

Co-Chair Mitch Greenlick
Co-Chair Jim Thompson
Honorable Members of the House Health Care Committee
Oregon State Capitol
900 Court Street NE
Salem, OR 97301

February 8, 2012

RE: National Community Pharmacists Association (NCPA) Opposition H.B.4109

Dear Chairmen Greenlick and Thompson:

I am writing today on behalf of the National Community Pharmacists Association (NCPA) in strong opposition to H.B. 4109 – Generic Drug Purchasing. This legislation would require the Oregon Health Authority to use a competitive bidding process for the purchase of generic drugs for Medicaid recipients-- therefore supplanting the current pharmaceutical purchasing system relied upon in the state to obtain the best possible price on medications. In addition, this legislation could have a devastating effect on independent community pharmacies—that are both critical health care providers and small businesses. NCPA shares these concerns with the National Association of Chain Drug Stores (NACDS) and a number of other industry stakeholders and feels that the negative effects of this bill on independent community pharmacies could result in a reduction in available pharmacy care providers and corresponding access to care issues for Oregon Medicaid beneficiaries.

Nationwide, NCPA represents America's independent community pharmacists, including the owners of more than 23,000 community pharmacies, pharmacy franchises and chains. Together, they employ over 300,000 full-time employees and dispense nearly half of the nation's retail prescription medicines. In Oregon alone, NCPA represents the interests of over 158 community pharmacies that employ an estimated 1,675 residents. Out of the 495 zip codes in Oregon, there are 154 with absolutely no pharmacies. An additional 42 zip codes have only one pharmacy. Overall, Oregon's independent community pharmacies generate \$635.5 million in annual revenue. The viability of these entities should be protected due to the fact that in many regions of Oregon, they may be the sole healthcare provider and represent the only reasonably accessible option for vital medications. If successful, H.B.4109 could result in the closure of such rural pharmacies.

H.B.4109 would severely limit the options available to community pharmacy to obtain the medications they dispense and would drive up costs due to this limitation. Most independent pharmacies rely on the negotiation capabilities of their respective pharmaceutical buying groups or wholesalers to secure the best possible price when purchasing medications. Chains have the ability to obtain such prices on their own due to their market power and bulk purchasing capabilities. However, both chains and independent pharmacies share the same concern in regards to H.B.4109.

The proposed competitive bidding program for generic drugs would undermine the current system, as the state of Oregon would set the price for a particular generic product based on whatever the lowest bid received by the state may be at that particular time. In this scenario, there would be no guarantee that the lowest bid would be the best price the pharmacy, either chain or independent, could obtain under the current system. Moreover, competing generic manufacturers would lose the incentive to negotiate lower prices with pharmacies or their representatives. The negative financial repercussions to pharmacy would be felt when the state would mandate a specific drug and when the dispensing pharmacy would pay a much higher price for the specific generic mandated by the State, at the State determined cost, than they would otherwise currently pay. H.B.4109 simply narrows the options currently available to pharmacy when negotiating the best price for the medication they dispense. H.B. 4109 could in turn drive up the cost of providing pharmacy services as pharmacists would need to charge more to cover the cost of the medication.

Under H.B.4109 it is also unclear as to how a generic drug competitive bidding program would ultimately work. Would all pharmacies be expected to buy special stock from the manufacturers who won a bid and keep that “Medicaid” stock separate from their other stock medications? How would this occur in a small, one pharmacy operation? What would happen if the winning manufacturer was unable to meet the demand for a particular medication? Would other medications be acceptable and who would cover the differential that may occur?

Community pharmacies lead the field in increasing cost saving generic utilization and reinforcing patient adherence to their drug regimens. For every one percent increase in generic utilization, health plans save 2.5 percent of total drug spending. With H.B.4109 narrowing the generic options available to retail pharmacy, this could seriously undermine the cost savings available through dispensing of generic medications. Studies have proven that for a health plan with 10,000 beneficiaries, for every 1 percent increase in generic use, the health plan can save \$180,000. A 10 to 13 percentage point increase in the use of generics driven by community pharmacies can potentially save a health plan with 10,000 beneficiaries \$1.8 million to \$2.34 million annually.

NCPA is sympathetic to the concerns of policy makers attempting to balance state budgets, in Oregon and nationwide. However, we believe that implementing a generic drug competitive bidding program would be counterproductive to the intent of cost savings and devastating to the viability of independent community pharmacies both as healthcare providers and small business owners. We respectfully request that the honorable members of the House Health Care Committee oppose H.B.4109. NCPA welcomes the opportunity to work with the state of Oregon to find cost savings alternatives to the ones presented in H.B.4109. If you have any questions or wish to discuss this matter in more detail please feel free to contact me at matt.diloreto@ncpanet.org or 703-600-1223.

Sincerely,



Matthew J. DiLoreto
Director of State Government Affairs