Senate Committees Adopt Medicaid Reforms - Act Now!

As part of the Fiscal Year 2006 budget work, the House and Senate were directed to find approximately \$2.6 trillion in savings in the fiscal year 2006 budget. Cuts to the Medicaid program, including changes in Medicaid payment reform to pharmacy, have been part of these discussions since they began months ago. The budget conference committee report, which provides direction to committees on how much they must cut from the programs under their jurisdiction, included a directive to find \$10 billion in savings in the Medicaid program.

Senate Finance Committee

On October 25th, the Senate Finance Committee approved a budget package that is estimated to find \$10 billion in savings over five years. The source of the Committee's cuts are the Medicaid and Medicare programs - two of the larger federal programs under the Committee's jurisdiction. It is estimated that the proposal finds \$4.26 billion and \$5.78 billion in cuts to the Medicaid and Medicare programs respectively.

Unfortunately, the savings in the Medicaid program focus on pharmacy. Specifically, the Senate Finance proposal would amend the reimbursement for brand name drugs, changing it from an Average Wholesale Price (AWP) to an Average Manufacturers Price (AMP)-based formula. Generic drugs would be reimbursed using a new Federal Upper Limit (FUL) formula in which single source generic drugs would be reimbursed at 105% of AMP and multiple source generic drugs would be reimbursed at 115% of the weighted AMP (defined as the AMP for the form of the drug, weighted by the total number of units sold relative to the sum of all units for all forms of the drug that are therapeutically equivalent and bioequivalent.)

In addition to reforms to product reimbursement, the Committee also addressed pharmacist dispensing fees. The Senate Finance Committee's proposal directs States to pay a dispensing fee for each covered drug and requires that the multiple source drug fee be higher than the fee for other drugs. In establishing their dispensing fees, States would be required to take into consideration requirements established by the Secretary of Health and Human Services (HHS). These yet to be established requirements must include costs associated with: a pharmacist's time checking for information about an individual's coverage or performing quality assurance activities; the measurement or mixing of a covered drug or filling the

container; physically providing the prescription to the Medicaid beneficiary; delivery; special packaging; overhead relating to facility maintenance; equipment; staff salaries; geographic factors that impact operational costs; patient counseling; and the dispensing of drugs requiring specialty pharmacy care management services. HHS would be directed to establish a list of covered outpatient drugs that require specialty pharmacy care management services, which would be updated quarterly.

House Energy and Commerce Committee

On October 27, after two days of deliberating, the House Energy and Commerce Committee (E&C) approved their budget reconciliation package that includes cuts to the Medicaid program. Much like the Senate Finance Committee proposal, cuts to pharmacy reimbursement are central to the E&C proposal.

The E&C proposal establishes an upper limit for what they will pay for covered outpatient drugs [states may exclude certain pharmacies (nursing facility, hospital, and specialty)]. The upper limit for single source drugs is 106% of the Retail Average Manufacturers Price (RAMP) and for multiple source drugs is 120% of the volume weighted average RAMP. RAMP is defined as the average price paid to a manufacturer for the drug by wholesalers for drugs distributed to retail pharmacies; certain discounts are excluded from the calculation. Volume weighted RAMP is defined as the RAMP paid to all manufacturers by wholesalers for the drug, weighed by volume for retail pharmacies for the entire class of drugs with the same chemical composition and dosage form. The definition of retail pharmacy does not include mail-service or nursing facility pharmacies.

Additionally, the E&C proposal addresses pharmacist dispensing fees by requiring all states to pay a fee. States could not pay less than an \$8 dispensing fee for multiple source drugs, but could vary that amount to address pharmacies in rural and underserved areas, and 'sole' community pharmacies. The proposal also directs two federal agencies to conduct a study to assess the appropriateness of dispensing fee levels and the use of RAMP.

Finally, the E&C proposal addresses co-payments, a long-time source of bad debt in pharmacy. The proposal would provide states the authority to make premiums and cost-sharing (deductibles, co-payments, etc.) mandatory while exempting certain lower-income individuals. To encourage individuals to use 'preferred' drugs [identified by the state as the least (or less) costly effective prescription drugs within a class of drugs], the states would be authorized to use a tiered co-payment system.

Next Steps: Call for Action

Both the House and Senate committee proposals now go to their respective budget committees for consideration. The full Senate is expected to vote as early as the week of October 31st on the proposal, which has the potential of negatively impacting community pharmacy and its ability to continue to serve Medicaid patients.

Now is the time to contact your Members of Congress. To prepare, we recommend that you visit the website of the Coalition for Meaningful Medicaid Reform (<http://www.meaningfulmedicaidreform.com/index.html>). Spearheaded by the National Association of Chain Drug Stores (NACDS), the Coalition pulls together the pharmacy community to address the Medicaid payment cuts Congress is proposing. Coalition members include APhA, the National Community Pharmacists Association (NCPA), the National Council of State Pharmacy Association Executives (NCSPA), state pharmacy associations and pharmacies.

The website includes background information as well as a feature that facilitates communicating to Members of Congress. Additional information on Medicaid is also available on the APhA Federal Government Affairs website (<http://www.aphanet.org/GA>).

From the National Community Pharmacists Association (NCPA):

NCPA has characterized the Medicaid prescription drug proposals drafted by Senate and House committees as a "prescription for disaster." The Senate plan was approved 11-9 Tuesday by the Finance Committee and Wednesday 12-10 by the Budget Committee.

The votes in both Republican-majority committees were along straight party lines.

...Very likely starting Tuesday, November 1, the full Senate will begin debating the Deficit Reduction Omnibus Reconciliation Act of 2005. The pertinent part of this bill containing Medicaid provisions is Title VI - Finance Section 6000+.

[On October 27] the House Energy and Commerce Committee reported Title II of its Budget Reconciliation recommendations entitled, "Medicaid, Katrina Health Care Relief, and Katrina and Rita Energy Relief." Subtitle A includes the Medicaid provisions. There was not a roll call in the committee. Instead, the cuts passed by voice vote. These Title II provisions will now be addressed by the House Budget Committee, before being sent to the floor.

What follows is today's NCPA news release commenting on these prescriptions for disaster:

COMMUNITY PHARMACISTS BLAST PROPOSED MEDICAID CUTS

11/1/2005

Patients Will Lose Access to Care; Pharmacies Will Close

Alexandria, Virginia - October 28, 2005 Billions of dollars in proposed cuts to the Medicaid prescription drug benefit will result in less access to life-saving medication and sicker patients. These cuts could force up to 40 percent of this nation's community pharmacies to close their doors. That was the strong warning today from the National Community Pharmacists Association (NCPA). The U.S. House Committee on Energy and Commerce approved those budget cuts late Thursday. The Medicaid program covers 51 million poor and disabled persons, more than 50 percent of whom are children.

"In an effort to generate some short-term savings in the Medicaid program, Congress is on the verge of a catastrophic mistake that will hurt our patients and force many community pharmacists either out of the Medicaid program or out of business," said Bruce Roberts, R.Ph., NCPA executive vice president and CEO. "If Congress would work with us, together we could achieve more long-term savings while protecting the health care safety net on which so many vulnerable people depend," he added.

- Medicaid pharmacy reimbursement accounts for only 2 percent of Medicaid spending. Yet, nearly half (\$4.5 billion) of the proposed \$10 billion in cuts come from pharmacy.
- Under the new reimbursement formula, pharmacists would be forced to dispense prescriptions below their cost - losing money on every Medicaid prescription they dispense.
- Under the plan proposed by Congress, pharmacists would be discouraged from offering lower cost generic drugs.
- Up to 125,000 jobs may be lost if community pharmacies are forced to close because of these disproportionate cuts.

Working with community pharmacists to accomplish a modest eight percent increase in the use of generic drugs would save \$19 billion over five years, nearly double the savings Congress would like to achieve.

"Unless we change course now and work together to protect Medicaid patients' access to their medications, you will see these patients getting sicker and ending up in the emergency room, which will prove to be much more expensive in the long-run," Roberts said.

The National Community Pharmacists Association (NCPA) represents the nation's community pharmacists, including the owners of more than 24,000 pharmacies. The nation's independent pharmacies, independent pharmacy franchises, and independent chains represent an \$84 billion marketplace, dispensing nearly half of the nation's retail prescription medicines.
