

NACDS PRINCIPLES OF HEALTHCARE REFORM

JUNE 2008

With transitions in government, the elevation of healthcare as a dominant issue, and the need to confront systemic challenges, an era of unique opportunity for healthcare reform may be at hand. NACDS is confident in pharmacy's ability to help improve the accessibility, affordability and quality of patient care. With the intent to build on the value of pharmacies as the "face of neighborhood healthcare," the Association has adopted and unveiled its Principles of Healthcare Reform.

About Pharmacy and NACDS

NACDS represents traditional drug stores, supermarkets and mass merchandisers with pharmacies. Its approximately 200 chain member companies include regional chains with a minimum of four stores to national companies. NACDS members also include approximately 1,000 suppliers of pharmacy and front-end products, and approximately 100 international members representing more than 30 countries.

Chains operate nearly 40,000 pharmacies, and employ more than 2.7 million employees, including 120,000 pharmacist positions. They fill more than 72% of prescriptions in the United States annually.

Retail stores with pharmacies post \$758 billion in annual sales, but their economic impact goes far beyond that. In fact, based on an analysis by NACDS, retail stores with pharmacies have a total annual economic impact of \$2.2 trillion. That is the equivalent of 16% of the gross domestic product.

Every one dollar spent in these stores creates a ripple effect of \$2.93 throughout other segments of the economy. That includes agriculture; manufacturing; construction; transportation and warehousing; finance and insurance; information technology; real estate; educational services; professional, scientific and technical services; and many more.

However, public policy can jeopardize the ability of pharmacies to perform their vital role in healthcare delivery, as well as their ability to help drive the economy. For example, pending Medicaid pharmacy reimbursement cuts for generic drugs would involve pharmacies selling medications below cost, which no business should be expected to do. These cuts could force the closure of more than 11,000 pharmacies. Patients rely on their neighborhood pharmacy and pharmacist as an easily accessible and trusted point of care, and the closure of these pharmacies would compromise the fulfillment of their healthcare needs. In addition, these more than 11,000 pharmacies generate more than 300,000 jobs and \$31.1 billion throughout the nation's economy.

Pharmacies. The face of neighborhood healthcare.

Pharmacy and Healthcare Delivery

The case for pharmacy's role in healthcare policy is logical, and consideration of the state of chronic care provides a vivid illustration:

- In addition to its dramatic human costs, chronic disease is responsible for the vast majority of healthcare spending.
- Pharmacist-provided care can improve outcomes for patients with chronic disease, and reduce costs.
- Therefore, public policy strategies should incorporate the value of pharmacy, and certainly should not jeopardize the viability or accessibility of pharmacies.

Chronic Disease and Healthcare Costs

The Partnership to Fight Chronic Disease in May 2008 released a report that included these findings about chronic diseases: they affect more than 130 million Americans annually, they are responsible for 7 in 10 deaths, and they account for more than 75 cents of every healthcare dollar.

In October 2007, the Milken Institute released a report that indicated the seven most common chronic diseases in the nation inflict a \$1.3 trillion annual drag on the economy. The report estimated the economic drag could reach nearly \$6 trillion by the middle of the century.

An August 2007 report by the National Council on Patient Information and Education cited economic analysis that failure to take medications as prescribed costs an estimated \$177 billion annually in direct and indirect healthcare costs.

The Medication Expertise of Pharmacy and Improved Patient Outcomes

The *Medicare Prescription Drug, Improvement and Modernization Act of 2003* defines medication therapy management (MTM) as “drug therapy management programs provided to ensure that drugs are used appropriately in order to optimize therapeutic outcomes through improved medication use and to reduce the risk of adverse events.”

In March 2008, the National Association of Chain Drug Stores (NACDS) and the American Pharmacists Association (APhA) released *Medication Therapy Management in Pharmacy Practice: Core Elements of an MTM Service Model Version 2.0*. This resource says, “MTM services are built upon the philosophy and process of pharmaceutical care that was first implemented in pharmacy practice in the early 1990s. As pharmacy education, training, and practice continue to evolve to a primarily clinical ‘patient-centered’ focus, pharmacists are gaining recognition from other healthcare professionals and the public as ‘medication therapy experts.’ Recognizing the pharmacist’s role as the medication therapy expert, the pharmacy profession has developed a consensus definition for medication therapy management and is increasingly using this term to describe the services provided by pharmacists to patients.”

The five core elements of MTM services in pharmacy practice include:

- conducting a medication therapy review (MTR), a consultation between a patient and a pharmacist,
- development of a personal medication record (PMR), a comprehensive record of a patient's medications,
- development of a medication-related action plan (MAP), which a patient can use to track progress,
- intervention and/or referral to work with a physician or other healthcare professional to resolve medication-related problems, and
- documentation and follow-up.

Studies have shown that utilization of pharmacists' medication expertise delivers positive results for patient outcomes and healthcare costs. One of the most commonly cited programs is the Asheville Project. This initial experiment in North Carolina is being replicated nationwide. A five-year study involving diabetes patients and 12 community pharmacies found decreases in average direct medical costs of \$1,200 to \$1,872 per patient per year. Employers also cited the benefits of better health and fewer sick days for employees.

"...utilization of pharmacists' medication expertise delivers positive results for patient outcomes and healthcare costs."

Another Asheville Project study involving 620 patients and 12 community and hospital pharmacy clinics over six years focused on hypertension and high cholesterol. The study found a reduction in cardiovascular events by nearly 50%, and a reduction in average cost per cardiovascular event from \$14,343 to \$9,931. While cardiovascular medication use increased almost 300%, savings for other medical costs exceeded the medication and program costs by nearly 13%.

A study of MTM programs with 186 patients through Blue Cross/Blue Shield of Minnesota found reductions in healthcare costs per person of 31.5%, from \$11,965 to \$8,197. Interestingly, prescription claims increased 19.7%. The total cost of the MTM services was an estimated \$49,490, but total healthcare expenditures for all patients were reduced by 31.5%, from \$2,225,540 to \$1,524,703. The return on investment was \$12.15 per \$1.00 of MTM services provided.

Yet another study evaluated the effects of pharmacist care on heart failure, a leading cause of hospitalizations. One review of 2,000 patients from 1998 to 2007 found a 29% reduction in all-cause hospitalization and a 31% reduction in heart-failure hospitalizations.

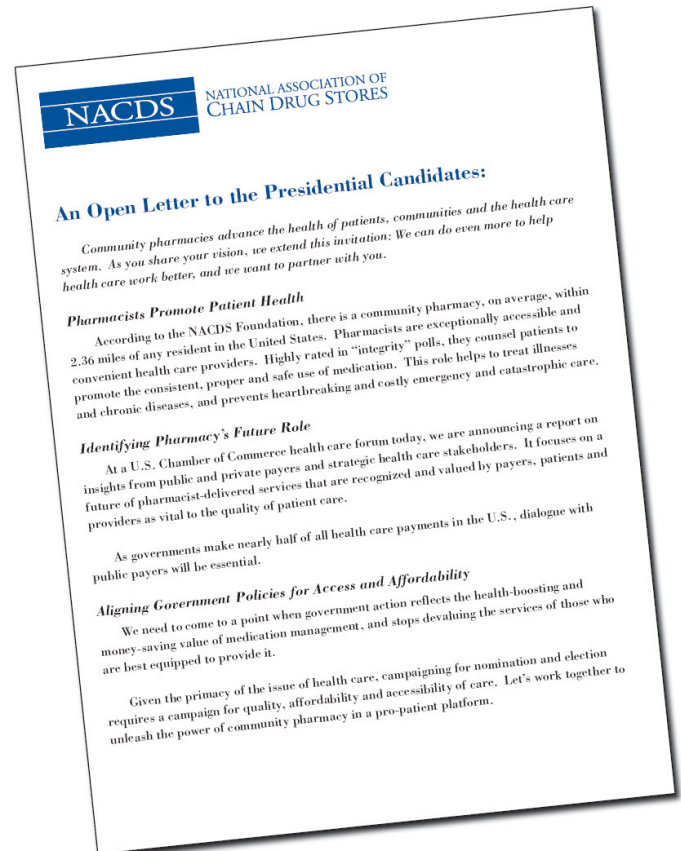
NACDS: Advancing the Role of Pharmacy in Healthcare

Backed by substantiated demonstrations of the value of pharmacy, NACDS is vigorously communicating the role of pharmacy in the healthcare system, as well as the Association's commitment to engaging in the healthcare reform debate. In November 2007, NACDS demonstrated this commitment by publishing in *The Washington Post* an open letter to the Presidential candidates, encouraging them to incorporate the value of pharmacy into their healthcare positions. In 2008, NACDS launched a Washington, D.C. initiative to communicate to policymakers and opinion leaders the role of pharmacies as "the face of neighborhood healthcare."

NACDS Principles of Healthcare Reform

To build on pharmacy's success in improving healthcare, NACDS supports the following principles of healthcare reform:

- Providing high quality, affordable and accessible healthcare coverage to as many Americans as possible should be the goal of any healthcare reform proposal.
- The reformed healthcare infrastructure should consist of a combination of private insurance plans augmented by existing public insurance programs, rather than a single-payer model.
- The value of prescription drugs and retail pharmacy professional services should be recognized in health care reform, and patients should be able to choose where to obtain their prescription medications and pharmacy services.
- Financing mechanisms for reform initiatives should be broad-based, fair, and proportionate. They should be crafted to avoid negative consequences, such as creating excessive burdens on employers that might lead to the elimination of jobs, raise the prices of consumer goods, and negatively affect the overall economy. The flexible and nationally uniform framework for employer provision of healthcare benefits through the Employee Retirement Income Security Act (ERISA) should be maintained.
- Patients should have access to the most appropriate cost-effective medication to treat their particular medical condition. Lower cost, equally effective generic medications should be encouraged when appropriate.



NACDS launched its outreach on the healthcare reform issue with an ad in The Washington Post.

- Preventive services, such as medication therapy management, should be encouraged. The medication and healthcare expertise of the pharmacist should be reflected in any efforts to facilitate collaboration in patient care.
- Methods of evaluating the costs of legislation and regulations should take into consideration the role of pharmacy professional services in preventing poor health and acute healthcare events that result in more costly forms of care.
- Cost-sharing, such as patient co-payments, should be set at affordable levels that encourage the use of the most cost effective medications. However, cost sharing should not prevent patients from seeking appropriate medical care, or create barriers to accessing providers.
- Reimbursement to healthcare providers should be equitable to prevent access limitations that result when providers are forced to reduce or eliminate services. In the case of pharmacies, reimbursement should include those costs related to dispensing medication and pharmacist-provided care, as well as medication costs, both of which should be determined fairly.
- Non-pharmacy health care and educational services such as in-store clinics and healthy living presentations should be explored, in collaboration with other healthcare providers including the physician community.
- A robust and standardized health information technology system, including e-prescribing and electronic medical records, should be the backbone of healthcare reform. Speeding the adoption of this technology will increase the likelihood that patients will take their medications as prescribed, helping to prevent medication errors, and enhancing medical decision-making and collaboration.

“A robust and standardized health information technology system, including e-prescribing and electronic medical records, should be the backbone of healthcare reform.”

* * * *

Representing its members – which serve as the face of neighborhood healthcare – NACDS looks forward to working with all policymakers and stakeholders as an active partner in healthcare reform efforts.

For statistical and study references, or for more information, please feel free to contact NACDS at healthcarereform@nacds.org.

www.NACDS.org

© 2008 National Association of Chain Drug Stores, Inc. All rights reserved.