



MONTANA PHARMACY ASSOCIATION

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Sept 4, 2007

Senator Jon Tester

Dear Senator Tester:

I am writing on behalf of the 500 plus members of the Montana Pharmacy Association to express our concern over several critical issues facing pharmacy in the state of Montana.

The Federal Deficit Reduction Act of 2005 instructed the Centers for Medicare and Medicaid Services (CMS) to redefine the way Medicaid reimburses Pharmacy for generic drugs. Under the proposed rules the average pharmacy will be reimbursed, on an average, 36 percent less for these drugs than what pharmacies pay to acquire them. This percent figure is from Government Accounting Office (GAO).

This could have devastating effects on pharmacy availability to serve those patients in most need, those on Medicaid. This also has a ripple effect, given that most private insurance companies also follow the Medicaid program's framework for reimbursement. With reimbursement below the cost of the generic drugs, this act could lead pharmacies to not substitute a generic drug and to dispense the brand name drug whenever possible. A generic prescription generally costs about \$26.00 when a brand name prescription would cost about \$124.00.

Along with the cost of the drug itself, a dispensing fee is paid to the pharmacy. Currently in Montana dispensing fees range from \$2.00 to \$4.70. A national survey in 2007 showed that the actual cost to dispense a prescription is about \$10.70.

It is our group's opinion that if the law stays intact and goes into effect, there will be fewer pharmacies, with only those with deep pockets surviving. Face to face pharmacy services will no longer be the norm. Most of the independent pharmacies will cease to exist and the rural population of Montana will be underserved.

Many of the economic problems in pharmacies exist because the pharmaceutical industry offers different pricing to different types of pharmacy groups such as retail, mail order, hospital, insurance companies, and government agencies. Regardless of the volume of drugs purchased, the retail groups pay the very highest price.

Senator Baucus has introduced a bill called "Fair Medicaid Drug Payment Act of 2007". We at the Montana Pharmacy Association are urging you to support this act. Given the condensed nature of this letter, we would encourage dialogue between you and our group,

so that we may more fully explain the issues that concern us, and you may convey your position on this act to the MPA.

Sincerely

James P. Seifert, President

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P.S. Test I am faxing this letter and also mailing a copy of it due to the security issues of the postal service.

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