



Testimony for Senate Bill 94

Senate Ways and Means Committee

By Aaron Dunkel, Executive Director

Kansas Pharmacists Association, Topeka Kansas

February 6, 2017

Chairman McGinn and Members of the Committee:

I am Aaron Dunkel, Executive Director for the Kansas Pharmacists Association (KPhA). The Kansas Pharmacists Association is the statewide professional association that represents Kansas pharmacists from all practice settings. Thank you for allowing me to submit testimony on behalf of KPhA in support of Senate Bill 94. As you know, this bill would restore the cuts made to the KanCare program last year that reduced provider reimbursement for services by increasing the Health Maintenance Organization privilege fee from 3.31% to 5.77%. This increase would provide enough funding in Fiscal Year 2018 to restore the cuts made effective during Fiscal Year 2017. Using this mechanism for funding will create minimal additional impact on the provider community or the KanCare program and restore cuts that providers cannot withstand long term.

Pharmacy represents roughly 10 percent of the total spend for the KanCare program. Pharmacy is reimbursed for dispensing medications through a two-part reimbursement. The first part is the reimbursement for the cost of the specific drug dispensed and this is determined by using a national database that identifies an average acquisition cost. Due to this methodology the pharmacy is generally reimbursed for the cost of the drug with no margin associated with the payment. Knowing that the pharmacy was only reimbursed for the cost of the medications being provided, the KanCare program did not directly associate the 4 percent cuts last year to the drug cost reimbursement portion of the calculation.

The second part of the payment pharmacies receive is the dispensing fee. The state went to its current method of paying pharmacy as part of a series of cost cutting measures in Fiscal Year 2016. At that time it was agreed that due to generally reduced reimbursement for the medication itself, the dispensing fee would be set at \$10.50 per filled prescription. The dispensing fee is intended to cover the cost to the pharmacy related to providing that patient with that medication. In some cases that includes a simple counter transaction. In other cases that interaction includes special packaging to help the patient stay adherent to their medication regimen or detailed counseling to make sure the patient understands when and how to take their medication. Based on industry wide calculations the \$10.50 the KanCare program had set the dispensing fee at for the program still did not cover the average cost of dispensing, but pharmacists were willing to make it work. Unfortunately, in order to achieve the 4 percent cut to the total pharmacy spend in KanCare the state opted to reduce dispensing fees for large chain drug stores, defined as those with more than 30 locations in the state, to \$4.50 (a 57% cut), or and the fee for other stores to \$9.25 (a 12% cut) per prescription. Using the number of prescriptions annually filled by Kansas pharmacists for KanCare beneficiaries this reduction in reimbursement resulted in roughly \$18.2 million less being paid to pharmacies in Kansas during 2016.

We, as most other providers in the state, do not believe the current level of state commitment to the KanCare program, and to the providers who have supported the program over the years, is sustainable. SB94 provides a mechanism to restore these cuts with the minimal amount of negative impact to providers and the KanCare program.

Thank you for your consideration of our thoughts on Senate Bill 94.

A handwritten signature in blue ink that reads "Aaron Dunkel". The signature is written in a cursive style with a large initial "A".

Aaron Dunkel
Executive Director
Kansas Pharmacists Association