KANSAS INDEPENDENT
PHARMACY SERVICE CORP.

House Appropriations Committee
Testimony of Kansas Independent Pharmacy Service Corporation (KSPC)
In Support of HB 2180
February 15, 2017

Mr. Chairman and members of the Committee,

I am Travis Lowe, representing the Kansas Independent Pharmacy Service Corporation. We thank you for the opportunity to appear today in support of HB 2180.

Kansas Independent Pharmacy Service Corporation (KPSC) has served independent pharmacies in Kansas for 32 years with a very competitive national retail prescription drug buying program with many advocacy services. This allows KPSC to play a key role with community independent pharmacies and contribute every day in the health and well-being of Kansas citizens.

Over the past four years, we have worked with the Kansas Department of Health & Environment (KDHE) in the planning and implementation of KanCare as well as on many pharmacy payment plan designs and communications elements of KanCare. Current KPSC staff actually have provided input on the Kansas Medicaid program for over 25 years.

We stand in support of HB 2180 as a means to restore reimbursements to pharmacies participating in the KanCare program. The reimbursement cut for KanCare pharmacies listed in the Kansas Register this past summer represented a 4% decrease to total claims cost (ingredient cost plus professional dispensing fee). KDHE did change this to dispensing fee cuts only to achieve this 4% cut. Independents and small chains had their dispensing fees cut by 12% from the original fee of $10.50 and larger chains had deeper cuts).

Pharmacists clearly see that they have had their KanCare reimbursements cut not one, but *three* ways in the past year – by reducing their dispensing fees but also cutting out two dispensing fees on maintenance drug list (MDL) items across a three-month timeframe and seeing lower (including some negative) margins as a new acquisition cost-based reimbursement methodology (NADAC) that was implemented last April.

NADAC stands for national average drug acquisition cost and is estimated using random survey data sent to community pharmacies and compiled by an accounting firm on behalf of CMS. This pricing methodology and its processes of updating unit prices weekly are very new to retail pharmacies. It is fairly evident that there has been a narrowing of the range of reimbursements

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under NADAC, in terms of net margin for pharmacies. Some brand name drugs have been producing negative margins.

In July of 2016, KDHE also implemented a maintenance drug list (MDL) which is to make certain therapeutic classes of drugs available to Medicaid beneficiaries in 90 day or three month supplies. Though a maintenance drug program can gain some efficiency in number of pharmacy visits, this is counterbalanced by lack of medication compliance by certain patients. Also, pharmacies are not receiving dispensing fees for two of the three months for any applicable MDL drugs (a 66% cut).

Communication among KDHE, pharmacy organizations and MCOs is critical to the process of effective KanCare pharmacy program management, expanding enhanced drug therapy services, finding effective plan design changes and providing useful support for participating pharmacies. KPSC is happy to serve as an experienced resource for KDHE and the MCOs to meet pharmacy program challenges in a timely manner.

However, pharmacists are currently focused on the three major changes in the KanCare pharmacy program that are impacting their bottom line – the reimbursement cuts, NADAC pricing and implementation of an MDL program. HB 2180 can provide the opportunity to restore reimbursements to the level provided before the cuts were made this past summer.

KPSC is very grateful for this opportunity to provide testimony to the Committee. We are available for questions that the Committee may have regarding this testimony or the KanCare pharmacy program. Also, KPSC CEO Peter Stern may be contacted at 785-228-1695 or at pstern@kspharmserv.com.