



NATIONAL ASSOCIATION OF
CHAIN DRUG STORES

Statement

Of

The National Association of Chain Drug Stores

For

United States Senate
Committee on Armed Services
Subcommittee on Personnel

Hearing on:

Healthcare Recommendations of the Military
Compensation and Retirement Modernization Commission

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216 Hart Senate Office Building

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Introduction

The National Association of Chain Drug Stores (NACDS) thanks the Subcommittee for the opportunity to submit a statement for today's hearing on Healthcare Recommendations of the Military Compensation and Retirement Modernization Commission. NACDS and the chain pharmacy industry are committed to partnering with Congress, the Department of Defense (DoD), and other healthcare providers to improve the quality and affordability of healthcare services.

NACDS represents traditional drug stores and supermarkets and mass merchants with pharmacies. Chains operate more than 40,000 pharmacies, and NACDS' 115 chain member companies include regional chains, with a minimum of four stores, and national companies. Chains employ more than 3.2 million individuals, including 179,000 pharmacists. They fill over 2.9 billion prescriptions yearly, and help patients use medicines correctly and safely, while offering innovative services that improve patient health and healthcare affordability. NACDS members also include more than 850 supplier partners and nearly 60 international members representing 22 countries. For more information, visit www.NACDS.org.

As the face of neighborhood healthcare, community pharmacies and pharmacists provide access to prescription medications and over-the-counter products, as well as cost-effective health services such as immunizations and disease screenings. Through personal interactions with patients, face-to-face consultations and convenient access to preventive care services, local pharmacists are helping to shape the healthcare delivery system of tomorrow—in partnership with doctors, nurses, and others.

Community Pharmacies are the Most Readily Accessible Healthcare Providers

Eighty-nine percent of Americans live within five miles of a community pharmacy, making pharmacies among the most accessible healthcare providers. Local pharmacists play a key role in helping patients to take their medications as prescribed and offer a variety of pharmacist-delivered services to improve health quality and outcomes. With preventive immunizations and appropriate medication use, it is possible to reduce utilization of costly medical services such as emergency room visits and unnecessary physician visits. The proximity of community pharmacies to each and every American and pharmacists' exceptional knowledge and training renders pharmacies uniquely positioned to provide care for the American public.

Pharmacist-Administered Vaccinations Improve Public Health

Increasingly, local pharmacies are not only a reliable, convenient source for obtaining prescription drugs, but also a healthcare destination. For example, retail network pharmacies now provide vaccinations to TRICARE beneficiaries. Recognizing the cost effectiveness of pharmacist-provided vaccinations, the DoD authorizes TRICARE beneficiaries to obtain vaccinations at a retail network pharmacy for a \$0 co-payment. In its final rule expanding the authority of retail pharmacies to provide vaccinations, DoD estimated that in the first six months of the immunization program, it had saved over \$1.8 million by having vaccinations provided through the pharmacy rather than the medical benefit (*Federal Register*, Vol. 76, No. 134, p. 41064). This cost savings did not take into consideration the savings from medical costs that would have been incurred in treating influenza and other illnesses if TRICARE beneficiaries had not been vaccinated. In addition, DoD also noted in the final rule that "adding immunizations to the pharmacy benefits program is an important public health initiative for TRICARE, making immunizations more readily available to beneficiaries. It is especially important as part of the nation's public health preparations for a potential pandemic, such as was threatened in the recent past by a novel H1N1 virus strain. Ensuring that TRICARE beneficiaries have ready access to vaccine supplies allocated to private sector pharmacies

will facilitate making vaccines appropriately available to high risk groups of TRICARE beneficiaries.” (*Federal Register*, Vol. 76, No. 134, p. 41063).

Medication Therapy Management Improves Health Outcomes and Reduces Spending

Medication Therapy Management (MTM) is a distinct service or group of services that optimize therapeutic outcomes of medications for individuals based on their unique needs. MTM services increase medication adherence, enhance communication and collaboration among providers and patients, optimize medication use, and reduce overall healthcare costs.

Policymakers have begun to recognize the vital role that local pharmacists can play in improving medication adherence. The role of appropriate medication use in lowering healthcare costs has been acknowledged by the Congressional Budget Office (CBO). The CBO revised its methodology for scoring proposals related to Medicare Part D and found that for each one percent increase in the number of prescriptions filled by beneficiaries there is a decrease in overall Medicare spending. When projected to the entire population, this translates into a savings of \$1.7 billion in overall healthcare costs, or a savings of \$5.76 for every person in the U.S. for every one percent increase in the number of prescriptions filled.

Congress has also recognized the importance of pharmacist-provided services such as MTM by including it as a required offering in the Medicare Part D program. The experiences of Part D beneficiaries, as well as public and private studies, have confirmed the effectiveness of pharmacist-provided MTM. A 2013 CMS report found that Part D MTM programs consistently and substantially improved medication adherence and quality of prescribing for evidence-based medications for beneficiaries with congestive heart failure, COPD, and diabetes. The study also found significant reductions in hospital costs, particularly when a comprehensive medication review (CMR) was utilized. This

included savings of nearly \$400 to \$525 in lower overall hospitalization costs for beneficiaries with diabetes and congestive heart failure. The report also found that MTM can lead to reduced costs in the Part D program as well, showing that the best performing plan reduced Part D costs for diabetes patients by an average of \$45 per patient.

The Medicare Payment Advisory Committee (MedPAC) has also been studying the effects of medication adherence in the Medicare program. In 2014 MedPAC released their findings for patients newly diagnosed with congestive heart failure. The findings showed significant medical side savings both the high and low adherent population, compared to the non-adherent population (savings were greatest in the first 6 months).

A study of published research on medication adherence conducted by Avalere in 2013 concluded that the evidence largely shows that patients who are adherent to their medications have more favorable health outcomes such as reduced mortality and use fewer healthcare services (especially hospital readmissions and ER visits). Such patients are thus cheaper to treat overall, relative to non-adherent patients. The study found that there was even wider range of cost offsets for patients demonstrating adherence to medications across particular chronic conditions.

How and where MTM services are provided also impacts its effectiveness. A study published in the January 2012 edition of *Health Affairs* identified the key role of retail pharmacies in providing MTM services. The study found that a pharmacy-based intervention program increased adherence for patients with diabetes and that the benefits were greater for those who received counseling in a retail, face-to-face setting as opposed to a phone call from a mail-order pharmacist. The study suggested that interventions such as in-person, face-to-face interaction between the retail pharmacist and the patient contributed to improved adherence with a return on investment of 3 to 1.

Americans rely heavily on their local retail pharmacies for a wide range of cost-saving services, including acute care and preventative services such as immunizations and MTM services. Considering the convenience and value that local retail pharmacies provide, we question the wisdom of policies that seek to drive TRICARE beneficiaries away from the benefit of their local, trusted pharmacists and unnecessarily complicate the delivery of care. Beneficiaries that know and trust their local retail pharmacists for such services as immunizations are being forced to obtain medications from mail order facilities in remote locations with no opportunity for in-person consultation. There is no substitute for the pharmacist-patient face-to-face relationship. Community pharmacy services help to improve patient health and lower overall health care costs. Maintaining patient choice of how to obtain prescription medications is essential.

Recommendations of the Military Compensation and Retirement Modernization Commission

The Military Compensation and Retirement Modernization Commission heard from beneficiaries about the importance of healthcare provider choice and access.

Accordingly, the Commission strongly recommends patient choice, flexibility, access to care, and utilizing the latest healthcare innovations, such as MTM. We are pleased that the Commission recognizes that beneficiaries should be able to receive their prescriptions from whichever location they prefer, whether it be the local neighborhood pharmacy, a mail order facility, or a military treatment facility. Moreover, we applaud the Commission for specifically recommending that the TRICARE pharmacy benefit should integrate pharmaceutical treatment with healthcare and to implement robust MTM.

Preserving Patient Access and Choice in the TRICARE Program

NACDS is opposed to the proposal in the President's budget to make additional changes to pharmacy co-payments that would further drive TRICARE beneficiaries out of their local pharmacies and to the TRICARE Mail Order Pharmacy (TMOP). There are already strong incentives in place to encourage beneficiaries to use mail order as a result of provisions in the FY2015 National Defense Authorization Act. Nevertheless, the

President's budget includes additional changes. Cost sharing will increase to as much as \$46 for a 30-day supply of a formulary medication at retail, and as much as \$92 for a 90-day supply of a non-formulary medication at TMOP.

In addition to unfairly penalizing TRICARE beneficiaries who prefer to use local pharmacies, NACDS believes that although this proposal may seem penny-wise, it is ultimately pound-foolish. Failure to take medications as prescribed costs the U.S. health system \$290 billion annually, or 13 percent of total health expenditures, as estimated by the New England Healthcare Institute in 2009. Threatening beneficiary access to prescription medications and their preferred healthcare provider will only increase the use of more costly medical interventions, such as physician and emergency room visits and hospitalizations.

NACDS supports cost savings initiatives that preserve patient choice. For example, the utilization of generic medications by TRICARE beneficiaries is low in comparison with other plans. The generic dispensing rate at retail pharmacies – 71 percent in 2014 – is higher than any other practice setting. Partnering with local pharmacists, modest increases in generic utilization by TRICARE beneficiaries would have a dramatic impact on the DoD budget.

Conclusion

Thank you for the opportunity to share our views. We look forward to working with you on policies that control costs and preserve access to local pharmacies.