

State: NA

Community Pharmacies Warning of Spike in Generic Drug Costs: Top [2014-01-10]

By [Michael Whiteley](#), Southern Bureau Chief

A group representing community pharmacies is asking Congress to investigate what it is calling a "dramatic and unprecedented" hike in the price that independent pharmacies pay for generic drugs.

The increases are expected to impact workers' compensation systems as well as general health insurance. Many states use the average wholesale price set by drug manufacturers to determine maximum reimbursements in pharmacy fee schedules.

The National Community Pharmacists Association reported that a survey of 1,100 pharmacists conducted last November indicated prices paid to drug wholesalers jumped by 100% to 1,000% for dozens of generic drugs during 2013. The group said that some independent pharmacies are being forced to turn away patients, while some patients decline their medication because of increased co-pays.

The pharmacists' group said the bulk of the increase occurred during the six months leading up to the survey.

On Wednesday, B. Douglas Hoey, chief executive officer of the association, sent letters to the chairmen and ranking members of the U.S. Senate Committee on Health, Education, Labor, & Pensions and the U.S. House Energy and Commerce Committee requesting an oversight hearing to investigate cost drivers in the generic drug market.

Kevin Schweers, a spokesman for the association, said Thursday the price increases appear to be spread across the drug industry and are not attributable to a single manufacturer.

He said the pharmacies buy their inventories from drug wholesalers up front and then are reimbursed by insurance carriers or pharmacy benefit managers, which have been slow in updating their payment rates.

"It's not a sustainable system under the business model for community pharmacies, and the reasons are kind of a mystery," Schweers said. "There may be a shortage of raw ingredients or the destruction of a manufacturing facility that would take it offline."

The Pharmaceutical Research and Manufacturers of America referred questions to Steve Arnoff, vice president for communications for the Generic Pharmaceutical Association. Arnoff did not return telephone calls Thursday.

The pharmacists association reported that:

- 77% of the pharmacists surveyed reported 26 or more instances during the six months prior to the

survey of a large upswing in the acquisition price of a generic drug.

- 86% of those surveyed said it took a pharmacy benefit manager or other third-party payer between two and six months to update the rate at which it reimbursed the pharmacy for drug costs.
- 84% reported that spikes in the acquisition prices and lags in reimbursements are having a "very significant" impact on their ability to remain in business.

Opinions varied Thursday on the extent of the impact to workers' compensation systems.

Florida-based PBM MyMatrixx reported in a blog on Oct. 29 that an initial analysis of 670 drugs – both brand-name and generic – showed that the AWP increased by between 20% and 80% in 2013. The prices increased for morphine and hydrocone, which are commonly dispensed to injured workers.

Phil Walls, chief clinical and compliance officer for MyMatrixx, said Thursday that price increases in generics will have a significant impact on state workers' compensation fee schedules because of their reliance on the AWP.

"We're seeing significant increases in the price of morphine and hydrocone, and that's the No. 1 drug in the world," Walls said.

He challenged assertions by the pharmacies that PBMs have been slow in updating payments. He said MyMatrixx checks the AWP's set by drug manufacturers daily.

But he said a downward trend in prices triggered by the switch from brand-name drugs to generics appears to be reversing. He said attempts by generic drug makers to compete in the market have traditionally kept prices down.

"We've been promoting generic substitution, but, at the same time, the cost is definitely going up," Walls said. "I have never seen prices go up arbitrarily like they have this past year."

Joe Paduda, president of the PBM consortium CompPharma, said he has not seen a significant impact on generic drug prices in the workers' compensation system. He said the price for generic drugs has increased by low to middle single digits in the past few years.

"There are more generic drugs out there, and the generic drug manufacturers may be saying, 'We have more market share and that's a reason to raise the price,'" Paduda said.

He compared the price increases to those that occurred after Congress created the Medicare Part D prescription drug benefit program, which took effect on Jan. 1, 2006.

He said drug companies may be anticipating an increase in the number of insured Americans because of the Patient Protection and Affordable Care Act. The U.S. Department of Health and Human Services reported last week that 2.1 million people have signed up for coverage through state-based plans or federal insurance marketplaces so far.

"The drug manufacturers remember what happened with Medicare Part D, so they may be raising prices prospectively because they know people are going to have benefits and they're going to be somewhat insulated from the price of drugs," Paduda said.

Schweers said pharmacists mentioned both the painkillers oxycodone and hydrocone as generic drugs that have seen significant price increases during the past six months.

He said the most commonly mentioned drugs were benazepril, clomipramine, digoxin, divalproex, doxycycline, budesonide, haloperidol, levothyroxine, methylphenidate, morphine, nystatin, pravastatin and tizanidine.

One pharmacist reported the price of oxycodone had increased nearly 500% in the four weeks leading up to the survey. Mark Pew, senior vice president of product development at Georgia-based cost-containment firm Prium, said Thursday he has not seen significant increases in generic drug prices.

Pew said both morphine, a painkiller, and tizanidine, a muscle relaxant, are commonly used to treat injured workers.

"The purpose of the generic is to make the drug more cost effective. It would be interesting to see the prices going up. The prices usually go down when you switch from brand-name drugs to generics."

The National Council on Compensation Insurance reported last September that the share of money spent on drugs has remained relatively stable at about 18% of all medical costs in the nation's workers' compensation systems between 2009 and 2011, while the cost of narcotics had continued to grow. NCCI said the cost per claim for physician-dispensed drugs has nearly doubled since 2007. The study was based on medical bills paid in 2011 and evaluated through March 2012.

Hoey's letter is [here](#).

The MyMatrixx blog is [here](#).