

Interim Industry, Business, and Labor Committee
Chairman - Rep. Berg
September 18, 2008
9:00 a.m. Hearing

Chairman Berg and members of the committee, my name is Michael D. Schwab, Executive Vice President of the ND Pharmacists Association. I am here today to respond to a couple of questions that were asked of our Association. I will also try to respond to any additional questions or concerns you may have.

First, we were asked to furnish this committee with a list of current membership due structures and how they compare to other pharmacy associations in the country. We sent Legislative Council an Excel document that outlined the dues paid across the board for all associations in the country. The list distributed should have been a current 2008 listing.

Second, we were asked to provide any information our office had on file regarding wage impact studies or averages with regards to pharmacists pay. There was a wage survey conducted in 2006 that outlined some of that information. Unfortunately at this time, we do not have anything more current than the survey that was conducted in 2006. Legislative Council should have also been furnished with a copy of those survey results.

Last, we were asked to provide comments in response to the "economic impact" study that was provided by the economist hired by the North Dakotans for Affordable Healthcare (Wal-Mart). Based on the limited time frame we had to respond within, we are only able to offer comments and raise questions at this time.

Let me start by saying the report says competition will be greater and because of this competition the consumer will benefit. With ND currently having more pharmacies per capita than surrounding states, aren't the consumers already benefiting from greater competition within our current market compared to surrounding states? Under the "National Data" section of the report, there are a number of "assumptions" that are made without sufficient or accurate data being supplied. For example, the economist compares the increase in the CPI to the increase in prescription drug prices. He notes while the CPI dropped in 2006, prescription drug prices also dropped but dropped more dramatically.

Then the economist draws the conclusion that during 2006 to 2007, prescription drug prices fell and fell below the CPI and attributes this decrease to the introduction of the Wal-Mart \$ 4 prescription drug program. This is the only reason given for drug prices falling during this time period. We challenge this committee to consider the following...

- The Wal-Mart prescription drug program did not start until Oct. 2006 and initially only started in Florida. To draw the conclusion that drug prices fell because of the Wal-Mart program lacks substantial validity.
- During this same time frame, there are other things that should be taken into consideration. The rollout of Medicare Part D took place January of 2006.
- There were a dramatic number of brand name medications that came off patent and generics forms were now available. When the majority of medication costs come from brand names (80-85%) this would have a big impact during a given year.
- In 2006, Medicare Part D also allowed for Medication Therapy Management services (medication reviews) to be administered by pharmacists as well. This has been proven to be a cost effective measure.
- If you look at the CPI chart and then factor in Wal-Mart started its program in Oct. 06 and then rolled it out in other states in late 2006 and early 2007, one would see an actual increase in prescription drug pricing which coincided with the CPI Index going up as well. Again, to state Wal-Mart's \$ 4 program contributed to the drop in prescription drug prices based on the limited time frame it was operating (during 2006 to 2007), lacks enough information to validate such a claim or even to draw such a conclusion.

When looking at Table 2, the Wal-Mart and Thrifty White comparison table, this reflects the Wal-Mart prices and then reflects the Thrifty White prices. We wonder why the economist mentions or references the Bureau of Labor Statistics (BLS), which tracks an index value for prescription drug prices, at the beginning of his report but for this part of his report he uses "usual and customary" pricing figures. The BLS index represents actual price paid versus a usual and customary price paid, which would be different.

Under the Impact Analysis section the economist states 350 jobs will be created and output impacts of \$49 million. There is no evidence or data as to how this conclusion or assumption was made. *Where is the data or evidence to support these claims?* National trends show short-term creation of jobs but more of a “shift” in the already existing workforce over time, which actually results in less competition and choice over time. Was there consideration given to the unique co-pay structure that BC/BS of ND has in practice, where consumers typically pay more money out-of-pocket for lower prescriptions drugs and drugs not on BC/BS formulary? This would have an impact as well.

There is also an “assumption” made that over 25% of BC/BS’s prescriptions that are currently filled out of state would return to the state. Once again, there is no evidence or data to support this assumption. How one can state that those prescriptions would all come back to the state? Where is the breakdown of those prescriptions filled by people not living in ND but still having BC/BS coverage? Those prescriptions are not going to come back to ND. Another factor that is similar...would the snow birds who are gone 5 months out of the year, get their prescriptions filled in ND? Highly unlikely. Another important factor for consideration would be how can one assume the mail order prescriptions are going to come back into the state? Especially when co-pays are often times waived if the consumer uses mail order and some employers groups are actually making it mandatory for their employees to use mail order. Wal-Mart’s program is for in store pick-ups only. Again, curious as to how that conclusion was reached.

The study assumes that the “average” prescription price at Wal-Mart is much lower than the average BC/BS pays. This, again, is limited in scope. Where are the other average prices indexes or industry averages? How about Medicaid, Medicare Part D, other private insurance plans, cash paying customers, etc...? Why were they excluded? BC/BS of ND data also includes a higher percent of medications filled at 3 months supply because that is what their plan allows for. However, most other insurance coverage won’t cover a 3 months supply, which causes BC/BS averages to be higher for this report. I believe the average used in the economists report stated a BC/BS average of \$77.

All the national data that we have seen in recent years, that look at all market forces and economies of scale, state the complete opposite in terms of North Dakota having one of the lowest average prescription drug prices in the country.

A complete economic impact study typically has an independent review board and/or multiple peer review processes in place to validate such assumptions and conclusions. Where is the independent review or peer review for this report to show its validity? Where is the data to back up all of the anecdotal and presumptuous information contained the report? Who paid for the report? Why was BC/BS and Wal-Mart information the only information used in conducting the economic report? Was the gentleman who conducted the report even a "healthcare" economist?

In conclusion, we feel this report lacks substantial information and supporting data to draw any assumptions and/or conclusions. Rep. Kasper asked the question..."what if the average price wasn't \$77 and it was like \$65 or even lower in ND?" If we recall correctly, the economist stated the overall economic impact would be substantially less, if any. Based on the studies and/or reports conducted by national experts in this area, state we are one of the lowest in the country in terms of prescription drug pricing. If this is true, is there a chance the repeal of the ownership law may have a negative effect on the economy? We would encourage this area to be explored and validated further.

We thank you for your time and attention today. I would be happy to try and answer any questions you may have.

Respectfully Submitted,



Michael D. Schwab

EVP – ND Pharmacists Association