

January 30, 2012

The Honorable Cathy Munoz  
State Capitol, Room 403  
Juneau, Alaska 99801-1182

Dear Representative Munoz:

I am writing today on behalf of the National Community Pharmacists Association (NCPA) in strong support of H.B.259. This legislation would provide some fair and common sense protections for pharmacies against abusive pharmacy audit practices. NCPA represents America's independent community pharmacists, including the owners of more than 23,000 community pharmacies, pharmacy franchises and chains. Together, they employ over 300,000 full-time employees and dispense nearly half of the nation's retail prescription medicines. In Alaska alone there are over 39 community pharmacies which employ a projected 413 residents.

NCPA has long championed the need for greater oversight of pharmacy benefit managers (PBMs) and many of their questionable business practices due to the problems our members and their patients continue to face. PBMs have been allowed to operate virtually unchecked since their inception—slowed only by the increasing amount of litigation alleging fraudulent and deceptive business practices filed against the PBMs each year and some extremely limited regulation. One of the largest problems that NCPA pharmacist members face in today's pharmacy marketplace, is the issue of abusive audit practices.

Rather than legitimately using the audit process to guard and protect against fraud, many PBMs now view the pharmacy audit process as a profitable revenue stream for the company. These audits can claim hundreds of thousands of dollars for nothing more than basic administrative or typographical mistakes, many not even occurring at the fault of the pharmacist or pharmacy staff. Many PBMs now go well beyond the basic intent of an audit, to catch fraud and abuse, and instead focus on these typographical or administrative errors as a basis to recoup money from the pharmacy. In many cases, if a PBM auditor identifies an administrative error, he or she will "take back" 100% of the value of the prescription and all refills—a severe financial penalty that is out of proportion to the gravity of the offense.

Another egregious practice many PBMs employ in order to "ensure" that discrepancies will be found is to establish elaborate record keeping requirements well in excess of what is required under state or federal law or other PBMs. Pharmacies typically maintain contracts with multiple PBMs. The result is a myriad of conflicting documentation requirements that can make operating a busy pharmacy and providing patient care an even greater challenge.

In conclusion, NCPA urges the support of H.B.259—legislation that will provide pharmacies an understandably needed degree of protection against the overaggressive and far reaching PBM audit practices. Community pharmacists understand that in business there must be audits to identify those instances where true fraud occurs. NCPA is confident that once you review H.B.259 you will find it simply sets reasonable standards to insure that audits continue to be useful for their true intent yet cannot be utilized to only increase PBMs profit margins. If you have any questions about the information contained in this letter or wish to discuss in greater detail, please do not hesitate to contact me at [matt.diloreto@ncpanet.org](mailto:matt.diloreto@ncpanet.org) or at (703) 600-1223.

Sincerely,



Matthew J. DiLoreto  
Director, State Government Affairs

100 Daingerfield Road  
Alexandria, VA 22314-2888  
(703) 683-8200 **PHONE**  
(703) 683-3619 **FAX**