



October 16, 2009

Ms. Carol H. Steckel, MPH  
Chair, National Association of State Medicaid Directors  
1133 Nineteenth Street, NW, Suite 400  
Washington, DC 20036

**Subject: Request to Convene Pharmacy Reimbursement Workgroup**

Dear Ms. Steckel:

On behalf of the National Community Pharmacists Association (NCPA), the National Association of Chain Drug Stores (NACDS), and the National Alliance of State Pharmacy Associations (NASPA), we appreciate your response to our September 8, 2009 letter in which we expressed our concerns about the impact of the First Databank (FDB) settlement on pharmacy and Medicaid patients' access to pharmacy services.

We, too, recognize the fact that the eventual phase out of the average wholesale price (AWP) benchmark necessitates a comprehensive review of pharmaceutical pricing methodologies as we move forward. We would welcome the opportunity to convene a meeting or perhaps a series of meetings of all of the interested stakeholders to discuss this matter in further detail. We would urge that we plan something in the near future.

We want to reiterate our concerns with the impact of the FDB AWP changes on Medicaid patients' access to pharmacy services, which will adversely impact patient care. Medicaid reimbursements that do not cover the pharmacy's product acquisition costs – for brand drugs in the case of the FDB settlement - plus the cost of dispensing may force affected pharmacies to reduce services to Medicaid beneficiaries. Pharmacies with high populations of Medicaid patients are particularly hard hit, especially those in urban areas and rural areas with few pharmacy providers.

Moreover, data indicate that pharmacies have not been unjustly enriched by past AWP pricing data. For example, according to recent data reported in the 2008 NCPA Digest (an annual publication sponsored by Cardinal Health that reports on pharmacy trends), the average gross margin for Medicaid prescriptions has remained virtually the same—each year from 2001 through 2008. This indicates that any perceived ancillary enrichment that pharmacies may have realized have effectively been washed out or negated by past Medicaid reimbursement reductions and the workings of the market.

Finally, the majority of private payors have chosen to adjust their AWP-based reimbursement realizing that retroactively punishing pharmacies for pricing irregularities perpetrated solely by other entities in the supply chain is counterproductive and may ultimately be detrimental to consumers of pharmacy services.

In conclusion, we appreciate the opportunity to dialogue with you on this topic and to express our viewpoints. We would welcome the chance to meet with you and other stakeholders soon to discuss this situation in greater depth and to talk about future reimbursement methodologies as we move away from the AWP benchmark.

Thank you again for the dialogue.

Sincerely,



Bruce T Roberts, R.Ph.  
Executive Vice President and CEO  
National Community Pharmacists Association



Rebecca Sneed, R.Ph.  
Executive Vice President  
National Association of State Pharmacy Association Executives



Steven C. Anderson, IOM, CAE  
President and CEO  
National Association of Chain Drug Stores

cc: Cindy Mann, Director, CMSO, CMS