

Nevada Community Pharmacy

Legislative Committee on
Health Care
Tuesday, May 9, 2006

EXHIBIT I Health Care

Document consists of 51 slides

- ☒ Entire document provided.
- ☐ Due to size limitations, pages _____ provided.

A copy of the complete document is available through the Research Library
(775/684-6827 or e-mail library@lcb.state.nv.us). Meeting Date: May 9, 2006

Community Pharmacy - One Voice

Frontline Health Care Providers in Your Community

PRESENTERS

- Liz MacMenamin, Director of Government Affairs, RAN
- Mary Staples, Regional Director State Government Affairs, NACDS
- Joe Yost, Pharmacy Manager, Longs Drug Stores
- Safeway representative
- David Chan, Scolari's Food and Drug
- Albertson's/Sav-On

Community Retail Pharmacy

- **Who We Are**
- **Why We Are Important in Your Community**
- **What Challenges We Face**

Nevada Community Pharmacy

Who We Are

Community Pharmacy in Nevada

- More than 355 chain pharmacies
- 17 companies with more than 4 stores
- Employ about 37,000 employees

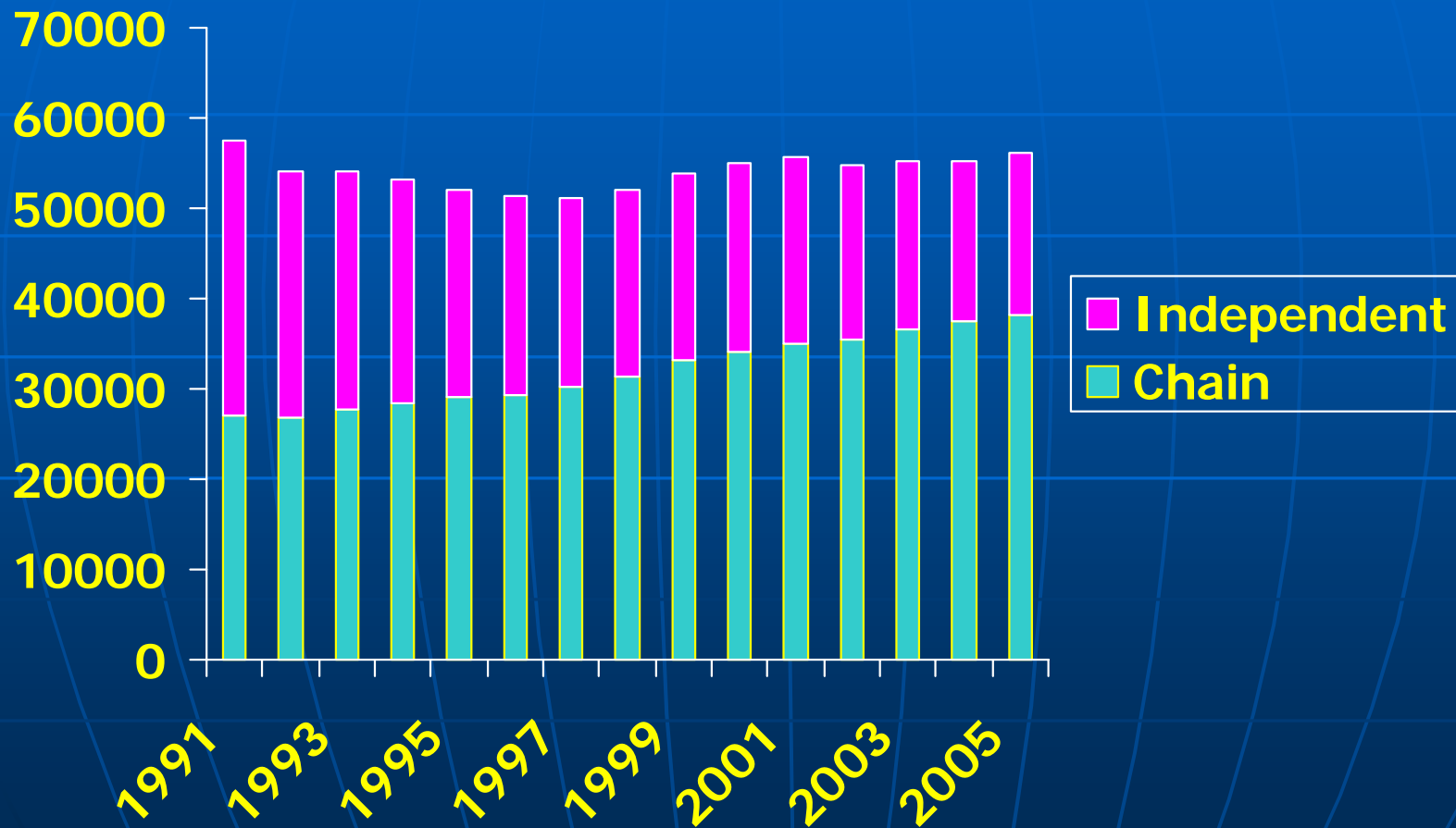


Community Retail Pharmacy

- Retail Businesses in Almost Every Community
- The Frontline Responders for Health Care
- Easy-to-Access Health Care Provider – No Appointment Needed

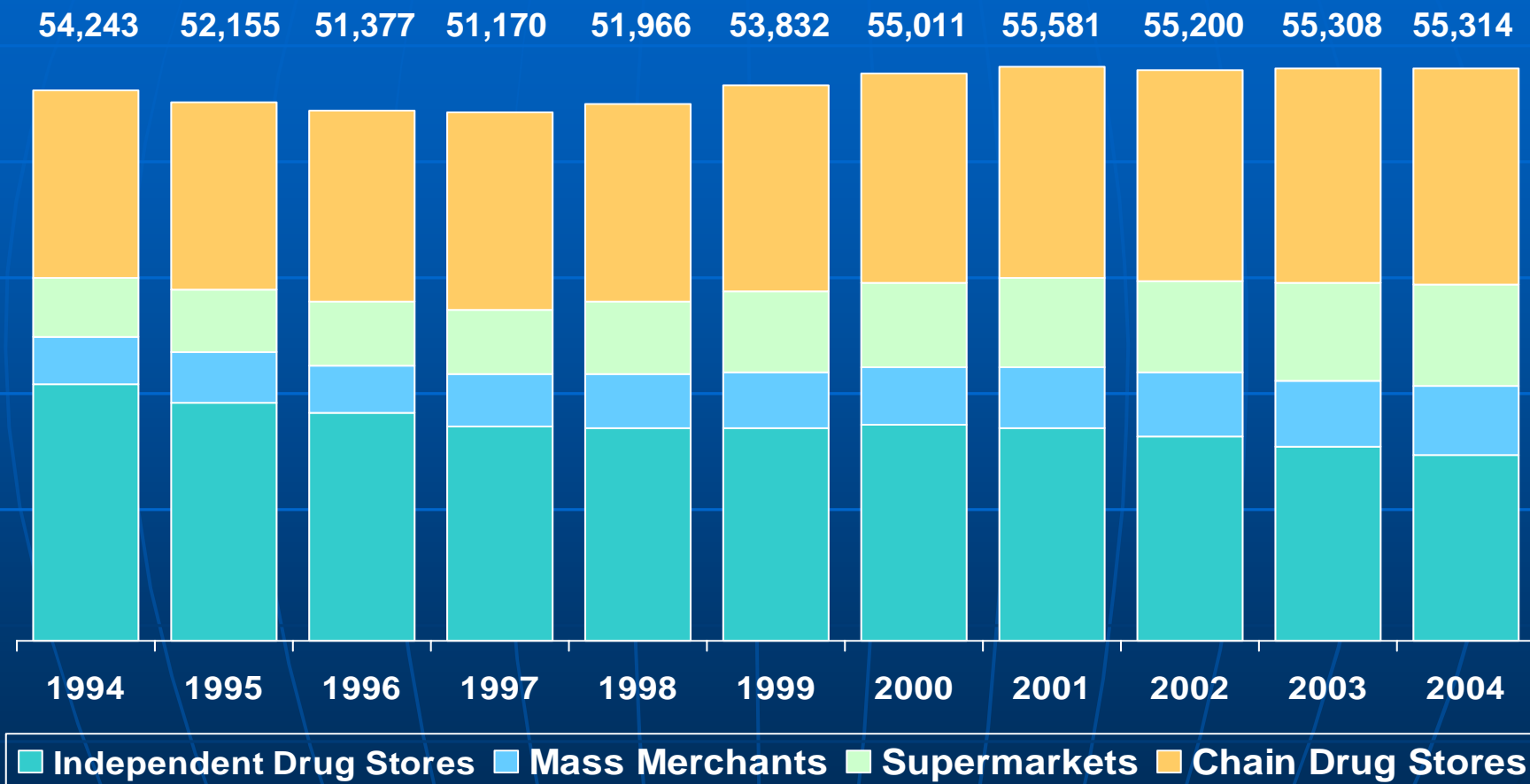


National Trends in Community Retail Pharmacy Stores



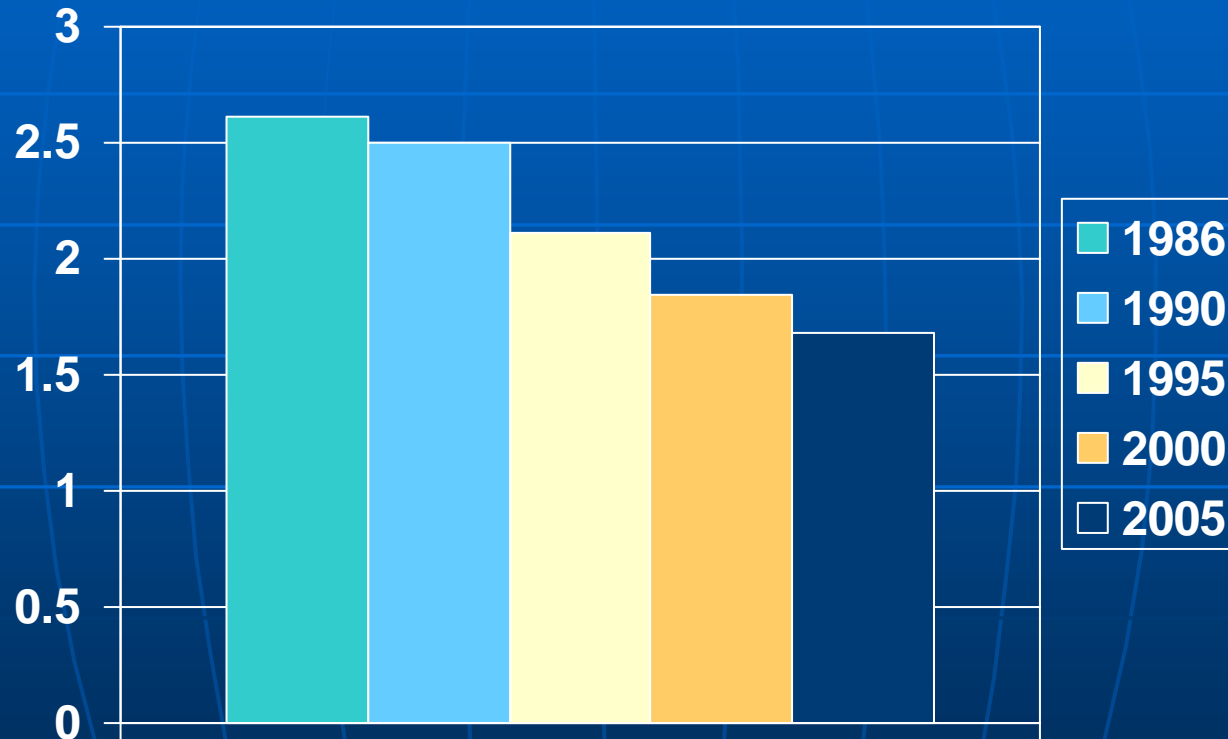
SOURCE: IMS Health, NCPDP, and NACDS

Community Retail Pharmacy Stores by Type, 1994-2004



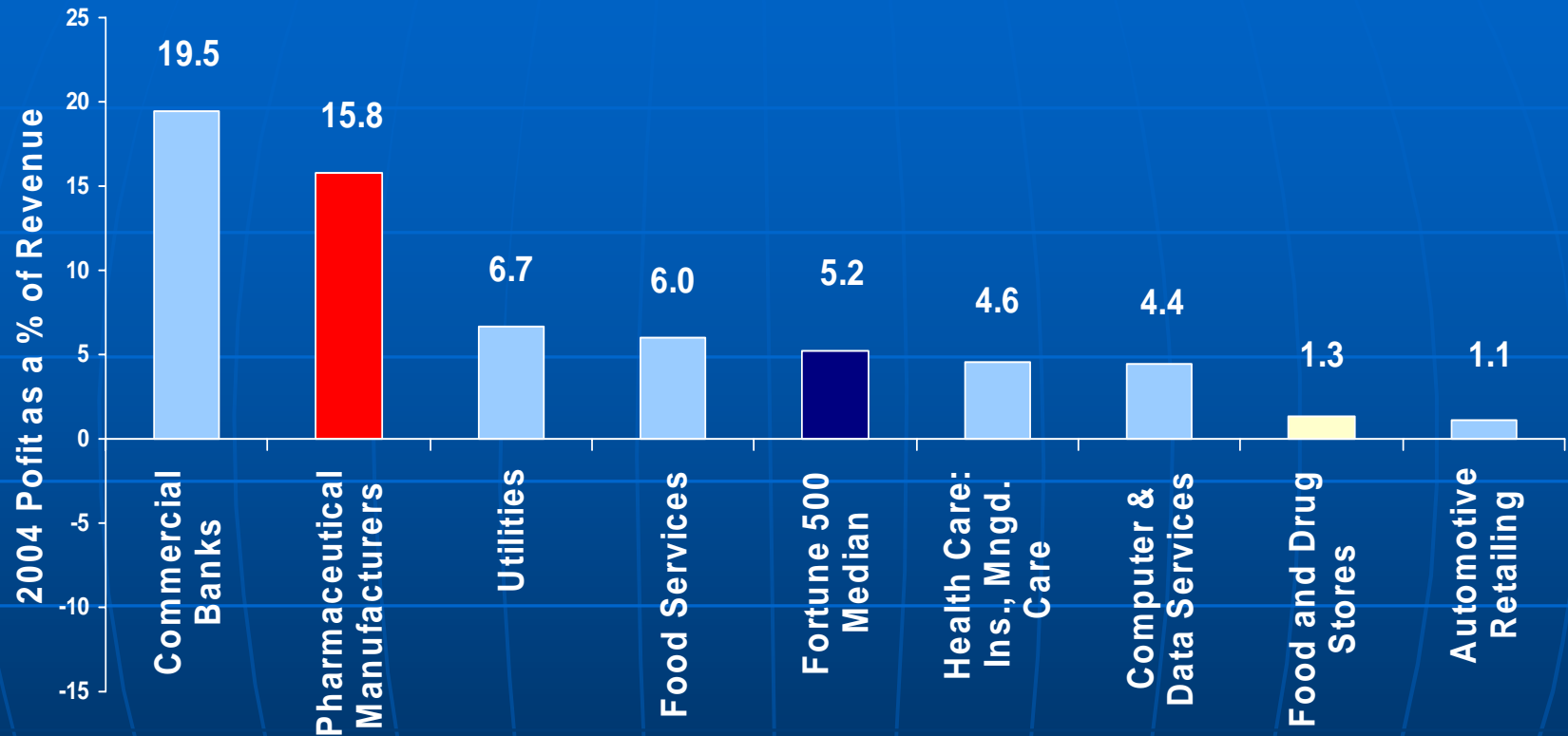
SOURCE: NACDS estimates based on IMS Health, NCPDP, and American Business Information data. Franchise operates such as Medicine Shoppe are included as chains.

Average Number of Drug Stores per 10,000 People



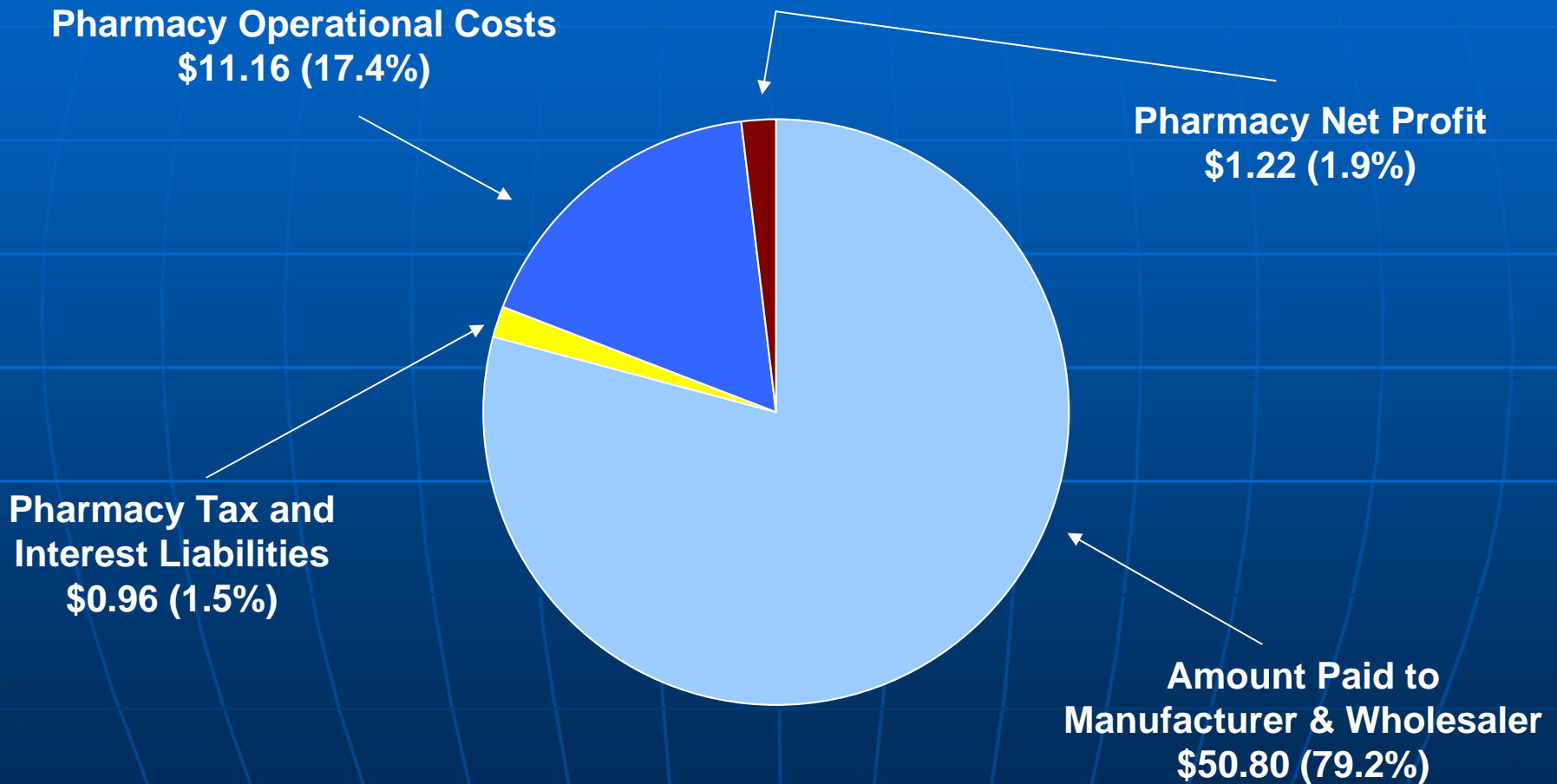
Sources: County Business Patterns Data, U.S. Bureau of the Census, and
National Council for Prescription Drug Plans

Net Profits of Community Pharmacy vs. Other Industries, 2004

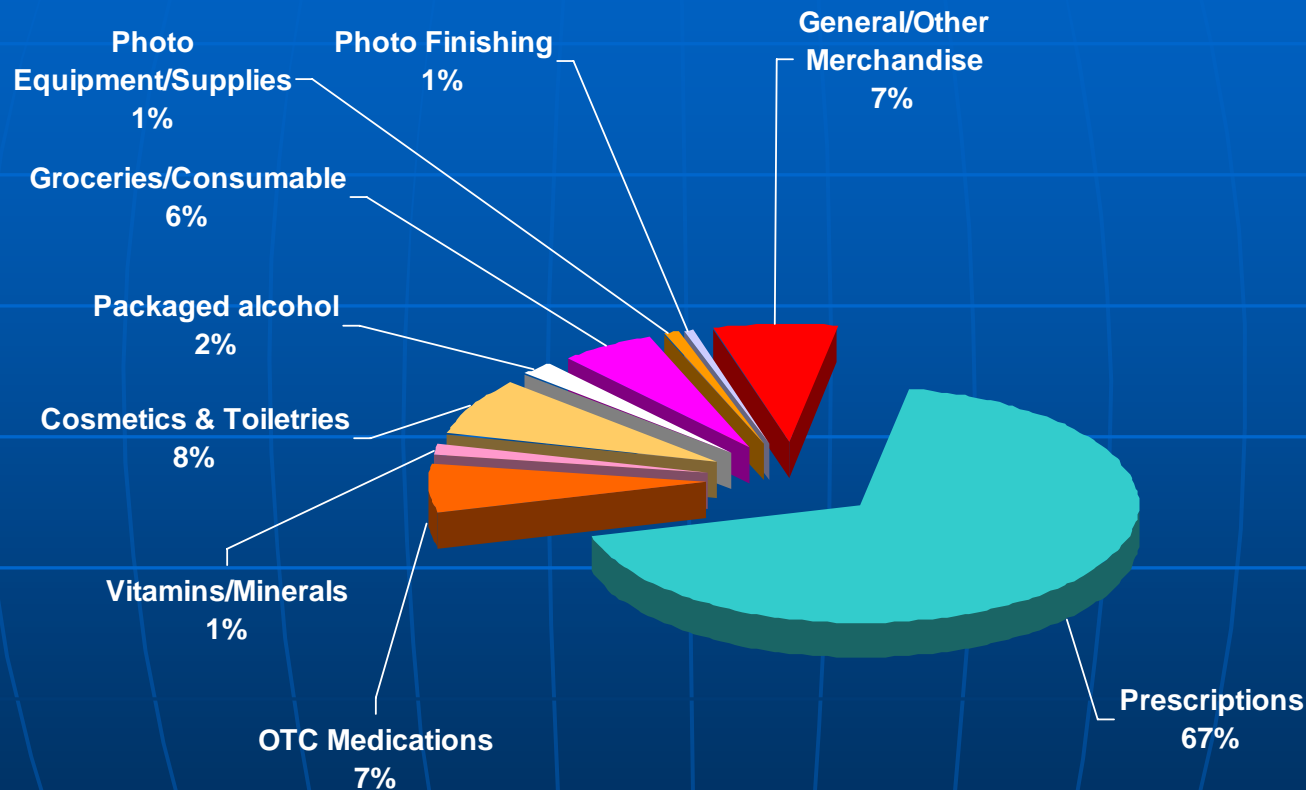


Food and drug stores operate on slim 1.3 percent net profit margins—one fourth of the Fortune 500 median

Average Retail Medicaid Prescription Reimbursement in 2004 = \$64.15



2004 Pharmacy Category Sales



Nevada Community Pharmacy

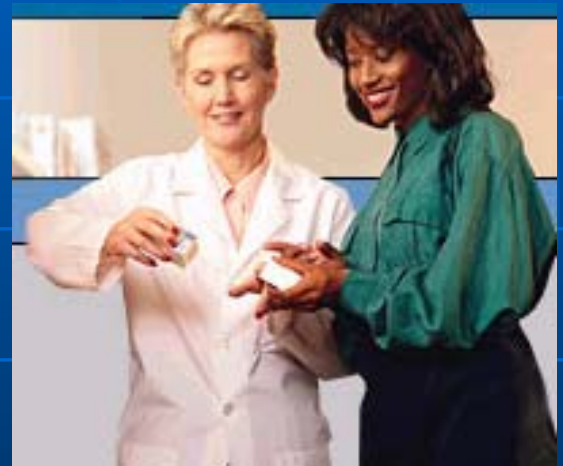
Why We Are Important in Your Community

Vital Role in Health Care

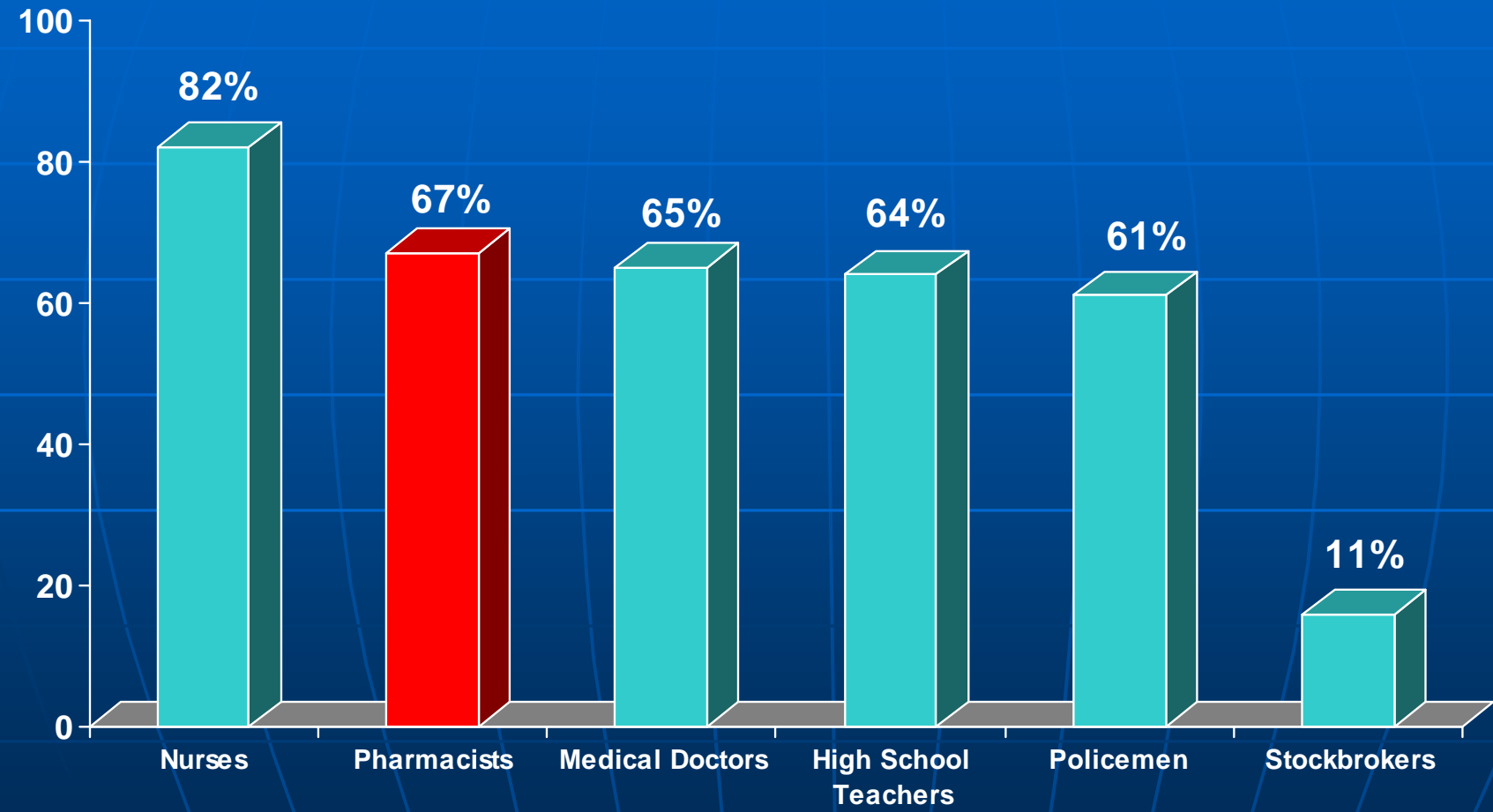
Patient

Physician

Pharmacist



Trustworthiness of Various Professions



SOURCE: Gallup Poll of honesty and ethics, 2005

Community Pharmacy Services

- Access -Primary Source for Health Information
- Pharmaceuticals = Best Value
- Face-to-Face Interaction
- Value-Added Services v Mail Order
- Partner with Health Care Practitioners

Community Pharmacy Services

- Medication Expert
- Monitor Drug Therapy
- Immunizations
- Collaborative Drug Therapy Management
- Medication Therapy Management

Nevada Community Pharmacy

The Challenges We Face

Challenges

- Medicare Part D Implementation
- Medicaid - Adequate Reimbursement
- E-Prescribing
- Workforce Shortages
- Third Class of Drugs
- Saving Patients Money
- Ensuring Safe & Secure Prescription Drug Supply

Medicare Part D Implementation Challenges

Medicare Part D

- New Prescription Drug Benefit
- Pharmacists Educating Seniors
- Filling Prescriptions
- Payment Issues ... Cash Flow

Medicaid Adequate Reimbursement

**Need Dispensing Fee Increase
& Cost of Dispensing Survey**

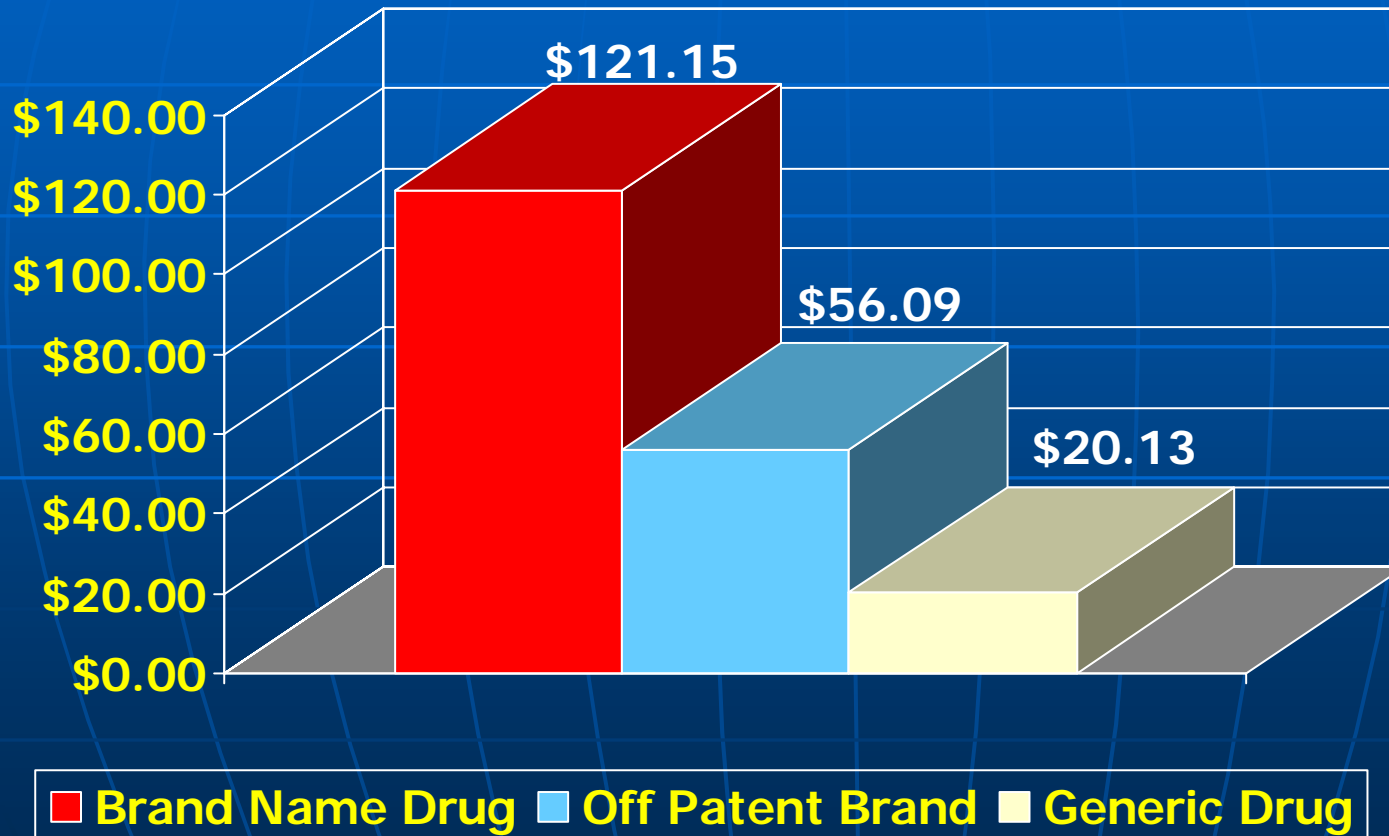
What is the the Deficit Reduction Act ? (DRA)

- Deficit Reduction Act of 2005
 - *Signed by President February 8, 2006*
- Significantly lowers the amount of money the Federal Medicaid program will pay states to reimburse pharmacists for generic drugs.
 - *Starts January 2007*
- Replaces the Average Wholesale Price (AWP) with the Average Manufacturers Price (AMP) pricing data to states
 - *Starts July, 2006.*
- Allows states to impose higher cost sharing on Rx drugs and make it enforceable
 - *Started March 31, 2006*

DRA Lowers Generic Payments

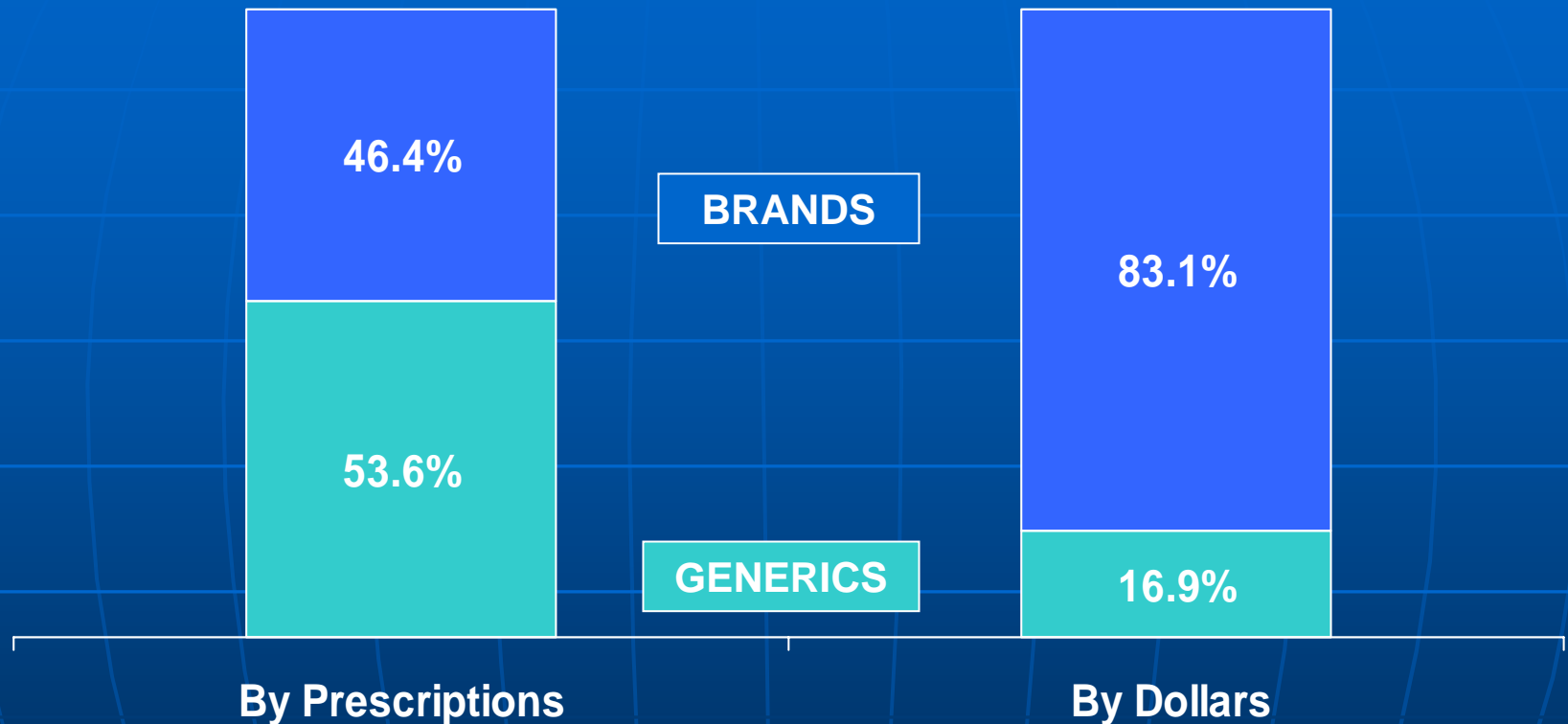
- Nevada will receive less money from the Federal government to pay pharmacies for dispensing lost cost generic drugs to Medicaid recipients
- Nevada should use some of the savings from the reduced payments made for generic drug products to increase dispensing fees to offset generic drug products payments reductions

Generics Cost Less than Brands



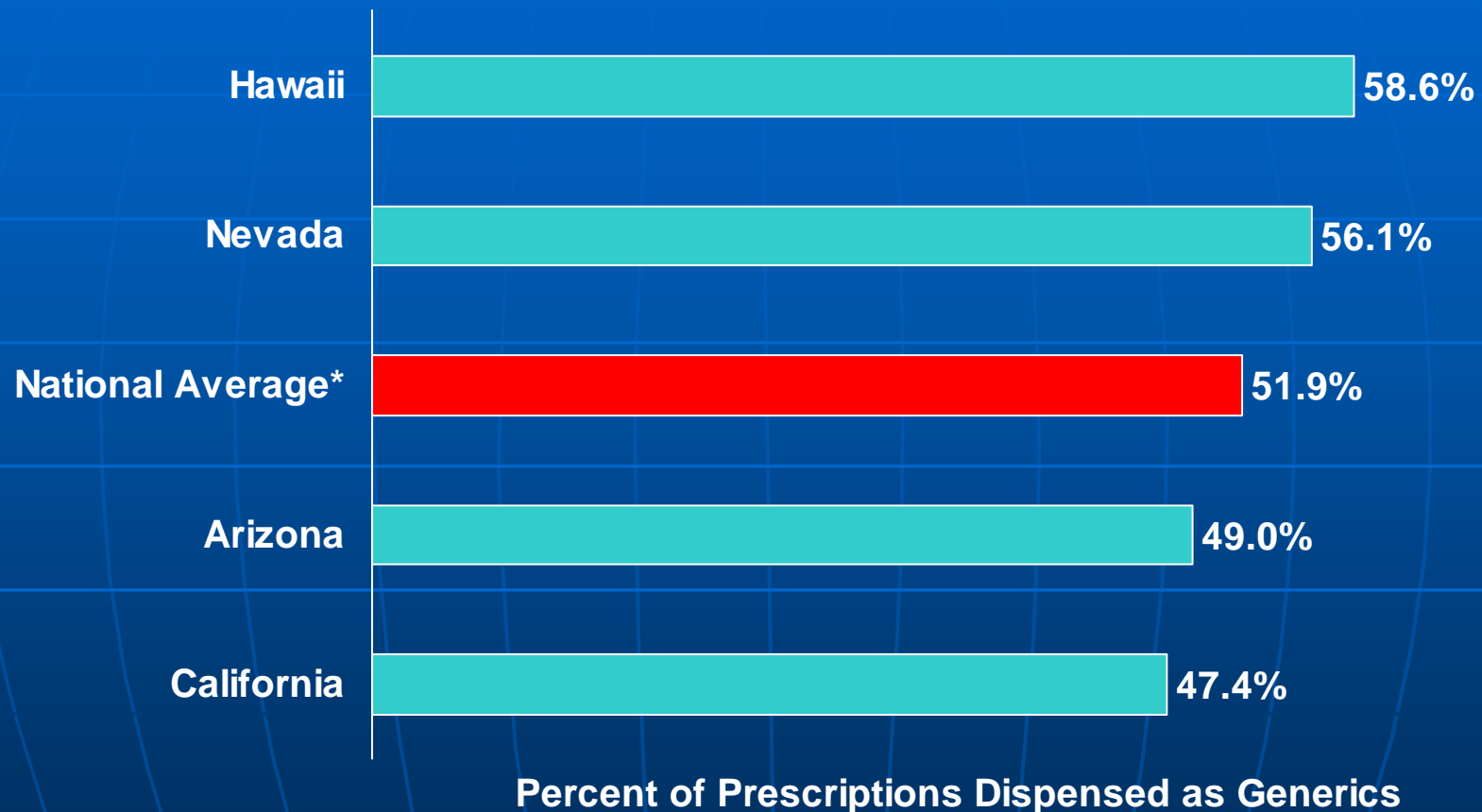
SOURCE: CMS Drug Utilization Data, 2004, and NACDS Economics Department

Medicaid Utilization and Spending for Brands and Generics



Generics account for over half of all Medicaid prescriptions, but only about one-sixth of Medicaid drug reimbursements.

Medicaid Generic Dispensing Rates in West January - March 2005



Source: NDC Health (data for 1st quarter of 2005)

* The National Average is the generic dispensing rate for the full Medicaid program. It takes into account the size of each state's Medicaid program.

Current Nevada Medicaid Reimbursement Rate

- $\text{AWP} - 15\% + 4.76 \text{ Dispensing Fee}$

Pharmacy's Costs to Provide Prescription Drugs + Pharmacy Services

Prescription Drug Costs + Related Costs

- Purchasing the drug from the manufacturer or wholesaler (invoice price)
- Storage, warehouse, inventory, distribution/transportation of drug to individual pharmacy
- Cost of maintaining drug inventory investment
- Overhead
- Compliance with federal and state regulations (i.e., DEA, state licensing)
- Cost of returned goods

Pharmacy Services + Related Costs

- Preparing and dispensing the prescription
 - Overhead (salaries, utilities, rent)
 - Prescription packages, labels, paper
 - Computer system maintenance
 - Compliance with federal & state regulations (i.e., HIPAA)
 - Compounding the Rx (if necessary)
 - Special packaging (unit dose, blister packs, bingo cards)
 - Special supplies (syringes, inhalers)
- Assuring proper use of medication
 - Drug use review
 - Counseling
 - Consulting with physician
 - Disease management
 - Education and training

University of Texas School of Pharmacoeconomics Study, 2005 on Cost of Dispensing

- Estimated
Cost of
Dispensing

\$9.62

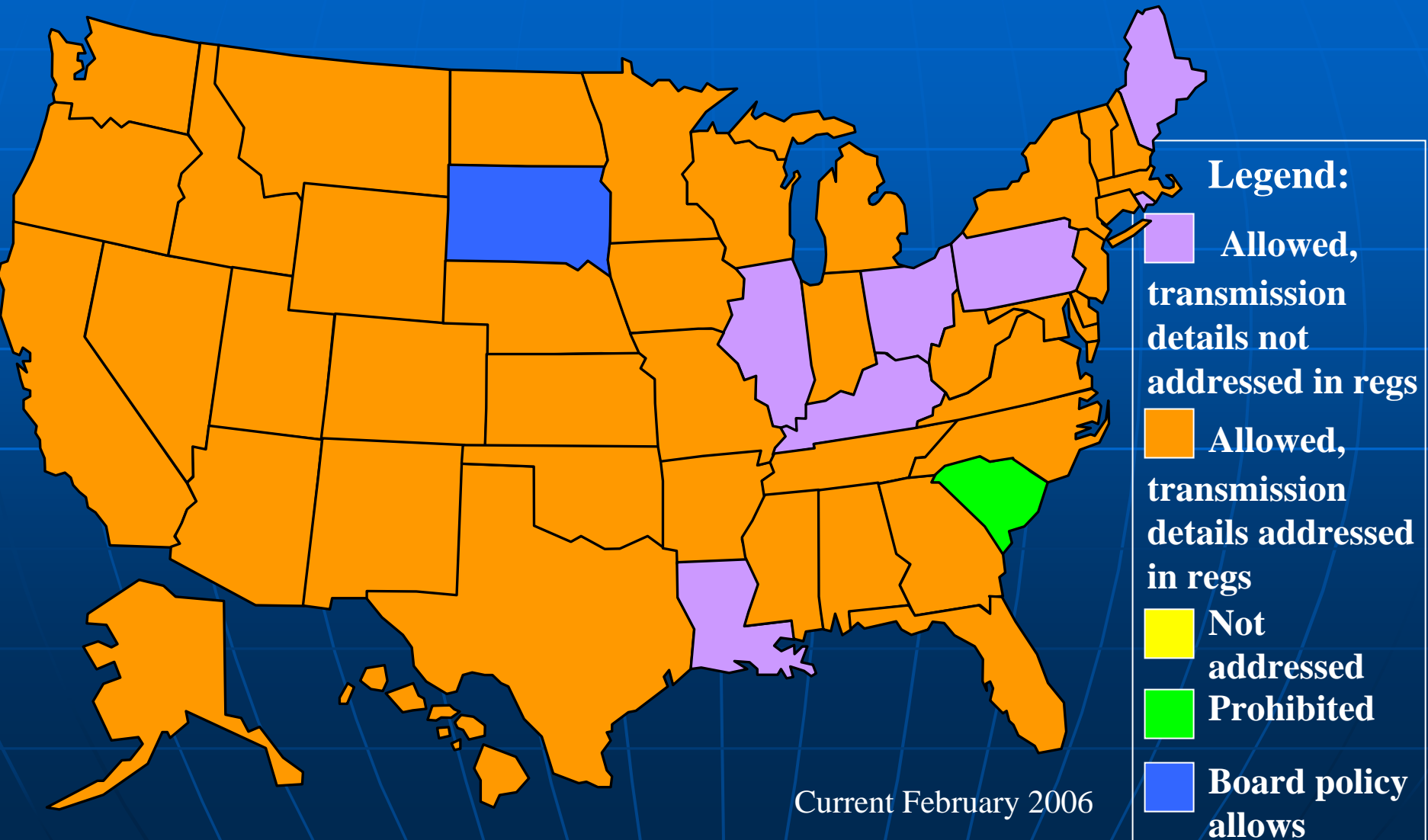
Nevada
Medicaid Pays

\$4.76

E-Prescribing

Need to Encourage Physician
Participation

Transmission of New Prescriptions



E-Prescribing

- Positives:
 - Increase Patient Safety
 - Reduce Medication Errors
 - Reliable Authentication of Prescribers
 - Medicare Part D
- Challenges:
 - Fewer than 1% Doctors Participate
 - Need Standard Protocols

E-Prescribing = SureScripts



What the Physician Needs:

1. Electronic Prescribing Software that has been certified by *SureScripts*
2. An Internet connection

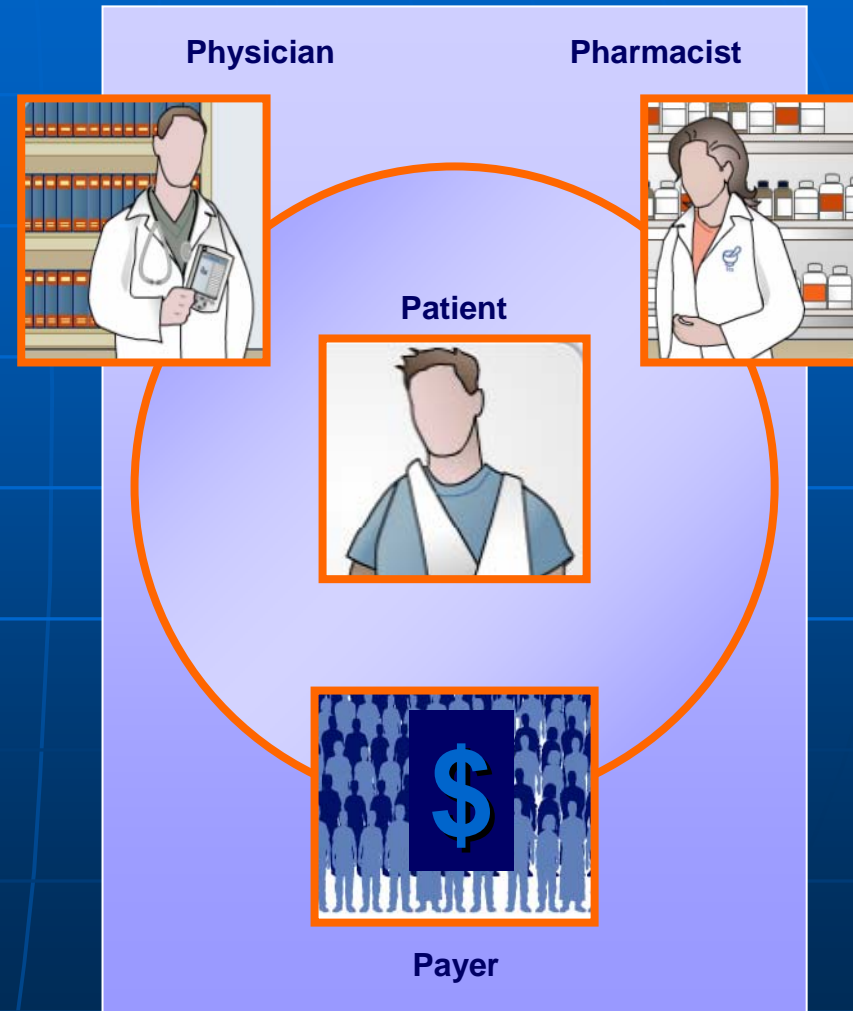
SureScripts provides the behind-the-scenes network that makes the two-way electronic exchange of new prescription and renewal information possible

What the Pharmacy Needs:

1. Pharmacy management software has been certified by *SureScripts*

E-Prescribing - SureScripts

- ◆ Patients enjoy a safer prescription process
- ◆ Patients enjoy higher care quality
- ◆ Patients enjoy lower costs
- ◆ Patients enjoy a better experience



Workforce Shortage

- 5,962 Available Chain Pharmacist Positions Nationwide
- Need More Support Staff in Retail Pharmacies

Pharmacists are in Demand

- Federally documented shortage of pharmacists
- Shortage expected to continue
 - More medications
 - Growing elderly population
 - Greater demand for patient care

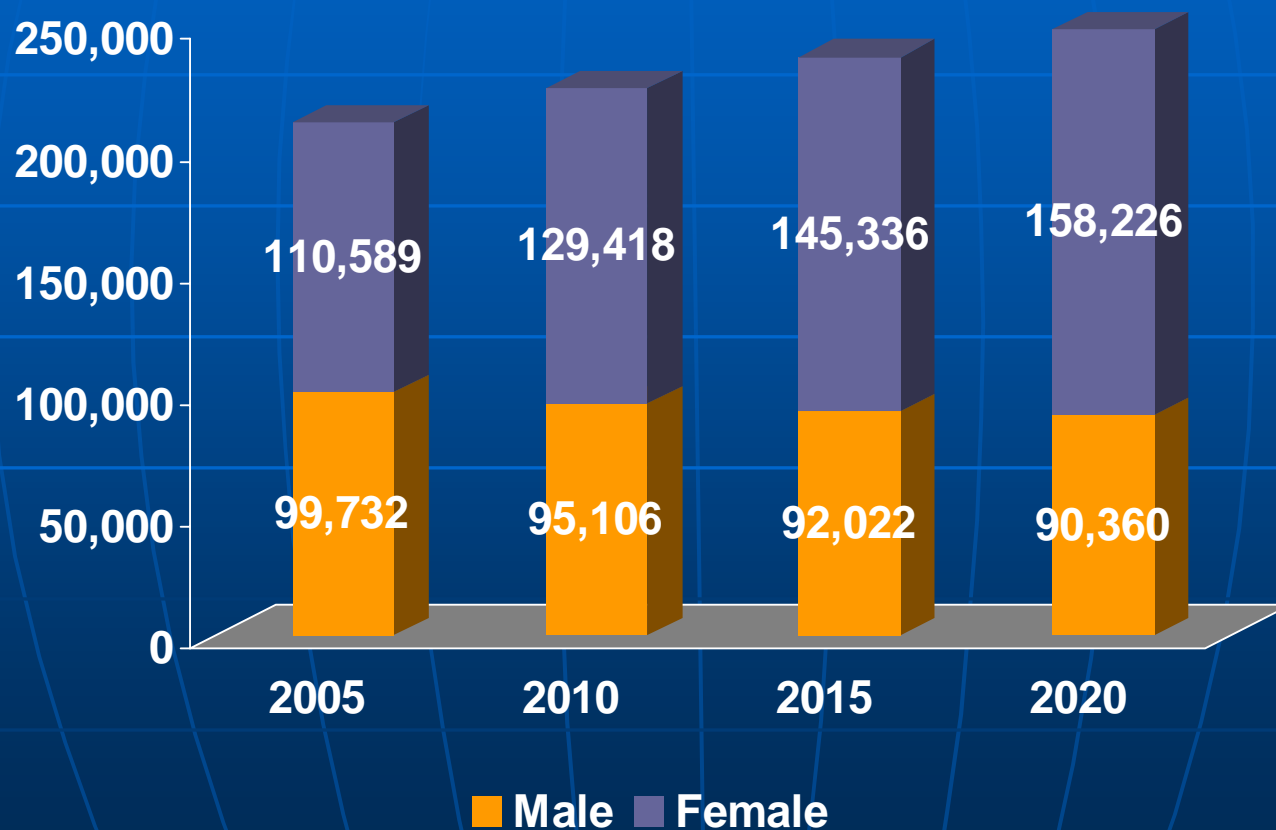


Pharmacy Schools

- Nationwide - 91
- Nevada - 1

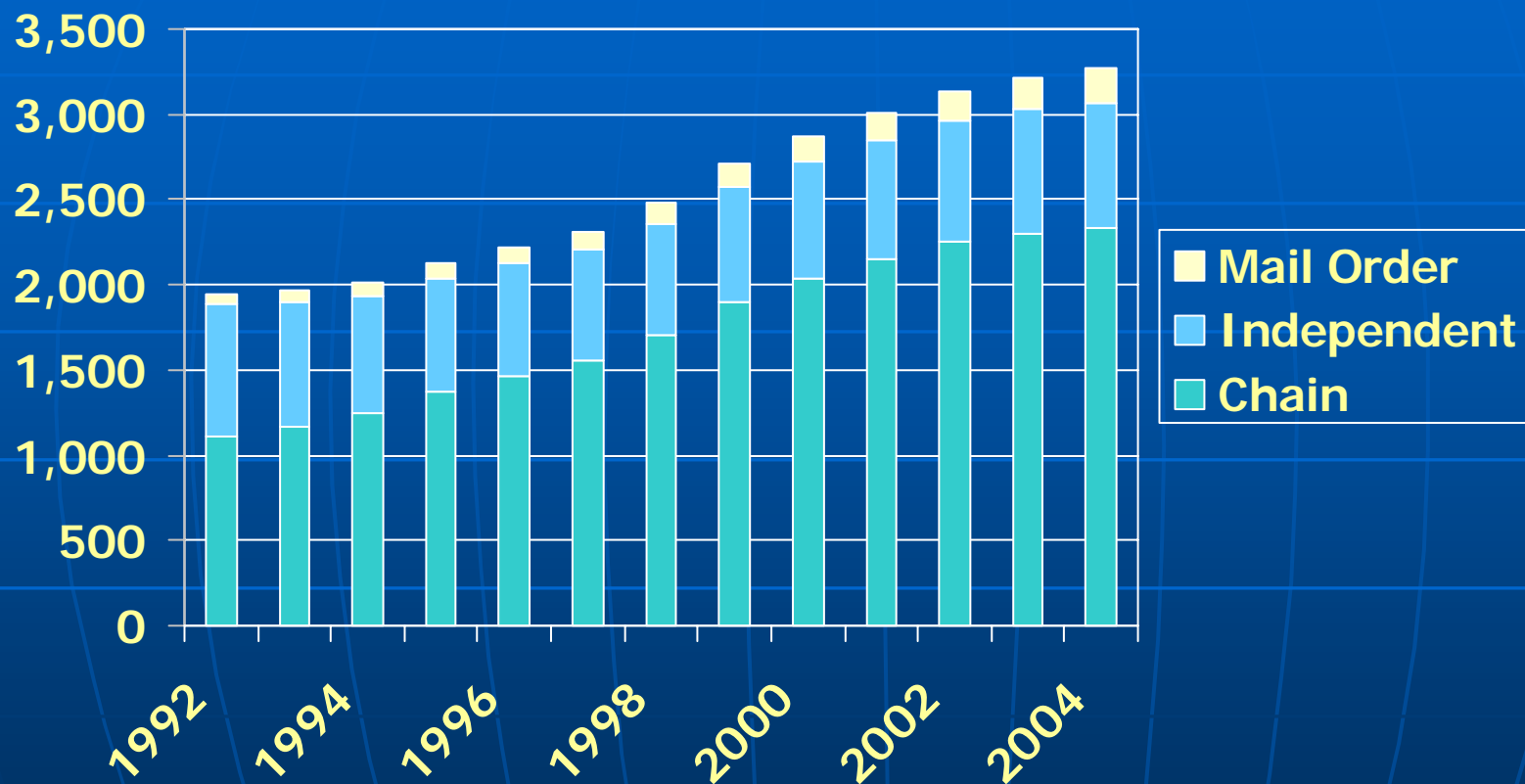
Pharmacy Shortage

Gender shift: the growing workforce is increasingly female



Source: Kathy Knapp, Presentation: Pharmacy and Technology Conference 2005

Retail Pharmacies Filling More Rx's



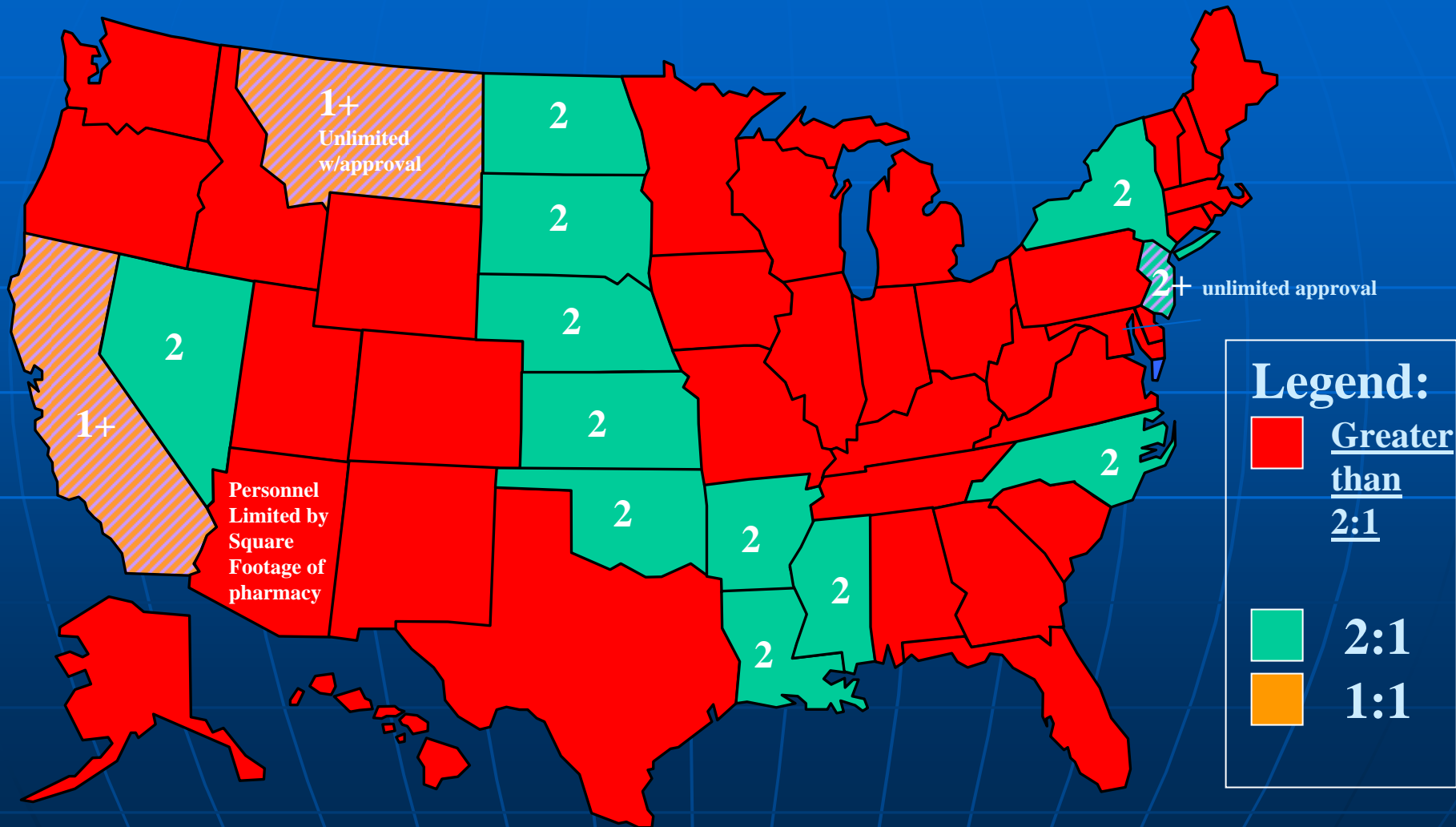
Of the 3.27 billion retail Rx's filled in 2004, 71.2 percent were filled in chain community pharmacies

Limits on Personnel

- Technician to Pharmacist Ratio is 2:1
*Need more support personnel
behind counter*



Technician to Pharmacist Ratio





Classes of Drugs

Prescription Drugs (Rx)

Over-the-Counter Drugs (OTC)

Third Class of Drugs

Third Class of Drugs

- **What Are They?**
 - Over-the-Counter... Pharmacy Only
- **Obstacles**
 - Federal Issue... FDA Does Not Support
 - Costly to Pharmacy
 - Need to Provide Compensation
 - Limits Access to Consumers
 - Behind Counter
 - Fewer Choices Available



Saving Patients Money

- Encourage Generic Dispensing
- Free & Discounted Medications
 - Partnership for Prescription Assistance
 - Nevada SenioRx
 - Medicare Part D

Ensuring Safe & Secure Prescription Drug Supply

- Revisit Wholesale Licensure
 - Normal Distribution Channel
- Internet Pharmacies
 - Risk of Counterfeit Drugs Entering Drug Supply Chain

Revisit Wholesale Licensure

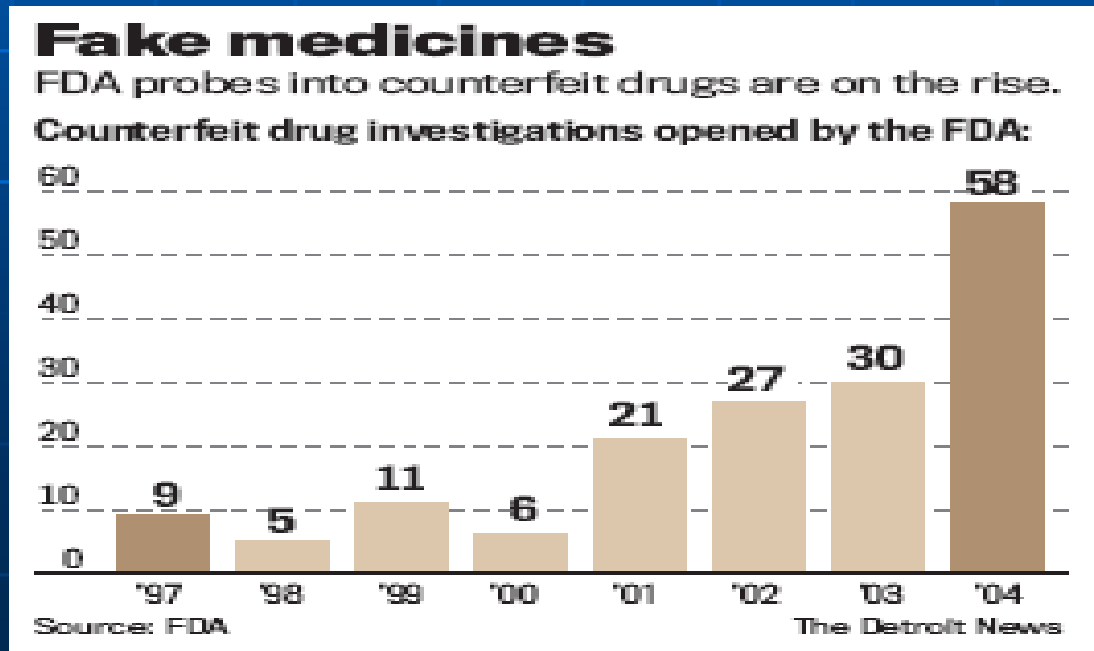
Define in Statute “Normal Distribution Channel”

Chain of custody for a prescription drug from

- manufacturer to wholesale distributor to pharmacy to patient, or
 - manufacturer to wholesale distributor to chain pharmacy warehouse to chain pharmacy to patient, or
 - manufacturer to chain pharmacy warehouse to chain pharmacy to patient.
-
- Direct sales by a manufacturer to a pharmacy or chain pharmacy warehouse are within the “normal distribution channel” and should not require a pedigree.

Prescription Drug Marketing Act (PDMA)

- Banned Re-importation of Drugs
- Why? To Protect US Drug Supply
- Problems:
 - Porous borders
 - Internet sales
 - \$\$\$





Illegal Importation of Drugs

Looks can be deceiving.

The medicine you buy across the borders may be unsafe or ineffective.

Don't risk your health.



 **FDA**

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
U.S. Food and Drug Administration
www.FDA.gov/cder
1-888-INFO-FDA



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QUESTIONS ?

Nevada Pharmacy - One Voice

For more information, please contact:

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National Association of Chain Drug Stores (NACDS)

Mary Staples - mstaples@nacds.org (817) 442-1155

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Your Community***