

Drug rule could hurt rural pharmacies

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WASHINGTON, — The nation's 24,000 independent pharmacies are having a hard time swallowing a federal proposal that would slash their reimbursements for providing generic prescription drugs to people on Medicaid.

The drug stores, mostly located in small towns and inner cities, say the plan by the federal Centers for Medicare and Medicaid Services, or CMS, could cause them to stop serving Medicaid patients or go out of business. The agency's new drug reimbursement rule would pay pharmacists an average of 36 percent less than their cost to provide the drug, according to a U.S. Government Accountability Office study released in December.

The reimbursement rate for brand-name drugs would not change. Only 41 percent of drugs dispensed in the Medicaid program are brand name. Medicaid is a federal-state health insurance program that serves low-income people with children, the indigent elderly and the handicapped.

Cut Bank pharmacist Ron Campbell wants to wait until he sees the final rule before speculating on how it might affect his store, the Drug Mart. The only way pharmacists would be able to survive under the new rule is if Medicaid is allowed to join the Department of Veterans Affairs' drug buying program, which negotiates with pharmaceutical companies for low prices, Campbell said. The VA already negotiates drug prices on behalf of the Indian Health Service and federal community health centers, he said.

"Then we have a shot at staying in business," Campbell said. "They can't expect us to fill prescriptions at a loss. We're not going to do that."

If the pharmacies they now use stop serving them, Medicaid patients in rural areas would have fewer places to get their prescriptions filled. About 75 percent of all independent pharmacies are located in rural America.

Montana Sen. Max Baucus, the Democratic chairman of the Senate Finance Committee — which has jurisdiction over the Medicaid program — said he's very concerned about the potential impact of the rule change and has talked with CMS officials about it.

"Folks in Montana should have access to the medicines they need, and rural pharmacies shouldn't get the short end of the stick," Baucus said.

Currently, pharmacies make anywhere from 1 percent to 5 percent profit on their drug sales to Medicaid patients, depending on the area of the country

they're in and how they are operated, according to the National Community Pharmacists Association.

"I just don't see how they can do this," said Jocelyn Prang, owner of four Medicap Pharmacies in the Rapid City, S.D. area. "You cannot balance the budget on the backs of private pharmacy enterprise."

CMS disputes the GAO's findings that pharmacists would be underpaid. In its response to the report, CMS said the results are unreliable because they are based on confidential data the GAO received from IMS Health, a private company that tracks drug prices, and cannot be verified. Congress mandated the change in reimbursement rates in the 2005 Deficit Reduction Act because under the current formula pharmacists are overpaid, the agency said. The change is supposed to save taxpayers \$8 billion over the next five years.

The new reimbursement rule, which is supposed to go into effect by July 1, would apply to all pharmacies. But it would hurt independents the most because they don't sell in the same high volumes as chain stores do, and they tend to serve more Medicaid patients, said Charlie Sewell, a senior vice president for the National Community Pharmacists Association.

About 8 percent of chain drug stores' business is Medicaid sales, he said, compared to 23 percent for the average independent.

"The ones that have a small percentage (of Medicaid business) will drop it and try to make up the business elsewhere," Sewell said. "But if a large share of your business is Medicaid, you're caught between the proverbial rock and a hard place."

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