



NATIONAL ASSOCIATION OF
CHAIN DRUG STORES

February 2, 2012

The Honorable Cathy Munoz
The Honorable Peggy Wilson
Alaska State House of Representatives
Alaska State Capitol
Juneau, AK 99801-1182

RE: House Bill 259 – Pharmacy Audits

Dear Representatives Munoz and Wilson,

On behalf of the members of the National Association of Chain Drug Stores (NACDS) operating in the State of Alaska, I ask for your support of House Bill 259. NACDS members operating in Alaska include Costco, Health Mart Systems, Safeway/Carrs, Target, Walgreen and Wal-Mart.

Auditing practices and their lack of standardization have long been the bane of pharmacies. House Bill 259 would set the standard by which pharmacies are audited and allow for appeal in the case of disagreement.

Pharmacies are not opposed to audits based on suspicion of fraud, unlawful billing practices and abuse. However, most audits are performed based on a “hunting” expedition where the entity contracting for the audit is looking for additional revenue on the basis of overpayments based on technical errors.

Technical errors are ones in which the right person, got the right drug, in the right dose at the right time, but there is some type of clerical, record-keeping or typographical error.

We applaud your sponsorship of this legislation and the parameters it establishes for auditing practices.

Provisions of the Bill

- Two weeks notice would be very helpful due to the personnel and time needed to compile the records for auditing;
- Eliminating the first seven days of the month would be tremendously helpful to pharmacies due to the large influx of prescriptions during that time period;
- Limiting the “look back” to a period of two years allows the pharmacies to go back and bill a different third-party payer that they may have been unaware of at the time of original billing;
- Disallowing the use of extrapolation is a huge issue for pharmacies as they are an extremely inaccurate methodology for determining over or underpayment;
- Disallowing an overpayment to include dispensing fees is fair based on the fact overpayments are calculated on the cost of the drug; and
- Providing for a mechanism by which the pharmacy can appeal the findings allows for fairness in the process.

We appreciate your sponsorship of the legislation and stand ready to answer questions as they may arise to keep this bill moving through the legislative process.

Sincerely,

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