



# PACE Proposed Pharmacy Cuts

## A \$41 Million Dollar Pill to Swallow

### Issue Brief

Under the Governor's proposed budget, community pharmacy will take a **\$41 million net cut, even after including the proposed increase in dispensing fees.**

- Current reimbursement is Average Wholesale Price (AWP)—12% plus a \$4 dispensing fee
- **Department's Proposal is:**
  - ⇒ The lowest of AAC or AWP –18% for brand plus \$5  
Reimbursement for **brand name drugs would be cut by 6%**
  - ⇒ The lowest of AAC or AWP –80% for generics plus \$10  
Reimbursement for **generic drugs would be cut by 68%**
- The **average cut to pharmacies is about 15%, three times** greater than the cuts requested by the Governor of other programs.

### Why Actual Acquisition Cost (AAC) does not work!

- It is **not** a reported industry standard
- It is **not** used by any other state
- It is a highly fluid number that changes daily and by each supplier.
- It will require expensive software modifications
- It will take time consuming manpower to input the data daily.
- Because AWP-80% is less than AAC, **pharmacies will lose money on virtually every prescription**

### A \$30 Million Dollar Solution

As a responsible alternative, Pennsylvania should examine updating its CPI indexing ability to allow PACE to recapture overly high price increases from pharmaceutical manufacturers on par with federal standards. **Estimates from PACE have placed this amount to be saved at \$30 million.**

Pharmaceutical manufacturers have seen an **average increase of 23% per year** of their established AWP in the last eleven years.

### Pharmacies have been a good partner in the Success of the PACE program

- PACE Generic Utilization was 16.5% in 1988. Today it is about 67%. *Pharmacists helped make that savings happen!*
- Average state share was at a high in 2003 at \$47.30. In the last half of 2007, it was down to \$28.38. Through the implementation of Part D, *pharmacists helped make that happen!*
- Pharmacists made the Part D and PACE wrap-around work which saved PA money!

### The Proposed Increase in Dispensing Fee Still Results in a \$41 Million Loss to Pharmacies

- The proposed increases for dispensing fees of an additional \$1 for brand and \$6 for generic do not offset the losses on the product side.
- The actual average cost to dispense a prescription is much higher.
- Pharmacists deserve fair compensation for serving and assisting older Pennsylvanians