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Statement and Information Submitted by the

National Association of Chain Drug Stores (NACDS)

to the

Nevada State Assembly

Health and Human Services Committee

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Good afternoon. I am Mary Staples, Regional Director of State Government Affairs for the National Association of Chain Drug Stores (NACDS). In the state of Nevada, NACDS represents 16 chain pharmacy companies operating more than 300 community pharmacies, and employing approximately 24,000 Nevadans. Our membership consists of traditional community pharmacies, supermarket chains with pharmacies, and mass merchandise retailers. (Albertson's, Costco, CVS, Kmart, Longs, Medicine Shoppe, Raley's, Rite Aid, Safeway, Scolari's, ShopKo, Statscript, Target, Wal-Mart, and Walgreens. Chain community retail pharmacies fill over 70% of the 3 billion prescriptions dispensed annually in the United States.

Thank you for the opportunity to present testimony in support of AB 384.

While NACDS understands states are scrambling to save money, cutting pharmacy reimbursements to the bone and compromising quality patient care is not the solution. That is why last summer, NACDS strongly opposed the Nevada Division of Health Care Financing and Policy's five percent reduction in the pharmacy Medicaid reimbursement. Reducing the reimbursement rate to pharmacists was a quick budgetary fix, and did not get at the root of the problem... increasing enrollment and the high cost of prescription drugs.

Approximately $164 billion was spent nationally to purchase prescription drugs in 2001 — about one-tenth of all expenditures for health care. Pharmaceutical expenditures are expected to grow at a rate of 13 percent annually for the next several years. About 39% of the approximately 17% increase in prescription drug spending in 2001 was due to the increased use of prescription drugs. The other 61% was explained by increases in the prices of existing medications and by patient switching to newer, higher priced drugs. Medicaid pharmacy expenditure trends mirror those in the general population, and are driven by the same forces.

Another factor that explains the increase in prescription drug utilization is the growth of promotion and direct-to-consumer advertising by drug manufacturers. The manufacturers spent almost $14 billion on promotional activities that target both physicians and patients. Of this,

about $3 billion was spent by the drug manufacturers in 2001 for direct-to-consumer advertising through print, radio, and television. This constitutes a 300 percent increase over direct-to-consumer advertising since 1997. In 2000, the 50 drugs most heavily advertised constituted 31.9% of all sales of prescription drugs, and 24.6% of the number of prescriptions.

NACDS recommends a more structured, long-term approach to achieving cost savings in the Medicaid drug program. NACDS suggests that health care providers should be required to prescribe generic equivalents before brand-name drugs, and should be required to prescribe less expensive, multi-source drugs — both over-the-counter and prescriptions. Another way to save the state of Nevada's Medicaid department money without jeopardizing patient care is to limit the maximum days' supply of any prescription to one month's supply of 34 days. Many of these measures are currently being used or expanded in other states.

State Medicaid programs in Florida, Michigan, Maine, Vermont, Illinois, Louisiana, Maryland, and South Carolina are using preferred drug lists, prior authorization, and supplemental rebates to better manage increasing Medicaid prescription drug product costs. Under a PDL, physicians are given incentives to use more cost-effective drugs before using more expensive brand name drugs. The program emphasizes safety and efficacy first. Just last month, the National Governors Association's Center for Best Practices endorsed preferred drug lists and supplemental rebates as an excellent way to manage care and contain costs.

We appear before this committee today to help the committee achieve real cost savings in the Medicaid drug program. We are prepared to offer several amendments to AB 384 to make the bill more in line with the successful Michigan and Florida PDL programs.

Thank you for this opportunity to express NACDS position.