IBL Committee Meeting

Health Policy Consortium

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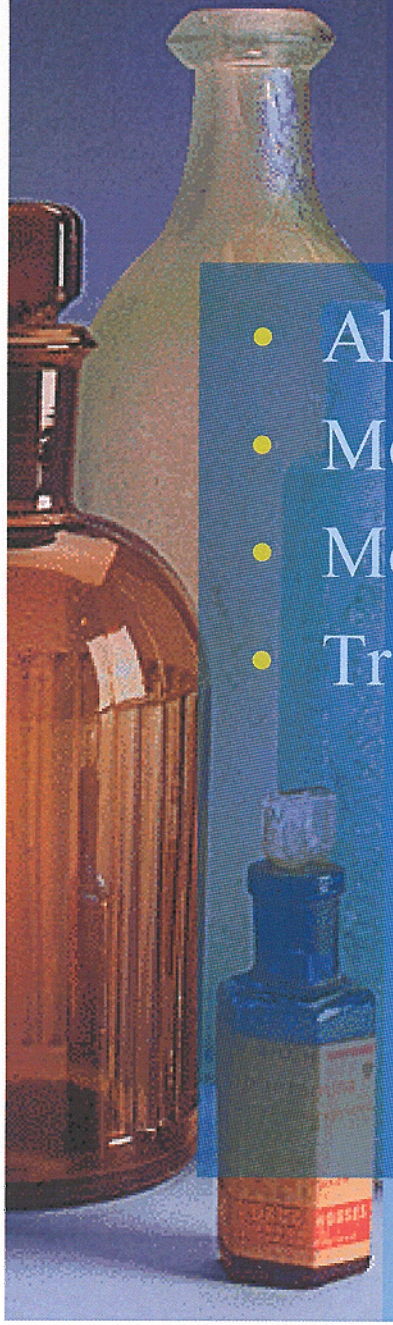
August 21, 2008

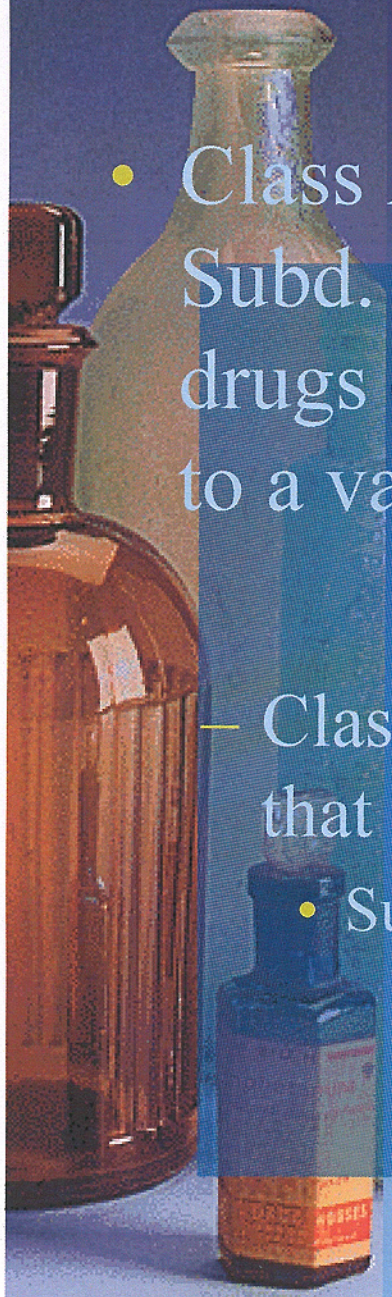


Health Policy Consortium

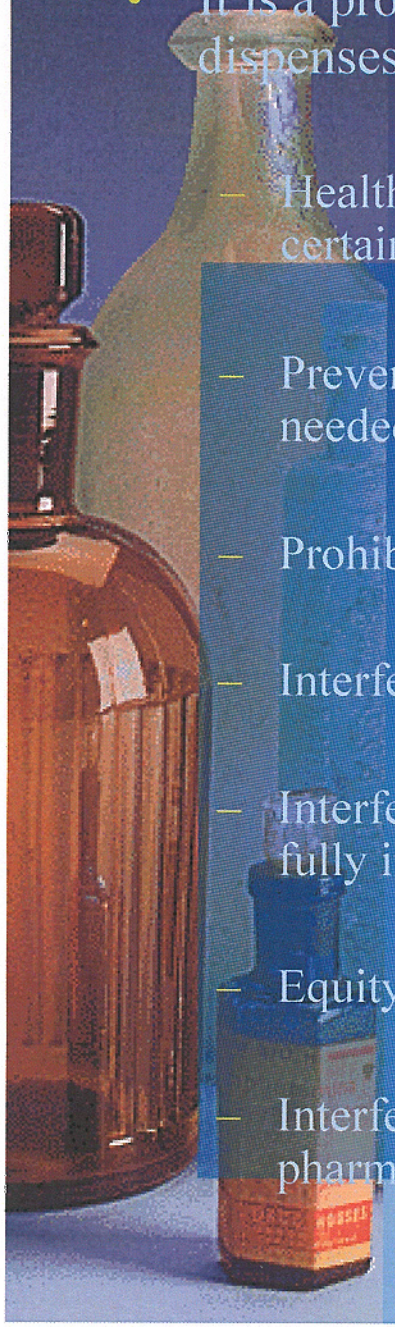
- Altru Health System
- Medcenter One
- MeritCare Health System
- Trinity Health
  - Integrated Health Systems in ND.
  - Non-profit organizations with employed physicians.

- HPC is opposed to ND 43-15-35 Subdivision 1(e) which requires the pharmacy to be 51% pharmacist owned or owned by a corporate entity with a majority ownership interest of pharmacist(s).

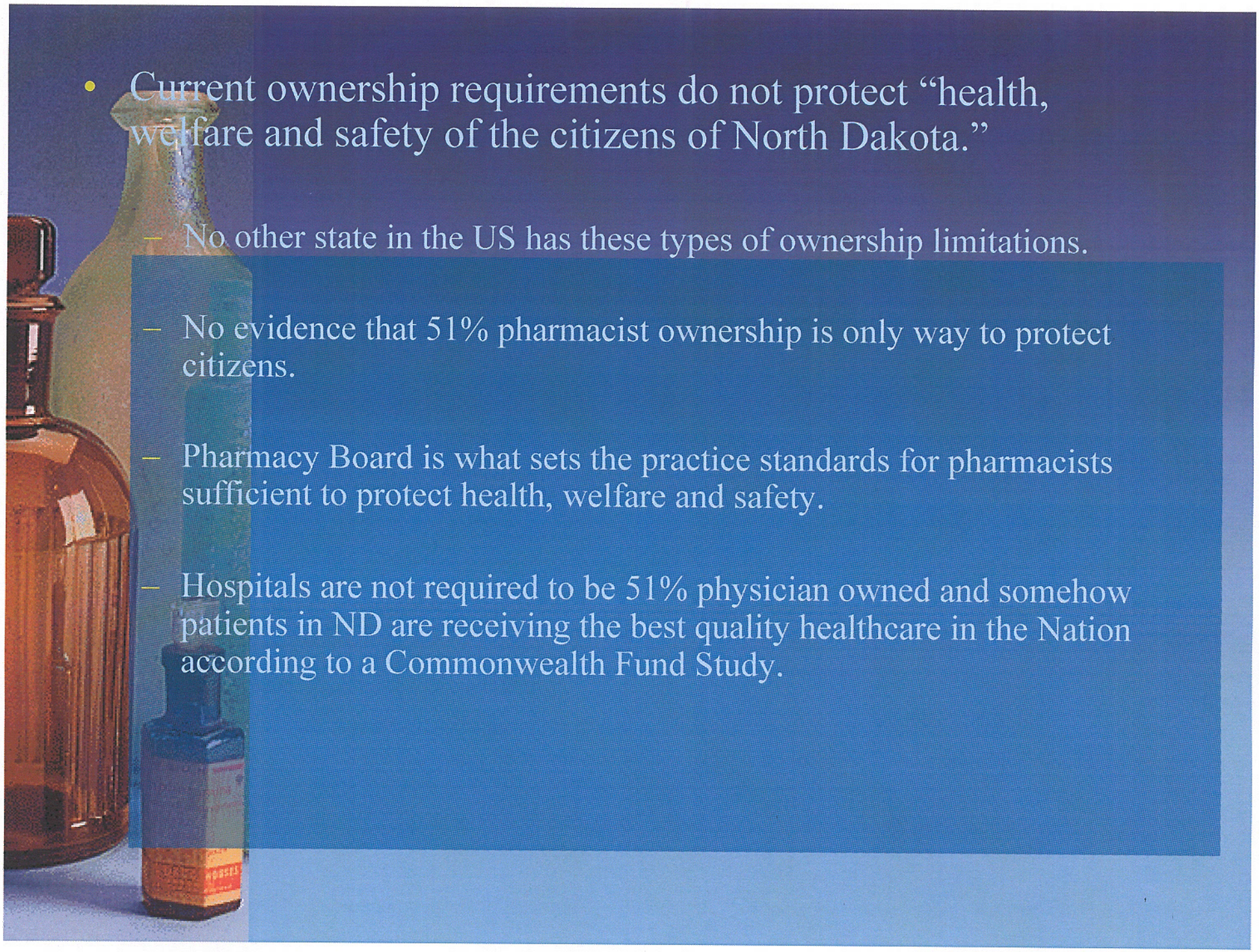
- Problem with 51% pharmacist ownership is it prevents hospitals from operating a retail pharmacy on its premises.
- Currently hospitals can have a hospital pharmacy – Class B permit.
  - Class B – permit ND Admin. Code 61-02-01 Subd. 4(b).
  - Class B – permit allows dispensing of drugs to patients in hospitals, patients being discharged or in emergency situations.
  - Class B – does not allow dispensing drugs to the general public.



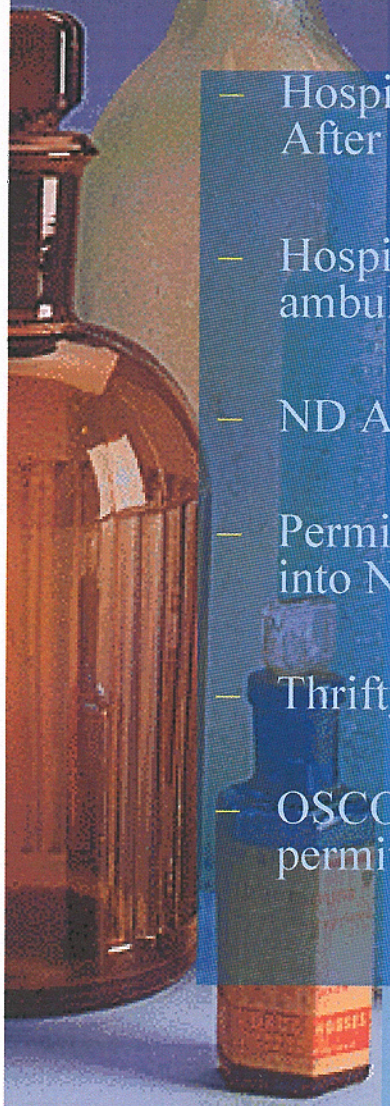
- Class A permit (ND Admin. Code 61-02-01-01 Subd. 4(a)) allows a pharmacy to dispense drugs or devices to the general public pursuant to a valid prescription.
  - Class A permit can only be granted to pharmacy that is owned by 51% or more by pharmacists.
    - Subject to a few exceptions ND 43-15-38 Sub. 2.



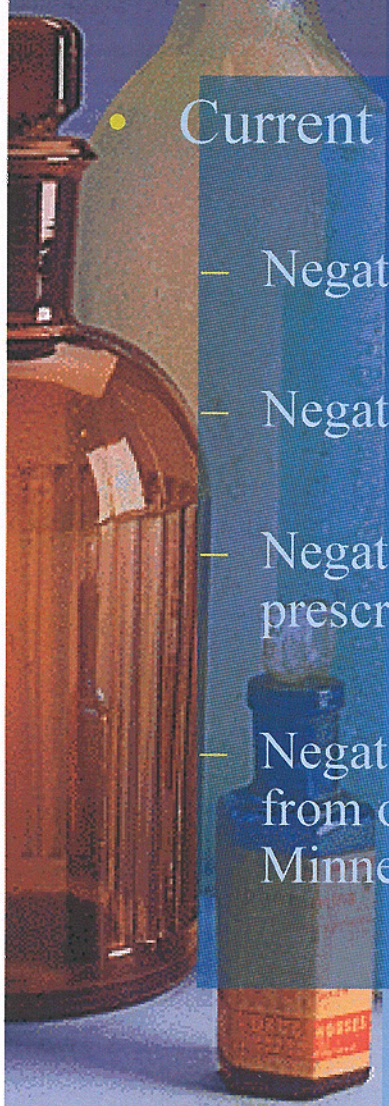
- It is a problem when health systems cannot operate a pharmacy that dispenses drugs to the general public for the following reasons:
  - Health systems pharmacies (Permit B Pharmacies) have to deny services to certain patients.
  - Prevents health systems from delivering pharmacy services where they are needed.
  - Prohibits/interferes with patient access to care.
  - Interferes with comprehensive patient care.
  - Interferes with health systems deciding what services are needed to operate a fully integrated health system.
  - Equity/parity issue among pharmacists.
  - Interferes with free market competition when limited entities can operate a pharmacy.



- Current ownership requirements do not protect "health, welfare and safety of the citizens of North Dakota."
  - No other state in the US has these types of ownership limitations.
  - No evidence that 51% pharmacist ownership is only way to protect citizens.
  - Pharmacy Board is what sets the practice standards for pharmacists sufficient to protect health, welfare and safety.
  - Hospitals are not required to be 51% physician owned and somehow patients in ND are receiving the best quality healthcare in the Nation according to a Commonwealth Fund Study.



- Currently there are numerous pharmacist ownership exceptions that exist in ND and no evidence patient care is compromised.
  - Grandfathered pharmacies.
  - Hospital pharmacies allowed to dispense meds in "emergency situations" ex. After hours when retail pharmacies are closed.
  - Hospital can dispense meds for patients in the hospital but not patients who are ambulatory and seen on an outpatient basis.
  - ND Admin. Code 61-02-01-09 – Permit for "heirs at law of pharmacist".
  - Permits for pharmacies operating out of state that mail or ship prescriptions into ND.
  - Thrifty Drug Stores – ESOP's
  - OSCO Drug Stores purchasing pharmacies that have been grandfathered permits.



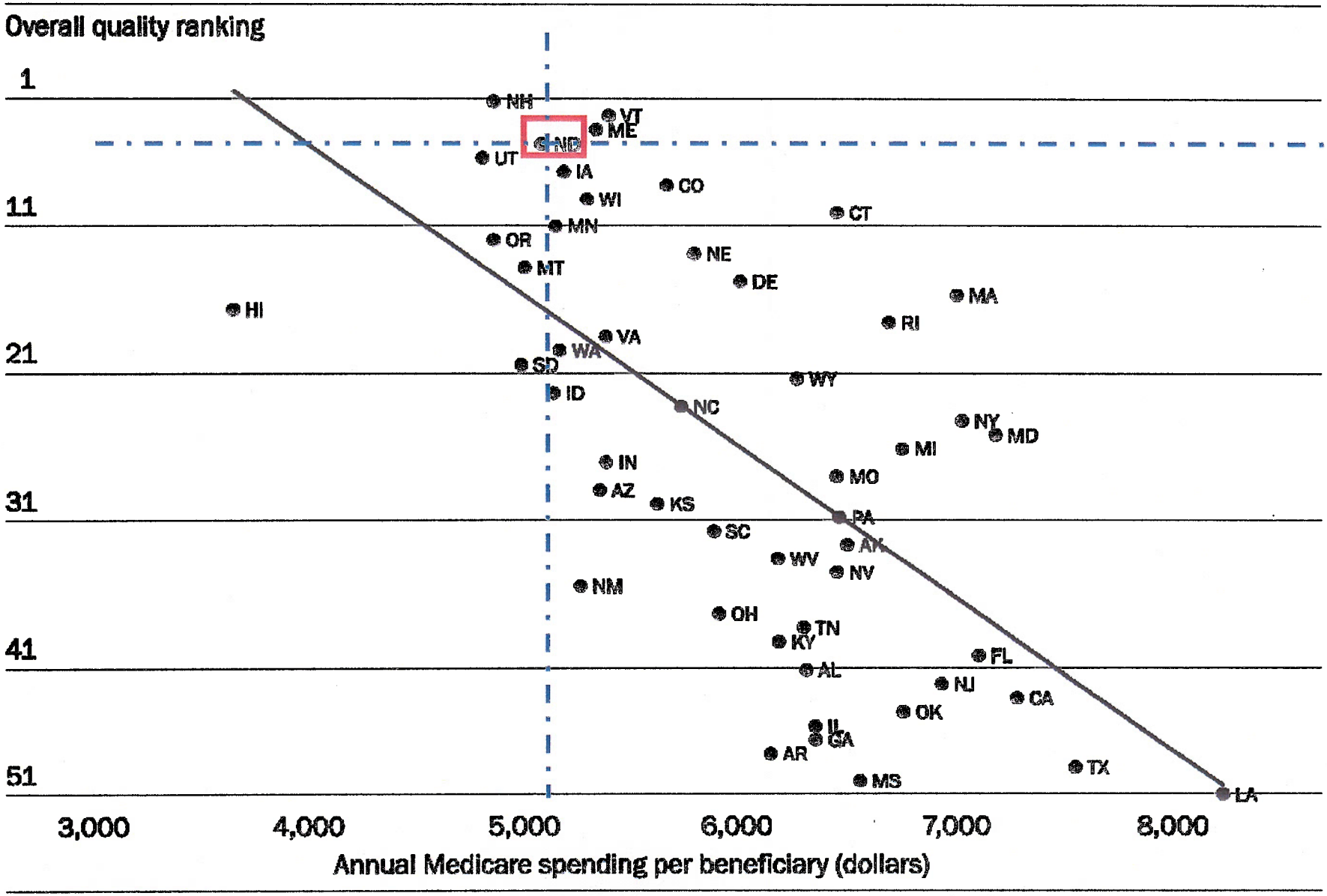
- Conclusion/Bottom Line – The only individuals protected by the pharmacy ownership statutes are pharmacists who benefit financially from the current ownership restrictions.

- Current law:
  - Negatively impacts patient care.
  - Negatively impacts competition in the free market.
  - Negatively impacts accessibility of ND citizens from getting prescriptions filled at times when they are feeling their worst.
  - Negatively impacts the ND economy by ND citizens purchasing drugs from other states or in the case of Fargo, going across the river to Minnesota to purchase cheaper drugs from retail stores.

Solution

- Repeal ownership laws completely and allow free competition which equals greater accessibility and increased patient care which benefits all citizens of North Dakota, not just the pockets of a small number of pharmacists.

Relationship Between Quality And Medicare Spending, As Expressed By Overall Quality Ranking, 2000–2001



SOURCES: Medicare claims data; and S.F. Jencks et al., "Change in the Quality of Care Delivered to Medicare Beneficiaries, 1998–1999 to 2000–2001," *Journal of the American Medical Association* 289, no. 3 (2003): 305–312.
NOTE: For quality ranking, smaller values equal higher quality.