

Interim Industry Business and Labor Committee August 29, 2006

Madam Chair and Committee Members,

For the record, I am Rod St. Aubyn, representing Blue Cross Blue Shield of North Dakota. Since I was unable to attend your last meeting, I wanted the opportunity to update you on several facts, which were either left out or erroneously misstated in the testimony supplied by Patricia Hill, Executive Vice President of the ND Pharmacists Association, at the July 18th meeting of the Industry, Business and Labor Committee.

- In her testimony, Ms. Hill states she was providing “updates” including “July 2006 example of spread pricing that continues for plan sponsors in North Dakota & Minnesota.” Yet her example is from Minnesota, **not North Dakota**. She has provided absolutely no proof for a ND situation. In fact, if you look at her testimony carefully, all of the alleged egregious activities identified occurred in other states – **not in North Dakota**.
- She also cites in her testimony about “comments by Insurance Commissioner Poolman about historic profits of BCBS of ND.” Yet she does not point out that BCBS of ND is actually a non-profit mutual insurance company. The ND Insurance Commissioner must approve all insurance rates. Regulators carefully scrutinize the proposed rates before finalizing them. All proposed rates during the past several years have been denied and smaller rates approved. Health insurers are not free to establish their own rates.

Health care trends are not an exact science. It is impossible to accurately determine when you will be hospitalized with a serious illness or disease. Actuaries use sophisticated techniques to establish these trends. However, even with this analysis, it is still impossible to be 100% accurate. When premiums exceed the costs of services, the excess amounts are applied to our insurance reserves, which are used in reducing future premium increases. There are no “profits” as stated by Ms. Hill. The reserves belong to our members and are used to protect our policyholders during years when health care costs exceed premiums. In fact, so far this year health care claims are actually trending higher than budgeted.

About \$.92 to \$.93 of every premium dollar goes toward paying claims. Only about 7 or 8 cents of every premium dollar is used for administrative purposes, such as claims processing, provider and member education, etc. Our 7-8% administrative rate is one of the lowest in the entire country and we are proud of it.

- Testimony also implies something sinister about BCBSND’s partial ownership in our PBM, Prime Therapeutics, Inc (PTI). Here are the facts that were not stated. BCBSND’s ownership interest in Prime Therapeutics is significantly small. In

fact we have about a 5.24% ownership in this business. A group of independent BCBS plans from 10 states (ND, WY, NE, MN, KS, OK, NM, TX, IL, FL) combined forces to develop and manage their own PBM in order to save costs and ensure better services for their members. BCBSND could process pharmacy claims in-house, just as we do with other medical claims. However, the reason we participate in this arrangement is because the claims processing costs are much lower than doing them in-house. Administrative efficiencies are realized through economies of scale with this business in the area of claims processing and clinical and industry expertise. Also we are able to secure more rebates for our members rather than as a stand-alone company. The bargaining power of this cooperative arrangement is a significant benefit to our members. Each plan has a seat on PTI's Board of Directors. PTI is a for-profit entity, but has chosen to work more like a non-profit and has not shown a profit. All rebates are accounted for and passed through to the health plans, excluding specified administrative fees that are clearly identified with the health plan.

Ms. Hill's testimony also did not elaborate on our Member Rebate Account (MRA). To our knowledge we are one of the first insurance companies and maybe the only health plan in the country to actually directly reimburse our members for their shares of pharmaceutical rebates acquired by Prime Therapeutics, our PBM. We contract for these services and audit that all rebates are accounted.

The attempt to paint all PBM's as evil is no fairer than someone identifying all pharmacists as crooks when one is caught diluting cancer drugs to increase his profit or the case of a pharmacist who was terminated from participation in a state's Medicaid program because of fraud. While there has been wrongdoing in every industry, ND legislators did in fact establish laws to regulate this industry during the 2005 legislative session. Where is the proof that the problems identified by Ms. Hill are occurring in ND and that the current law cannot correct? This is all dressed in the term of "transparency". However, PBM's do not sell drugs. They contract for participating pharmacies, process pharmacy claims, and negotiate for drug rebates. If one is talking about "transparency" how does anyone know what the pharmacist is paying for a drug and then selling it to the consumer? What checks and balances are there for that? One of the checks and balances for the consumer is the insurance company and PBM. Participating pharmacies contract with the PBM and the insurer to sell drugs for a contracted rate for the insurer's members. No one forces any pharmacy to sign onto these contracts. You hear pharmacies say that they are forced into this because BCBSND has such a large market share. However, if they are forced to participate, why have there always been pharmacies that choose not to participate in the Prime National contract?

Ms. Hill also states that the National Council of Insurance Legislators (NCOIL) was having a meeting and will consider some "model legislation to address many of the concerns most states have with pharmacy benefit managers." The facts are that NCOIL tabled further discussion until their November 2006, meeting. If you dig into this you will discover that this PBM issue evolves from a model act proposed by the National

Community Pharmacist Association (NCPA). Please note some statements from some of the pages of the NCPA's preliminary program for their 108th Annual Convention to be held October 7-11, 2006.



PRELIMINARY PROGRAM

NCPA's 108th Annual Convention and Trade Exposition

October 7–11, 2006

The Venetian Hotel
and Casino
Las Vegas, Nevada

*Feel like royalty as you stay
and play in one of Las Vegas'
most luxurious hotels, the
all-suite Venetian Hotel and
Casino. Located in the heart
of the Strip, you'll never
be more than steps away
from world-class dining,
entertainment, and all that
is exciting in Las Vegas.*

NCPA
NATIONAL COMMUNITY
PHARMACEUTICAL ASSOCIATION



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For more information: please check the NCPA Web site, www.ncpanet.org.

Suggestion policy: Please share your comments with us by writing to:

Glenn Reighart
Director, Meetings and Conventions
NCPA
100 Dänigerfield Road
Alexandria, VA 22314

The NCPA Annual Convention and Trade Exposition provides the latest tools that enable me to improve patient care, increase business, and compete with the PBMs. Each year, I leave the convention energized, better informed, and more effective as an independent community pharmacist.

— TOMMY DAGENHART

NALLE PHARMACY, CHARLOTTE, NC

2006 has been a year of seismic change in independent pharmacy. The implementation of the Medicare Part D prescription drug benefit in January has forever changed the face of our profession. The government is playing an increasingly large role in how we run our pharmacies and how we are paid. The giant PBMs continue their efforts to marginalize the highly respected and accessible local pharmacist and turn prescription medications into mere commodities. But, there is good news as well.

NCPA is the organization that represents the professional and proprietary interests of community pharmacists in Washington, DC. We have redoubled our efforts within the last two years by quadrupling our advocacy staff and calling on you—the grassroots network that live and work in the backyards of our elected officials—to send Congress the message that community pharmacy is a force that must be heard. Your voice and message are being carried by NCPA, and government is taking an increased interest.

The medication therapy management (MTM) provisions of the Medicare Part D law open tremendous doors of opportunity for community pharmacists, who provide the critical clinical services that optimize the prescription drug benefit and improve patient outcomes. Our success in this year's Asthma Intervention Program™ and the launch of Community MTM™ bode well for pharmacists' involvement in the critical services that set us apart.

Preliminary results from the 2006 NCPA-Pfizer Digest also hold some encouraging news. Although the data is from before the implementation of Part D, the Digest figures paint a picture of a profession that continues to grow despite many obstacles. The number of independent pharmacies increased by more than 150 in 2005. Independents continue to differentiate themselves by the wide range of patient services that they offer: nutrition, compounding, herbal medicines, and durable medical equipment. Despite the numerous challenges, independents continue to innovate, differentiate, and grow.

From October 7 to 11, we will be joining together to "Experience the Possibilities." Please plan to share the experience with us. More than 3,000 leaders from independent pharmacy, pharmaceutical manufacturers, buying groups, technology companies, wholesalers, and students will be meeting in Las Vegas. We invite you to share in the unparalleled educational programs designed specifically for community pharmacist managers and owners, networking, and buying opportunities that will be presented—ideas and opportunities that will help you experience the possibilities in your pharmacy practice.

Join us and independent pharmacists from across the United States as we celebrate our profession and work to move it forward. If you attend only one conference per year, this is the one!

Sincerely,



Bruce T. Roberts, RPh
Executive Vice President & CEO



James R. Rankin, PD
President

LAS VEGAS



GENERAL INFORMATION

Enjoy all the excitement Las Vegas has to offer at NCPA's 108th Annual Convention and Trade Exposition, Oct. 7–11, 2006. Discover the endless opportunities that lie ahead in independent pharmacy while relaxing at the luxurious all-suites Venetian Hotel and Casino, located in the heart of the Las Vegas Strip.

The NCPA annual convention features numerous educational opportunities, the most powerful and productive exposition in the pharmacy industry, and a variety of social gatherings allowing attendees to establish or expand their professional networks.

Register Early (It's Fast!)

Attending NCPA's annual convention has never been easier. We're pleased to offer a number of discounts and special incentives, but don't wait—many of these discounts are available for a limited time only. With registration faster and easier than ever before, there's no reason to miss opportunities, including

- Early Bird discounts (available through July 28), and
- Preferred seating for special complimentary closing night performance of *The Phantom of the Opera* (assigned on first-come, first-served basis).

See the 2006 Convention Registration Form on page 11 for more information on the four easy ways to register.

NCPA Membership

If you are not already an NCPA member, unless you indicate otherwise on the registration form (see page 12), a portion of your registration fee will be applied automatically toward your first year of NCPA membership.

NCPA is the only national pharmacy association solely committed to protecting the interests of community pharmacists and their pharmacies. We continue to advance the business and professional interests of independent community pharmacists and their patients on Capitol Hill, at the White House, before federal agencies, and in states. NCPA is a respected and forceful advocate in the corridors of power, known for its ability to quickly mobilize the grassroots voice of its members and the patients they serve. Recent initiatives include:

- Introducing prompt payment legislation for Medicare claims in both the House and Senate
- Mobilizing pharmacy grass roots to hold off \$1.6 billion in Medicaid cuts—\$66,667 per independent pharmacy—that disproportionately targeted community pharmacies
- Developing a model PBM bill, which so far has been used to introduce legislation to regulate PBMs in 23 states
- Creating CCRx, the fourth largest Medicare PDP, that offers generic incentives and NO MAIL ORDER
- Implementing Community MTMSM, a Web-based platform that allows pharmacists to provide MTM services for compensation

Wardrobe Considerations

Business casual attire is the accepted fashion during NCPA convention activities. Las Vegas enjoys an arid climate and usually is quite comfortable in the fall. In October, temperatures average a high of 81 degrees and a low of 53 degrees. Meeting rooms often are cold; layers with a sweater or light jacket are strongly recommended for evenings and cold meeting rooms.

THE VENETIAN

The Venetian Hotel and Casino

Inspired by the romance and beauty of Venice, Italy, the Venetian, an opulent all-suites hotel, offers 17 award-winning restaurants, three cocktail lounges, first-class shopping at the Grand Canal Shoppes, exciting nightlife and entertainment options, and original artwork at the Guggenheim Hermitage Museum. Take a gondola ride along the quarter-mile Grand Canal, enjoy one of the many refreshing and invigorating treatments offered at the world-famous Canyon Ranch SpaClub (reservations recommended, 702-414-4020), take in a show by the famed Blue Man Group, or try your luck at one of the most elegant casinos on the Strip—all without leaving the comfort of this luxurious hotel. For additional information, call 702-414-1000.



Cyber Café

Bigger and better than ever! You'll love our more convenient cyber café, located near the NCPA convention registration area and also inside the exhibit hall. Convention participants will have ample time to check e-mail messages and explore the NCPA Web site, www.ncpanet.org.

Business Services

Each suite at the Venetian is equipped with a personal fax machine/printer/copier. The Venetian also has a full-service business center. Convention participants can attend to business service needs 6 a.m.–8 p.m., Monday-Friday, and 7 a.m.–6 p.m., Saturday and Sunday. For further information about business center services at the Venetian, call 702-414-4488.

EDUCATIONAL PROGRAMS

NOTE: Programming subject to change without notice.

Each year, NCPA strives to provide convention attendees with timely, topical educational programs that help them improve patient care as well as business performance. Once again, NCPA will provide a variety



of educational programs in conjunction with its 108th annual convention. Program topics range from implementing Medicare Part D, entering the long-term care pharmacy niche, and improving your business acumen to expanding your patient care services. There is definitely

something to benefit every independent community pharmacist. Specific dates and times for programs are to be determined. Programming is subject to change.

Workshops

Addressing the Sale of an Independent Pharmacy: Issues That Impact Business Transition in a Rapidly Changing Environment

Since the sale of a pharmacy is clearly not an everyday activity, it often is approached with less than proper planning and with little to no knowledge of how to value, market, or sell a pharmacy and even less knowledge of what a buyer's expectations are. Many community pharmacy owners count on the equity in their pharmacies to provide a significant portion of their retirement income. Knowledge of the elements that have an impact on this process and how to plan for, implement, and conclude the successful sale of an independent pharmacy are critical components of the business life of today's pharmacy owner.

Caring for Your Patients: The Compounding Pharmacist

Profit and professional satisfaction are just two of the rewards of compounding in the retail pharmacy—but how do you get started? This program will share the successes of your professional pharmacy colleagues in their compounding niches. How did they make their decisions to begin compounding? What hurdles did they face? How did they address them? What tips can they give you to get started and be successful?

Creating a Community Pharmacy Majority—Keys to a Successful Grassroots Movement

While we are independents, there is no denying that there is political power in numbers. Negotiation rights, prompt pay legislation, PBM reform, and fair dispensing fees all begin and end at the local and state level. In addition to pharmacists, one of the strongest voting bases is the customers in your stores. This program will guide you through the most successful grassroots campaigns and provide the necessary tips to leverage your political power.

Federal Regulatory Update in Long-Term Care

This year has brought some challenging developments to the long-term care market in Medicare Part D and other new federal regulations. This informative program is a must for pharmacists providing services to long-term care facilities, for updates to the survey process and tips for

valuable communication on regulations, interpretive guidelines, and survey protocols to assist your facilities in their required surveys.

Grading Your Store: The Store Report Card

Learn to take a detailed, comprehensive look at your store. Find places to improve and move forward! You will go home with your own "Store Report Card," the only report card where failing is a good thing! Recognize opportunities in signage, store design, category placement, OTC pricing, and much, much more!

Forecasting the Financial Impact of Medicaid on Your Independent Community Pharmacy

In 2007, Medicaid will be moving to a new reimbursement model for community pharmacy—what does this mean for your practice? Lower reimbursement seems likely, but how much should you plan to have in reserve, how will cash flow be affected, are there strategies to cut down costs, and are there areas of opportunity? These questions and more will be addressed in this session to bring you the latest word on Medicaid.

Global Issues in Compounding—Changes That Will Affect Your Business

The current market for compounders is chaotic. It seems that new issues and questions on the standards of professional compounding by pharmacists arise daily. With all of these changes, where does that leave you? Where does it leave your business? To navigate the road ahead, you must first know where it's going! This program will summarize changes made to regulations on compounding and show you how pharmacists and pharmacies will be affected.

Guess What? You're Already in the Home Health Care Business!

More than 90 percent of community pharmacies have a Medicare Provider number, and whether you are selling diabetes testing supplies or a full line of ostomy products, you are in the home health care (HHC) business. This program is designed to give you the tools to activate your HHC business niche or make it more successful. Profitable practitioners will share business insights to providing better customer service and boosting your bottom line. From the basics to the upcoming requirement of accreditation to bill Medicare B, this program is a must for the home health care provider.

How to Conduct an Effective Medication Therapy Management Session in the Community Pharmacy

Medication therapy management (MTM) is the big buzz in pharmacy today, but what will it mean in your community pharmacy? Where will you find your opportunities, and how will you capitalize on them? This program will bring you the latest on how to integrate MTM into your practice—from workflow considerations to practical interview techniques to keep your practice on the cutting edge of MTM.

Insurance for Your Pharmacy Practice—Does Your Coverage Cover You?

Does your business insurance policy cover you for all contingencies? One of the most serious mistakes a pharmacy owner can make is insufficient or inappropriate malpractice/liability insurance. Your pharmacy could be at significant risk if you are unaware of key insurance considerations. This session will compare insurance offerings from the viewpoint of a pharmacist/lawyer and will provide recommendations for your pharmacy based on litigation possibilities.

Medicare Part D Audits—What You Need to Know to Avoid

- Inappropriate billing practices
- Steering customers to drugs/plans
- Failure to offer negotiated prices

You can view the entire program at the following link:

http://www.ncpanet.org/pdf/2006convention_prelimprogram.pdf

Here are the facts. In 2006, at the urging of NCPA, 73 bills have been introduced in 27 states that relate to 4 major topics regarding PBM's – licensure, fiduciary, anti-mail, and disclosure. Despite what you may have heard in previous testimony, these are not being introduced on behalf of employer groups or consumers, but instead as stated in the program - "NCPA is the only national pharmacy association solely committed to protecting the interests of community pharmacists and their pharmacies." Of the 73 bills introduced in the 27 states this year, only **one** bill in **one** state has passed. That bill in Kansas requires PBM's, not already registered as a third party administrator (TPA), to register with the state's Commissioner of Insurance. This is already required in ND. Legislators in all these states have seen through the "smoke and mirrors" and have concluded there is no need for this "model legislation."

The North Dakota Legislature passed a bill in 2005 to regulate the PBM industry. It provides for the necessary safeguards. You have been presented absolutely no proof that further regulation is needed in North Dakota. Thank you for the opportunity to clarify the misrepresentation that was provided to your committee.