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House of Representatives
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG

COMMITTEES

HEALTH & HUMAN SERVICES, CHAIRMAN

CONSUMER AFFAIRS
URBAN AFFAIRS
MAJORITY POLICY
COMMITTEE ON COMMITTEES

BEN FRANKLIN/IRC PARTNERSHIP,
MEMBER

Original: 2297
Each Commissioner cc'd

October 9, 2002

Robert Nyce, Executive Director
Independent Regulatory Review Commission
333 Market Street
14th Floor, Harrisstown 2
Harrisburg, PA 17101

Dear Mr. Nyce,

Pursuant to the Regulatory Review Act (P.L. 73, No.19) (71 P.S. SS745.1-745.15) the House Health and Human Services Committee reviewed the proposed regulation No. 14-479, amending the pharmaceutical services reimbursement formula for brand-name prescription drugs under the fee-for-service component of the Medical Assistance (MA) Program.

The House Health and Human Services Committee has taken an extraordinary measure of convening a full committee meeting on this proposed regulation on October 8, 2002. The meeting is unprecedented because typically a full committee meeting is not held until the regulations are submitted in final-form. We believe the absurdity of the regulation required us to take a committee vote to express in the strongest terms possible our opposition to the regulation at the proposal phase.

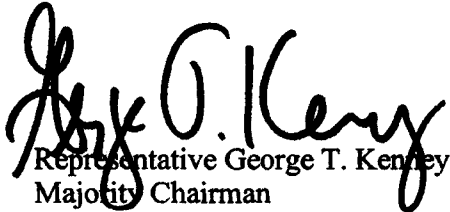
The Committee opposes and is displeased with the States effort to adopt cost containment measures for the Department of Public Welfare, specifically MA, without making a commitment to review other feasible alternatives. The drastic change in the acquisition cost for prescription drugs from the average wholesale price (AWP) minus 10% to the AWP minus 15% and the undersized increase in the dispensing fee imposes a devastating 50% cut in the pharmacy reimbursement component of MA. With Pennsylvania pharmacies only operating at a 2% net profit margin, this cut will have an adverse affect on pharmacies that may reduce pharmacy access in areas with higher MA and senior citizen populations. Pharmacies currently offering special services (patient medical profiles, free delivery, 24 hour dispensing services, and other compliance programs) at no cost to customers will need to cut services to save expenses. The proposal adversely

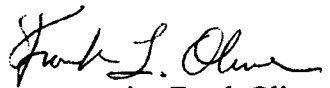
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effects pharmacy services and ultimately the health of many indigent and elderly Pennsylvanians.

It is recognized that the Commonwealth has a responsibility to contain costs; however, the potential detriment to public health and significant shortcomings associated with reducing the rate of reimbursement pharmacists receive through MA can be avoided by examining all available alternatives. The proposed regulation submitted by the Department is unacceptable to this Committee. We therefore urge the Independent Regulatory Review Committee to deny approval of this regulation.

Sincerely,


Representative George T. Kenney
Majority Chairman


Representative Frank Oliver
Minority Chairman

CC: Health and Human Services Committee Members
John R. McGinley, Chairman IRRC
Alvin Bush, Vice Chairman IRRC
Arthur Coccodrilli, Commissioner IRRC
Robert Harbison, Commissioner IRRC
John Mizner, Commissioner IRRC