



**TEXAS FEDERATION OF DRUG STORES**

*"The Voice of Chain Pharmacy in the State of Texas"*

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## Texas Pharmacy Groups Warn Of Devastating Impact Of Medicaid Cuts To Patients & Small Businesses

*"Texas Still Has Time To Get This Right"*

**Austin, TX** – Texas pharmacy groups today warned that Texas' planned move to managed care for pharmacy services on March 1<sup>st</sup> of 2012 will have a devastating impact on the state's community pharmacies and on the poor they serve. This warning comes as the Texas House of Representatives committee on Public Health is scheduled to meet today to discuss managed care.

"Under managed care, pharmacy providers will see an 80 percent reduction in the dispensing fee for prescriptions. This drastic cut never received legislative approval and will make it impossible for many stores to stay in business. At a minimum, it will mean pharmacies have no choice but to turn Medicaid patients away," said Richard Beck, R.Ph. executive director of the Texas Pharmacy Business Council.

Beck noted that under managed care, pharmacy reimbursements will no longer be set by the state, but by pharmacy benefit managers (PBMs), which are for-profit middlemen hired to control costs and are not regulated in Texas. PBMs have already offered some pharmacies a dispensing fee of as low as \$1.35 plus a very low reimbursement for the drug. That represents a reduction of more than 80 percent from recent rates and nearly 90 percent below the actual cost of dispensing prescriptions, according to The Perryman Group, a Texas research firm. Legislative budget writers rejected a 27 percent cut just last year which many believed would threaten the viability of community pharmacies.

The Perryman Group estimates that reductions of this magnitude would threaten 1,300 pharmacies statewide "with insufficient profits to remain financially viable." The firm further estimates that \$1.35 reimbursements would lead to the loss of nearly 36,000 pharmacy jobs and more than 72,800 jobs overall, and an annual loss in state revenue of about \$2 billion. Mark Merritt, president and chief executive officer of the Pharmaceutical Care Management Association (which represents the PBM lobby) recently asserted that managed care will "save millions without cutting benefits to those in need," an assertion strongly refuted by The Perryman Group's analysis.

"If this plan moves forward as is, Texas pharmacies will feel the devastating effects for years to come," said John Heal, director of Texas governmental affairs for PBA Health/TrueCare Pharmacy. "Fortunately, the Health and Human Services Commission (HHSC) still has time to implement a program that accomplishes its goals without jeopardizing the vital role pharmacists play in their communities."

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Under Medicaid managed care, community pharmacies will be forced to make the difficult decision of either operating an unprofitable business or not accepting Medicaid patients and downsizing due to lack of customers. Simply put, pharmacies cannot sustain operating under these conditions.

"I have determined that I will literally go broke trying to keep my pharmacy open," said Louis Rumsey, R.Ph., owner of Elam Road Pharmacy in Dallas, Texas. "The reimbursement is so low that even if I let go of several employees, cut back on expenses, and did not even pay myself a salary, I still could not stay in business." Over 80 percent of the prescriptions filled at Elam Road Pharmacy are for children.

The loss of community pharmacies will mean a corresponding loss of access to medications and pharmaceutical services for patients living in those communities. Since Medicaid patients comprise a large percentage of the client base of some pharmacies, these patients are most at risk from pharmacy job losses and closures. In turn, Medicaid patients will suffer the loss of access that is badly needed.

"Medicaid patients are the poorest and most vulnerable among us. Loss of pharmacy access and services for these people is yet another blow that will make it harder for them to stay well or get better if they are sick. And it does not need to happen," said Tammy Gray, R.Ph. spokesperson for the Pharmacy Choice and Access Now (PCAN) coalition and owner of Buda Drug Store.

Gray noted that other Texas lawmakers are beginning to pay attention to the impact of the cuts. During a Texas Tribune/TribLive event in November, Texas Lieutenant Governor David Dewhurst recognized the need to keep independent pharmacies open and serving Medicaid patients in response to a question asked by Dorinda Martin, R.Ph, owner of Lamar Plaza Drug Store in Austin and Dripping Springs Pharmacy, and president of the Texas Pharmacy Association.

In a December 15<sup>th</sup> op-ed in the *Houston Business Journal*, state Senator Mario Gallegos wrote, "By law, Medicaid programs must provide a level of access to care for patients equal to the availability of health care in the private sector."

He said the state's initial implementation of managed care for pharmacy "should raise a red flag as to whether the state's Medicaid program will fall short."

"Texas legislators should follow the lead of Senator Gallegos and make changes to managed care to protect patients and jobs, and guarantee a competitive reimbursement for pharmacies, while there is still time," said Gray.

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