

## **Senate Democratic Policy Committee Hearing**

### **“An Oversight Hearing on Implementation of the Medicare Prescription Drug Benefit”**

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Mr. Chairman, Senators, thank you for inviting me to testify today before the Democratic Policy Committee.

I think it is reasonable to assume that the majority of the people in this room feel that a Medicare prescription drug plan is a necessary benefit for our senior citizens. I also think it is reasonable to assume that most of my colleagues in the pharmacy profession support providing a benefit.

However, I am concerned that the benefit that was enacted is too confusing and its implementation has been plagued with problems. I would like to outline some of the major problems and offer my advice about changes you should consider to improve the benefit.

#### **I. The Benefit Could Not Be More Complicated**

First, I don't know how the federal government could have possibly made this benefit any more confusing. In North Dakota, there are 41 plans being offered, each with its own structure of copayments, deductibles and coinsurance. To make matters worse, seniors are forced to try to match their current medication regimens with 41 different formularies. I am quite sure the majority of senior citizens neither understand the concept of a formulary nor why their specific medication may or may not be covered.

Once a beneficiary does select a plan, there is no assurance that the terms of the plan will not change. Change is a very difficult thing for a senior citizen. The formulary system currently in place allows prescription drug plans to change the drugs that are covered with 60 days notice. There is nothing to stop a plan from engaging in “bait and switch” tactics to drive up enrollment.

#### **II. The Enrollment Process is Terminally Flawed**

The second problem is that the enrollment process is flawed. The one person who knows the patient's medication regimen – the pharmacist – is prohibited from helping patients enroll in

the benefit. Pharmacists are also not compensated for the countless hours spent helping answer questions from individual patients.

In contrast, prescription drug plans are allowed to hire agents and pay them to sign up seniors in their plan. This makes no sense. These agents have no incentive to provide honest and accurate information to seniors. Seniors often end up picking a plan that does not cover their medication or a plan that does not allow them to go to their local pharmacies.

I believe we should allow and promote the services of the nation's pharmacists to facilitate the enrollment process and pay them accordingly for their services rendered.

### **III. The Federal Government is Not Receiving the Best Prices**

The third problem I will discuss is the cost of the benefit to the government. It is unbelievable to me as a taxpayer that we would be spending this kind of money and not receiving the best prices in the nation.

Why should Medicare be any different from the Department of Veteran's Affairs? I certainly do not understand this. I have brought a 39 page document that shows the manufacturers' prices increases from December through February of this year. Those prices increases will continue unbridled without some form of a legislative mandate.

You must find a way to control the cost of pharmaceutical products or this will be a runaway situation. One of the most obvious steps is allowing the government to negotiate for better prices.

### **IV. The Playing Field Between Pharmacists and the Plans is Not Level**

I think it is important to point out how much I get paid for filling Medicare prescriptions. Of the 10 different plans my pharmacy currently provides for, the average reimbursement for a brand medication is between 5 and 11 percent. For example, for \$100 worth of lipitor – a medication many of us are on – I would have a gross margin of between \$5 and \$11, with the average being between \$5-7.

Over the last two months, the price of that same 30 day supply of Lipitor 20MG increased by \$4.06 – 4.5 percent. I bring this up to point out that pharmacists are not the reason for high drug costs.

If the current system is not changed, the slow and low reimbursement rates will be a financial disaster for community pharmacists. I have spoken with many of my colleagues nationwide and especially in rural areas that are in serious financial trouble because of this plan.

Some pharmacists have been forced to take out short-term loans to cover their costs. Other pharmacists have tried to join a plan's network but can't even get their call returned. This is not sustainable. I encourage you to talk to the local pharmacists in your community to get their opinions as we move forward.

One of the main problems is that the playing field between pharmacists and the prescription drug plans is not level. Small, community pharmacists have little to no leverage with the plans. The plans are able to set low reimbursement rates and give pharmacists take-it-or-leave-it offers. Pharmacists have to choose whether to lose money or turn away their Medicare patients.

## **How do we correct these problems?**

### **I. Reduce the Number of Formularies**

We should discard the concept of numerous formularies. This system is not in the best interest of the beneficiaries. The VA formulary system, while not perfect, might be a starting place to consider. The VA formulary could be modified to accommodate the needs of seniors. CMS is correct to require plans to cover all classes of medications. The formularies should also promote the use of generic substitution.

In the short-term, plans should be prohibited from making changes to their formularies or prices during the year. Why would seniors want to enroll in a plan if that plan can suddenly change which drugs are covered or the price it charges?

### **II. Allow the Government to Negotiate for Better Prices**

Under the current system, the plans rely on rebates and discounts to make a considerable profit. Yet, the government is prevented from negotiating for better prices. This makes no sense to me and should be changed.

### **III. Pharmacists Must be Reasonably Compensated**

As I mentioned, pharmacists are already providing their services at a very competitive rate. We need to be fairly reimbursed for our services if we want our nation's community pharmacists to stay in business.

The playing field between pharmacists and the plans needs to be made level. Under the current system, plans hold all the power. They give pharmacists take-it-or-leave-it contracts. Pharmacists must decide whether to accept a low rate of reimbursement or turn away their Medicare customers. I encourage you to look for ways to give pharmacists more power in the marketplace.

In closing, I want to reiterate that I truly believe this nation needs a prescription drug plan for its senior citizens but one that is seamless, consistent, understandable and attainable. We as taxpayers should not be held hostage by the special interest groups that stand to benefit tremendously by the current plan design.

I hope that you will consider meaningful changes to the current benefit. Thank you again for your time. I will be happy to answer any questions that you might have.