

MEMORANDUM

To: Reporters and Editors
From: Carol Guthrie for Finance Chairman Max Baucus (D-Mont.)
Jill Kozeny for Finance Ranking Member Chuck Grassley (R-Iowa)
Re: Report on Medicare drug benefit payments to local, community pharmacies

Finance Chairman Baucus and Ranking Member Grassley today announced their intention to seek further information on whether the nation's rural pharmacies receive adequate reimbursement for medications provided under the Medicare drug benefit, which may determine whether America's rural seniors have access to needed medicines. Baucus and Grassley said today that while a report from the Department of Health and Human Services Inspector General finds that payments to local, community pharmacies do exceed acquisition costs for drugs, the numbers need to be compared to appropriate benchmarks – including dispensing costs and payments – to allow for meaningful assessment of whether pharmacies are receiving sufficient payments and rural seniors' access to care is assured.

The report, "Review of the Relationship Between Medicare Part D Payments to Local, Community Pharmacies and the Pharmacies' Drug Acquisition Costs (A-06-07-00107), was requested by Baucus, Grassley, and 29 Senate colleagues, and is available online at <http://www.oig.hhs.gov/oas/reports/region6/60700107.pdf>. A copy of the Senators' letter requesting the report is attached.

Baucus said today, "This report indicates that local, community pharmacies are getting paid more than they spend to buy medicines to fill seniors' prescriptions under the Medicare drug benefit, but that doesn't tell the whole story. In addition to buying the drugs, pharmacies stock them locally, spend time and effort to fill the prescriptions, answer questions and check drug interactions, and more. If the income that local, community pharmacies get from Medicare drug benefit plans is less than the cost of all those services, then that will spell serious financial trouble for many – including rural pharmacies where seniors' options for obtaining medicines may be few and far between. I helped write the Medicare prescription drug benefit, and I want to make certain that it remains a success for seniors and for the local, community pharmacists who make the program go. CMS should take this report one step further, and determine whether all pharmacy costs for this benefit are being covered by Medicare drug plans. We must make sure pharmacies are not at risk as a result of the new drug benefit."

Grassley said, "The Inspector General's report on Medicare Part D access issues suggests that market forces are working in Medicare Part D, as we hoped they would. For both independent and chain pharmacies, on average, the difference between the pharmacies' cost of buying drugs and the amount pharmacies were paid was about 18 percent. While we need some additional information on dispensing fees, I am hopeful that, as with this study, the Inspector General will find that pharmacies should be operating in the black on Medicare Part D. While this is good news, I continue to support legislation I introduced with Senator Baucus to require prompt payments to pharmacies by Part D plans, the use of electronic funds transfer for payment, and the regular update of the pharmacy payment maximum allowable cost lists, and other measures designed to improve how Part D functions for pharmacies."

Specifically, the Inspector General's report found Medicare drug benefit payments to local, community pharmacies exceed the pharmacies' acquisition costs for drugs by approximately 18.1 percent, including rebates for specific drugs prescribed. Without rebates, payments to pharmacies exceed acquisition costs by approximately 17.3 percent. Dispensing fees to local, community pharmacies under the Medicare drug benefit average approximately \$2 less than dispensing fees from Medicaid.

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