

Thank you for allowing me to speak to you today.

I am Richard Beck, Vice President of Pharmacy Affairs for American Pharmacies. We are a member-owned pharmacy-buying group run by independent pharmacists, for independent pharmacists.

American Pharmacies, on behalf of its 561 member pharmacies, opposes, TSBP's proposed amendments that would prohibit professional pharmacists the ability to substitute medications based on the manufacturer of a generic product. American Pharmacies has submitted written comments opposing the proposed amendments, and we also fully support the written comments submitted by the Generic Pharmaceutical Association.

American Pharmacies' members retained legal counsel to assist its members in understanding these proposed amendments. While it appears to be TSBP's position that current law permits prescribers to prohibit substitution based on the manufacturer of the brand OR generic product, it is the opinion of our members' legal counsel that current law permits substitution based ONLY on the manufacturer of brand, NOT generic products.

The proposed amendments represent a dramatic departure from current law, as well as the laws of other states, and create a mandate where none exists. The Generic Pharmaceutical Association agrees with us in this regard.

American Pharmacies' members oppose the proposed amendments not only on this legal basis, but also on the lack of a scientific basis to support the rules. The proposed amendments have no scientific data to support the rules' implication that one generic is more beneficial than another. As you know, Texas is an orange book state, and based on the FDA determination of interchangeability, Texas patients can rest assured that a particular manufacturers' generic drug product is equivalent to other manufacturers' FDA-approved generic drug product. The practice of substituting one manufacturer's generic product for another's should not be restricted by TSBP because there is no scientific data to support claims that there is a danger to public safety during interchange of a generic.

American Pharmacies also opposes the rules due to the following negative consequences:

- First, the pharmacist's dispensing process related to the patient's prescription becomes exceedingly more complicated and expensive, affecting pharmacists' cost of doing business and interfering with their ability to effectively and efficiently serve Texas patients. This includes Texas' Medicaid patients.
- Telephone conferences and fax transmissions between the pharmacist and physician will increase significantly, causing great delays in the dispensing process, which will negatively affect the patient.
- Most pharmacies have a buying contract with their pharmaceutical wholesaler that allows the wholesaler to substitute a different brand if it is less expensive than the one ordered. One drug could have as many as eight different generic companies providing the medication to wholesalers and pharmacies. Typically, only a pharmacist is aware of this potential savings to the patient.
- If the prescriber prefers to utilize a brand that the pharmacy does not stock because it is more expensive, then the pharmacy is forced to stock a more expensive brand that increases the pharmacy's inventory costs and ultimately affects the bottom line of the pharmacy, and ultimately, the patient.
- Adoption of these rules will lead to an overly burdensome regulation on pharmacists in terms of inventory and dispensing costs, and will hinder the process of claim adjudication with insurance companies and pharmacy benefit managers.
- The proposed amendment could potentially increase the state's Medicaid Vendor Drug budget by compromising the cost-effectiveness of the Texas Medicaid Maximum Allowable Cost regulations and/or create a perverse incentive to dispense brand over generic in the program. **Today, the average Medicaid brand prescription costs the state almost \$90 more than the average generic prescription.** I believe this is worth repeating: Today, the average Medicaid brand prescription costs the state almost \$90 more than the average generic prescription. We are confident that TSBP did not intend this consequence.

For all these reasons, we urge you to consider the objections by American Pharmacies members and the Generic Pharmaceutical Association to the proposed amendments as submitted, and withdraw or re-write these proposed amendments.

Thank you for the opportunity to present this testimony; I am happy to answer any questions you may have.