

## UNIVERSITY OF TEXAS STUDY DETAILS LENGTHY PAYMENT DELAYS FOR MEDICARE PART D PRESCRIPTION DRUG CLAIMS, CONFIRMING NEED FOR LEGISLATIVE FIX

ALEXANDRIA, Va. (Sept. 6, 2007) — The University of Texas at Austin's Center for Pharmacoeconomic Studies released a study today called the "Length of Prescription Drug Payment Times by Medicare Part D Plans". It provides incontrovertible evidence of the slow reimbursement pharmacies have endured with Medicare Part D prescription drug claims. The study demonstrates the need for the Senate and House to pass S.1954, the Pharmacy Access Improvement Act (PhAIM) of 2007, and H.R.1474, the Fair and Speedy Treatment (FAST) of Medicare Prescription Drug Claims Act of 2007. The bills are designed to end the detrimental payment practice that threatens our frontline health care practitioners and their patients.

"This is the first study I know of that thoroughly examines the payment times for Medicare Part D prescription drug claims data," said Kristen Richards, PhD, RPh, research associate at the University of Texas at Austin's Center for Pharmacoeconomic Studies. "It clearly shows that the community pharmacies in this study did not receive payment for a substantial proportion of their 2006 Medicare Part D claims within a 30-day time period."

The study calculated the time between when pharmacies submit claims and when pharmacies received payment for those claims in 2006. The data are of approximately 3 million Part D claims, with over 600,000 coming from community pharmacies and 2.3 million coming from chain drug stores. There were 145 community pharmacies and 17 chain drug firms whose records were examined. Importantly, the study's data represents the optimum payment scenario for pharmacies since the examined claims were both submitted and paid electronically, as opposed to the majority of claims that are paid by mail, which create an even longer payment time.

The study found that 50.0 percent of community pharmacy claims were paid more than 30 days after adjudication, including 17.1 percent where payment took over 60 days.

The delayed payments hurt community pharmacies the most because over 90 percent of their revenue comes from prescription drugs. Ever since Part D's implementation on Jan. 1, 2006, these pharmacies have experienced cash-flow problems that have necessitated the need for loans in the tens to hundreds of thousands dollars. The need for these loans is occurring despite the pharmacy benefit managers (PBMs), who are responsible for administering the various Part D plans, getting paid in advance by the federal government. This study presents strong evidence that PBMs are 'gaming the system', making interest on the 'float' they get by not paying pharmacies in a timely manner. The study found that only 0.7 percent of the claims are paid within two weeks, which is typically how often community pharmacies have to pay their wholesalers.

The result of the unfortunate payment dynamic can be found in preliminary data from the annual NCPA-Pfizer Digest—a comprehensive, nationwide look at the financial picture of community pharmacies—that was released in May. Last year broke a multi-year trend of stability in the overall number of stores with 1,152 or 5 percent of community pharmacies closing. Part D was

the only new factor introduced into the market place, which means it played a prominent role in these small business owners going out of business.

“The University of Texas study should dispel any lingering doubts about the unacceptably slow payment of Part D claims,” said Bruce Roberts, RPh, executive vice president and CEO of the National Community Pharmacists Association. “The question the PBMs should ask themselves is would they want to operate under a system where they had financial obligations at least every two weeks, but are not being reimbursed for their services within that time? The answer to that question is clear and is why both the House and Senate should act before adjourning for this year.”

S.1954 was introduced before Congress’ August recess. Its prime sponsor is Sen. Max Baucus (D-Mont.), who is Chair of the Senate Finance Committee, which has jurisdiction over Medicare. H.R.1474 was introduced in March and recently reached the 200 cosponsors mark. Both bills require complete and accurate Part D prescription drug claims submitted electronically be paid within 14 days, and paper claims within 30 days.

“The wall of opposition from large PBMs speeding up their payments should crumble as a result of the University of Texas study,” said Jim Martin, RPh, executive director and CEO of the Texas Pharmacy Association. “Either the PBMs change their payment habits or Congress will change it for them in the near future.”

Richard Beck, RPh, vice president of pharmacy affairs for American Pharmacies, an independent pharmacy buying cooperative added, “The information I received in talking with pharmacists about the sluggish Part D payments has been overwhelming, now the University of Texas has provided the definitive study on the shameful practice PBMs have been allowed to get away with for much too long. The best way for all Medicare Part D recipients to get their medication is to make sure community pharmacies are paid on time.”

The National Community Pharmacists Association, founded in 1898, represents the nation’s community pharmacists, including the owners of more than 23,000 pharmacies. The nation’s independent pharmacies, independent pharmacy franchises, and independent chains dispense nearly half of the nation's retail prescription medicines. To learn more go to [www.ncpanet.org](http://www.ncpanet.org).