

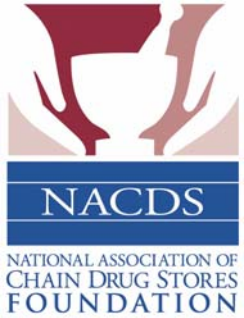


THE NACDS FOUNDATION



Medicare Reform: The Pharmacy Perspective

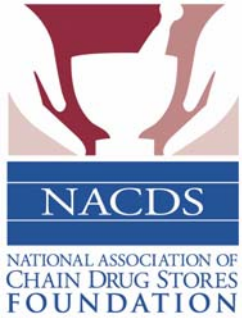
John M. Coster, Ph.D., R.Ph.
**The National Medicare
Prescription Drug Congress
February 26, 2004**



Community Pharmacy Issues

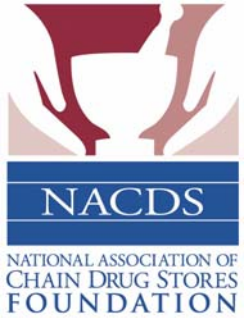
» PBA Coalition

- Pharmacy Access Standards
- Retail Pharmacy Equity with Mail Order
- Transparency and Accountability by PBMs
- No Transfer of Risk from PBMs to Pharmacies
- Conversion of Medicaid to Medicare
- Modifications of State Rx Assistance Program
- Preemption state Rx benefit laws
- Medication therapy management



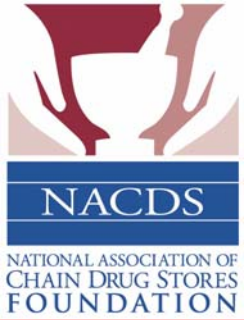
Pharmacies critical to managing...

- » ...and administering the card and coverage programs in general
- » ...and especially the expectations of seniors about what the benefit is and is not
- » ...we will be on the front line answering questions about
 - Card programs – new and existing
 - Coverage programs – actuarially equivalence, formulary, donut holes, etc...
 - Medicaid and SPAP conversions
 - Formularies
 - Coordinating Benefits between plans and payors



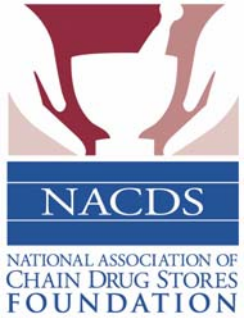
Medicare - Discount Card

- **Coordinating endorsed and non endorsed programs**
- **Passing along lower of “U+C” or negotiated rate**
- **Working with Medicaid programs and SPAPs that want to wrap or pay copays**
- **Explaining the pricing website to seniors and why drugs and prices have changed**
- **TriCare pharmacy access standards**
 - **90 percent urban – within 2 miles of pharmacy**
 - **90 percent suburban – within 5 miles of pharmacy**
 - **70 percent rural – within 15 miles of pharmacy**



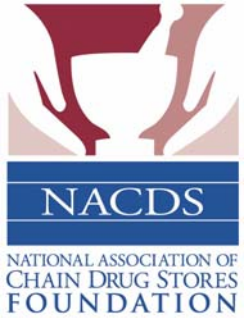
Management and Administrative Issues

- » **Implementing Formularies and Tiered copays**
 - **Include “drugs” within each therapeutic class**
 - **Appeals process to obtain access to MD prescribed Rx**
 - **Coordinating benefits with other plans has to be done in an on line real time manner**
 - **Pharmacists already spend 25% of time on third party administrative issues**



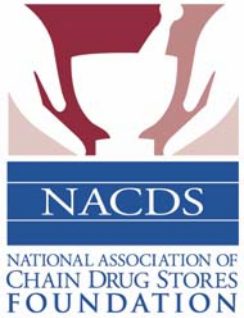
Access to Pharmacies

- » Any pharmacy “willing” to accept terms and conditions may participate in network
- » BUT – PDP plans can reduce coinsurance or copayments for “in network” pharmacies below that otherwise required
- » “In network” pharmacies (other than mail order) have to meet TriCare access standards.
- » LTC Access Standards: *“such rules may include standards with respect to access for enrollees who are residing in long term care facilities...”*



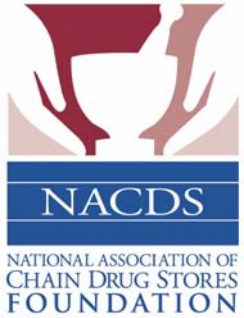
TriCare Access Standards

- » **Urban: a pharmacy within 2 miles of 90 percent of the beneficiaries**
- » **Suburban: a pharmacy within 5 miles of 90 percent of the beneficiaries**
- » **Rural: a pharmacy within 15 miles of 70 percent of the beneficiaries**
 - **Average vs. actual**
 - **Definition of pharmacy**
 - **How distances are measured**



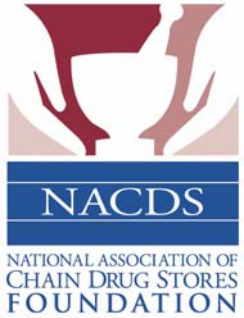
Mail Order

- » **Plans can use differential copays to encourage mail order – lets look at report language and Congressional history!**
- » **Plans have to *“permit enrollees to receive benefits (which may include a 90-day supply of drugs or biologicals) through a pharmacy (other than a mail order pharmacy), with any differential in charge paid by such enrollees***



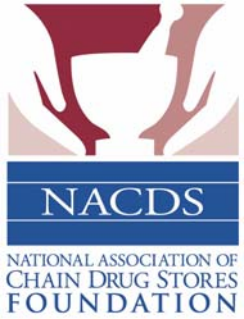
Insurance Risk

- » **“The terms and conditions under subparagraph (A) may not require participating pharmacies to accept insurance risk as a condition of participation”**
- » **“Insurance risk is defined as...risk of the type commonly assumed only by insurers licensed by a State and does not include payment variations designed to reflect performance-based measures of activities within the control of the pharmacy, such as formulary compliance and generic drug substitution”**



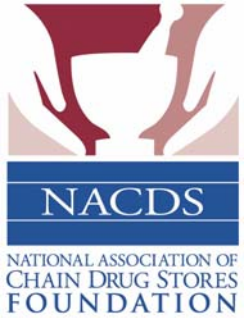
Negotiated Prices

- » **Sponsor has to provide enrollees with access to “negotiated prices”...regardless of the fact that no benefits may be payable under the coverage with respect to such drugs because of application of a deductible or other cost sharing or an initial coverage limit...”**
- » **“...negotiated prices shall take into account negotiated price concessions, such as discounts, direct or indirect subsidies, rebates, and direct or indirect remunerations, and include any dispensing fees for such drugs.”**



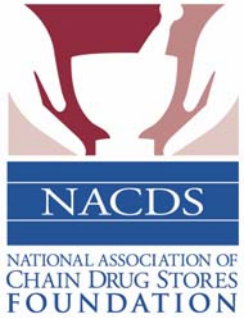
Transparency and Disclosures

- » **PDP or MA-PD sponsor shall disclose...aggregated negotiated price concessions...made available to the sponsor or organization by a manufacturer which are passed through in the form of lower subsidies, lower monthly beneficiary prescription drug premiums, and lower prices through pharmacies and other dispensers.**



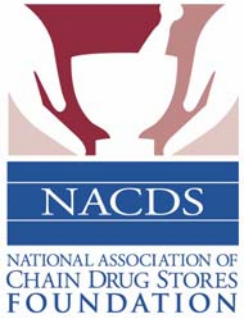
Medicare Rx Impact on Medicaid

- » **Medicare becomes primary payor for Rx drugs for dual eligibles**
- » **No Federal matching funds available on January 1, 2006 for states for Medicare covered drugs or copays**
- » **Medicaid can provide these drugs, but at their own cost**
- » **Secretary to establish process to transfer duals to Medicare**
- » **Pharmacy has option to waive Rx copays**
- » **Federal government “claws back” state savings resulting from shift of dual eligibles, phasing from 90 percent in 2006 to 75 percent in 2014**



Waiver of Copays

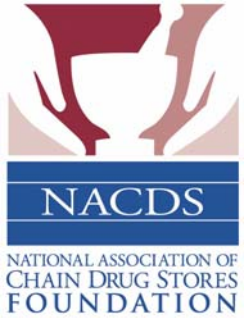
- » **Pharmacies can waive copays for dual eligibles if the waiver is not offered as part of any advertisement or solicitation**
- » **Pharmacies can waive copays for non dual eligibles if:**
 - **the waiver is not offered as part of any advertisement or solicitation**
 - **pharmacy does not routinely waive copay and;**
 - **Pharmacy waives copay after determining in good faith that individual is in financial need or**
 - **Fails to collect copay after making reasonable efforts**



FTC Mail Order Study

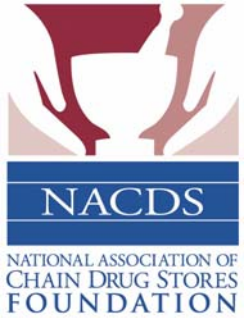
» Conflict of interest study

- **Federal Trade Commission directed to study differences in payment for pharmacy services provided to enrollees of group health plans that use PBMs**
 - **Includes study on differences in costs for drugs dispensed by PBM-owned mail order pharmacies, independent mail order pharmacies, and community pharmacies**
- **Report to analyze effect on competition and enrollee pricing and potential impact on Medicare spending of use of PBM-owned mail order pharmacies**
 - **Specifically directed to review use of generic drugs, repackaged drugs, and drug switching**



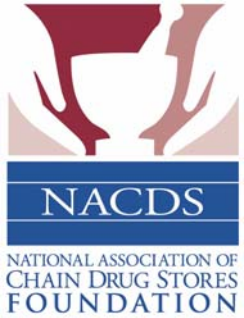
Electronic Prescribing

- **Electronic prescribing**
 - **Voluntary program to electronically transmit prescription information between physicians and pharmacies**
 - Information to include medical history, drug interactions, availability of lower cost alternatives
 - **Secretary to conduct pilot program in 2006 and publish final standards by April 1, 2008, effective no later than one year later**
 - **Pharmacies participating will need to comply with standards**
 - **Physicians supposed to provide information to patients on choice of pharmacy**



Part B DME Changes

- » **DME payment freeze 2004-2008**
- » **Lower rates for certain items such as diabetic test strips and lancets in 2005**
- » **Competitive bidding begins in 2007 in 10 largest MSAs'; expanded to 90 MSAs in 2009.**
 - **Covered items include most DME classes**
 - **Retail pharmacies eligible to bid, but participation not guaranteed**
 - **Established rates can apply in non-competitive bidding areas**



Part B AWP Changes

- » For 2004, most Part B drugs paid at AWP-15 plus supplier fee (for oral cancer, immunosuppressive and oral anti-emetic drugs)
- » CMS did not establish supplier fee
- » For 2005, payment at Average Sales Price (ASP) plus 6% or WAC, whichever lower, plus supplier fee
- » Secretary also to establish a competitive bidding program for Part B drugs which may limit their distribution to mail order and/or specialty supplier.



American Pharmacists Association

Improving medication use. Advancing patient care.

Medicare Reform: The Pharmacist Perspective

Susan C. Winckler, RPh, Esq
**The National Medicare
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Primary Roles...



» Benefit 'counselor' and educator

- For discount card, transitional assistance and benefit

» Benefit Administrator

- For discount card, transitional assistance and benefit

» Medication Therapy Management Provider

- For discount card?
- For benefit

Benefit ‘counselor’ and educator



» Discount Cards

- Provide guidance on choosing endorsed discount card

» Transitional Assistance

- Provide guidance on availability of assistance

» Benefit

- Provide guidance on choosing among competing plans
- Repeat with renewals

Benefit 'counselor' and educator



» What we need to be successful

- **Discount cards**
 - **Information! Prices (including generics covered under the card)**
- **Transitional assistance**
 - **Information!**
- **Benefit**
 - **Information! Formularies, benefit parameters**

Benefit Administrator



» Discount Cards

- **Navigate various cards**
- **Continue to provide information on less-expensive alternatives**
 - **Provide price of appropriate generics under card**
- **Explain formularies, plan limits, scope of discounts**
- **Administer transitional assistance funds**

Benefit Administrator



» 2006 Benefit

- **Introduce many beneficiaries to third-party payor dynamics**
 - Refill limits
 - Formularies and appeals processes
- **Medicare dynamics**
 - Co-insurance
 - 'Donut hole'

Benefit Administrator



» What we need to be successful

- **Discount cards**
 - **Information! Prices (including generics covered under the card)**
- **Transitional assistance**
 - **Information! Real-time access to balance**
- **Benefit**
 - **Information! Formularies, potential changes to formularies, balance approaching coverage gap**

Medication Therapy Management Provider



- » **Best provided in direct patient care relationship**
- » **Making the best use of medications**
 - **Medication reviews**
 - **Beneficiary education about therapy**
 - **Compliance interventions**
 - **Packaging**
 - **CLIA-waived testing?**
 - **Ongoing consultation and follow-up**

Medication Therapy Management Provider



» What we need to be successful

- **Opportunity to participate**
 - No arbitrary restrictions
- **Adequate scope of services**
- **Sufficient compensation**
 - Separate from dispensing to avoid perverse incentives

Providing Chronic Disease Management • Preventing Medication Errors • Improving Patient Safety • Ensuring Patient Confidentiality
Advocating for a Medicare Drug Benefit • Providing Medication Therapy Management Services • Ensuring Effective Pain Management
Improving Access to Medications • Advancing Patient Care • Improving Medication Use • Providing Patient Education
Improving Patient Safety
Ensuring Patient Confidentiality
Increasing Access to Generics
Ensuring Effective Pain Management
Improving Medication Use
Advancing Patient Care

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Questions?