



HEIN GOVERNMENTAL CONSULTING, LLC

5845 SW 29th Street Topeka, KS 66614-2462
Phone 785-273-1441 Fax 785-273-9243 WWW.HEINGC.COM

Testimony re: SB 94
Senate Ways & Means Committee
Presented by Ronald R. Hein
on behalf of
Kansas Association of Chain Drug Stores
February 6, 2017

Madam Chairman, Members of the Committee:

My name is Ron Hein, and I am legislative counsel for the Kansas Association of Chain Drug Stores which, which is the Kansas affiliate of the National Association of Chain Drug Stores, which represents 11 companies operating over 280 stores, employing over 27,000 full and part-time employees, and paying over \$331 million in state taxes.

History of Pharmacy and Medicaid 4% cuts: Pharmacy took its first cut April 1, 2016 when the reimbursement methodology changed to an acquisition cost-based model (NADAC). This pricing methodology has narrowed reimbursements in terms of net margin for pharmacies. Since the administration was desirous of cutting the total expenditures for pharmacy by 4%, in order to make the cuts possible, the administration needed to cut the professional fees paid to pharmacists for dispensing medications. The administration could not cut the actual cost of medications, since the cost is fixed, and reducing the costs in this way would have meant pharmacies actually receiving 4% less in reimbursement than the actual cost of the drugs. In order to achieve the cost savings goal on all pharmacy costs, including the cost of drugs, the administration cut the independent and small chain pharmacists' dispensing fee from \$10.50 to \$9.25. The administration cut the dispensing fees for pharmacists at large chain pharmacies from \$10.50 to \$4.50, which is a 57% reduction in the dispensing fee for large chain pharmacies. So, although the administration called the action a 4% cut, in reality, the cut to pharmacy ranges from 12% to 57%.

SB 94 provides a mechanism for restoring the 4% Medicaid funding cuts. Although normally KACDS would not take a position on tax increases for other entities, KACDS does support SB 94, as the KanCare MCOs should generally be made whole, and provisions were made last legislative session to permit other MCOs to develop products to avoid the privilege tax. We strongly support the provisions of SB 94 applying such funds to restore to providers the Medicaid cuts.

We strongly urge the legislature to restore the KanCare provider cuts.

Thank you for permitting me to testify, and I will yield for questions.