May 20, 2015

The Honorable Fred Upton
Chairman
House Energy and Commerce Committee
U.S. House of Representatives
Washington, DC 20515

The Honorable Frank Pallone
Ranking Member
House Energy and Commerce Committee
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Upton and Ranking Member Pallone:

About ten years ago, the Congress passed legislation that would have dramatically reduced the Federal Upper Limits (FULs) for the Federal matching rates as the basis of the payment for prescription drugs under Medicaid. The Congress ameliorated those reductions in the Affordable Care Act (ACA).

These efforts were continued by the 2012 publication of the Proposed Rule for Medicaid Covered Outpatient Drugs which would implement the Medicaid pharmacy reimbursement provisions for multiple source drugs established by the ACA. Based on analysis of the draft Average Manufacturer Price (AMP)-based FULs, which currently includes brands and authorized generics, over 1/3 of FULs are below pharmacy acquisition costs. By removing brands and authorized generics from the calculation of FULs, pharmacy reimbursement will be even lower as a larger number of FULs will fall below pharmacy acquisition costs.

Community pharmacies are a front line provider for Medicaid beneficiaries throughout the US. Moreover, community pharmacies help save health care dollars from being spent on more expensive hospital and physician services. Decreasing pharmacy reimbursement for generic drugs could ultimately cause a larger increase in health care costs as patients seek higher-cost services or become sicker through the potential lack of medication access.

Community pharmacies have worked closely and will continue efforts to work with Congress and regulators to refine the regulation that will impose these new limits. We continue to work to assure both a fair regulation and an adequate transition period for the new FULs, which state Medicaid directors estimate to be as much as a year of transition which is for most of the states in the US.

In addition to the AMP-based FUL provision, we are also concerned about any proposals to limit Medicaid reimbursement of durable medical equipment (DME) to the rates paid by Medicare. Implementing a blanket proposal to reduce payment for Medicaid DME has the potential to disrupt access to DME services and also produce poorer health outcomes. We urge the committee to refrain from making any changes to Medicaid reimbursement for DME.
We look forward to continuing to work with the committee as it pursues the enactment of the 21st Century Cures legislation.

Sincerely,

American Pharmacists Association
National Association of Chain Drug Stores
National Community Pharmacists Association

cc: Members of the House Energy and Commerce Committee