

Senator Dennis Egan
State Capitol Room 9
Juneau AK, 99801

January 8, 2013

RE: National Community Pharmacists Association (NCPA) Support of S.B.8

Dear Senator Egan:

I am writing on behalf of the National Community Pharmacists Association (NCPA) in strong support of S.B.8. This legislation provides reasonable and common sense protections for pharmacies against abusive pharmacy audit practices. NCPA represents our nation'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 there are over approximately 40 community pharmacies which employ a projected 424 residents.

Recently, the nation has seen an increase in states taking action to protect their small businesses and healthcare professionals from abusive Pharmacy Benefit Manager (PBM) audit practices. During the past year more than 10 states have enacted PBM audit reform legislation. These new laws increased the national figure to 21 states having such laws on the books. NCPA hopes Alaska will join these states and enact appropriate measures that will set reasonable standards on this practice of pharmacy audits while allowing them to continue for the intended purpose of catching fraud and abuse.

NCPA has long championed the need for greater oversight of PBMs and many of their questionable business practices. 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 so called offense.

In conclusion, NCPA urges the support of S.B.8—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. In fact, audit legislation clearly indicates that where true fraud or financial loss is present, such money can be recouped. NCPA is confident that once you review S.B.8 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.

Please feel free to contact me at matt.diloreto@ncpanet.org or 703-600-1223 should you have any questions.

Sincerely,



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