



May 22, 2009

The Honorable Max Baucus  
Chairman  
Senate Finance Committee  
United States Senate  
Washington, DC 20510

The Honorable Charles Grassley  
Ranking Member  
Senate Finance Committee  
United States Senate  
Washington, DC 20510

RE: Comments on Finance Policy Options for Coverage Expansion

Dear Chairman Baucus and Ranking Member Grassley:

The Healthcare Distribution Management Association (HDMA) appreciates this opportunity to provide public comments on the Senate Finance Committee's May 14, 2009 white paper, "Expanding Health Care Coverage: Proposal to Provide Affordable Coverage for All Americans."

HDMA represents primary, full-service healthcare distributors who are responsible for distributing 76 percent of the nation's pharmaceutical supply. Each business day, HDMA member companies deliver more than eight million prescription medicines and healthcare products to more than 145,000 pharmacies, hospitals, nursing homes, clinics, physician offices, government and other providers in all 50 states. This essential public health function is provided with tremendous efficiency, saving the nation's healthcare system nearly \$32 billion each year. Millions of patients depend upon HDMA members to assure a ready, safe, and just-in time supply of medicines for pharmacies and other healthcare providers across the country.

### **Executive Summary**

HDMA shares the same goals as the Senate Finance Committee when it comes to expanding access to affordable, high-quality health insurance and believes this is a critical pillar in ensuring meaningful healthcare reform. HDMA has already released principles we believe would go a long way to achieving this goal—among those principles is a belief in supporting existing public programs to ensure the healthcare system has the tools necessary to meet the future challenges of providing high-quality affordable healthcare. To that extent, HDMA appreciates the opportunity to comment on options to pay for prescription drugs as part of the Senate Finance Committee's process for healthcare reform.

Distributors occupy a unique role in the healthcare delivery system—interacting with nearly all stakeholders in the healthcare system—which allows distributors a fresh perspective on coverage and access issues. As such, HDMA members often hear directly from their customers on issues pertinent to the healthcare debate. A top priority for distributors and pharmacies remains the need to correct the Average Manufacturer Price (AMP) reimbursement methodology for generic drugs.

Although not directly reimbursed by Medicaid, HDMA's primary, full-service distributor members provide prescription medicines and healthcare products to tens of thousands of community retail pharmacies across the nation. Community retail pharmacies are often the only healthcare providers in urban and rural areas, providing essential patient access to prescription medicines. Without appropriate reimbursements, these pharmacies, which often serve a large proportion of the Medicaid population, will have a difficult time continuing to provide life saving medications to Medicaid patients.

### **Changes to Medicaid Payment for Prescription Drugs**

HDMA is pleased to see the inclusion of options to address Medicaid payment for prescription drugs and appreciates the Committee's recognition of the importance of reforming the AMP reimbursement system for generic drugs in the Medicaid program. HDMA believes AMP-based reimbursement, as currently defined by the Centers for Medicare and Medicaid Services (CMS) should be revised to ensure that Medicaid reimbursement to retail pharmacies is fair and accurate for generic medicines dispensed to Medicaid patients.

As you are aware, the Deficit Reduction Act of 2005 (DRA) made statutory changes to the methodology for setting the Federal Upper Limit (FUL) for multisource drugs. CMS interpreted the DRA as requiring the "new" FUL to be set at 250 percent of the lowest AMP. Pharmacies and distributors are concerned that CMS final rules on how to calculate AMP do not appropriately reflect prices available to retail pharmacies and will result in unsustainable cuts to pharmacy reimbursement, distortions in the prescription drug marketplace, and most importantly, could very well curtail Medicaid patients' access to pharmacies and cost-effective generic drugs.

Due to your leadership, Congress recognized the potential adverse affects of CMS' interpretation of the AMP reimbursement system and delayed enactment of AMP in the "Medicare Improvements for Patients and Providers Act" (MIPPA) last year. This delay ends September 30, 2009. According to PricewaterhouseCoopers, allowing the AMP to be enacted as currently defined by CMS would result in drastic cuts to pharmacy reimbursement and could result in the closure of over 11,000 neighborhood pharmacies. These potential closures would affect not only Medicaid patients, but entire communities, who depend on local pharmacies for prescription medications and other health care services.

In light of the risk of these potential pharmacy closures, we strongly urge Congress to create a fair pharmacy reimbursement system for generic drugs in the Medicaid program prior to the end of the fiscal year — if such a time frame is not feasible, we strongly urge Congress to further extend the delay in the enactment of AMP beyond September 30, 2009, to allow sufficient time to continue to explore a fair pharmacy reimbursement system for generic drugs in the Medicaid program. Absent Congressional action by the end of September, Medicaid patients' access to neighborhood pharmacies, pharmacists, and affordable medications could be put at risk.

As part of the Committee's efforts to ensure high quality coverage and access to healthcare for all Americans, it is imperative that the Committee assure that pharmacies and pharmacists are adequately reimbursed so that they may continue providing medications to Medicaid patients. Correcting the AMP reimbursement methodology will go a long way to ensuring continued access to life-saving medications for Medicaid beneficiaries, encouraging appropriate generic utilization and strengthening Medicaid with the tools necessary to continue to provide affordable, high-quality healthcare coverage to millions of low-income families.

## **Conclusion**

On behalf of HDMA and our member companies, thank you for the opportunity to provide our comments on "Expanding Health Care Coverage: Proposal to Provide Affordable Coverage for All Americans." We remain ready to address any questions you may have about the issues, concerns and suggestions discussed above.

Sincerely,



Scott M. Melville  
Senior Vice President, Government Affairs