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**NEVADA ASSEMBLY HEALTH AND HUMAN SERVICES COMMITTEE  
APRIL 7, 2003 HEARING**

Thank you for giving me the opportunity to speak before you today in regards to Assembly Bill 384. My name is Debbie Veale; I am the Regional Manager, Managed Care Operations for Albertsons and a licensed pharmacist in the state of Nevada.

Albertsons currently operates 69 Sav-on Drug and Albertsons pharmacies in the state of Nevada. We believe Nevada to be a great state and a state in which we hope to add stores. Additional stores are good for Nevada since they contribute additional tax revenue to the state, employment opportunities and growth in the Albertsons community partnership program, in which Albertsons contributes to the many organizations throughout the state.

As a health care provider, I am here today to let you know that we support Preferred Drug Lists as a way to effectively control costs for the Medicaid patients in Nevada. Over the past 20 years, I have seen the release of new prescription drugs go from a few a year to hundreds. Many "new" medications are variations of products already on the market and are known as "me too" drugs. The therapeutic classes can become a long list of medications which are very similar, have similar side effects and similar outcomes. These similar products do not have similar costs to the state.

In 2002, the Department of Health tried to control costs of pharmaceuticals by simply decreasing the reimbursement rate to the pharmacies. The problem with this method is that 85 percent of the money paid to the pharmacy goes to the pharmaceutical companies ..to buy the medication. The balance is used to pay for warehousing the medications, wages, electricity, rent, prescription bottles and labels.

Lowering the reimbursement to the pharmacy does not change the price we pay for the medication; it only punishes the pharmacy for participating in the Medicaid program.

PDL is a way to slow or stop the rising cost of medications without punishing the providers.

PDL may actually improve patient care by encouraging the doctors to prescribe only the best medications.

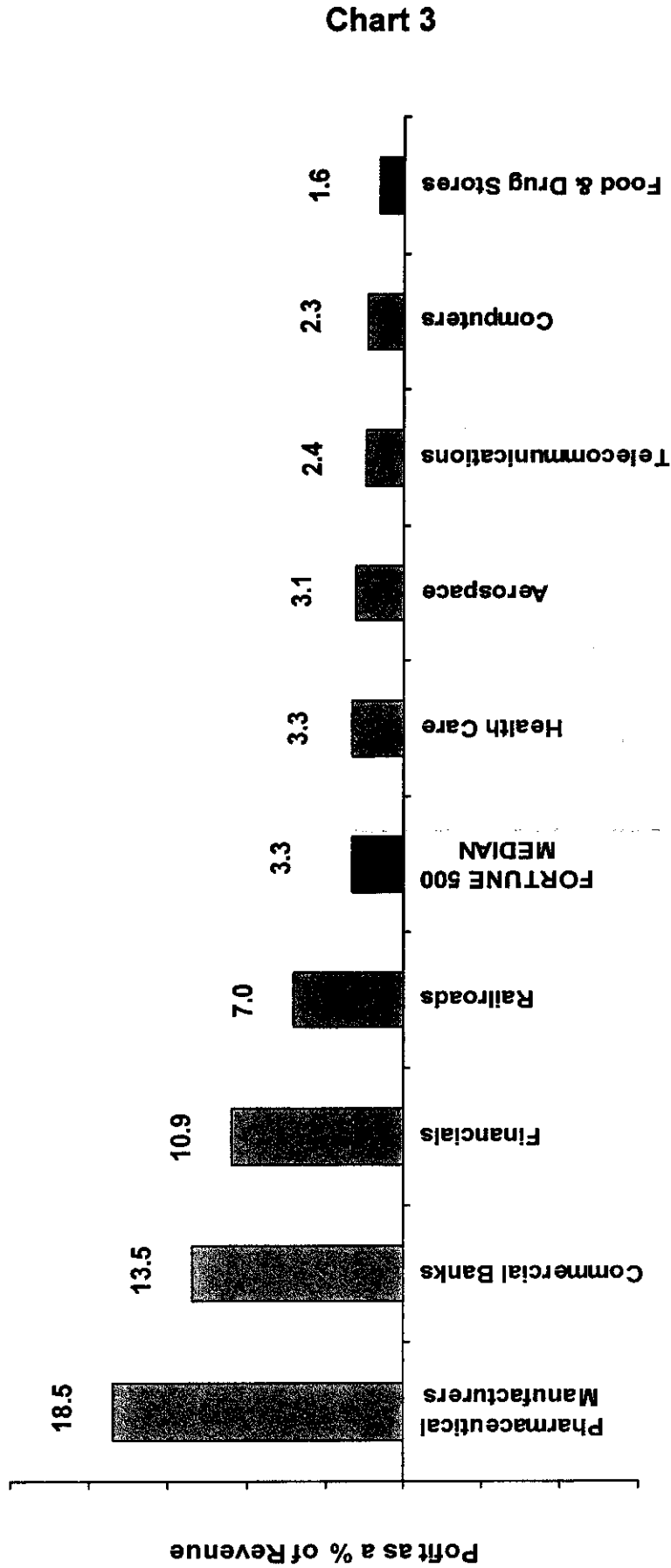
**PDL does not limit access to drugs. Medications not on the PDL are still accessible through an authorization process initiated by the prescribing doctor. Authorization turnaround times are currently less than 24 hours, and in some cases, within minutes.**

**PDL programs are effective for all therapeutic classes. A committee will be formed to decide which drug or drugs should be part of the program for each therapeutic class. These drugs are judged on their clinical safety and efficacy. These "best in class" drugs are put on the PDL list. Some drug classes such as HIV, oncology and mental health may have a more drugs allowed on the list due to the special circumstances around patients treatments for these disease states.**

**In conclusion, we feel that that the implementation of a Preferred Drug List program will help control drug costs within the Nevada Medicaid program and provide better to care to the Nevada Medicaid recipients.**

**Thank you for your time.**

# Community Pharmacy Profits vs. Other Industries, 2001



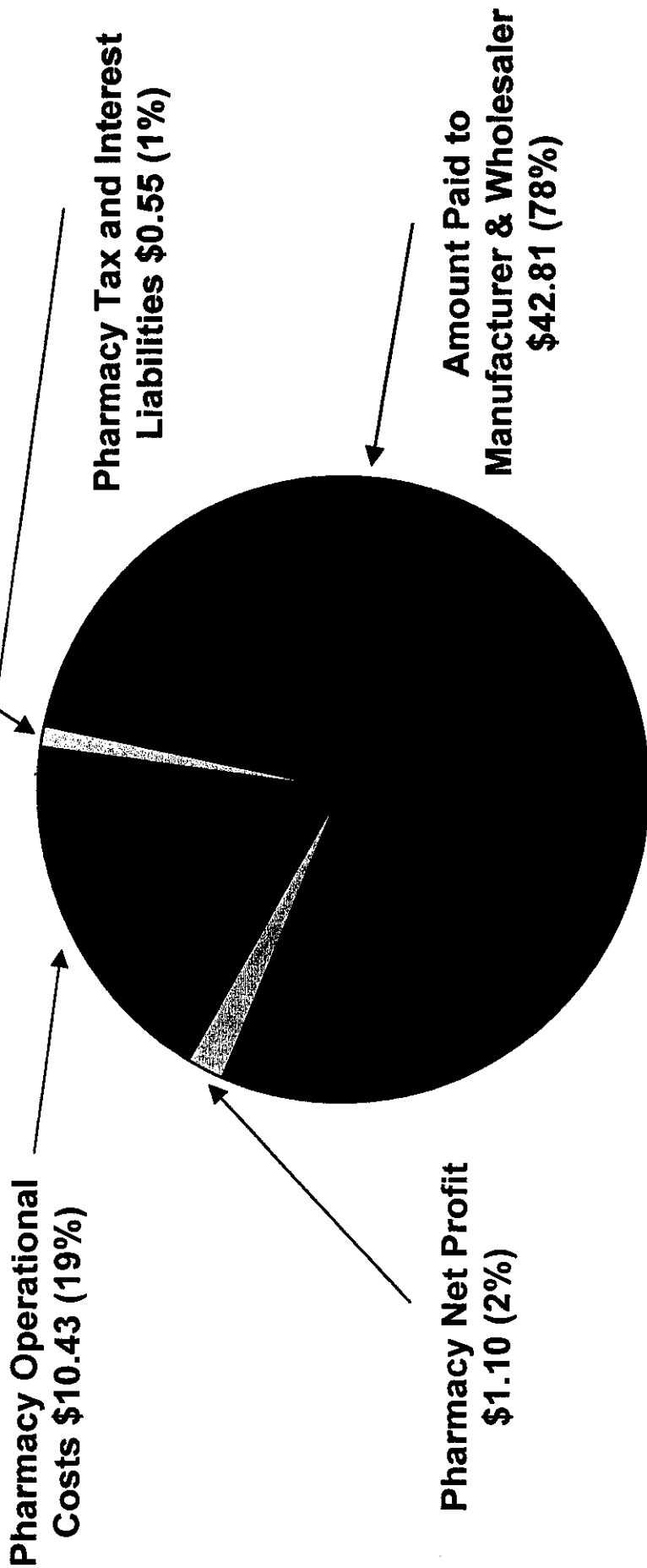
Chain and independent pharmacies operate on slim 1.6 percent net profit margins—less than half of the Fortune 500 median.

SOURCE: Fortune, April 2002, Profits as a Percent of Revenues



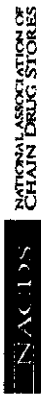
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# National Medicaid Rx Component Average Rx Price: \$54.89



Pharmacies' net profit on Medicaid prescriptions is only 2%

SOURCE: NACDS Economics Department, Verispan Scott-Levin and the Henry J. Kaiser Foundation "State Health Facts Online



# **Factors Driving Medicaid Prescription Drug Spending**

- **Increased USE of Prescription Drugs**
  - More people using more prescriptions
- **Increased PRICES of Existing Drugs**
  - Drug inflation on existing drugs continues to increase faster than inflation
- **Substitution of NEW Drugs for EXISTING Drugs**
  - Newer drugs at higher prices than existing drugs
  - New drugs prescribed even when older drug or generic are drug of choice