

TRANSCRIPT OF PROCEEDINGS

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COMMONWEALTH OF PENNSYLVANIA
HOUSE OF REPRESENTATIVES
HOUSE INSURANCE COMMITTEE

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TUESDAY, APRIL 29, 2008

PUBLIC HEARING HOUSE BILL 2251

BEFORE :

Representative Anthony M. Deluca, Majority Chair
Representative Nicholas Micozzie, Minority Chair

ALSO PRESENT :

Richard Speese, Democratic Executive Director
Kathy McCormac, Republican Executive Director
Lisa Kubeika, Research Analyst

Reported by: Amanda Murphy

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P R O C E E D I N G S

(9:00 o'clock a.m.)

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3 MR. DeLUCA: Let me introduce to my left
4 my executive director, Rick Speese; to his left is the
5 executive director of the Republican Committee and my
6 good friend, Nick Micozzie; Kathy McCormac; and on my
7 staff is Lisa Kubeika.

8 As I said, good morning. I welcome you to
9 this hearing today on Legislation House Bill 2251,
10 which I sponsor, or known as the One Pennsylvania
11 Bill.

12 I would like to thank the Penn Hills Library
13 for graciously allowing the Committee to hold this
14 hearing today. This facility is one that all of Penn
15 Hills can be proud of. I thank the members, the staff
16 for being here today. Certainly I thank them for
17 being here yesterday.

18 The One Pennsylvania Legislation we will be
19 looking at today will consolidate unified procedures
20 and requirements for the administration of all
21 Commonwealth-funded, Commonwealth-administrative, and
22 Commonwealth-supported prescription drug programs.

23 The Commonwealth provides for prescription
24 drugs in numerous programs. Some of these are PACE,
25 Medical Assistance, State employee health benefits,

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1 and others.

2 This bill will provide for significant cost
3 saving through reduced administrative costs,
4 collection of drug manufacturers' rebates, and other
5 cost-controlled provisions.

6 The Commonwealth would become a much larger
7 purchaser of prescription drugs, thereby able to get
8 the best price and the best deals from the
9 manufacturers.

10 A further advantage would be assisting
11 pharmacists in reducing medication errors and
12 providing appropriate compensation for Medication
13 Therapy Management being provided by our pharmacists
14 out there.

15 The legislation would be administered by the
16 Office of Administration. It would be tasked to
17 develop, manage, and implement preferred drug lists
18 for all Commonwealth prescription drug plans.

19 They would also adopt regulations relating to
20 the eligibility of participating pharmacists and other
21 provisions to carry out this act.

22 They would enter into agreements with drug
23 manufacturers to collect and remit to the program
24 discounts, rebates, and other financial concessions
25 gained by their ability to negotiate the best deals

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1 with the manufacturers.

2 An additional provision of the bill sets up an
3 Advisory Committee to assist the Office of
4 Administration in making informed and fiscally
5 responsible decisions in administering of and
6 consolidating the purchases and the reimbursements for
7 prescription drugs.

8 The Advisory Committee will include three
9 appointees of the Governor, two each by the President
10 pro tempore of the Senate, a Minority Leader of the
11 Senate, the Speaker of the House, the Minority Leader
12 of the House.

13 One of the two appointees of each legislative
14 caucus must be involved in the ownership or operation
15 of an independent pharmacy, and other appointees must
16 be involved in the operation of a chain pharmacy. All
17 these appointees shall serve without compensation
18 other than expenses.

19 To fund Pennsylvania One, a special fund will
20 be created by the Office of Administration to be known
21 as the Special Pharmaceutical Fund. All monies
22 appropriated from the State Lottery Fund for PACE will
23 be deposited into this fund.

24 In addition, all monies appropriate from the
25 general fund for pharmaceutical purchases or

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1 reimbursements shall be deposited in this fund as well
2 as rebates obtained through the negotiation and
3 prudent prescription drug purchasing.

4 It is my belief that consolidating publicly
5 funded purchases of prescription drugs will save the
6 taxpayers of Pennsylvania millions of dollars and at
7 the same time provide for efficient delivery of these
8 drugs to consumers.

9 It is time that we exert the enormous buying
10 power of the Commonwealth with purchasing these
11 pharmaceuticals. Our citizens should benefit by the
12 state bulk purchasing prescription drugs directly from
13 the manufacturers.

14 Instead of having each Commonwealth-funded
15 program purchasing pharmaceuticals individually with
16 separate rules and separate administration procedures,
17 which creates a confusing array of requirements for
18 our pharmacists, it's time that we look outside the
19 box.

20 I believe this is an idea whose time has come.
21 I look forward with working with the members of the
22 House on both sides of the aisle to bring this to
23 fruition.

24 Finally, on a different topic, I want to
25 acknowledge that this week is Cover the Uninsured

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1 Week. I would urge, as I did yesterday, my Senate
2 colleagues to move quickly on the PA ABC legislation
3 the House passed last month which would extend
4 coverage for more than 250,000 working men and women
5 in this Commonwealth uninsured Pennsylvanians over the
6 next five years.

7 Again, I want to thank everyone here for
8 attending, and we look forward for our testifier who
9 is going to be presenting his information on this bill
10 today.

11 The first individual to testify is Carmen
12 DiCello. He's Director of Governmental Public Affairs
13 with Value Drug Company. Carmen, welcome.

14 MR. DiCELLO: Thank you very much. My
15 name is Carmen DiCello. I am an owner of two
16 pharmacies in North East, Pottsville, Pennsylvania.
17 For 22 years I was the executive director for the
18 Pennsylvania Pharmacy's Association, and since 2002 I
19 have been director of government affairs and public
20 affairs for the Value Drug Company.

21 Value Drug Company is a co-op that represents
22 over 1,200 independent pharmacist owners and our
23 patients who are advocates for both our independence
24 and our patients that we serve.

25 I want to thank the Chairman for allowing to

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1 have this testimony, and I particularly want to thank
2 Representative Tony DeLuca for having the initiative
3 to do something I think is so well-needed and
4 well-overdue in introducing One Pennsylvania.

5 What One Pennsylvania does, and I may be
6 repeating some of the statements that the
7 Representative has said, is consolidates all the
8 prescription plans under one agency. The agency is
9 the Office of Administration.

10 By doing that, it saves significant tax
11 dollars and also provides high-quality pharmacist care
12 services. And I hope some of my comments will qualify
13 and quantify why I believe this is very important.

14 First of all, efficiency and economies of
15 scale. We model this bill very similar to the PACE
16 program. The PACE program has the lowest
17 administrative cost of any agency, not only in
18 Pennsylvania, but in the country, less than three
19 percent.

20 That's much less than DPW, for example, the
21 Department of Public Welfare. They admit to ten
22 percent. I believe it's even higher than that. A
23 private sector is like 15 percent or more in
24 administrative costs.

25 There will be significant savings there. I

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1 have not included that dollars-wise in the testimony,
2 but we believe it could be as much as \$50 million when
3 the full take occurs with One Pennsylvania.

4 The second part of this is the best-price
5 rebates. Best-price rebates is manufacturers pay
6 rebates back to the agency, the Office of
7 Administration, that would save significant dollars.

8 By doing that, for example, the PACE program
9 is one of the best programs in cost containment. They
10 save 25-percent rebates they get back every medication
11 dispense.

12 For example, if you spend \$100 worth of
13 medication, they're getting \$25 back to the
14 administration from rebates from the manufacturers.
15 That savings is significant.

16 In fact, when this plan is initiated,
17 initially it will be a transition process. It will
18 save at least conservatively \$200 million annually.
19 And after fully implemented, we're talking about \$400
20 million; and it will grow year after year in those
21 savings.

22 Another portion of this package is what we
23 call CPI Cost Containment, Consumer Price Index Cost
24 Containment. If a manufacturer raises the price above
25 CPI, then the state agency will receive a second

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1 rebate; and we have seen, as pharmacists, particularly
2 since Medicare Part D Plan has come into existence
3 where there is no negotiation with drug manufacturers
4 at all at the national level, we have seen increases
5 as high as ten percent, not unusual for the
6 fast-moving products, particularly, they sometimes put
7 them more in one basket, ones that don't even move,
8 and give a lower percentage, but the fast-moving
9 products are about ten percent.

10 So if the CPI is three percent and the
11 increase is ten percent, the state agency would get a
12 seven-percent rebate from the manufacturers.

13 Another component of this bill is the
14 education process. In the bill is an education
15 process for patients to help you better educate your
16 medication needs.

17 It also helps the pharmacist to assist in
18 misutilization, helping you, helping the physician, to
19 make sure we have quality and health care at the same
20 time.

21 We also have included a drug therapy
22 management system and a disease state management
23 system. That too will improve your quality of care
24 and at the same time save significant dollars by
25 keeping you, the patients, out of the hospitals, out

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1 of rehab centers, out of hospitals as much as you
2 would like to, actually working with medication
3 properly given to you.

4 That's significant cost savings. Again, I
5 have not even included that in the cost savings that
6 could be generated by that type of education process.

7 There is a special pharmaceutical fund
8 incorporated into this package, and it's run by the
9 State Treasury Department. That's very good. I can
10 tell you the reason why.

11 First of all, all the income, revenue, whether
12 it be rebates, prudent purchasing, they're paid to
13 health care providers like pharmacists out of this
14 package; but it stays in the special fund.

15 It doesn't go into a budget to be used to
16 balance the budget some place else, which is going on
17 actually today. For example, any rebates we get in
18 the Medicaid Fee-For-Service, which is small, it goes
19 into a Medicaid package rather than the pharmacy
20 package.

21 What this would do is show exactly the fiscal
22 responsibility and responses of One Pennsylvania. It
23 would show you concisely how much money is saved; and
24 I said to you, it will be at least \$400 million.

25 Some of the thoughts I have based on my

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1 conversations with some legislatures and our
2 patients -- I don't know if you know this, but
3 disabled children, many disabled children are not
4 covered by prescriptions.

5 They spend an average of about \$3,000 a year
6 on medications. With this extra money we save,
7 there's no reason why the general assembly, it would
8 be there responsibility to do it, we couldn't put this
9 into that package and take care of the disabled
10 children.

11 The second provision I always promote was
12 people under 65 -- we do a decent job with people with
13 the PACE program and PACENET program, but between the
14 50 and 64, particularly those who have lower income
15 and also have significant drug usage, there's no
16 reason why some of those individuals could not be
17 incorporated into that package.

18 There's other reasons you could use this money
19 for. That would be up to the general assembly.
20 They're the ones that are in charge of it.

21 What we're saying is we can save money but
22 also do so much good for the community and help those
23 who do not have prescription coverage, and we see it
24 every day. They come in our pharmacies. People do
25 not have full medication needs.

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1 The other provision we have in the bill is
2 what we call innovative pharmacy compensation formula.
3 You may not quite understand this as well as maybe the
4 Representative does.

5 We've been paid on what we call an average
6 wholesale price for reimbursement, and we have a very
7 low feedback. The reason why, we have been told by
8 the agencies you make money on the product, so we have
9 to keep your fee maybe only at \$4.

10 What we have done is something unique and
11 different, and it was done on a study we did
12 nationally with our National Committee Pharmacist
13 Association over the last couple years.

14 He said, okay, let's be transparent unlike
15 pharmacy benefit managers and insurance companies.
16 Let's be really transparent, and we would get
17 reimbursed based on our actual acquisition costs and
18 on our invoices.

19 So we're going from no markup whatsoever on
20 the product -- and I have to emphasize that. I can't
21 overemphasize that. That's a tough thing for our
22 pharmacies to do.

23 However, if we're going to do that, that fee
24 has to be at least \$10 for brand names and \$15 for
25 generics. The reason why you put \$15 for generics,

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1 it's a generic incentive.

2 On average, for every generic we use versus
3 brand name, the State, the plan of who is paying the
4 bills, saves an average of \$100 per prescription,
5 significant savings by using generics.

6 So we want to make sure in One Pennsylvania we
7 not only maintain what we have in the generic usage
8 but actually increase it; and the best program for
9 generic usage, by the way, is the PACE program.

10 Some of the other state agencies are not doing
11 an effective job in utilizing good quality generic
12 drugs and to make the transition smooth with
13 contractual prices.

14 If someone has a contract in some of these
15 statewide programs, that contract would continue until
16 the term expires. So no question that we're doing
17 something illegal here.

18 We're saying the contract stays the same.
19 When it expires, it may take two years more, maybe
20 another year more; but when it does, it has to abide
21 by One Pennsylvania. So it's a smooth transition into
22 the processing world.

23 And I also would just like to comment a little
24 bit about the independent community pharmacist and our
25 education. For those of you who don't know, we

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1 receive a doctoral pharmacy degree. It takes us six
2 years to get a doctoral pharmacist degree. That's a
3 lot of education to get.

4 We are probably -- not probably. We are the
5 most knowledgeable about medications. Sometimes we're
6 overlooked. Sometimes we're not treated
7 professionally as we should be, but we have a doctor
8 of pharmacy degree for six years in addition to all
9 the other work we must do in order to get our license,
10 pass boards and so forth.

11 I'm sure many of you probably know in your
12 community, there's no one that leads the community
13 more in saving, contribute to the community when it
14 comes to arts, little league, you name it. It's the
15 independent community pharmacist in particular who are
16 the ones who are at the forefront in trying to work
17 with you.

18 We're the most cost component, best cost
19 component savings of any health care providers. If
20 the medication is given properly and we explain it
21 properly to the patients and it's probably done with
22 monitoring being done by a local pharmacist,
23 physicians' and patients' relationships, working
24 together, we'll keep you out of the hospitals. We'll
25 keep you out of the health care package.

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1 We are a significant part of this health care
2 system, of this whole continuum of health care that is
3 not necessarily recognized as it should be; and I just
4 wanted to have some comments about what our profession
5 is all about, and, Mr. Chairman, I then open up for
6 some questions.

7 MR. DeLUCA: Carmen, while you were
8 discussing that, why don't you tell them how important
9 it is for the local pharmacists who are being put out
10 of business and how this bill would relate to you.

11 MR. DiCELLO: Well, for example, they
12 have been pushing us down. Medicare has been one of
13 the worst programs to us in pharmacy. We have a lot
14 of pharmacies who are having a difficult time paying
15 their bills.

16 One of the reasons -- and I'm glad you brought
17 that up. If we don't get paid on a timely basis, for
18 example, even with the fee we do get right now today,
19 this bill would correct that. This bill would be like
20 the PACE program.

21 We would be paid within 21 days. Our interest
22 would be charged back. Some of our programs, I'll
23 tell you, DPW, 45 days sometimes you wait for your --
24 sometimes 60 days, and we're borrowing money in order
25 to accomplish that. We can't continue to do that.

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1 Our margin of profit, let me tell you
2 something, it used to be 3.7 percent a couple years
3 ago. Since the Medicare Part D Plan is in it, it's
4 less than 2.4 percent the last time I saw the figures
5 for 2007 and I think 2008.

6 So we're being squeezed, and it doesn't make
7 sense when we should be nurtured, just the opposite.
8 We should be told, hey, we want you to be a part of
9 this, we can save you money, we can keep the patients
10 able to do the things they want to do like work out of
11 institution and have a much better happy healthy life.

12 What this bill would do is put it all under
13 the same basis. For example, there's one plan that
14 pushes individuals in our state to a major chain,
15 which I think is outrageous, or a mail order. I think
16 that's wrong. And this would open up that door to
17 allow us to continue to fill those prescriptions in
18 the local pharmacies.

19 MR. DeLUCA: While you're saying that,
20 Carmen, why don't you explain to the audience here why
21 it's wrong for mail order, because I would imagine a
22 lot of them take advantage of the mail order because
23 they're forced to do that.

24 MR. DiCELLO: We're not saying prohibit
25 mail. We're saying there should be an option of the

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1 same terms and conditions, and you should not be
2 penalized.

3 First of all, mail order cannot give you
4 face-to-face consultation. The only one that can do
5 that is a pharmacist. An 800 number you call -- you
6 may or may not get that 800 number; but if you do,
7 they may not even speak in English. You want to talk
8 to someone who knows you well, and the one who knows
9 you well is your local community pharmacist.

10 Mail orders, when given in certain
11 temperatures, actually is destroyed. There's data
12 from the U.S. Pharmacopeia that show that medications,
13 a significant amount, about 20 percent, could be
14 destroyed by both heat and cold. That doesn't occur
15 in your local pharmacy.

16 When you want your medications, you get it
17 that day. We deliver that day. Mail order, three,
18 four, five -- in fact, not a day goes by in my
19 pharmacies where we're not helping out the person who
20 is forced to go into mail order either by mandatory
21 requirements or a higher copayment.

22 We want to correct it, and this does correct
23 that in all of the statewide programs; and there's
24 another bill that you're looking at which is House
25 Bill 815 that would resolve it in equalization.

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1 We want the same terms and conditions for you.
2 You should not be penalized for utilizing a local
3 pharmacy and be forced to use a mail order that maybe
4 who knows where and who's filling those prescriptions.
5 We have no idea.

6 MR. DeLUCA: Carmen, so in other words,
7 what you're telling me is that if we do this
8 legislation that we will be saving the taxpayers money
9 by consolidating these programs under your opinion?

10 MR. DiCELLO: Absolutely, and we have had
11 both accountants analyze this. And I'll tell you that
12 there's agencies in this government that I talked to
13 you about and have asked them point blank, One
14 Pennsylvania, am I not factual in my sayings and what
15 I'm saying right now like \$400 million fully
16 implemented, \$200 million annual savings initially
17 after a year probably; and the answer is, Carmen,
18 you're being very conservative, very conservative in
19 your savings.

20 I believe it's going to be significantly more,
21 and I haven't included some of those savings that
22 could be generated. So, yes, taxpayers' money would
23 be saved significantly, Representative, and it's a
24 no-brainer for us in pharmacy and a knowledge about
25 the business aspect and talking to people who really

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1 know the system and understand how a pharmacy
2 operates. It will save money that will do so much
3 good at the same time.

4 MR. DeLUCA: Very good, Carmen. Any
5 questions?

6 MR. SPEESE: No.

7 MR. DeLUCA: Well, thank you, Carmen. If
8 you stick around, maybe you could answer some
9 pharmaceutical questions for some of my constituents
10 here.

11 MR. DiCELLO: More than willing to do it.
12 Thank you.

13 MR. DeLUCA: I appreciate that.

14 (Applause.)

15 MR. DeLUCA: The next individual we have
16 testifying is Deb -- is it Krasnow?

17 MS. KRASNOW: Krasnow.

18 MR. DeLUCA: Krasnow. She's a
19 representative of Giant Eagle. Welcome. Thank you
20 for taking the time to come here this morning.

21 MS. KRASNOW: Good morning. Thank you
22 for inviting me, Chairman DeLuca, members of the House
23 Insurance Committee. The Pennsylvania Association of
24 Chain Drug Stores appreciates the opportunity to
25 testify today regarding House Bill 2251, the One

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1 Pennsylvania Act.

2 My name is Deb Krasnow, and I am the director
3 of managed care for Giant Eagle, a Pittsburgh-based
4 grocery pharmacy chain that operates 94 locations in
5 the Commonwealth.

6 I actually opened the first Giant Eagle
7 pharmacy in Penn Hills in 1980, and I probably took
8 care of many of your families for many years.

9 I'm here today representing the Pennsylvania
10 Association of Chain Drug Stores or PACDS. PACDS has
11 compromised a 15-member company, including Giant
12 Eagle, Rite Aid, Walgreens, Weis Markets that operate
13 over 1,400 pharmacies throughout Pennsylvania.

14 In total, there are 2,670 chains and
15 independent pharmacies in the Commonwealth that employ
16 120,000 workers including over 7,000 pharmacists and
17 pay over \$944 million in state taxes annually.

18 House Bill 2251 would allow the Department of
19 Public Welfare to reimburse for brand and multiple
20 source products at a level that attempts to reflect
21 the true cost of a Medicaid prescription drug in the
22 Commonwealth of Pennsylvania.

23 The proposal would revise the payment limit of
24 pharmacies determining the average and actual
25 acquisition costs of drugs using invoice surveys to

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1 pharmacies and increase the Medicaid dispensing fee by
2 \$6 for brands and \$11 for generics in all state
3 pharmacy programs.

4 Our comments today will express our support
5 for the increase in dispensing fee which would include
6 an incentive for dispensing generics, the statewide
7 Medication Therapy Management system, which would
8 allow providers certified in MTM to provide that
9 service; and we support the requirement that providers
10 be reimbursed for uncollected copayments.

11 Our comments today will also reflect our
12 concern with the proposal to reimburse at the greater
13 than average or actual acquisition cost that is
14 determined using a retail invoice survey and the
15 impact that the decrease in reimbursement may have on
16 pharmacies with the Deficit Reduction Act average
17 manufacturer price, AMP, based on federal upper limits
18 is implemented for generic drugs.

19 All of Pennsylvania's pharmacies were
20 scheduled to be hit in January with a federally
21 mandated reduction in the upper limits, FULs, on state
22 and federal payments for multiple source or generic
23 drugs dispensed under the Medicaid program.

24 That reduction is required under provisions of
25 the Federal Reduction Act of 2005. The Government

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1 Accountability Office, the GOA, predicted in 2006
2 before the Centers for Medicare and Medicaid services
3 issued implementing regulations, that the changes
4 would cut Medicaid payments for generic drugs to 36
5 percent on average below what it costs the pharmacy to
6 purchase those drugs.

7 The Federal Department of Health and Human
8 Services Office of the Inspector General separately
9 concurred in predicting a significant impact on
10 pharmacy reimbursement.

11 Dr. Stephen Schondelmeyer, Director of the
12 University of Minnesota's PRIME Institute, has
13 projected that the reimbursement for generic drugs
14 could drop 65 percent in the first year under the DRA
15 and more than 80 percent in subsequent years. Dr.
16 Schondelmeyer has said this could result in the
17 closure of 10,000 to 12,000 pharmacies over the next
18 few years.

19 We continue to express our concerns despite a
20 federal court's recent temporary injunction against
21 the implementation of the new FULs in a lawsuit that
22 challenges the way CMS has interpreted the DRA.

23 Pennsylvania pharmacies stand to lose \$24.7
24 million in revenue as a result of the plan DRA cuts.
25 The financial implications of such a severe reduction

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1 in pharmacy payments could force Pennsylvania's
2 pharmacies to reduce hours, staff, inventory, and
3 services, or, under a worst-case scenario, force
4 pharmacies in low-income communities to close their
5 doors, denying services to both Medicaid beneficiaries
6 and other low-income residents.

7 Federal statute still requires that AMP-based
8 FULs be implemented in some form, and this will
9 significantly reduce the reimbursement pay to all
10 pharmacies for prescription drug products.

11 Pharmacies would not survive both the cuts to
12 drug product costs proposed by House Bill 2251 and the
13 cuts to generic drug reimbursement proposed by the
14 DRA.

15 We urge you to consider anticipated cuts to
16 pharmacy reimbursement as a result of the DRA when
17 considering a proposal to further reduce reimbursement
18 as a result of the DRA when considering a proposal to
19 further reduce reimbursement to pharmacies for
20 ingredient costs.

21 We fully support efforts to establish fair and
22 transparent Medicaid pharmacy reimbursement in
23 Pennsylvania. Of course, federal regulations require
24 that any new reimbursement system must also ensure
25 beneficiaries access to prescription drugs and

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1 pharmacy services. That is the equivalent of pharmacy
2 access for the general population of Pennsylvania.

3 However, the proposed use of product invoices
4 to establish a retail acquisition cost for product
5 reimbursement will not achieve these shared goals.

6 Instead, we believe the proposed policy would
7 force chain pharmacies to choose between the
8 conflicting demands of their legal responsibilities
9 under contracts with manufacturers and wholesalers in
10 compliance with the mandates of the Medicaid program.

11 Providing the Pennsylvania Medicaid program
12 with actual invoices for pharmacy products would
13 violate provisions of many pharmacy companies'
14 contracts with prescription drug manufacturers and
15 wholesalers who view such information as proprietary.

16 States such as Indiana and Kansas have
17 recognized this legal barrier and have implemented
18 survey programs that make the submission of invoices
19 voluntary.

20 Texas, which adopted regulations to implement
21 a similar program to obtain invoices from wholesalers,
22 has since abandoned its efforts recognizing the legal
23 difficulties that demanding invoices poses for the
24 industry.

25 Even if the submission of prescription drug

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1 product invoices was contractually possible, the
2 requirement that pharmacies regularly submit invoices
3 would prove to be a formidable administrative burden
4 for retail pharmacies.

5 We oppose a proposal to require that average
6 acquisition costs be determined by a survey of retail
7 pharmacy invoices updated weekly and posted on a state
8 Web site.

9 It should be noted that using an average of
10 the invoice prices would not provide the accuracy and
11 transparency sought by Pennsylvania Medicaid because
12 invoices do not often reflect the actual prices paid
13 by retail pharmacies.

14 Finally, pharmacy payment often includes
15 offsets for returned products as well as payments of
16 fees for additional services provided by the
17 manufacturer and wholesaler.

18 Pennsylvania's Medicaid pharmacies are
19 currently paid a dispensing fee, the other segment of
20 the Medicaid pharmacy reimbursement equation, that
21 falls well below the actual cost of dispensing
22 Medicaid drugs.

23 The Pennsylvania Medicaid dispensing fee is
24 currently \$4. That fee is about 38 percent of what is
25 a recent national survey by Grant Thornton LLC found

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1 to be the national average cost of dispensing of
2 medication which is \$10.50.

3 It is also about 40 percent of what the same
4 survey found to be the cost of dispensing medication
5 in Pennsylvania, which is \$9.95. The current fee is
6 \$1.25 higher than the \$2.75 fee Medicaid paid 20 years
7 ago in 1986 despite constantly escalating pharmacy
8 costs driven by pharmacist labor shortages and
9 manufacturer drug-price increases.

10 The average profit margin for chain pharmacies
11 is just two to three percent, a profit margin that has
12 been continuously shrinking due to increasing product
13 and administrative costs.

14 Once the reduced generic price reimbursement
15 mandated under federal law is implemented,
16 Pennsylvania's community pharmacies, particularly
17 those in urban centers and remote rural areas where
18 Medicaid populations are most concentrated, could find
19 that profit margin entirely eliminated.

20 It could be financially difficult for them to
21 maintain their current hours and staffing levels or to
22 continue to provide a number of services such as free
23 delivery. Some stores could even be forced to close.

24 This would in turn have a serious detrimental
25 impact on pharmacy access, not just for Pennsylvania's

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1 Medicaid beneficiaries, but for all residents of the
2 surrounding low-income communities.

3 The average cost of generics dispensed under
4 the Medicaid program in 2007 was about \$14.86, just
5 10.3 percent of the \$144.79 average cost of the brand
6 name equivalent or about \$129.93 savings.

7 If the dispensing of generic drugs in
8 Pennsylvania increases one percent, Pennsylvanians
9 would save an estimated \$5.1 million.

10 Ensuring that pharmacies are adequately
11 reimbursed for generic drugs is not only important to
12 maintaining pharmacy access for Medicaid beneficiaries
13 and other citizens but is also crucial to ensure that
14 the Medicaid program costs are kept in check.

15 If pharmacies are reimbursed below their cost
16 for generic drugs, there will be a significant
17 financial disincentive for them to continue to ensure
18 that the low-cost generics are dispensed before their
19 more expensive brand name equivalents.

20 We applaud the proposal to move towards a
21 different dispensing fee to encourage the use of
22 generic drugs and save state dollars.

23 Pennsylvania Medicaid has for some time
24 allowed for pharmacists to provide Medication Therapy
25 Management or MTM. Our pharmacists perform these

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1 essential services on a daily basis for our patients
2 in order to educate them into drug interactions, cut
3 down on unnecessarily costly medications, prevent
4 fraud, abuse, and misdiagnosis by licensed
5 prescribers.

6 These services, which maximize cost savings
7 and health outcomes, are currently being offered to
8 our patients without any reimbursement from the
9 Commonwealth.

10 MTM and pharmacy-assisted disease management
11 programs have proved successful as a component of
12 Medicaid wherever they have been initiated.

13 Iowa beneficiaries receiving Pharmaceutical
14 Case Management Services have shown a 12.5 percent
15 improvement in medication appropriateness index with a
16 24-percent reduction in the inappropriate use of
17 medication among beneficiaries 60 years and older.

18 Missouri Medicaid officials estimated in 2004
19 that their Pharmacy-Assisted Disease Management
20 Program had reduced per capita Medicaid expenditures
21 by \$6,804, and they projected annualized program
22 savings of \$2.4 million.

23 However, we know that Iowa and Missouri
24 programs pay their pharmacists \$75 for the first MTM
25 encounter and \$40 for follow-up encounters as well as

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1 \$24 for preventative follow-up assessments.

2 Minnesota's new MTM program will pay \$54 for
3 the first encounter and \$32 for the follow-up
4 encounters. Yes, paying such fees would be additional
5 expenses for the Pennsylvania Medicaid program, but
6 they are expenses that would clearly yield significant
7 overall savings for the program and a measurable
8 improvement in health outcomes for Pennsylvania
9 Medicaid beneficiaries.

10 Medicaid providers have historically been able
11 to collect only 50 percent of all copayments assessed.
12 Many community pharmacies, especially those located in
13 low-income urban and remote rural areas where Medicaid
14 beneficiaries live, incur significant losses each year
15 because they are unable to collect copayments.

16 These uncollected copayment revenues may
17 reduce pharmacy reimbursement to a level that is well
18 below the cost of providing the prescription to the
19 Medicaid beneficiary.

20 It is usually impossible to collect these
21 monies if they cannot be collected at the point of
22 service.

23 With the average cost for a brand name drug
24 under the Medicaid program at \$171.71 in 2007 and
25 increasing copayments on nonpreferred drugs will mean

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1 that pharmacy providers will likely have to absorb
2 significant losses. We appreciate and support the
3 proposal to require reimbursement of providers for
4 uncollected co-payments.

5 Thank you for your continued interest in these
6 important issues crucial to those pharmacies, chain
7 and independent, providing prescription drugs and
8 pharmacy services to the Commonwealth's approximately
9 1.8 million Medicaid beneficiaries.

10 MR. DeLUCA: Thank you, Deb. Let me ask
11 you, Deb, are you mostly concerned about the
12 reimbursement part here?

13 MS. KRASNOW: Yes.

14 MR. DeLUCA: So you have no problems with
15 us consolidating the programs?

16 MS. KRASNOW: No, not at all.

17 MR. DeLUCA: Does that make sense,
18 consolidating all the state programs so that the State
19 could be in a better position to purchase these
20 medications and get bigger rebates and discounts that
21 can lower the cost of health care?

22 And as we know, one of the things that we're
23 talking about is trying to get a handle on costs,
24 because if we don't get a handle on cost, then more
25 and more people are going to go uninsured.

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1 I was watching last night the Massachusetts
2 program where they made a mistake. In fact, they
3 tried to insure everybody at first without trying to
4 get a handle on cost. We're doing both in
5 Pennsylvania.

6 We are trying to reduce the cost and also
7 trying to get more people, the uninsured, taken care
8 of. So your opposition to the bill is the
9 reimbursement that you think would be good?

10 MS. KRASNOW: Absolutely.

11 MR. DeLUCA: I guess I have a question
12 since you are representing the chain pharmacies. You
13 do say in your testimony here that you're looking at
14 maybe 10,000 to 12,000 pharmacies closing up over the
15 next few years, and that's because of the cost?

16 MS. KRASNOW: Yes.

17 MR. DeLUCA: As you know, I introduced
18 legislation in Harrisburg which passed the House as
19 incorporated in one of the bills that we're trying to
20 get the Senate to come over with, and that is to
21 address the pharmacy issues as far as pharmacy
22 technicians.

23 Now, I would venture to say that half this
24 audience thinks their prescriptions are filled by a
25 pharmacist, which they do look at; but the medication

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1 and the pills are counted by a technician.

2 Now, you probably have your own program, but
3 they're not certified by the State right now, are
4 they?

5 MS. KRASNOW: No, not today.

6 MR. DeLUCA: And there are no
7 requirements of how many technicians a pharmacist can
8 oversee; correct?

9 MS. KRASNOW: Not today currently, no.

10 MR. DeLUCA: So if you hired 20
11 pharmacist technicians and one pharmacist with the
12 volume of prescriptions some of the chains fill, is
13 there more of a chance that we could have medication
14 errors because of the fact maybe sometimes as humans
15 we forget to look at some of these prescription as
16 it's being refilled?

17 MS. KRASNOW: Well, we would not have
18 that ratio at Giant Eagle.

19 MR. DeLUCA: No. I'm just saying, it
20 could happen?

21 MS. KRASNOW: Yes, absolutely.

22 MR. DeLUCA: The caseload is very high?

23 MS. KRASNOW: Absolutely.

24 MR. DeLUCA: And not to put you on the
25 spot, do you have any problems with the State

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1 certifying pharmacy technicians?

2 MS. KRASNOW: With certain regulations
3 and conditions, but we certainly want to see --

4 MR. DeLUCA: I know you want to provide
5 safety naturally.

6 MS. KRASNOW: Absolutely.

7 MR. DeLUCA: I'm not trying to say that.
8 I understand that part, but there's a lot of things
9 that really we hear about the high cost of
10 prescriptions out there; and I said this at another
11 meeting, and I'm going to say it again today. Health
12 care is the only business, it is a business, that I
13 know of that nobody makes any money.

14 The providers don't make any money. The
15 doctors don't make any money. The insurance companies
16 don't make any money, and some of the other
17 individuals make no money; but health care keeps going
18 up, as you know 77 percent in the last five years.

19 I just don't understand where all this money
20 is going. Nobody seems to make any money. I mean, I
21 don't want to put you on the spot, but I just want to
22 bring that up to you.

23 No matter how many hearings I have -- and I
24 have so many people testify. I have physicians
25 testifying, and nobody seems to make any money. The

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1 insurance company is not making money. Nobody is
2 making money.

3 I would like to know where all this money is
4 going to be truthful with you because I don't know
5 where all this money is going. We increase health
6 care substantially every year.

7 We're talking about health care going up
8 again, which doesn't help you guys out. It's not your
9 fault. Don't get me wrong because you're a
10 pharmacist.

11 I think we need to get a handle on the cost,
12 and that's why we introduced this bill. It makes no
13 sense to me that the State has four or five different
14 programs that they contract individually, separately
15 with these pharmaceutical companies.

16 That makes no sense at all, and I think it's
17 time that we do that. We certainly could take into
18 consideration some of your comments about the
19 reimbursement part. We certainly will look into that.

20 As you know, legislation is not always
21 concrete. We draft it. We amend it. We hear
22 testimony from you. We'll hear testimony in
23 Harrisburg, and we will incorporate some of your
24 ideas; and that's why we have this hearing today, and
25 I want to thank you. Does anybody have any questions?

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1 MS. McCORMAC: No.

2 MR. SPEESE: No.

3 MR. DeLUCA: So I want to thank you for
4 your participation.

5 MS. KRASNOW: Thank you, Chairman.

6 MR. DeLUCA: You're not going to question
7 her?

8 MR. DiCELLO: No. I want to concur with
9 some of her comments.

10 MR. DeLUCA: Oh, okay. Go ahead.

11 MR. DiCELLO: We are, too, concerned
12 about AMP. I'm quite involved with the National
13 Committee Pharmacy Association, and thanks to the
14 combination of NCPA and NACDS, we have an adjunctive
15 relief.

16 I was there in Washington last week, and we
17 hope to do it in September. It needs to be changed
18 unfortunately in Washington, and that's what we
19 nationally have to get involved in to correct that.

20 But she's absolutely correct. If AMP comes
21 into play as the federal government wants to do, we
22 all as independents would have to close our doors, not
23 only 12,000 chains.

24 I mean, we couldn't stay in business when
25 you're getting paid in generic drugs, which is

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1 increasing, which we want to save money, 36 percent
2 below our cost.

3 So I just want to reinforce that I too have
4 some serious concern about AMP. And maybe some
5 language we can put in there -- I mean, we can talk
6 about it; but it's going to really be coming out of
7 Washington.

8 MR. DeLUCA: Maybe the two of you can get
9 together on some of that before we address it in
10 Harrisburg. Thank you very much.

11 MR. DiCELLO: Thank you.

12 MR. DeLUCA: We're also very fortunate to
13 have Shelley Bain, the Director of the Bureau of
14 Insurance Department of Accident Health. She's going
15 to be testifying here today on some issues of House
16 Bill 2005. Thank you for coming out, Shelley. We
17 appreciate that.

18 MS. BAIN: Thank you. I appreciate the
19 opportunity.

20 UNIDENTIFIED SPEAKER: Can you speak up a
21 little bit louder, please?

22 MS. BAIN: How about if I do this
23 (indicating) just a little bit? Is that better?

24 MR. DeLUCA: Yes, that's better.

25 MS. BAIN: I really did appreciate

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1 getting to drive out to Pittsburgh. Honestly, it's
2 the first time I've ever been to Pittsburgh.

3 MR. DeLUCA: Is that right?

4 MS. BAIN: Yes.

5 MR. DeLUCA: You're in one of the best
6 communities of Pittsburgh, Penn Hills.

7 MS. BAIN: It's beautiful here, it is.
8 The green trees, the hills, I love it. I don't know.
9 Maybe I'll move out here. I like it.

10 Thank you for this opportunity to get to come
11 and talk to you for just a little bit this morning
12 about health insurance and health insurance reform in
13 Pennsylvania.

14 The Commissioner has been working hard with
15 the Governor, and the Governor has been working hard
16 with the legislature on trying to come up with a
17 solution to the health insurance issues and problems
18 that we see in Pennsylvania.

19 In Pennsylvania eight percent of all
20 Pennsylvanians are without health insurance coverage.
21 As a result of rising health care costs and other
22 economic factors, that number is likely to just
23 continue to rise.

24 This week is national Cover the Uninsured
25 Week. It's the perfect time to consider the struggles

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1 that Pennsylvanians have without health insurance
2 coverage.

3 This week is set aside to bring awareness
4 nationally and in Pennsylvania to the ever growing
5 crisis of those without health insurance coverage and
6 to address solutions to this ever-increasing problem.

7 Public opinion posts show increasing anxieties
8 with the current health care system as more employers
9 drop coverage, reduce premiums, reduce benefits as a
10 way to fight increasing premium costs.

11 Premium costs continue to out-place inflation
12 every year. I wanted to share with you today just a
13 few quick facts about health insurance coverage.

14 Like I said earlier, eight percent of all
15 Pennsylvanians lack health insurance coverage. Of
16 those, 71 percent are employed. 71 percent of those
17 who lack health insurance coverage are employed.

18 Of those, 27 percent have lacked health
19 insurance for more than five years. According to a
20 Kaiser Foundation study, uninsured adults are three
21 times more likely to delay getting health care.

22 This results in a higher likelihood of being
23 diagnosed at later stages of diseases. A family USA
24 study reported that uninsured adults are three times
25 more likely to delay seeking care; and as a result,

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1 710 working age Pennsylvanians died in 2006 from the
2 lack of health insurance coverage. This is almost two
3 people a day.

4 According to the American Cancer Society,
5 uninsured patients are 60 percent more likely to die
6 within five years of being diagnosed.

7 The Governor's Prescription for Pennsylvania
8 is a plan to ensure affordable health insurance access
9 for all Pennsylvanians, to expand access to health
10 care, to improve quality of health care, and to help
11 bring health care costs under control.

12 Prescription for Pennsylvania addresses
13 factors which drive up health care costs in
14 Pennsylvania, and a number of the Governor's reforms
15 have already been implemented.

16 The first of his reforms was the establishment
17 of the Pennsylvania Chronic Care Commission by
18 executive order in the spring of 2007.

19 About 80 cents of every dollar spent on health
20 care in Pennsylvania is spent on 20 percent of the
21 population. Those 20 percent are people with chronic
22 diseases. So the Commission is focusing on how to
23 better manage illnesses and chronic illnesses through
24 the teen-based health approach.

25 Also, in July the Governor signed legislation

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1 that is currently being implemented by a joint
2 committee including the Pennsylvania Department of
3 Health, the Patient Safety Authority, and the
4 Pennsylvania Health Care Cost Containment Counsel; and
5 they have a goal of eliminating
6 health-facility-acquired infections.

7 They're working in tandem with the hospitals
8 and Health System Association of Pennsylvania, and the
9 committee is providing guidelines for health care
10 facilities to use in long-term infection control
11 planning and its surveillance activities to allow for
12 better implementation of health infection controls.

13 Also, as part of his plan to reduce health
14 care costs and to provide more health insurance, the
15 Governor proposed several health insurance reforms.

16 Many of these reforms are contained in House
17 Bill 2005. This is the bill that the Governor
18 supports. The bill is a pro-business insurance reform
19 bill that provides new protections for small
20 businesses with fewer than 50 employees.

21 These are the employers who are struggling to
22 provide affordable health insurance to their employees
23 because those businesses are the businesses that have
24 the most difficulty finding predictable and affordable
25 health insurance rates.

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1 Pennsylvania is one of only two states that
2 currently do not provide health insurance rate
3 protections to their small employers.

4 House Bill 2005 will make those health
5 insurance premiums more stable and predictable. It
6 will promote effective health insurance cost control
7 because it gives the Insurance Department Authority to
8 require insurance companies to follow best practices
9 for cost control and to pass those savings on to small
10 businesses.

11 It increases health insurance company
12 efficiency by requiring that the health insurance
13 company spends 85 cents out of every dollar that the
14 companies collect on premiums for health care costs.

15 Our current health care system and our current
16 health insurance system is broken. It creates
17 affordability problems for all businesses, especially
18 those small businesses.

19 The hardest hit employers are those who have
20 employees with preexisting health conditions, chronic
21 diseases, and small businesses who are only one or two
22 high claims away from having their health insurance
23 rates go up so high that they have to drop health
24 insurance.

25 All businesses, small and large businesses,

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1 need stable and predictable health insurance rates so
2 they can hire the most qualified employees.

3 House Bill 2005 requires insurance companies
4 to contain rates within rate demands, and that would
5 limit the variations between the lowest price
6 insurance and the highest priced insurance within
7 those bands.

8 It would require that the most expensive
9 health insurance policies for small employers are no
10 more than a third more than the average rates.

11 Where large businesses can spread the cost of
12 health insurance across a great number of employees,
13 small businesses need protection to prevent rate
14 hikes, especially when one of their employees are
15 diagnosed with a chronic disease, cancer, or other
16 medical condition, or when the employee you hired is
17 of child-bearing age.

18 Pennsylvania has been a national leader in
19 addressing key cost drivers of medical inflation by
20 focusing on reducing hospital-based infections,
21 managing chronic conditions, and enhancing
22 transparency of health care quality and costs.

23 Insurance companies must be active
24 participants of these cost control initiatives so that
25 groups of all size, not just large employers, can keep

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1 cost saving.

2 House Bill 2005 gives the insurance department
3 the authority to make sure that the insurance
4 companies adopt the best practices for costs imposed
5 for all customers.

6 The bill gives small businesses through the
7 insurance department the ability to make sure that
8 costs are fairly allocated among small and large
9 businesses.

10 Insurance companies will always compete to
11 enroll employers who have employees who are healthy.
12 The challenge is promoting competition for employers
13 who have good employees with some health conditions,
14 whether those health conditions be mild or severe.

15 2005 created a level playing field for
16 employers shopping for health insurance. The bill
17 established boundaries such as the rate band, promotes
18 fair competitions through reasonable oversight of
19 insurance rates, and requires insurers to offer
20 standard basic plans with full benefits.

21 Small businesses can then compare those
22 benefits implied more easily and make informed choices
23 when purchasing health insurance.

24 The biggest part of the Governor's
25 Prescription Pennsylvania is left to be implemented.

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1 It is his plan to provide coverage for all uninsured
2 Pennsylvanians.

3 Over the past 16 months, the Governor has
4 traveled across the state talking about his
5 Prescription for Pennsylvania. He heard from scores
6 of Pennsylvanians who are facing dire personal
7 circumstances due to problems with our health care
8 system.

9 We all know that the uninsured and the
10 underinsured flock to hospital emergency rooms sicker
11 than they should have been. Clinics are overflowing.

12 We know that the insured are worried about
13 their own health care cost because a trend among
14 employers is to drop coverage or pass more of the cost
15 on to their employees.

16 A November 1 study by the Economic Policy
17 Institute shows that employer-based coverage is
18 eroding in Pennsylvania faster than in any state
19 except California.

20 This means more of our employers are dropping
21 coverage every day. That's the reality that drove the
22 Governor to fight for Cover All Kids, a program that
23 he wrote out before rolling out the rest of
24 Prescriptions For Pennsylvania.

25 Cover All Kids was a prototype of the

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1 Governor's Cover All Pennsylvanians. The Governor has
2 urged the General Assembly to debate the Cover All
3 Pennsylvanians programs as he first introduced it, and
4 he has repeatedly said that his plan and the starting
5 point is inviting the legislature to approve his plan
6 and to get the debate started.

7 The House did this with their plan,
8 Pennsylvania Access to Basic Health Care or ABC. Like
9 the Governor's CAT program, ABC will offer insurance
10 to low-wage small businesses that are currently
11 without insurance.

12 Both employer and employees will pay part of
13 the premium, and the rest will be subsidized by
14 existing state funds and new federal funds.

15 ABC will also offer insurance to uninsured
16 individuals. Subsidies will depend on the family
17 income. So the main components of the ABC are like
18 the Governor's plan, and by Year 5, 270,000 uninsured
19 Pennsylvanians could have access to affordable health
20 insurance coverage. That is a tremendous step
21 forward.

22 ABC also does things that the Governor's plan
23 did not do, and those are improvements that the
24 Governor supports. One of them is that ABC creates
25 grants for low-wage small businesses that currently do

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1 provide health insurance coverage. The grants are
2 intended to help those employers pay for the costs
3 provided that's an important benefit to their
4 employees.

5 ABC is a great step forward and one that the
6 administration supports. It would provide access to
7 health care for many Pennsylvanians uninsured.

8 In addition to offering access to care for
9 hundreds and thousands of Pennsylvanians through a
10 private insurance market product, ABC provides relief
11 to small businesses.

12 Now the attention will turn to the Senate to
13 follow the House's lead and support ABC. With the
14 Commonwealth's Children's Health Insurance Program or
15 CHIP, Adult Basic, and the proposed Access to Basic
16 Care initiative, the Commonwealth is working hard to
17 make sure that every Pennsylvanian has access to
18 health insurance coverage that he or she needs; but
19 there are miles to go before we can rest.

20 If you look at the numbers in your cities and
21 your counties, you realize, it could be one of your
22 family, one of your friends, one of your neighbors who
23 is just one paycheck away from being uninsured.
24 Action needs to be taken and soon. Thank you again,
25 and I would be happy to answer any questions.

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1 MR. DeLUCA: Thank you, Shelley. I'm
2 going to have my executive director make a few
3 comments. Let me just say this to you. I appreciate
4 you coming out here; and certainly, as you know, the
5 Governor's plan was Cover All Pennsylvanians.

6 We had almost 20 meetings throughout the state
7 on it, and my committee, along with Representative
8 Todd Eachus, sat down and drafted the ABC program.

9 The Governor didn't particularly like the ABC
10 program at first, but sitting down with the Governor,
11 myself and Representative Eachus and my staff along
12 with some other -- with Rosemary Greco, we convinced
13 the Governor that this was the way to go; and this was
14 the legislative plan that we worked hard on to put
15 this out there.

16 So I don't want no misconceptions. I
17 understand the Governor was the leading force, and I
18 was with him because he brought this to the forefront
19 of the public; but it was the democratic caucus who
20 initiated this program with this committee to do this,
21 the same with the hospital-acquired infections which
22 was my bill.

23 It was passed in the law. It's this DeLuca
24 Ericson bill. It's one of the best in the country and
25 the nation. Other states are following us and

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1 drafting their legislation pertaining to it, and also
2 I'm glad you brought up 2005 which passed the House
3 which happens to be legislation my bill.

4 I know I want to give the Governor credit, but
5 the legislature worked very hard on this legislation;
6 and they deserve their dues, and bipartisanly, I have
7 to say on the ABC program, my good friend, Nick
8 Micozzie, from Delaware County who was the republican
9 chairman, worked with us on that bill to get it
10 passed.

11 As you know, House Bill 2005, the insurance
12 company was dead set against it, tried to get
13 everybody to vote against it; but we counteracted that
14 with the members, and we were able to pass that in the
15 democratic caucus, the ABC program, along with the
16 bipartisan effort from a few republicans.

17 Representative Micozzie, who does a great job,
18 to his credit, he brought along some of his members;
19 or else that bill would not have passed. So I just --
20 although I want to give the Governor his dues, I
21 certainly don't want to take it away from the
22 legislature and the hard work we have done over the
23 years. I'll have my executive director, Rick Speese,
24 say a few words.

25 MR. SPEESE: Just to illustrate a little

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1 bit, as the Chairman said, the committee had any
2 number of hearings on the Governor's proposal; and
3 there were a couple things we learned that when Tony
4 met with the Governor and told the Governor, look, we
5 had all these hearings, we heard from everyone, all
6 walks of life, there's a couple problems with your
7 proposal, and you need to fix them.

8 One of those was what happens about the small
9 employer that's struggling today and paying for their
10 insurance today and other than the fact that they have
11 insurance would qualify for the coverage, what happens
12 to them? And the answer was always, nothing, there's
13 no help for them.

14 So the chairman provides this idea of
15 providing grants to help subsidize those small
16 businesses that are sacrificing today to provide
17 insurance for their employees, because a lot of small
18 businesses don't do that today, to help them keep that
19 coverage; and so he fought for that, that part of the
20 Pennsylvania ABC program.

21 House Bill 2005, which he just discussed,
22 that's the Chairman's bill, which would go a long way
23 in creating a fair playing field for all small
24 businesses out there to buy coverage and to make it
25 easier for them to purchase it and to make it fair for

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1 them to purchase it.

2 Right now, if you have a group of eight people
3 working at your shop, your pizza shop or whatever, you
4 provide insurance and one of them gets sick, God
5 forbid they get cancer, your rates can go up 200
6 percent; and, of course, we know you can't afford
7 that. So it would outlaw those types of practices.

8 In conjunction with the fact that you want to
9 provide a program that offers coverage for people who
10 are uninsured, at the same time you want to go at the
11 underlying cost of those programs, the underlying cost
12 that provide -- that deal with -- that increase the
13 cost for everyone.

14 When the Governor came out with Cover All
15 Pennsylvanians to talk about health-care-acquired
16 infections, that's \$3.5 billion that Pennsylvanians
17 were charged and didn't need to be paid because they
18 should never happen.

19 Last year the legislature passed and the
20 Governor signed a bill to attack that problem and
21 reduce those costs which will be saved throughout the
22 whole system.

23 Another bill that coincidentally is sponsored
24 by Tony again -- he has been on this issue quite a
25 bit. We've been on this issue for a number of years

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1 trying to reduce costs to deal with health care.

2 Now we finally have the ability, being the
3 majority of the democratic caucus, to actually route
4 these bills and bring them to fruition, bring them to
5 the House floor to be voted on.

6 That bill was -- you may have read recently --
7 because I'm sure many of you are covered by Medicare.
8 Medicare decided last year they weren't going to pay
9 for certain things that happen in the hospital.

10 If you go in the hospital to have your left
11 leg amputated and they cut off your right one, nobody
12 should pay for that. If you're in the hospital and
13 you're supposed to get a certain drug and they give
14 you the wrong one and it kills you, that's not right.

15 Hospitals should never make those mistakes;
16 and when you talk to facilities, you talk to the
17 representative hospitals, they admit that. These
18 things should never happen in a hospital.

19 The wrong patient gets the wrong surgery.
20 This is stuff that should never happen, regardless of
21 what -- but they occur. They occur every day in
22 Pennsylvania.

23 We passed a bill last month that will tie our
24 payment system into what Medicare is doing. If
25 Medicare decides for a particular thing, like they cut

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1 the wrong leg off, that they're not going to pay for
2 that anymore, then we're going to allow our insurance
3 companies and individuals not to pay for it as well.

4 So we're going to follow Medicare's rules for
5 our citizens not to have to pay for those procedures.
6 It's outrageous when you look at some of the
7 statistics that we have to look at and study this
8 issue for years now, years now.

9 I mean, we always repeated -- Tony always
10 repeated this. Before we got into this, the hospital
11 infection case, three or four Pennsylvanians die every
12 week from a hospital-acquired infection they shouldn't
13 have gotten in the first place. It's crazy.

14 In addition to the human cost, people dying,
15 getting sicker, it's also the financial cost. So we
16 have to put a stop to that.

17 That's what all of these provisions and
18 legislations have been designed to do, to correct some
19 of these problems; and at the same time, we pass a
20 bill that provides affordable insurance for people who
21 can't afford it, people that work every day, two and
22 three jobs some of them, and don't make a heck of a
23 lot of money, and just can't afford to buy insurance
24 today.

25 We have a program today called Adult Basic

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1 where adults 65 years old or less, 19 to 65, can sign
2 up and buy insurance that's subsidized if they meet
3 certain income guidelines.

4 We probably cover 50-some thousand people
5 today under that program. The problem is, there's
6 100,000 people on the waiting list trying to get into
7 that program because we don't have enough money to
8 insure them.

9 The legislation that we passed last month
10 would insure all those people on that waiting list the
11 day it becomes effective. We have found money to do
12 this. It wouldn't have to increase taxes.

13 There may be a slight increase in the
14 cigarette tax going forward, maybe ten cents a pack,
15 or there might be some -- by the way, I don't know how
16 many of you use smokeless tobacco, but snuff and
17 chewing tobacco, 49 states tax that tobacco. Only one
18 state doesn't, Pennsylvania; and that's another
19 consideration possibly. We don't need to do that. We
20 might.

21 We have a plan that we passed, the House
22 passed last month, that deals with doctors' medical
23 malpractice insurance, deals with covering people who
24 are uninsured, deals with small employers that are
25 offering coverage today and helps them keep that

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1 coverage, does all those things; and the money is
2 there to do it because every person that's uninsured
3 that goes to a hospital and gets covered -- and they
4 will get the services out of the hospital.

5 The hospital under federal law must provide
6 service to anybody that walks in the door. That cost
7 is spread out among everybody that has insurance. So
8 every time we insure a person that's uninsured, we
9 save money in the system.

10 So that's what this whole thing has been
11 designed to do is trying to do this in a way to
12 accomplish lowering costs for everyone in the whole
13 system and at the same time designing coverage that's
14 affordable to people who can't afford it today, and
15 that's trying to put all those things together.

16 What we need now is for the State Senate to
17 bring this bill up and vote on it and get it to the
18 Governor's desk because right now the House has done
19 its job. They passed all these bills.

20 They're all in the State Senate now; and I'm
21 sure the Governor will be going around, if not today,
22 then next week, to try to urge the Senate forward to
23 push these ideas forward and let's get this going so
24 our people get some coverage that need to be covered.

25 So we hope the Senate moves on it soon. I'm

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1 sure there will be a meeting soon when we get to
2 Harrisburg with the Senate. I'm sure they're going to
3 have lots of ideas on things they would like to change
4 or see different.

5 That's just part of the process, but what we
6 would like them to do is start that process forward.
7 Let's get in the room and start talking about it and
8 see what we can do. That's all.

9 MR. DeLUCA: Thank you, Rick. As Rick
10 said, the fact is that we need to address cost. If we
11 don't address the cost, none of us will have health
12 care.

13 It's very important to your children and your
14 grandchildren because as we keep moving in this
15 direction, more and more people are going to be
16 uninsured.

17 So we address the cost factor. Some of the
18 other states haven't done that. We're looking to do
19 that. Just to give an example, we have two bills
20 sitting over in the Senate.

21 Colonoscopy screenings, some insurance
22 companies cover that. We mandate that all insurance
23 companies cover it. We were successful in passing it
24 in the House because the fact is, as you know, you
25 catch that at an early stage, it can be cured.

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1 Now, there's no vision for some of these
2 insurance companies or some of these providers because
3 the fact is they would rather pay in the long run.

4 God forbid if you have to go to the hospital
5 or cost a tremendous amount of money to treat cancer
6 instead of trying to prevent it; and a simple test
7 will certainly go a long way in trying to eradicate
8 that. The Cancer Society is on board and everything
9 else. That is stuck in the Senate.

10 The other bill, the speakers bill, that we let
11 out and I was honored to let out, is the autism bill.
12 I know many of you here might have children or
13 grandchildren, autistic children.

14 1 out of 100 children born today have autism.
15 Now, the statistics have worn out. The fact is if we
16 get these children earlier, they become productive
17 citizens; and it would cost us less money in the long
18 run.

19 Unfortunately, the insurance companies are
20 against it and have bogged it down over in the Senate,
21 but we're going to hold their feet to the fire. Years
22 ago, none of that stuff was sent over to the Senate,
23 but it's starting to go over there; and we're going to
24 let other pieces of legislation when we get back to
25 Harrisburg.

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1 We have increased the scope of practice in
2 health care for a lot of our -- some of our nurses
3 couldn't do -- they couldn't practice up to their
4 scope. They're like other states which reduces health
5 care.

6 Some of the clinics out there, midwives, this
7 all lowers health care; and as I said before, there
8 are no free lunches out there. When we send somebody
9 to the emergency room, we all pay like Rick had said.

10 That's approximately \$7 to \$8 in every policy
11 that goes to the uninsured out there because we pick
12 up the costs in our health care.

13 I just want to let you know that the House is
14 working, and the insurance company -- that's one of
15 the most aggressive committees up there. It has held
16 more meetings, am I right, Kathy, than any committee
17 up there; and we're going to continue to hold them
18 because we want to bring this stuff out to the public,
19 and we want them to know what is happening up there.

20 I'm open to anybody who has some questions
21 here, and we'll open up the floor. Why don't you come
22 up here so we can -- do you want to come up here or
23 stay back there?

24 UNIDENTIFIED SPEAKER: I'll stay back
25 here.

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1 MR. DeLUCA: Mention your name so they
2 can --

3 UNIDENTIFIED SPEAKER: What percentage of
4 the lottery actually goes to benefits?

5 MR. DeLUCA: What percentage of the
6 lottery actually goes to benefits? All of them.

7 UNIDENTIFIED SPEAKER: Pardon me?

8 MR. DeLUCA: All of it. We're one of the
9 few states that dedicates all our lottery funds to the
10 senior citizen programs. You were expecting to hear
11 something else?

12 MS. WHARTON: I'm Kay Wharton from Penn
13 Hills, and I wanted to thank Giant Eagle for their \$4
14 prescription plan because I take a ton of medicine;
15 and I get help and relief just by getting two from
16 them, and I had two questions. Will this rub out PACE
17 and PACENET, this legislation?

18 MR. DeLUCA: No. We'll never touch that.

19 MS. WHARTON: Will it help diabetics get
20 their supplies? Because when you're on an HMO, you
21 really have difficulty getting your supplies.

22 I don't know what the requisite is, but, like,
23 my cousin is on Medigap Blue; and I'm on Security
24 Blue. He pays nothing for his supplies, but I have to
25 pay for mine through a mail order.

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1 MR. DeLUCA: This will have nothing to do
2 with that; but I think if we're trying to lower the
3 cost, that will help you. That's what we're trying to
4 do is lower the cost. Will it provide you -- no, this
5 bill has nothing to do with that. Okay. Thank you.
6 Yes, ma'am?

7 UNIDENTIFIED SPEAKER: I didn't hear
8 anything said about the growing costs of medications
9 for cancer. Will that also be included in this?
10 Because that's a big -- anybody that has cancer, their
11 medication --

12 MR. DeLUCA: This would include all
13 medications to try to reduce costs. We're trying to
14 reduce the cost. If we have a bigger buying power, we
15 get more discounts and more rebates, it will lower the
16 costs for your medication.

17 Now, let me say something to you about
18 medication out there. A lot of people can't afford
19 some of these high-cost prescriptions out there.

20 The pharmaceutical companies do have
21 assistance programs out there that will, depending on
22 your income, provide these medications either free or
23 very reasonably.

24 We do have booklets up at the office that
25 mentions all the pharmaceutical company programs. All

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1 you need to know is your drug, the name of your
2 prescription drug, and certainly you could take
3 advantage of it.

4 There is help out there. Even though the
5 pharmaceutical companies are making a tremendous
6 amount of profit, they still offer some help. There
7 are things out there. Any other questions? Carmen,
8 you want to say something?

9 MR. DiCELLO: You mentioned about cancer
10 drugs would be covered as long as the manufacturer
11 provides the rebates, they would be covered.

12 MR. DeLUCA: Well, I didn't say it wasn't
13 covered. She asked if it's part of this here. We're
14 not affecting any of the coverage of any of the
15 medication. All we're doing is reducing cost.

16 UNIDENTIFIED SPEAKER: I would like to
17 say I am a diabetic. Medicare pays for all my
18 supplies. Get ahold of Medicare.

19 UNIDENTIFIED SPEAKER: I do. When I'm
20 done punching buttons and listening to music, they're
21 very difficult to get a hold of; but I have called
22 them.

23 UNIDENTIFIED SPEAKER: I do not pay a
24 cent on my supplies. It's all paid by Medicare.

25 MR. DeLUCA: I was just informed that

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1 maybe you ought to contact your county area agent.

2 MS. McCORMAC: Actually, there are
3 counselors in the APPRISE program that will sit with
4 you and, if need be, help you contact Medicare; and
5 they'll help you out with that.

6 MR. DeLUCA: You have another question?

7 UNIDENTIFIED SPEAKER: One Pennsylvania,
8 will there be anyone who will -- what will be the
9 eligibility?

10 MR. DeLUCA: This is just to
11 consolidate -- the State has all these programs they
12 buy, the Medicaid, the public employees, the PACE
13 program.

14 All we're trying to do is consolidate all
15 those programs together so that we have a bigger
16 buying power so that we can reduce the costs of these
17 medications, pharmaceuticals, which would reduce money
18 for taxpayers because if we pay for it, it's
19 taxpayers' money.

20 The State doesn't just grab it. They have to
21 pay for these prescriptions for the employees, for the
22 Medicaid, for this PACE program; so it reduces the
23 costs. Carmen?

24 MR. DiCELLO: The eligibility would be
25 the same as it presently is right now with the

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1 potential for enhancing that.

2 MR. DeLUCA: Yes, it reduces the costs.

3 UNIDENTIFIED SPEAKER: Will this bill
4 cause the consumer to pay anything to get all of these
5 provisions for costs of drugs?

6 MR. DeLUCA: No, this would not change
7 anything pertaining to that. This is just trying to
8 lower the cost of medication so that we can lower the
9 cost of health care so that we can possibly -- we
10 don't get a handle on costs, and health care continues
11 to go up. More and more people are uninsured. So we
12 can't permit that to happen.

13 We need to get a handle on the cost of health
14 care. It's the only way we're going to reduce it is
15 get a handle on health care. In Western Pennsylvania,
16 some of our hospitals are making some tremendous
17 advances as far as hospital-acquired infections. I
18 got to give them credit on that.

19 Other countries are way ahead of us. Other
20 countries have taken the initiative. The VA is one of
21 the strongest ones who have cut down on
22 hospital-acquired infections substantially, and we're
23 going to be doing that too.

24 UNIDENTIFIED SPEAKER: I'm just
25 wondering, would it have anything to do with the

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1 vitamins? Because for some of us who work with our
2 pharmacist and our doctor -- like I was telling
3 Carmen, it's like a table with three legs. You have
4 to work with your doctor and your pharmacist, and then
5 you have to do your own taking care of yourself.

6 Now, thank God, I'm going to be 80 years old,
7 and I'm not on medications only because I work with my
8 doctor and my pharmacist; and, like I said, I don't
9 take the medications, but I do pay for my vitamins,
10 and that costs me each month quite a bit. So is
11 there --

12 MR. DeLUCA: This bill would not have
13 anything to do with your vitamins.

14 UNIDENTIFIED SPEAKER: Nothing to do with
15 that, in other words, is that --

16 MR. DeLUCA: All you can do with your
17 vitamins is shop around and get the two-for-one deals.

18 UNIDENTIFIED SPEAKER: That's another
19 thing, too, on that. You have to watch what kind of
20 vitamins you take. A lot of them are just fillers and
21 nothing else. So I have to take care of myself.

22 MR. DeLUCA: Keep doing what you're
23 doing. Keep taking those vitamins. Anybody else?

24 (No response.)

25 MR. DeLUCA: Again, I want to thank you

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1 for coming out today, taking time out of your morning;
2 and let me stress again, the ones who don't have a
3 library card, take advantage of this beautiful library
4 here, \$6 million library that has everything in it.

5 We're very fortunate to have it here. Sign up
6 for that library card, and get some help here.
7 There's doughnuts and cookies. Help yourself. If you
8 want to take some home, take them home with you.
9 Thank you for coming out today.

10 (Public Hearing concluded at 10:20

11 o'clock a.m.)

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25C E R T I F I C A T I O N

I hereby certify that the foregoing transcript is a true record of the Insurance Committee Public Hearing on House Bill 2251 on Tuesday, April 29, 2008.

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Amanda M. Murphy