MINUTES

MONTANA SENATE
53rd LEGISLATURE - REGULAR SESSION

COMMITTEE ON BUSINESS & INDUSTRY

Call to Order: By J.D. Lynch, Chair, on January 29, 1993, at 10:10 a.m.

ROLL CALL

Members Present:

Sen. J.D. Lynch, Chair (D)
Sen. Chris Christiaens, Vice Chair (D)
Sen. Betty Bruski-Maus (D)
Sen. Delwyn Gage (R)
Sen. Tom Hager (R)
Sen. Ed Kennedy (D)
Sen. Terry Klampe (D)
Sen. Francis Koehnke (D)
Sen. Kenneth Mesaros (R)
Sen. Daryl Toews (R)
Sen. Bill Wilson (D)

Members Excused: Senator Harding

Members Absent: Senator Rea

Staff Present: Bart Campbell, Legislative Council
Kristie Wolter, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing: HB 108, HB 120, SB 218
Executive Action: None.

Announcement:

Chair Lynch assigned a three member subcommittee to review SB 18 and to work with the insurance industry and the Insurance Commissioners office. The members of the subcommittee are Senator Wilson (Chair), Senator Klampe, Senator Gage. They are to coordinate with the insurance commissioners office and see if they can coordinate the requests of the Insurance Commissioner into SB 18.

Chair Lynch then asked the members of the audience to go through HB 108 and HB 120 as rapidly as possible to save time for the hearing on SB 218 which will have many opponents and proponents.

HEARING ON HB 108

Opening Statement by Sponsor:

Representative Bergasagel opened on HB 108 stating there is a question in the existing law as to whether or not members of the Boards of Directors of Cooperatives may buy health insurance for the members of the Boards. He stated HB 108 says it will be possible.

Proponents' Testimony:

Jay Downen, Montana Electric Cooperative Association, Great Falls, stated a question has arisen about insurance benefits and whether or not the benefits may be provided as compensation for members of boards of the rural cooperatives (co-ops). Mr. Downen stated insurance benefits are currently provided as per diem if the co-op and the members choose to do so. Mr. Downen stated HB 108 would make it so the members of the board could provide the insurance without having to claim it under the per diem section of the fiscal report. He urged the Committee's favorable consideration of HB 108.

Ray Cebulski, Missoula Electric Cooperative, stated HB 108 would allow for compensation for the investment of time the members of the board have put into the co-ops. He asked the Committee's support of HB 108.

Allen Martinell, Ranch owner, Dell, MT, stated his support of HB 108 and supplied written testimony and notes (Exhibit #1).

Opponents' Testimony:

David Kasten sent correspondence and is noted as an opponent to HB 108 (Exhibit #2).

Representative Betty Lou Kasten submitted proposed amendments to HB 108 and is noted as an opponent to HB 108 as it stands (Exhibit #3).

Questions From Committee Members and Responses:

Senator Lynch asked Representative Bergasagel about page 2 and why the House passed HB 108 to be amended to say the members of the co-op cannot vote on whether the members of the Board should have insurance as a form of compensation. Representative Bergasagel stated the board of directors approve all kinds of larger costs. The health insurance is a smaller part of the decisions which are made. Rep. Bergsagel stated HB 108 was amended because the board of directors of a co-op would not vote in any measure which would jeopardize their position on the

board.

Senator Gage asked Rep. Bergsagel about any date other than October 1, 1993 on HB 108 which he might desire. Rep. Bergsagel answered the date was acceptable. Sen. Gage referred to subsection 5, line 1 and 2 and if there were other employee benefits which would be covered by HB 108. Rep. Bergsagel answered there are federal statutes which dictate what a trustee of a cooperative may receive. Jay Downen stated the federal statute and the IRS code prohibit any other kind of benefit.

Closing by Sponsor:

Representative Bergsagel closed stating many co-ops have already provided insurance benefits for their directors and the purpose of HB 108 is to clarify any question as to whether it is legal to provide those benefits. He stated the cooperatives would like to be up front with the people and stop hiding behind the per diem compensation. He urged the Committee's consideration on HB 108.

HEARING ON HB 120

Opening Statement by Sponsor:

Rep. Mason, House District 63, stated HB 120 assures rural electric cooperatives would have the right to continue economic development activities. HB 120 adds 2 lines on page 2 as an enabling act "for the purpose allowable under the federal administration including rural economic development activities."

Proponents' Testimony:

Bill Chapman, General Manager of the Glacier Electric Cooperative, Cutbank Montana, stated his cooperative is concerned with what has happened in their service territory with the declining tax base, the loss of jobs, businesses closing and high unemployment and have tried to do something about the situation. The cooperative got involved in the development of an economic development organization which would help improve the economic base of the co-op. He asked the Committee to support HB 120.

Jay Downen, General Manager, Electric Cooperative Association stated his support of HB 120 for clarification of the statutes as they stand.

Joel May Barker supplied testimony in support of HB 120 (Exhibit #4).

Opponents' Testimony:

None.

Questions From Committee Members and Responses:

None.

Closing by Sponsor:

Rep. Mason asked the support of the Committee on HB 120 and added Senator Christiaens would carry HB 120 in the Senate.

HEARING ON SB 218

Opening Statement by Sponsor:

Senator Kennedy opened on SB 218, reading from prepared testimony (Exhibit #5).

Proponents' Testimony:

Mark Eichler, President, Montana Pharmaceutical Association, stated the pharmacists have embraced a standard of care as a standard of practice which relates to pharmaceutical care. He stated the standard of practice involves judgements and decisions to avoid, initiate, continue or discontinue drug therapy. He stated part of the pharmaceutical care is the personalized service which is received from the pharmacist and the counseling which they are required to give by the state. He stated the best way to provide the standard of care and the services is through a pharmacist. Mr. Eichler said while mail order pharmacies provide pharmacy services, he didn't feel they provided pharmacy care. Mr. Eichler asked the Committee to give the people of Montana the right to choose the personal quality of care without a penalty. He also asked that mail order pharmacies be regulated by the same rules and regulations as the pharmacies in Montana are regulated by.

Greg Deschene, Pharmacist, Butte, Montana, stated 10% of all prescriptions last year were home delivered with a predicted increase of 25%. He stated mail order services work by bidding on contracts from third party providers with the largest mail order profits coming from large corporations such as Mobil Oil, Alcoa, General Motors and General Electric. Mr. Deschene stated the mail order companies say they will keep health care costs at a managed care low. He stated the mail order pharmacies have different buying practices than a home pharmacy and supplied handouts with the cost differences between the two (Exhibit #6 and #7) pointing out the prices are approximately the same. Mr. Deschene added if a regular pharmacy was able to buy their drugs as cheaply as the mail order pharmacy, the regular pharmacy would have more savings. Mr. Deschene referred to a study done on General Motors and stated there have been no savings on mail order prescriptions. Mr. Deschene stated a Montana pharmacy has personal service 24 hours a day while a mail order pharmacy

sometimes has nobody around after 5:00 p.m. Mr. Deschene closed saying Montana Laws are made for Montana and don't apply to anyone else and the Montana pharmacy laws are made for the benefit of the Montana people, and there are out-of-state pharmacies making money off of Montana's people and not paying any state taxes.

William Fitzgerald, Pharmacist, Great Falls, Montana, read from prepared testimony in support of SB 218 (Exhibit #8).

Jerry Stoick, Pharmacist, Kalispell, Montana, stated local pharmacies are necessary for emergency needs of patients and short term need of maintenance medications which the mail order companies take two weeks to provide. Mr. Stoick stated some of the mail order medication doesn't look the same as what was supplied at the local pharmacy and many people come in to check if the medication is correct. He stated the local pharmacies get to "pick up all the pieces" while not doing a major part of the business. He added mail order pharmacies will supply a three months supply of medication while most doctors are reluctant to write a prescription for a three months supply.

Dwayne Krueger, Pharmacist, Columbia Falls, Montana pointed out a case where mail order pharmacy caused a tragic death in Idaho. Mr. Krueger stated a woman had an insurance program which would only pay her pharmacy benefit if the drugs were ordered through a mail order pharmacy. This woman was to have received Prednisone, an anti-inflammatory, and she was sent Cumadin, which is a blood thinner. Most physicians prescribe Cumadin only after testing it on the patient for a few weeks, and then running a test once a month on the patient. The woman received enough Cumadin to cause a brain hemorrhage which resulted in her death. Mr. Krueger stated these consequences must be considered with mail order pharmacies which don't have the personal care and follow up of a local pharmacy.

Wayne Hedman, Owner, Bitterroot Drug, Hamilton, Montana, stated pharmaceutical care is a commodity and a profession. He stated the pharmacies are only involved in the therapeutic outcome of drugs for the patients good health. Mr. Hedman continued by saying a positive therapeutic outcome is a combination of the correct drug and counseling by the local pharmacist. He stated the pharmacist at the time of filling the order will tell the patient which drugs not to mix and will make sure the patient knows how to take their medications.

Paul Odegard, Registered Pharmacist, submitted a letter in support of SB 218 (Exhibit #9).

Dan Severson, Pharmacist, Stevensville, Montana, encouraged the Committee to pass SB 218. Mr. Severson stated the most important part of SB 218 is the safety aspect and pointed out the "myth of the savings of mail order services." He supplied the Committee

with a list of prices from mail order pharmacies and his pharmacy (Exhibit #10). He stated the prices at his pharmacy were 4% cheaper than the mail order drug, plus the prescriptions are available on demand at his pharmacy. Mr. Severson added he had complaints from some of his elderly clients because they miss the convenience of a local pharmacy. They had been forced to use mail order pharmacies. He also called one of the mail order pharmacies and asked what their pharmacy to technician ratio was. The response was 1 pharmacist to 6 technicians. Mr. Severson stated the Montana ratio is 1 to 1 which provides for a better standard of care.

Carl Wallita, Pharmacist, Western Drug, asked the Committee to consider the rural communities in Montana which are losing their pharmacies as a result of mail order pharmacies. He stated this takes taxes out of the communities as well as removing health care in the areas. He added a large number of groups in the Billings area have, in the last 60 days, switched to mail order pharmacies, taking a significant amount of tax dollars from the state. He asked the Committee to apply the mail order companies to the same laws and rules as the local companies.

Terri Wolfgram, Owner, Bungalow Drug, Bozeman, Montana asked the Committee to pass SB 218 and stated her concern about the inequality of regulations which in-state pharmacies must abide by and the mail order pharmacies don't.

Erica Wolfgram, Accountant, Bungalow Drug, Bozeman, Montana stated her support of SB 218. She stated her pharmacy is open 6 days a week and on-call 7 days a week, and that service is not provided by a mail order service. She provided an advertisement stating the hours of a mail order service on it (Exhibit #11).

Darlene Ellisberg, Owner of Valley Drug and Stevensville Family Pharmacy, Stevensville, Montana, stated many of the patients of their pharmacies are elderly and become over medicated because they order from mail order pharmacies. The drugs are the same, but look different and the people take all of them because they aren't sure. She urged the passage of SB 218.

Bob Celandy, Pharmacist, Safeway, stated he owned a pharmacy in Hungry Horse which was closed because of the switching of the local area employees to mail order pharmacies.

Tip Kurtis, University of Montana Pharmacy Student, stated it is very important there are people in contact with the patients receiving drugs because of the complicated nature of todays drugs and the possible drug interactions which can be dangerous.

Linda Hopingardner, Pharmacist, Hamilton, stated there are at least 5 patients per day who are retired government workers who are subject to mail order pharmacies. She says the clients are angry because they have lost their freedom of choice. She stated

her support of SB 218 to help the people so they won't be penalized if they chose their local pharmacy over mail order.

Jeanine O'Conner, Pharmacist, stated she is in support of SB 218 and is appearing on behalf of her customers.

Jim O'Conner, Pharmacist, voiced his support of SB 218.

Paul Middleton, Pharmacist, Western Drug, Billings, Montana, stated 20% of his job is counseling, some of which is on over-the-counter drugs. He stated the mail order pharmacies are eroding the bases of the retail pharmacies, but don't supply the counseling or the benefits of a professional helping them to make a choice.

John Bruton, Owner, Hamilton Pharmacy, Hamilton, Montana stated his support of SB 218.

Bonnie Tippy stated her support of SB 218 and assured the passage of SB 218 would not be unconstitutional.

Opponents' Testimony:

Lars Erikson, Secretary Montana State Carpenters Health and Welfare, representing 1000 carpenters and their families stated they instituted a mail order drug program as a convenience to the members. He stated the mail order pharmacy is "in addition to" retail pharmacies. He stated it gives the members the ability to purchase up to 90 days worth of drugs and the convenience of not having to travel into town. Mr. Erikson stated there have been some savings to the members because the members don't have to pay the deductible, but a flat fee for a 90 day supply of $5 (generic) or $12 (non-generic).

Pam Egan, Montana AFL-CIO read from prepared testimony (Exhibit #12) and a handout of the promotional material from the Health Needs Service (Exhibit #13).

Tom Hopgood, Health Insurance Association of America, stated SB 218 would deny the mail order pharmacies the ability to provide the best service, most efficiently at the lowest cost. He stated the insurance industry is concerned with the cost of health care and does not support SB 218.

Kip Smith, Director of Development of the Montana Primary Care Association stated the association had no problems with the quality of care or level of care provided by existing Montana pharmacies. He added the association feels local service, if available, is better. He stated SB 218 would do the appropriate things, but the impact would be on the cost and access to prescriptions for the elderly and rural Montanans. He stated SB 218 may cause mail order pharmacies to increase the costs of their drugs which would result in an increase in health care costs for Montanans.

Kevin McRea, Union Representative, Montana Federation of Teacher, Montana Federation of State Employees, and the Montana Federation of Health Care Employees stated the members of these unions have an option for reduced health care costs through the use of mail order pharmacies. He stated the mail order programs wouldn't be used if they didn't work.

Darryl Holzer, representing Montana State AFL-CIO emphasized the AFL-CIO has no problem with the pharmacists in the state of Montana, but the objective is to cap health care costs and provide an option to the members. He stated the AFL-CIO would never support any legislation which would jeopardize any citizen in the State or the Country.

Diana Dowling, representing the Montana State Legislative Committee and the AARP, supplied the Committee with a letter packet addressing the concerns in SB 218 (Exhibit #14). She stated SB 218 was unnecessary, it would be anti-consumer legislation and it would violate the Interstate Commerce Clause. She also stated the passage of SB 218 wouldn't dispel the myth of lower prices, it wouldn't start up a mail order business in Montana, it wouldn't allow the pharmacies to purchase the drugs at a lower cost and it wouldn't make out-of-state pharmacies pay Montana taxes.

Delbert Konnor, Executive Vice President, American Managed Care Pharmacy Association, preceeded his presentation with a letter sent to the Committee on January 27 addressing SB 218 (Exhibit #15). He also read from and provided written testimony (Exhibit #16). Throughout his testimony he referred to various articles and hand outs which he provided and are as follows:

Exhibit #17	"Answers to common Charges Against Managed Care Pharmacy", Delbert D. Konnor.
Exhibit #18	State of Maine, 114th Legislature, First Regular Session, "Cost Containment for Prescription Drugs - A Report of the Joint Standing Committee on Business Legislation", December 1989.
Exhibit #19	Testimony regarding prescription drug prices and referring to the Pharmacy Times, the American Druggist and the Lilly Digest publications for quotes on prices.
Exhibit #20	"A Cost Analysis of Three State Mandates to Regulate the Provision of Prescription Drug Benefits", prepared for The Health Insurance Association of America by the Wyatt Company.
Exhibit #21	"The Clinical Role of the Community Pharmacist - Case Studies", Office of Inspector General.

Exhibit #22 "Evaluation of Consumer Opinions of Prescription Drug Services from Community and Mail Order Pharmacies", conducted by the Center for Pharmacy Management and Research, the University of Tennessee College of Pharmacy, Kenneth B. Roberts, MBA, Ph.D., Walter Fitzgerald, M.S. J.D., June 2, 1986.

Exhibit #23 Report of the Board of Trustees regarding Mail Service Pharmacy.

Exhibit #24 "Mail Order Prescriptions - A Report by the Joint Study Committee", Senator Harmon Cropsey, Chair Person, November 1988.

Exhibit #25 Promotional material regarding mail order pharmacies for the Government Employees Hospital Association (GEHA).

Exhibit #26 Promotional material regarding mail order pharmacies regarding GEHA.

The following people are also noted as opponents to SB 218:

Patricia Reynolds, Marion, Montana

Mr. and Mrs. Vernon Strodtbeck, Kalispell, Montana

Steve Machado, Whitefish, Montana

Betty W. Stevens, Neal Stevens and Penny Stevens, Lakeside, Montana.

Dale Lauman, Somers, Montana

Markson Yde, Kalispell, Montana

Joe Bahurski, Kalispell, Montana telephoned Senator Lynch in opposition to SB 218. He stated mail order pharmacies cut his bills by 90%, helped him to stay healthy and to keep his job. He stated SB 218 does not help the citizens of Montana.

Also submitted in opposition to SB 218 are a letter from the Prescription Managements Services Incorporated (Exhibit #27) and correspondence from Thrift Drug, Incorporated (Exhibit #28).

Questions From Committee Members and Responses:

Senator Klampe referred to the study done by the State of Michigan and read the following quote:

"Do mail order prescriptions actually result in any cost savings to the payer?"

He then asked Mr. Konnor for comments on the findings that though mail order pharmacies were less expensive on per-unit cost, total costs to the buyer was greater. Mr. Konnor stated the study referred to was the Sieben study done in 1986 which was faulty in its economic analysis. He stated when third party programs were initiated, one of the reasons for switching to mail order operations was because of economies of scale and the ability to provide a differential in price. Mr. Konnor stated what the third parties did not anticipate was the increase in utilization which increased the price. Mr. Klampe asked Mr. Konnor if it was true the physicians prescribing the drugs are less capable of monitoring their patients on a local level than the pharmacists from a mail order house. Mr. Konnor replied that fact wasn't true. Mr. Klampe asked Mr. Konnor if he was saying the patients are not receiving the proper dosage. Mr. Konnor stated in the past, before third party programs in which patients had to pay for their own prescriptions, the patients did not always have the money to buy the prescriptions. The patients would then ask which prescription they absolutely needed and buy only those ones they could afford. He continued to say in the third party programs, the patients can afford them all which increases utilization which then increases the cost of all programs.

Senator Christiaens asked Mr. Konnor how a mail order pharmacist explains the effects of the medication as is required by law. Mr. Konnor stated it is given in written form or orally through the telephone. Senator Christiaens asked about the situation of an elderly person having many prescriptions to remember and how the system would work without a pharmacist on hand for the person to refer to. Mr. Konnor answered those people generally have a support system of neighbors and friends who help them with their prescriptions.

Senator Lynch asked Mr. Deschene to respond to some of the comments from the meeting. Mr. Deschene stated there is no cost effective way to provide prescriptions and until there is a way for the different people to buy supplies at the same prices, there would continue to be problems. Mr. Deschene stated the local pharmacies are not afraid of competition, but would like to be able to compete on an equal basis.

Senator Klampe asked Mr. Holzer if he had any studies which showed savings by his members through the use of mail order pharmacies. Mr. Holzer stated he didn't have them but could probably attain them from the national headquarters. Mr. Klampe addressed Mr. Holzer regarding his statement he would "never support any legislation which would harm the members of the state" and if the 1 to 1 technician ratio is unnecessary and the mail order pharmacies with their 6 to 1 ratios are safe. Mr. Holzer stated the pharmacies used by the AFL-CIO have reassured them the technician ratio is not as high as 6 to 1.

Senator Lynch asked Mr. Erikson about the law in Montana requiring pharmacists to tell the patient about generic

equivalents. Mr. Erikson answered the members are using generic drugs more often through mail order.

Senator Lynch asked Mr. Konnor about the people of Montana deserving the opportunity to receive taxes from people making profit outside of the state. Mr. Konnor stated he wasn't sure how the corporate income tax worked and would try to get an answer back to Senator Lynch.

Senator Bruski-Maus asked Mr. Severson about the use of mail order pharmacies in place of retail pharmacies. Mr. Severson stated mail order programs were not to replace use of retail pharmacies, but in addition to those pharmacies. Senator Bruski-Maus stated that by opposing SB 218 and promoting the use of mail order pharmacies Mr. Severson was promoting out-of-state business. Mr. Severson answered he opposes SB 218 because it would take away the convenience provided the members.

Senator Gage asked Mr. Konnor if there were any states who had a sales tax which required mail order pharmacies to pay the tax. Mr. Konnor answered he wasn't educated on the taxing authorities of the states, but all states except New Mexico exempt prescription drugs from sales tax.

Senator Koehnke asked Mr. Konnor if the mail order pharmacies had to comply with the state laws where they were located. Mr. Konnor answered yes.

Senator Klampe asked Mr. Severson if he could mail drugs to people. Mr. Severson stated he could mail the drugs if it was requested, or deliver it to the clients door.

Senator Lynch referred to the handout supplied by Ms. Dowling asking if the Nebraska law and if it is unconstitutional. Ms. Dowling stated the findings were the Nebraska law is unconstitutional.

Senator Lynch asked Mr. Campbell about the constitutionality of the Nebraska law. Mr. Campbell stated the Attorney General was requiring an out-of-state pharmacy to meet the licensing requirements and this could be a substantial burden and may be unconstitutional.

Senator Lynch asked Pam Egan about the provision in SB 218 that no body shall be forced to use only a mail order pharmacy and if she had any problem with that provision. Ms. Eagan stated the members of the AFL-CIO had no incentive to use one or the other.

Senator Lynch addressed Mr. Konnor on whether a person should only use mail order pharmacies. Mr. Konnor stated there are no mandatory mail order drug programs, but there are programs which have been established which provide incentives to use the mail services because of the contractual relationship in the bidding process. Senator Lynch asked if there were any circumstance in

which the company would not reimburse the person on the insurance claim. Mr. Konnor answered no. Senator Lynch asked Mr. Konnor how many other companies there are in the mail order business which aren't a member of Mr. Konnor's corporations. Mr. Konnor answered there are 40 to 60 other companies providing competition.

Senator Lynch asked Mr. Deschene about the provision in SB 218 where nobody shall be forced to use only a mail order pharmacy. Mr. Deschene answered that some of the companies who use mail order pharmacies don't force the clients to use the mail order pharmacy, but give them strong monetary incentives to do so. He stated there are two separate sets of rules.

Closing by Sponsor:

Senator Kennedy closed on SB 218, providing informational brochures on the information (Exhibit #29 and #30). He addressed the issue of AARP misrepresenting SB 218. He stated SB 218 would have no effect on people receiving their prescriptions from mail order pharmacies, but once they know the truth they won't want to. He stated the local retailing pharmacies would like to be able to play by the same rules on a "level playing field". He read the rest of his closing from prepared testimony (Exhibit #31).

ADJOURNMENT

Adjournment: 12:20 p.m.

SENATOR J.D. LYNCH, Chair

KRISTIE WOLTER, Secretary

JDL/klw

ROLL CALL

SENATE COMMITTEE Business & Industry DATE Jan 29, 1993

NAME	PRESENT	ABSENT	EXCUSED
Senator Lynch	✓		
Senator Christiaens	✓		
Senator Bruski-Maus	✓		
Senator Gage	✓		
Senator Hager	✓		
Senator Harding			✓
Senator Kennedy	✓		
Senator Klampe	✓		
Senator Kuehnke	✓		
Senator Mesaros	✓		
Senator Rea		✓	
Senator Toews	✓		
Senator Wilson	✓		

FC8

Attach to each day's minutes

HB 108

DIRECTORS COMPENSATION LEGISLATION

Bill Rationale:

- Helps guarantee sound management of cooperatives by attracting and retaining quality directors.
  - o With the average electric cooperative valued at $15 million, the liability involved demands that directors possess the ability and the skills to make competent judgements.
- Allows a measure of compensation for each director's great personal investment.
  - o On average, a director donates 40 days a year to his or her cooperative for required meetings, training, consumer relations and research.
  - o The commitment of time in service as a cooperative director frequently means lost income from one's own business or job.
- Current law allows for a per diem set by the cooperative's bylaws, which are approved by the membership. However, the per diem, which averages $61, does not begin to cover directors' cost of time away from businesses, families and other personal responsibilities.
- Permits cooperative directors to receive what amounts to basic compensation when compared to what the average corporate director in America receives:
  - o Total average annual compensation to corporate directors estimated at $21,675, according to Compensation and Benefits Review, a national publication.

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 1
DATE 1/29/93
BILL NO. HB 108

TALKING POINTS FOR ALLEN C. MARTINELL

1. The average value of an electric cooperative is $15-million dollars. Due to the magnitude of a cooperative's value, the Co-op's Board of Trustees can not afford to make mistakes or subject the cooperative to a high level of liability.

2. Constant education and training involving the multitude of issues facing electric cooperatives is imperative. If we don't keep ourselves well-informed, we potentially could make a poor decision on behalf of our cooperative and our members. If this were to occur, we open up the cooperative and ourselves to litigation, costly mistakes and member unrest.

* Our National Association, the National Rural Electric Cooperative Association (NRECA) along with the local cooperatives strongly encourage trustees to become certified, under the Director Certification program administered by NRECA.

Sen. B & J
Exh # 1
1/29/93
HB 108

Continued Next Page

* NRECA requires us to take eight (8) courses.

* Courses can last anywhere from a 1/2 day to three days. This doesn't include travel time to and from the meetings. This training is conducted either at the cooperatives, at our Statewide headquarters in Great Falls, or at out-of-state locations.

3. Trustee training and education is also done through seminars, workshops, meetings, individual reading, phone calls, personal conversations, etc. This can be time consuming and costly.

* Spend an average of 40 days attending meetings for Vigilante Electric Cooperative.

* Also spend a lot of personal time reading and talking with Vigilante's consumers to make sure I'm informed of the issues facing our cooperative, our consumers and the communities we serve.

Continued Next Page

* Some of the issues we must be knowledgeable in include: wildlife mitigation, global warming, rural economic development, tax issues, national mandates such as sexual harassment in the workplace, the Americans with Disabilities Act, etc.

* "Often, you have to leave things that you should be doing. Or, I have to leave it to my wife to take care of."

4. This bill (HB 108) allows cooperatives and their members to attract and elect from a pool of individuals who will be dedicated to their cooperatives and who will act responsibly on behalf of their membership. Again, the value of a cooperative and the responsibilities to the members dictate the need for informed, dedicated and capable board members.

Sen. B & J
Ex # 1
1/29/93
HB 108

Continued Next Page

5. The current law allows for a per diem set by the cooperative's bylaws, which are approved by the membership. However, this per diem, which averages $61.00, does not begin to cover the cost of time away from our businesses, our families and other personal responsibilities.

At times, trustees must hire additional help to manage our farms and ranches while we're conducting board affairs. Other trustees must close their businesses, miss appointments and suffer client losses while taking care of board work.

6. Current Montana law allows cooperatives to amend their individual by-laws for a higher per-diem rate, which could be used for insurance benefit premiums. However, we would rather be up front with you, our legislators, and with our members, in asking that the law be amended to allow for insurance compensation.

Continued Next Page

7. Current Montana law is part of the REA "boilerplate" established in the 1930's and 40's. However, the issues and responsibilities facing America's electric cooperatives have greatly increased and it behooves cooperatives and their members to have a Board of Trustees who are, at least partially, compensated for their work and training.

Exhibit #1
1-29-93
HB-108

Honorable Senator J. D. Lynch, ch.
Business and Industry Committee

Dear Chairman and Committee Members:
I am a member of several Coops. I also have been a member of several Coop Boards of Directors ranging from local, to regional, and also was on three National Boards.
I am writing this letter to oppose H.B. 108 as it passed the House. Legislation such as HB 108 takes away any membership input into policy setting of a cooperative. This is absolutly wrong!

"Fixed sum" in my area ranges from $150 to $200.00 per day when Directors travel or are attending meetings on behalf of their cooperative.
Since H.B 108 passed the house I have talked with dozens of members and many Directors who say HB108 is a bad bill in its present form.

Please committee members on behalf of what cooperatives are, amend HB 108 so members continue to have a small voice in their cooperative.

Thank you very much for considering these few words. If it weren't for the 400 miles I would be attending your hearing.

Sincerely, & Cooperatively, Yours
David K. Kaufler
Box 414 Big Sandy MT. 59519

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 2
DATE 1/29/93
BILL NO. HB 108

HOUSE COMMITTEE OF THE WHOLE AMENDMENT
House Bill 108
Representative Kasten

January 18, 1993 1:11 pm

Mr. Chairman: I move to amend House Bill 108 (second reading copy -- yellow).

Signed: Betty Lou Kasten
Representative Kasten

And, that such amendments to House Bill 108 read as follows:

1. Page 2, lines 1 and 2.
Following: "trustees"
Strike: ", except" through "employees" on line 2

2. Page 2, line 17.
Following: "trustees"
Insert: "with the approval of the membership"

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 3
DATE 1/29/93
BILL NO. HB 108

ADOPT

TALKING POINTS

ON HB 120, RURAL ECONOMIC DEVELOPMENT LEGISLATION

- Rural electric and telephone cooperatives across Montana, thanks largely to a federal rural economic development program established by Congress in 1987, have the potential to pursue and assist with economic development projects across rural Montana.

- Rural Montana desperately needs this economic development in order to:
  - Diversify local economies
  - Stabilize the tax base
  - Create the jobs needed to halt further declines in rural Montana's population.

- Some examples of what Montana Electric Cooperatives Association and Montana Telephone Association member systems have already done to help rejuvenate their communities' economies:

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 4
DATE 1/29/93
BILL NO. HB 120

-- Vigilante Electric, serving the Dillon area, received a $50,000 federal no-interest loan for establishment of a Waxey Barley Plant 10 miles northeast of Dillon.

- Plant is in operation and the loan is being repaid to REA. 18 new jobs were created with start-up of this plant.

-- Ronan Telephone Company was a founder of the Central Mission Valley Community Development Corporation and is spearheading economic development plans in the area.

-- Nemont Telephone helped form the Eastern Montana Micro Business Alliance, which was formed to market regionally produced products.

-- Missoula Electric recently obtained a $100,000 loan from REA to construct a nine-hole public golf course in Seeley Lake, Montana.

- The loan is aimed at expanding the area's tourism, recreation and retirement potential and at the same time broadening an economic base heavily dependent on the timber industry.

- Dozens of other projects which are listed in the packets before you, would create jobs, add value to our local products and make our communities more attractive and liveable stand ready to be pursued.

- But, as currently written, Montana law appears to be an obstacle to further rural economic development efforts:

  -- Recent legal opinion has called into question whether economic development work is permissible under Montana law.

  -- Law doesn't prohibit it, just fails to specifically allow economic development activity other than electrical or telephone systems development.

- HB 120, the bill before you this morning, would eliminate the cloud of uncertainty hanging over the participation of Montana cooperatives in rural economic development.

  -- Simply put, HB 120 adds language to the Montana rural electric and telephone cooperative law including economic development activity as a permissible purpose of the co-ops.

- HB 120 would put cooperatives back on track and back in line to compete with other cooperatives across America for federal rural economic development funds.

  -- $12.5 million in federal loan funds are available this year alone.

  -- $10 million in grant funds are expected to be available by mid-March.

- By passing HB 120, the Montana Legislature has the opportunity to bring in federal funds as a means to cost-share economic development and let cooperatives continue actively working to revitalize our rural Montana communities.

Sen B+I
Exh #4
1/29/93
HB 120

HOME PHONE: 752-8965

OFFICE PHONE: 756-1044

MONTANA STATE SENATE

SENATOR JOHN "ED" KENNEDY, JR.
SENATE DISTRICT 3
5567 MONTANA HWY. 35
KALISPELL, MONTANA 59901

COMMITTEES:
LOCAL GOVERNMENT—CHAIRMAN
BUSINESS AND INDUSTRY
NATURAL RESOURCES

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 5
DATE 1/29/93
BILL NO. SB 218

Senator Ed Kennedy
Testimony--Senate Bill 218

Mr. Chairman, members of the committee, I am Senator John Ed Kennedy, Jr., Senate District 3, Kalispell. I bring to you today Senate Bill 218 for your consideration. SB 218 will regulate the practice of mail order pharmacy in the state of Montana. I want to emphasize the importance of this legislation to the health, safety, and welfare of the citizens of Montana, especially the senior citizens and those on fixed incomes; the importance to pharmacists and pharmacies in the state of Montana, and the importance of SB 218 to the state of Montana. If I thought for one minute that this legislation would do harm, increase the cost of Prescriptions to seniors or anyone else, or not be good for our state, I would not have this bill before you.

Mail order is not good health care. However, because of a myth---and I do mean myth---unions, and insurance companies are willing to risk the health and welfare of their insured. It sounds good, doesn't it, that you can get your prescriptions for a flat fee by mail, but trust me, committee members, there's a lot more to it than that. Mail order pharmacy is also bad health care because, bit by bit, it is closing down hometown pharmacies in rural Montana. We're lucky here. We still have pharmacies in Glendive and Libby, Townsend and Hamilton. But their business is being eroded by mail-order pharmacy, and sometime soon they'll be gone. Then what happens to the elderly and infirm. Who is going to get up at 2:00 in the morning and deliver a prescription? Hometown

pharmacists do it now---will mail order pharmacies do it then? Many opponents today will say, "this is protectionist legislation." Members of the committee, you bet it is, and I'm darn proud of it. It protects Montana pharmacies, and Montana pharmacies protect you, the health care consumer.

The bill does four things, and I think that it's important that we do not confuse what the bill actually does with what the opponents will say it does. It:

1) Requires that at a mail-order pharmacy, the pharmacist in charge of dispensing prescriptions into Montana be licensed by our state.

2) Requires that that mail-order pharmacy abide by the same laws, rules and regulations that Montana pharmacists do in regards to pharmacy technicians.

3) Requires that tax supported entities (school districts, local governments, etc.) not financially penalize their employees for wanting to deal with a hometown pharmacy.

4) Requires that tax supported entities can only do business with mail order pharmacies that are paying a pro rata share of corporation taxes in the State of Montana.

In keeping in mind just what the bill does, let's discuss what the opponents are going to say, in part.

1) They are going to tell you that mail order pharmacy is cheaper than retail pharmacy in Montana. This is a myth, and testimony today will tell you why. In fact, it is one of the biggest misperceptions regarding health care costs in the country today. Mail order pharmacy is not cheaper---not in the short run, and certainly not in the long run.

Exhibit #5
1-29-93
SB-218

2) They are going to tell you that the legislature would be imposing an undue burden on mail order pharmacies by asking that they comply with the same rules as Montana pharmacists have to. I hope that this committee demands that there is adequate justification for the real health hazards that mail order pharmacies hold for consumers--just because they are giant factories that don't comply with our laws. Even if the costs were cheaper, would that justify deaths, mis-medications and overmedications that are so prevalent in This "widget manufacturing" mode of health care delivery?

I hope that this committee learns a lot about mail order pharmacy today. I am confident that if you learn the whole story--that, in reality, mail order pharmacy is a scam where a few get very rich and the health care consumers don't enjoy any of the benefits, that you will all support this bill. There might be a couple of people that would like to testify on this bill.

Senior Citizens *do not* save money on AARP's mail order pharmacy program

Montana senators are being told that if SB218 regulating mail order pharmacies passes, senior citizens will suffer because the mail-order AARP program saves seniors so much money. This simply is not true. What is true is that someone gets rich on mail-order pharmacy, but it's not senior citizens. On Thursday, January 28, a poll was done of four Butte pharmacies regarding their prices on the top ten drugs that seniors use. These prices were compared to AARP's price list. The numbers speak for themselves.

Top 10 drugs used by senior citizens/AARP prices vs average of 4 Butte pharmacies

		PRICES	
		AARP	**BUTTE PHARMACIES**
LanoxID	.25mg #100	$ 7.60	$7.93
Lopressor	50mg #60	27.05	28.31
Dyazide	#100	28.95	28.43
Vasotec	10mg #100	77.25	74.59
Mevacor	20mg #30	50.45	49.50
Prinivil	10mg #30	22.10	24.16
Premarin	.625	29.60	29.16
ProcarDIAXL	30mg #30	29.05	31.44
Zantac	150mg#60	80.20	77.79
Tagamet	300mg#100	69.25	69.93
TOTALS		$421.50	$421.24

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 6
DATE 1/29/93
BILL NO. SB 218

The only difference in over all price is that the Butte average price between four pharmacies is somewhat cheaper. In fact, a senior citizen who wants to shop for the least expensive pharmacy would enjoy a 5% lower overall price from the AARP prices.

MM / ORDER 10E17:11

[redacted]

INVOICE DATE 7/24/92 INVOICE NO. — 1

* ECONOTONE COST PLUS ORDER M

HAZARDOUS MATERIALS CODE CLASSIFICATIONS LISTED ON REVERSE SIDE

DEPT	ITEM NUMBER	QTY ORD	UN	ITEM DESCRIPTION		STORE RETAIL	UNIT PRICE	DISC %	I D	CODE	EXTENS
BE	2169829	1	EA	AEROBID INHALER SYSTEM	7GM	40.79	2.58*		I	KR	2.58
AA	1615160	1	EA	ALBUTEROL SOL 3ML U/D DEY	25	31.19	12.81*			KR	12.81
IA	3653912	20	EA	ALUPENT SOL 0.4% 2.5ML U/D	25	37.43	32.17			R	643.40
RE	3227246	1	EA	ATROVENT MDI COMPLETE	14GM	24.89	21.39			R	21.39
DE	2701829	1	EA	AZMACORT INHALER	20GM	34.95	28.84			R	28.84
AD	1700178	1	EA	KAON-CL-10 TAB 750MG	100	22.31	18.41			R	18.41
AD	1195916	1	EA	LEVOTHROID TAB 300MCG	100	34.00	9.79*		I	KR	9.79
CA	1974146	1	EA	M.T.E.-5 CONC 10ML 2910 LYP	10	227.45	21.63*			KR	21.63
CA	1317239	1	EA	NITRCL OINT TUBE 2%	60GM	9.03	7.45			R	7.45
RE	1749787	1	EA	PROVENTIL INHALER	17GM	20.35	12.54*			KR	12.54
WE	1104975	1	EA	PROVENTIL INHALER REF	17GM	18.76	11.56*			KR	11.56
AD	1927441	1	EA	THEO-DUR SA TAB 300MG	500	124.14	58.28*			KR	58.28
AD	2261121	1	EA	THEO-DUR SPRINK CAP 200MG	100	20.87	9.80*			KR	9.80
AD	1350206	1	EA	THYROID TAB 3GR ARM	1000	243.24	20.09*			KR	20.09
RE	1793215	1	EA	TORNALATE+NEBULIZER	15ML	27.74	2.63*		I	KR	2.63
HO	3655529	1	EA	VANCENASE A/Q NASAL SPR	25GM	28.62	17.62*			KR	17.62
RE	1330083	1	EA	VANCERIL INHALER	16.8GM	26.51	16.34*			KR	16.34
RE	1791102	1	EA	VENTOLIN INHALER	17GM	20.35	17.49			R	17.49
				CASE ITEM FOLLOW							
BE	1183839	6	EA	INTAL NEBULIZER AMP 2ML	120	79.84	68.63			R	411.78

SUBTOTAL .00 1344.43

NET PAYABLE BY STMT DUE DATE 1344.43

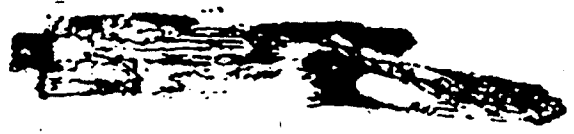
GROSS PAYABLE AFTER STMT DUE DATE 1371.87

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 7
DATE 1/29/93
BILL NO. SB 218

LINES	CASES	PIECES
19	1	43

THIS INVOICE IS PAYABLE TO MCKESSON DRUG CO. AT ABOVE ADDRESS. CLAIMS MUST BE MADE WITHIN FIVE DAYS AND SHOW DATE OF INVOICE.

V-P DOLLARS



INVOICE DATE 7/24/92 INVOICE NO. PAGE 1

NARCOTIC

*HAZARDOUS MATERIALS CODE CLASSIFICATIONS LISTED ON REVERSE SIDE

DEPT	ITEM NUMBER	QTY ORD	UN	ITEM DESCRIPTION	STORE RETAIL	UNIT PRICE	GP %	ID CODE	EXTENS*
08	1213933	1	EA	BANCAP HC CAP PAGE 1	500	309.23	254.80 17.6	1 B	254.80

NET PAYABLE BY STMT DUE DATE 254.80

GROSS PAYABLE AFTER STMT DUE DATE 260.00

LINES	CASES	PIECES
1	0	1

THIS INVOICE IS PAYABLE TO MCKESSON DRUG CO.
AT ABOVE ADDRESS CLAIMS MUST BE MADE WITHIN FIVE DAYS AND SHOW DATE OF INVOICE.

CONTINUED

THIS IS TO CERTIFY THAT ABOVE NAMED ARTICLES ARE PROPERLY CLASSIFIED, DESCRIBED, PACKAGED, MARKED AND LABELED TO THE APPLICABLE REGULATIONS OF THE DEPARTMENT OF TRANSPORTATION

INVOICE DATE 7/24/92 INVOICE PAGE 1

CONDTONE COST PLUS ORDER M NARCOTIC

*HAZARDOUS MATERIALS CODE CLASSIFICATIONS LISTED ON REVERSE SIDE

PT	ITEM NUMBER	QTY ORD	UN	ITEM DESCRIPTION	STORE RETAIL	UNIT PRICE	DISC I X	D CODE	EXTENS	M*
	1213933	1	EA	BANCAP HC CAP	500	309.23	18.59*	KB	18.59	

Exhibit #1
1-29-93
SB-218

SUBTOTAL	18.59
NET PAYABLE BY SIHI DUE DATE	18.59
GROSS PAYABLE AFTER SIHI DUE DATE	18.97

LINES	CASES	PIECES
1	0	1

THIS INVOICE IS PAYABLE TO MCKESSON DRUG CO.
AT ABOVE ADDRESS. CLAIMS MUST BE MADE WITHIN FIVE DAYS AND SHOW DATE OF INVOICE

V-P DOLLARS

January 29, 1993

Ladies and Gentlemen of the Committee

I am William J. Fitzgerald from Great Falls, a registered pharmacist who has been actively practicing retail pharmacy in Montana for 39 years. I am also the spokesperson for all of the pharmacy owners and pharmacists in Cascade, Teton, Pondera, Glacier, Toole and Choteau counties and I am here today to ask for your support in the passage of Senate Bill-218.

We, as pharmacy practioners registered in the State of Montana are not here to ask you for a handout or any other special treatment other than to ask you to pass Senate Bill-218 which would require that pharmacies, pharmacists, pharmacy technicians and all entities who provide prescription services to residents of the State of Montana must abide by all the same laws, regulations and licensing requirements that we pharmacists who practice in Montana must abide by.

Montana's approximately 300 retail and hospital pharmacies which operate in all but 5 of our 56 counties are required to pay a license fee to the State of Montana for a Certified Pharmacy License as well as a Montana Dangerous Drug License and we, as individual pharmacists are also required to pay the State of Montana a renewal fee each year, in order to practice our profession in our state. Out of state pharmacy entities nor their pharmacists are required to do this. We do <u>NOT</u> think this is fair! I might add, at this point that these five counties, Golden Valley, Judith Basin, Petroleum, Treasurer and Webaux had a combined

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 8
DATE 1/29/93

population in the 1990 census of 5,578 residents while the State of Montana had a population of 799,065 in 1990 which means that Montana pharmacies, pharmacist and their employees are supplying pharmaceutical health car services to 99.3% of the population of the state.

The 300 pharmacies in Montana employee Montana people who are required to pay city, county and state taxes levied by you and others which put monies, so desperately needed in all areas of government, in the treasuries that support our local and state governments and we are proud to do it! Our out of staters are not required to do this. We also do NOT think this is fair!

We also feel that tax supported entities such as school districts, city, county and state governments should NOT financially penalize their employees who choose to utilize home town pharmacies instead of mail order and we further believe that this same tax supported entities should NOT be allowed to do business with a mail order pharmacy or pharmacy delivery system or entity that is NOT paying a pro rata share of taxes to the State of Montana in each and every way that we Montana pharmacy practioners are required to do.

Thank you for hearing my testimony and I trust you will do right in making all things equal to Montana and Mail order pharmacists, pharmacies and pharmaceutical delivery services directly to the residents of our state.

Sincerely,

William J. Fitzgerald, R.Ph.

January 28,1993

J. D. Lynch
Chairman
Senate Business and Industry Committee
Capitol Station
Helena, MT 59620

Dear Mr. Lynch and Committee Members:

Greetings to you from the Bitterroot Valley to all of you, and in particular to Tom Hager from my old home town of Billings and also to Terry Klampe who lives in our area.

I am a pharmacist for Buttreys pharmacy in Hamilton and I would like to have been there for today's committee meeting with regard to SB 218. Unfortunately, a meeting for my daughter's developmental program could not be rearranged.

I really feel that this is a **very important piece of legislation that needs to be passed by the Montana Legislature.** The Montana pharmacies are fully capable at filling the prescriptions for those that belong to any company. Through electronic means, we are able to get the authorization for prescription medication quantity and the correct pricing within seconds. The cost to the customer would be the **same** as it would be if they mailed off to a mail-order firm. The customer would have the personal encounter with the pharmacist to discuss anything about their medications.

I have had many customers come to the pharmacy with a small prescription for medication because their mail order prescription had not arrived. Some physicians charge the patient for the calling in of the prescription. Or the customer just gets by without taking the medication. Also, for urgent prescriptions, some plans do not have an allowance for them to go to a private pharmacy to get short term meds.

I have had customers come into my store with a bottle of medication that looked different than the last time they got it filled by the mail order firm. As a service to the public, I take the time to investigate whether they were given the right medication. And in two instances that I can remember, the medication was not right.

I and many other Montana individuals and businesses pay **taxes** to the state of Montana for the right to live in this state. They should pay their share. And they should also have to abide by the **same laws** as we do. You can compare the whole mail order prescription business to the Federal problem with trade imbalance. It does not help the economy of the state of Montana.

Senators, please think about the economy of this state. The technology is here to make the cost savings to the customer not an issue. Please give our customers the freedom of choice.

Sincerely,

Paul N Odegaard, Reg. Ph.
405 Zimmerman Lane
Hamilton, MT 59840

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 9
DATE 1/29/93
BILL NO. SB 218

Service through Sears... Delivery Right to You!

ENTEX LA Tablets 100s	80.03	$67.58
PHENYLPROPANOLAMINE/GG SA Tablets 100s	13.93	$12.44
ESTRACE 1mg Tablets 100s	36.85	$31.91
ESTRACE 2mg Tablets 100s	50.85	$43.82
ESTRADERM 0.1mg Patches 24s	59.71	$53.51
ESTRADERM 0.05mg Patches 24s	45.16	$49.64
FELDENE 20mg Capsules 100s	216.84	$211.64
GLUCOTROL 10mg Tablets 100s	56.02	$60.48
GLUCOTROL 5mg Tablets 100s	31.85	$31.91
HALCION 0.25mg Tablets 100s	71.43	$69.12
HISMANAL Tablets 100s	167.16	$161.72
HYDRODIURIL 25mg Tablets 100s	14.70	$15.76
HYDROCHLOROTHIAZIDE 25mg Tablets 100s	4.75	$6.52
HYDRODIURIL 50mg Tablets 100s	N/A	$22.67
HYDROCHLOROTHIAZIDE 50mg Tablets 100s	5.98	$7.57
HYTRIN 2mg Tablets 100s	106.45	$100.32
IMURAN 50mg Tablets 100s	125.09	$105.75
INDERAL 20mg Tablets 100s	38.02	$40.55
PROPRANOLOL 20mg Tablets 100s	6.85	$8.96
INDERAL 40mg Tablets 100s	48.50	$50.92
PROPRANOLOL 40mg Tablets 100s	4.44	$9.05
INDERAL LA 80mg Capsules 100s	83.72	$77.85
PROPRANOLOL LA 80mg Capsules 100s	N/A	$58.46
INTAL INHALER 14.2gm	N/A	$57.57
ISOPTIN 80mg Tablets 100s	use calan	$46.31
VERAPAMIL 80mg TABLETS 100s	9.99	$24.88
ISOPTIN SR 180mg Tablets 100s	use calan	$102.24
ISOPTIN SR 240mg Tablets 100s	use calan	$118.04
ISORDIL 10mg Tablets 100s	22.87	$26.61
ISOSORBIDE DINITRATE 10mg Tablets 100s	6.39	$5.39
ISORDIL 20mg Tablets 100s	41.91	$41.03
ISOSORBIDE DINITRATE 20mg Tablets 100s	8.60	$6.18
K-LOR 20meq Packets 100s	84.19	$80.83
K-TABS 10meq Tablets 100s	29.50	$30.76
LANOXIN 0.125mg Tablets 100s	51.72	$10.29
LANOXIN 0.25mg Tablets 100s	11.72	$10.77
LASIX 20mg Tablets 100s	15.79	$19.41
FUROSEMIDE 20mg Tablets 100s	7.90	7.22
LASIX 40mg Tablets 100s	20.44	$22.49
FUROSEMIDE 40mg Tablets 100s	5.78	$6.26
LODINE 300mg Capsules 100s	92.44	$99.45
LOPID 600mg Tablets 100s	86.34	$92.54
LOPRESSOR 50mg Tablets 100s	47.72	$45.45
LOPRESSOR 100mg Tablets 100s	69.76	$67.58
LOTRISONE Cream 15gm	21.37	$17.82
LOZOL 2.5mg Tablets 100s	72.73	$72.11
MAXZIDE 25mg Tablets 100s	34.88	$34.89
MAXZIDE 50mg Tablets 100s	71.15	$69.50
TRIAMTERENE/HCTZ 50mg Tablets 100s	23.60	$33.75
MEVACOR 20mg Tablets 100s	174.58	$175.16
MEVACOR 40mg Tablets 100s	317.88	$326.65
MICRO-K 10meq Capsules 100s	18.64	$16.53
POTASSIUM CHLORIDE 10meq Capsules 100s	13.18	$10.35
MICRONASE 5mg Tablets 100s	39.56	$44.49
MIDRIN Capsules 100s	40.36	$32.39
MINOCIN Pellets 100mg Capsules 100s	220.45	$211.16
MINOCYCLINE 100mg Capsules 100s	184.79	$178.52
MODURETIC 5-50 Tablets 100s	47.54	$50.25
MOTRIN 600mg Tablets 100s	24.20	$31.43
IBUPROFEN 600mg Tablets 100s	17.55	$11.13
MOTRIN 800mg Tablets 100s	32.06	$39.31
IBUPROFEN 800mg Tablets 100s	24.98	$26.01
NAPROSYN 375mg Tablets 100s	91.04	$90.43
NAPROSYN 500mg Tablets 100s	112.95	$109.88
NASALCROM Nasal Spray 26ml	26.59	$38.46
NASALIDE Inhaler 25ml	29.40	$26.25
NOLVADEX 10mg Tablets 100s	137.34	$135.51
OGEN 0.625mg Tablets 100s	45.66	$46.03

OGEN 1.25mg Tablets 100s	63.79	$62.88
ORUDIS 75mg Capsules 100s	101.31	$109.30
PAMELOR 25mg Capsules 100s	94.86	$83.16
PEPCID 20mg Tablets 100s	126.79	$134.84
PEPCID 40mg Tablets 100s	230.49	$248.12
PERSANTINE 25mg Tablets 100s	36.47	$32.49
DIPYRIDAMOLE 25mg Tablets 100s	5.93	$6.70
PERSANTINE 50mg Tablets 100s	61.51	$48.62
DIPYRIDAMOLE 50mg Tablets 100s	10.85	$16.01
PERSANTINE 75mg Tablets 100s	76.64	$64.03
DIPYRIDAMOLE 75mg Tablets 100s	14.85	$23.18
PLANQUENIL 200mg Tablets 100s	100.64	$98.59
PREMARIN 0.3mg Tablets 100s	29.85	$27.86
PREMARIN 0.625mg Tablets 100s	36.49	$39.21
PREMARIN 0.9mg Tablets 100s	37.63	$45.35
PREMARIN 1.25mg Tablets 100s	40.36	$51.40
PRILOSAC 20mg Capsules 100s	327.37	$339.90
PRINIVIL 10mg Tablets 100s	71.88	$81.51
PRINIVIL 20mg Tablets 100s	79.23	$86.30
PROCARDIA 10mg Capsules 100s	52.15	$56.73
NIFEDIPINE 10mg Capsules 100s	33.13	$44.98
PROCARDIA XL 30mg Tablets 100s	102.50	$109.21
PROCARDIA XL 60mg Tablets 100s	183.44	$189.94
PROPINE C Cap 5ml	N/A	$12.93
PROVENTIL 4mg Repetabs 100s	63.20	$56.64
PROVENTIL Inhaler 17gm	21.28	$23.47
PROVERA 10mg Tablets 100s	56.06	$65.56
PROVERA 2.5mg Tablets 100s	31.29	$37.39
PROVERA 5mg Tablets 100s	45.25	$53.23
REGLAN 10mg Tablets 100s	61.34	$51.31
METOCLOPRAMIDE 10mg Tablets 100s	11.00	$12.27
SELDANE 60mg Tablets 100s	79.45	$85.63
SLOW-BID 300mg Gyrocaps 100s	41.07	$40.36
SLOW-K 8meq Tablets 100s	18.09	$18.35
POTASSIUM CHLORIDE 8meq Tablets 100s	12.23	$11.22
SUMYCIN 250mg Capsules 100s	N/A	$9.43
TETRACYCLINE 250mg Capsules 100s	6.91	$7.31
SYNTHROID 0.05mg Tablets 100s	18.83	$19.70
SYNTHROID 0.075mg Tablets 100s	23.55	$21.43
SYNTHROID 0.125mg Tablets 100s	26.12	$24.88
SYNTHROID 0.15mg Tablets 100s	23.85	$25.55
LEVOTHYROXINE 0.15mg Tablets 100s	9.13	$5.74
SYNTHROID 0.1mg Tablets 100s	18.99	$21.33
LEVOTHYROXINE 0.1mg Tablets 100s	8.37	$5.69
SYNTHROID 0.2mg Tablets 100s	32.47	$11.82
LEVOTHYROXINE 0.2mg Tablets 100s	6.45	$3.81

TAGAMET 300mg Tablets 100s	73.95	$76.22
TAGAMET 400mg Tablets 100s	122.58	$128.12
TAVIST D Tablets 100s	now OTC	$83.42
TEGRETOL 200mg Tablets 100s	37.59	$36.23
CARBAMAZEPINE 200mg Tablets 100s	20.90	$26.18
TENEX 1mg Tablets 100s	65.97	$66.72
TENORETIC 50mg Tablets 100s	98.23	$98.18
TENORMIN 100mg Tablets 100s	116.32	$119.96
ATENOLOL 100mg Tablets 100s	91.95	$106.57
TENORMIN 50mg Tablets 100s	72.09	$79.10
ATENOLOL 50mg Tablets 100s	59.61	$72.90
THEO-DUR 200mg Tablets 100s	27.23	$25.07
THEOPHYLLINE 200mg Tablets 100s	21.25	$19.75
THEO-DUR 300mg Tablets 100s	27.39	$25.27
THEOPHYLLINE 300mg Tablets 100s	18.29	$22.10
TIMOPTIC OPHTH 0.5% 15ml	43.61	$35.23
TRENTAL 400mg Tablets 100s	49.00	$49.80
TYLENOL #3 Tablets 100s	32.51	$31.05
ACETAMINOPHEN/CODEINE 30mg Tablets 100s	12.38	$11.05
VALIUM 5mg Tablets 100s	53.00	$56.25
DIAZEPAM 5mg Tablets 100s	11.38	$8.96
VANCENASE AQ Nasal Spray 25gm	35.38	$34.82
VANCERIL Inhaler 16.8gm	30.56	$32.73
VASERETIC Tablets 100s	91.03	$100.12
VASOTEC 10mg Tablets 100s	87.36	$90.62
VASOTEC 20mg Tablets 100s	121.85	$126.97
VASOTEC 5mg Tablets 100s	82.70	$82.58
VENTOLIN Inhaler 17gm	21.75	$22.74
VERELAN Pellets 240mg Capsules 100s	108.32	$102.14
VOLTERAN 50mg Tablets 100s	100.77	$90.72
VOLTERAN 75mg Tablets 100s	103.91	$108.92
XANAX 0.25mg Tablets 100s	53.01	$57.12
XANAX 0.5mg Tablets 100s	59.16	$69.40
XANAX 1mg Tablets 100s	86.83	$90.24
ZANTAC 150mg Tablets 100s	129.38	$149.62
ZANTAC 300mg Tablets 100s	248.94	$258.49
ZESTRIL 10mg Tablets 100s	80.56	$80.41
ZESTRIL 20mg Tablets 100s	85.97	$81.31
ZOVIRAX 200mg Capsules 100s	88.31	$86.68
ZYLOPRIM 100mg Tablets 100s	23.33	$20.18
ALLOPURINOL 100mg Tablets 100s	12.16	$11.13
ZYLOPRIM 300mg Tablets 100s	53.13	$50.44
ALLOPURINOL 300mg Tablets 100s	24.27	$24.27

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 10
DATE 1/29/93
BILL NO. SB 218

New Allscrips Pharmacy Prescrip

1-28-93
I called + talked to Tammy - current shift
5 pharmacists
30 technicians
No Restrictions on Drugs that can be shipped
PRICE on 100 DEMEROL 50mg 64.70
Generic 22.30
3.00 S+H per shipment

ALLSCRIPS
PHARMACEUTICALS

HAVE YOUR PRESCRIPTION FILLED & DELIVERED
SEE ORDER FORM ON PAGE 40
SAVE UP TO 30% ON GENERIC EQUIVALENTS

1-800-972-7900

You can rely on Allscrips to save
with quality brand name drugs or

- It's like having a drug store right
- Tremendous savings on brand name
- After we get your order, we ship
- Prices subject to change
- Use your SearsCharge, Discover Card, Visa
- Allscrips has a staff of over 30
pharmaceutical professionals
- Over 10,000 prescription drugs

Don't see your prescription listed?

ORDERING IS SO EA

1. Fill out the order form on page 40 your prescription (or call it in after the
2. We'll verify your prescription with doctor and ask if a brand name or advised.
3. Shipping will take place within 48 h we get your order.
4. An Allscrips Customer Service Rep tive will notify you when your prescription to be refilled.

NOTE: Take advantage of volume savings your physician to prescribe a 60-180 day with refills of your medication. To save on your prescription, ask your doctor to prescribe generic drugs whenever suitable. Prices here are based on most commonly prescribed dosages. Prices are based on 100 count and may vary by quantity prescribed. We offer over 10,000 different prescription drugs; we list just a few on these 2 pages. If you do not see your prescription, call our toll-free number to ask for availability.

Generic names are listed in red.

ANAPROX DS, 550mg Tablets 100s	124.72	$113.84
ANSAID, 100mg Tablets 100s	109.67	$113.83
ATIVAN, 1mg Tablets 100s	61.95	$64.85
LORAZEPAM 1mg Tablets 100s	19.95	$19.79
ATROVENT Inhaler 14gm	25.14	$36.89
AXID 150mg Capsules 100s	135.99	$133.79
AZMACORT Inhaler 20gm	34.78	$36.29
AZULFIDINE 500mg Tablets 100s	24.36	$21.84
SULFASALAZINE 500mg Tablets 100s	15.96	$15.66
BECLOVENT Inhaler 16.8 gm	33.07	$30.38
BECONASE AQ Nasal Spray 25ml	30.91	$32.39
BECONASE Inhaler 16.8gm	30.56	$30.38
BETAGAN 0.5% Solution 10ml	35.86	$34.88
BUSPAR 10mg Tablets 100s	104.98	$89.83
CALAN SR 240mg Tablets 100s	118.45	$118.84
CAPOTEN 12.5mg Tablets 100s	56.47	$60.19
CAPOTEN 25mg Tablets 100s	61.04	$64.51
CAPOTEN 50mg Tablets 100s	104.68	$106.32
CARAFATE 1gm Tablets 100s	66.96	$63.56
CARDIZEM 30mg Tablets 100s	40.91	$36.81
CARDIZEM 60mg Tablets 100s	60.98	$61.44
CARDIZEM SR 120mg Capsules 100s	N/A	$101.66
CARDIZEM SR 90mg Capsules 100s		$79.68
CLINORIL 200mg Tablets 100s	101.38	$109.69
SULINDAC 200mg Tablets 100s	87.90	$84.65
CORGARD 40mg Tablets 100s	92.18	$91.48
COUMADIN 5mg Tablets 100s	57.25	$52.17
DARVOCET-N 100mg Tablets 100s	57.19	$50.15
PROPOXYPHENE NAPS/APAP 100mg Tablets 100s		$25.75 2 2.9
DIABETA 2.5mg Tablets 100s	29.98	$31.72
DIABETA 5mg Tablets 100s	51.21	$53.13
DIABINESE 250mg Tablets 100s	64.51	$68.54
CHLOROPROPAMIDE 250mg Tablets 100s	8.22	$9.74
DILANTIN 100mg Capsules 100s	18.34	$23.44
DYAZIDE Capsules 100s	32.91	$32.97.
TRIAMTERENE/HCTZ Capsules 100s	27.51	$27.92
ELAVIL 25mg Tablets 100s	29.61	$39.21
AMITRIPTYLINE 25mg Tablets 100s	8.40	$7.74
ELAVIL 50mg Tablets 100s	70.47	$65.95
AMITRIPTYLINE 50mg Tablets 100s	10.32	$8.96

Additional information you should know about your NEW GEHA Prescription Drug Program...

Announcing The PAID National Formulary®

In an effort to help further control the increasing cost of health care coverage to GEHA Members, a new "formulary" feature is being added to the Prescription Drug Program, effective January 1, 1993. A formulary is a list of commonly prescribed medications within a particular therapeutic category that have been selected based on their favorable effectiveness and cost to your plan. The PAID National Formulary encourages physicians to prescribe the most cost-effective medications whenever appropriate. To be included on the formulary list, a drug must meet rigorous standards of approval by a Pharmacy and Therapeutic Committee that is comprised of nationally recognized medical professionals. A copy of the PAID National Formulary is enclosed or is being sent to you under separate cover. Please share it with your physician during your next visit.

If you have a question about the PAID Retail Network or the Mail Order Drug Program, call the GEHA Prescription Drug Hotline:

1-800-551-7675

Monday through Friday, from 7:00 a.m. to 7:00 p.m.
or Saturday from 7:00 a.m. to 11:00 a.m.
Central time.

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 11
DATE 1/29/93
NO. SB 218

FORM D37

Introducing...

Your New GEHA Prescription Drug Program

Saving money on prescription drugs has never been easier.

Enjoy all the benefits, savings and service of the GEHA Prescription Drug Program

Your new GEHA Prescription Drug Benefit Program offers you improved benefits, savings, and service in two important ways.

OUTLINE OF YOUR GEHA PRESCRIPTION DRUG BENEFITS

Description	PAID Retail Pharmacy Network	Mail Order Drug Program*
When to use:	For short-term prescription needs	For ongoing maintenance medication
Your cost at participating pharmacies:	20% of the cost of the initial prescription (up to a 30-day supply) and the first refill.** 50% for every refill thereafter. Minimum copayment: $5 for generics, $15 for brand names. (If you have Medicare Parts A & B Primary, you pay nothing for your initial prescription (up to a 30-day supply) and the first refill.**	$5 for generic drugs $20 for brand-name drugs (If you have Medicare Parts A & B Primary, you pay nothing.)
Your cost at a non-participating pharmacy:	Pay the full amount of the prescription and file a claim form. Mail your completed and signed claim form to PAID Prescriptions. Reimbursement will be based on the Plan's cost had you used a participating pharmacy, less the applicable copayment.	
Drug Supply per Rx (as prescribed by physician)	Up to 30 days	Up to 90 days
Deductible:	NONE	NONE
Claim Form Required	Participating Pharmacy: NO Non-Participating Pharmacy: YES	NO
Toll-FREE Customer Service	GEHA Prescription Drug Hotline **1-800-551-7675**	GEHA Prescription Drug Hotline **1-800-551-7675**

SAVE THIS OUTLINE AS A READY REFERENCE

If another carrier is primary you should use that carrier's drug benefit. If you elect to use the Mail Order Drug Program, National Rx will bill you directly for the discounted amount of the drug. You should pay National Rx the billed amount and submit the bill to your primary carrier for reimbursement.

* When there is double coverage, one plan normally pays its benefits in full as the primary payer, and the secondary payer pays a reduced benefit. If this Plan is the secondary payer, it will pay the lesser of 1) its benefits in full or 2) a reduced amount that when added to the benefits payable by the other coverage will not exceed 100% of reasonable and customary charges.

** You may obtain more than two fills of antibiotics, analgesics, cough and Clozaril at any pharmacy participating in GEHA's PAID Pharmacy Network. Due to the need for repetitive short-term therapy on these drugs, you are not required to pay the higher copay/coinsurance for this medication.

This is a summary of the features of the Government Employees Hospital Association Benefit Plan. Please read the Plan's Federal brochure RI 71-6. All benefits are subject to the definitions, limitations and exclusions set forth in the Federal brochure.

See for yourself how easy it is to use this program ➡

Montana Family Union
AFL-CIO

110 West 13th Street
P.O. Box 1176
Helena, Montana 59624
406-442-1727

Don Judge
President

Pam Egan
Executive Director

The Associate Membership Program of the Montana State AFL-CIO

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 12
DATE 1/29/93
BILL NO. SB 218

TESTIMONY OF PAM EGAN ON SENATE BILL 218
BEFORE THE SENATE COMMITTEE ON BUSINESS AND INDUSTRY, JANUARY 29, 1993

Mr. Chairman, members of the Committee, for the record, my name is Pam Egan. I am the Executive Director of the Montana Family Union. On behalf of our membership, I am here today in opposition to Senate Bill 218.

Thanks to the collective bargaining power of hundreds of thousands of union members nationwide, our affiliation with the AFL-CIO allows us to offer a discount mail-order benefit to our members to help them cope with the high cost of prescription medication.

Like Senator Kennedy, we, too, want to support Montana businesses. In fact, the Montana Family Union tried in 1989 to negotiate a discount prescription benefit with certain Montana pharmacies. Unfortunately, we were turned down by those providers. But, as a result of our discussions with pharmacists about this bill, we have reopened the door to negotiating such a benefit with in-state pharmacies. We are hopeful that those negotiations will be successful.

In the near future, we hope to be able to offer our members a new "home-town" pharmacy benefit. But we also want to continue to offer our current mail-order pharmacy benefit. Unfortunately, Senate Bill 218 would jeopardize our ability to do that.

Proponents of this legislation claim that mail-order pharmacy service is unsafe. There are others here today more qualified than I to testify to the technical aspects of the safety of mail-order prescription services. However, I can say that the Family Union has offered the mail-order prescription service since our program began in 1989. We have had no complaints about the safety and accuracy of the mail-order pharmacy service.

In addition, our members are urged to compare the prices available through the mail-order service with prices available elsewhere and to buy where they can save the most. If a locally owned pharmacy or a national discount chain pharmacy offers the lowest price, that's great; Our members are encouraged to use it.

We have all heard the buzzwords "affordable health care" and "cost containment" at the federal level in reference to the national health care crisis, at the state level in reference to Montana's own attempts to establish an effective health care delivery system, and in reference to the crisis we face with our Workers' Compensation system.

Because the Montana Family Union is specifically directed at Montanans who do not have access to unions in their workplace, we represent many workers whose employers provide absolutely no health insurance, or whose health insurance does not adequately cover the cost of prescription medication. We also represent Montanans who are retired, work primarily in the home, are unemployed, or are students. To many of our members, "cost containment" in regard to prescription drugs can mean the difference between having necessary medication, or simply going without.

Until the day when good, affordable health care is available to all Montanans and not just those privileged enough to afford it, we have a responsibility to "contain the costs" of health care wherever and whenever we can. Our mail order prescription plan is one way we can do that.

The Montana Family Union has seen no compelling evidence that mail-order pharmacies operate in an unsafe manner. We have not had a single complaint from our members that this service has dispensed inaccurate prescriptions. Senate Bill 218, places an unnecessary regulatory burden on mail-order pharmacies which already meet federal standards and the standards of their home state. It may protect certain pharmacies and national discount chains doing business in Montana, but it would do so at the expense of consumers. This bill would jeopardize our ability to continue to offer this service to our members.

For these reasons, we respectfully request a "do not pass" recommendation on Senate Bill 218.

UNION PRIVILEGE™

Health Needs Service

A money-saving benefit from your union

The Union Privilege™ Health Needs Service is a benefit from your union designed to cut the rising costs of prescription medications for you and every member of your family. It offers quality products through the mail at discount prices.

- ❑ No cost to join–membership is free
- ❑ Unique, union members-only open credit available during union-sanctioned strikes over 30 days allows you to receive your medications and delay your payments.

For your whole family

Your whole family–spouse, children, parents, aunts, uncles–can save money through this service. It is ideal if your medications are not covered by insurance or if you have family members and relatives who are not covered under your plan. It is especially valuable to anyone who must take daily medications, such as a prescription for high blood pressure, on a long term basis.

Save up to 30% over neighborhood drugstore prices

Compare prices with your neighborhood drugstore and you're likely to find savings of up to 30% on most prescription brand-name medications, and even more on most generics. Be sure to compare, then buy where you can save the most.

It's safe and reliable

Every prescription ordered through the service is checked by a licensed pharmacist before it is mailed. If there's any question your doctor will be called. As an added safety feature, you'll be provided with a free personal profile that is checked for possible reactions against previously filled prescriptions every time an order is filled.

- ❑ Operated by one of the largest mail-service pharmacies in the nation with unionized employees and state-of-the-art facilities.
- ❑ Extensive quality controls

Enjoy mail service convenience

Because it's a mail service, orders are delivered to your door. Postage free. You'll receive your order within 10 to 14 days of mailing it.

- ❑ Toll-free number for questions
- ❑ Order from the convenience of your home
- ❑ Free refill reminders
- ❑ Postage-paid delivery
- ❑ Free year-end summary for tax purposes

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 13
DATE 1/29/93
BILL NO. SB 218

Union Privilege™ AFL-CIO

1444 Eye Street, NW, Washington, D.C. 20005 (202) 336-5460

O

O-PS-RX3-692

Exhibit #14 is a packet of letters addressing concerns in Senate Bill No. 218. The originals are stored at the Historical Society at 225 North Roberts Street, Helena, MT 59620-1201. The phone number is 444-2694.

AMERICAN
MANAGED CARE
PHARMACY
ASSOCIATION

2300 Ninth Street South, Suite 210 • Arlington, Virginia 22204 • 703-920-8480 FAX: 703-920-8491

January 27, 1993

The Honorable John Lynch
Chairman
Senate Committee on
Business and Industry
Montana State Senate
State Capitol
Helena, Montana 59620

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 15
DATE 1/29/93
BILL NO. SB 218

Dear Chairman Lynch:

I am writing to inform you that on behalf of the American Managed Care Pharmacy Association (AMCPA), I will be providing testimony before the Senate Business and Industry Committee on January 29 in opposition to *SB 218*, a bill which to seeks to revise existing laws relating to managed care, home-delivered pharmacy services.

We respectfully oppose proposed *SB 218* because it provides economic protection to local drug stores that are unwilling or unable to offer the best combination of high quality and low cost to Montana consumers who receive prescription medications as a health benefit. Proposed *SB 218* is constitutionally suspect because of the discriminatory burden it places on interstate commerce and because it is anticompetitive rather than designed to further public health and safety. The enclosed *Executive Summary* states our objections to the proposed legislation.

AMCPA is the trade association representing the major companies providing home-delivered pharmacy services to consumers enrolled in funded health plans which offer prescription medicines as a benefit. Our members provide value-added services consistent with good pharmacy practice focusing on pharmaceutical care and appropriate outcomes. AMCPA serves its members in the areas of practice standards, education, research, and government relations.

Montana recently adopted legislative requirements which are part of the Montana Pharmacy Practice Act entitled: "Out-of-State Mail Service Pharmacies." Rules and regulations for this statute have not been promulgated yet. AMCPA supports Montana's existing legislative scheme for nonresident pharmacies. This legislation conforms to the model disclosure legislation for nonresident pharmacies, meets constitutional requirements and legitimate needs, and guarantees our members the opportunity to provide high-quality, home-delivered pharmacy services to Montana citizens.

AMERICAN
MANAGED CARE
PHARMACY
ASSOCIATION

2300 Ninth Street South, Suite 210 • Arlington, Virginia 22204 • 703-920-8480 FAX: 703-920-8491

STATEMENT
regarding

MONTANA

Proposed Senate Bill 218

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 15
DATE 1/29/93
BILL NO. SB218

before the

STATE OF MONTANA
SENATE COMMITTEE ON BUSINESS AND INDUSTRY

presented by
DELBERT D. KONNOR, PHARMMS
Executive Vice President
AMERICAN MANAGED CARE PHARMACY ASSOCIATION
on
January 29, 1993

Mr. Chairman, Members of the Senate Committee on Business and Industry, thank you for the opportunity to present this statement in opposition to the proposed Senate Bill 218 on behalf of the members of the American Managed Care Pharmacy Association (AMCPA). My name is Delbert D. Konnor.[1] I serve as Executive Vice President of AMCPA, the trade association[2] representing the major companies providing home-delivered pharmacy services. The members function as preferred provider organizations specializing in maintenance drug therapy in the managed healthcare environment. The association and its members strive to maintain the highest standards of professional pharmacy practice. The goals of AMCPA are to assure quality standards throughout the industry, to reduce healthcare costs to providers and consumers, and to promote managed care pharmacy as a cost-effective method of drug delivery. The members are low-cost providers of prescription medicines with value-added services consistent with good pharmacy practice focusing on pharmaceutical care and appropriate outcomes. AMCPA promotes the importance of managed care pharmacy in the total healthcare system. The members of AMCPA operate 34 pharmaceutical service centers in 19 states and employ over 3000 pharmacists.

[1]The credentials of Mr. Konnor are attached. *See* ATTACHMENT A.

[2]AMCPA has 17 active members: Advance Home Prescriptions; Allscrips Pharmaceuticals, Inc.; America's Pharmacy, Inc.; Caremark International, Prescription Service Division; Express Pharmacy Services; Feld Prescription Services, Inc.; FlexRx Pharmacy Services, Inc.; Health Care Services, Inc.; Home Pharmacy, Inc.; Mail Rx; Medco Containment Services, Inc.; Pharmacy Management Services, Inc.; Pharmaceutical Express; Rx America; RxExpress Pharmacy; Stadtlander Pharmacy Drug Company; and Walgreens Healthcare Plus. There are also associate and affiliate membership categories under AMCPA.

AMCPA's position on the proposed Senate Bill 218 and state licensure of nonresident pharmacies can be summarized as follows:

■Mail Service Pharmacy: The Highest Quality — First, home-delivered pharmacy services, including services provided by nonresident pharmacies, are of the highest quality.

■Proposed Senate Bill 218: Anticonsumer and Anticompetitive — Second, proposed Senate Bill 218 is anticonsumer and anticompetitive legislation. Its proponents have failed to demonstrate that imposition of multiple licensure requirements on nonresident managed care pharmacies will improve the quality of pharmacy services for Montana consumers. Rather, the proposed amendment would increase the cost of prescription medicines to Montana consumers and this increase could discourage Montana employers and health plan administrators from offering pharmacy services as a part of the health benefits plans for their employees.

■Proposed Senate Bill 218: Unconstitutional — Third, the proposed Senate Bill 218 is constitutionally suspect under the Commerce Clause of the U.S. Constitution because of the discriminatory burdens it would impose on out-of-state pharmacy services without providing compensating benefits for Montana consumers.

■Pharmacy Registration: Pro-Consumer, Pro-Competitive, and Constitutional — Fourth and finally, Senate Bill 218 is unnecessary given the fact that Montana has already adopted legislative requirements which are part of the Montana Pharmacy Practice Act entitled: "Out-of-State Mail Service Pharmacies." Rules and regulations for this statute have not been promulgated yet. AMCPA supports Montana's existing legislative framework for nonresident pharmacies. This legislation conforms to the model disclosure legislation for nonresident pharmacies, meets constitutional requirements and legitimate needs, and guarantees our members the opportunity to provide high-quality, home-delivered pharmacy services to Montana citizens.

The remainder of these comments will examine these four issues.

I. HOME-DELIVERED PHARMACY SERVICES, INCLUDING NONRESIDENT PHARMACIES, OFFER CONSUMERS SERVICES OF THE HIGHEST QUALITY.

In state after state, as healthy competition erodes their perceived share (approximately 70%)[3] of the prescription drug market, retail pharmacists respond by seeking government protection of their long enjoyed market domination and by alleging that out-of-state home-delivered pharmacy services somehow lack the quality of services provided by a local pharmacy. However, when independent, objective observers examine these allegations and anecdotes, they reject them. The following four examples are typical:

■American Medical Association (1987) — In 1987, the House of Delegates of the American Medical Association found:

> ". . . MSPs [mail service pharmacies] are less vulnerable to drug diversion than retail pharmacies . . . . Presently the practice of obtaining drugs from mail service pharmacies appears to be relatively safe." [Resolution adopted by the House of Delegates, American Medical Association, 1987]

■Michigan State Legislature (1988) — In 1988, a Joint Committee of the Michigan State Legislature reported:

> "Mail order pharmacy appears to be a safe and convenient method of obtaining pharmaceuticals for millions of Americans and hundreds of thousands of Michiganians. . . . There is anecdotal information reciting problems with MOPs [mail order pharmacies] but little or no documentation to support alleged problems." [Joint Study Report, Michigan State Legislature, 1988]

■Maine State Legislature (1989) — In 1989, a Joint Committee of the Maine State Legislature reported:

> "The Committee found no evidence that there was any difference in safety between having a prescription filled by mail and through an in-state pharmacy." [Joint Standing Committee Report, December 1989]

[3] ". . . [R]etail drug stores still represent about 70% of drug dollar sales . . . ." From a statistical study released November 2, 1990, by FIND/SVP ("a leading market research and information-services consulting firm"), Dept. S6, 625 Avenue of the Americas, New York, New York 10011. Also, see note 3, where estimate is made that retail drugstores share of the $28 billion prescription drug market in 1988 was 65%.

■Tennessee College of Pharmacy (1986) — In 1986, the College of Pharmacy at the University of Tennessee conducted a study to determine the satisfaction of consumers using mail service pharmacies compared to consumers using retail pharmacy services. The report concluded:

> "Most mail order users report few problems and the overall rating of the service was excellent or good. In fact, the rating for mail order services was slightly better than the rating for community pharmacy services." ["Evaluation of Consumer Opinions of Prescription Drug Services from Community and Mail Order Pharmacies," conducted by The Center for Pharmacy Management and Research, College of Pharmacy, The University of Tennessee, 1986]

There is good reason for these findings. In contrast to the average retail drugstore, that derives only a quarter of its revenues from prescription drugs and merely uses pharmaceuticals "to lure customers into their stores,"[4] the managed care pharmacy is dedicated exclusively to purchasing, storing, and dispensing prescription medicines. Managed care pharmacies use state-of-the-art technologies and ultra-modern facilities to assure high quality at each step of the dispensing process. Pharmacists are available to counsel patients privately and confidentially in their homes through the use of a toll-free (800) number. This confidential counseling service is available before the patient sends the prescription order to the pharmacy; after the patient receives the prescription medicine; and any time during or after the entire course of medication therapy. Our member pharmacies also provide written, consumer oriented, information for each prescription medicine dispensed, which patients need for compliance with their physician prescribed and monitored drug therapy.

II. PROPOSED SENATE BILL 218 IS ANTICONSUMER AND ANTICOMPETITIVE.

The fundamental problem with proposed Senate Bill 218 is its anticompetitive nature. Some local pharmacists feel threatened by the growth of managed care pharmacies because of the increasing number of companies and organizations that offer managed care pharmacy benefits to their employees. The growth of such company-sponsored pharmacy benefits reflects the superior combination of quality, convenience, and cost savings that managed care pharmacies provide. The retail price of prescription medicines has jumped by 88 percent since 1981 — twice as fast as the consumer price index.

[4]A copy of the source article ["Pharmacies Fight Off New Competition," *The New York Times*, November 5, 1989, page F-17] is attached to this statement. *See* ATTACHMENT B.

Given this steep price increase, it is not surprising that employers in Montana and across the country have turned to managed care pharmacies for their employees. If left to the local drugstore to meet employee prescription medication needs, especially with regard to maintenance medicines, many of these employers and plan administrators might just drop prescription drug benefits from their healthcare plans altogether. The favorable prices offered by managed care pharmacies are especially attractive because they provide high quality as well as convenient access and delivery to today's busy, sometimes harried, consumer.

III. PROPOSED SENATE BILL 218 IS UNCONSTITUTIONAL AS A VIOLATION OF THE COMMERCE CLAUSE OF THE U.S. CONSTITUTION.

Proposed Senate Bill 218 would require pharmacies to be licensed in Montana as well as in the states where they are located. Section 3 of the proposed Senate Bill 218 specifically requires licensure by the Montana Board of Pharmacy of the pharmacist in charge of dispensing prescriptions for shipment to Montana from a nonresident pharmacy. Multi-state licensure is a burdensome and unworkable requirement. Each state board of pharmacy adopts licensure requirements that cover the important areas of pharmacy operations and assure the high quality of all pharmacies, including managed care pharmacies, domiciled in that state. However, within this common framework different jurisdictions vary their particular requirements according to local traditions and preferences.

It is not unfairly burdensome for a reputable pharmacy to comply with the requirements of any single state. The problem occurs when any pharmacy, including a managed care pharmacy, is required to comply with requirements of several states at once. State legal requirements, that must be met as a precondition for maintaining a valid pharmacy license, can, and often do, contradict one another from state to state on matters such as formularies, generic drug dispensing, and multiple copy prescription control programs for Schedule II controlled substances.

The unworkability of a multi-state pharmacy licensure system can be appreciated when it is recognized that managed care pharmacies serve not just consumers in the State of Montana; our members provide home delivery service to consumers in all states. The multiple licensing laws would be literally impossible to comply with if every state had the type of licensure requirements which have been proposed in Montana. The managed care pharmacy would be forced to choose between the requirements of one state and the sometimes flatly contradictory mandates of another state. Imposition of such a burden discriminates against out-of-state pharmacies providing services in interstate commerce compared to local retail pharmacies.

Indeed, retail pharmacists in Montana mail prescription medicines to patients in other states and they are not required to be licensed by those other states nor by any provision of the proposed Senate Bill 218.[5] The United States Supreme Court has articulated the test for whether a state statute unconstitutionally burdens interstate commerce. In the leading case of *Pike v. Bruce Church, Inc.*, 397 U.S. 137 (1970), the Court established the following two-part test:

> ■First, is the burden imposed on interstate commerce clearly excessive in relation to the local benefits?; and
>
> ■Second, could the same local interest be protected with a lesser impact on interstate activities?

For proposed Senate Bill 218 the answer to both questions is "yes." First, proposed Senate Bill 218 would impose the burdens of multiple licensure on managed care pharmacies without increasing the already high quality of the services they provide to Montana consumers. Second, the same local interest has been, is now, and will be fully protected, without burdening interstate activities, by relying on the regulations and supervision of the board of pharmacy of the state where the managed care pharmacy, and its pharmacists, are located.

Given the recognized high quality of managed care pharmacies and the discriminatory effects of the licensing approach on out-of-state pharmacies, the proposed amendment fails both tests of *Pike v. Bruce Church*. Proposed Senate Bill 218 is merely an anticompetitive and anticonsumer regulation designed to protect the economic interests of instate retail drugstores rather than the well-being of Montana consumers.

IV. PHARMACY REGISTRATION: PRO-CONSUMER, PRO-COMPETITIVE, AND CONSTITUTIONAL: AMCPA SUPPORTS MONTANA'S EXISTING LEGISLATIVE FRAMEWORK FOR NONRESIDENT PHARMACIES.

You can be assured that AMCPA shares the Senate Committee on Business and Industry's interest in promoting the health, safety, and welfare of Montana's citizens and its desire that those citizens receive the highest quality pharmacy services. Like the Montana State Legislature, AMCPA believes that this goal can only be achieved by requiring nonresident pharmacies to be licensed by and in good standing with their own state's pharmacy authority and in compliance with all pharmacy and controlled substances laws of their own states.

---

[5]In a 1987 national survey, approximately 84% of retail pharmacies in the United States stated they mailed prescription medicines to patients who are on vacation, homebound, etc. These retail pharmacies are not required to be licensed in any of the states into which they are mailing prescription medicines to their patients. "Is There Anything A Pharmacist Won't Do For A Patient?," *Drug Topics*, October 19, 1987, pages 19-21.

As AMCPA's members practice pharmacy on a nationwide basis and are potentially subject to some degree of regulation by all 50 states, the issue of burdensome regulation is of utmost concern to our members. We, therefore, respectfully oppose proposed SB 218 because it provides economic protection to local drug stores that are unwilling or unable to offer the best combination of high quality and low cost to Montana consumers who receive prescription medications as a health benefit. Proposed SB 218 is constitutionally suspect because of the discriminatory burden it places on interstate commerce and because it is anticompetitive rather than designed to further public health and safety. The attached *Executive Summary* states our objections to the proposed legislation.

Montana recently adopted legislative requirements which are part of the Montana Pharmacy Practice Act entitled: "Out-of-State Mail Service Pharmacies." Rules and regulations for this statute have not been promulgated yet. AMCPA supports Montana's existing legislative scheme for nonresident pharmacies. This legislation conforms to the model disclosure legislation for nonresident pharmacies, meets constitutional requirements and legitimate needs, and guarantees our members the opportunity to provide high-quality, home-delivered pharmacy services to Montana citizens. The Montana Legislature, in critically examining the issue, favorably approved this kind of regulatory approach as appropriate. A number of states such as California, Kentucky, Maine, Minnesota, Missouri, South Carolina, Texas, Virginia, Washington, West Virginia, and Wyoming have also adopted essentially the same legislative framework.

The model state disclosure legislation recognizes the authority and responsibility of the boards of pharmacy in other states over their own resident retail pharmacies, and provides that the nonresident pharmacy must hold a valid license in its home state and comply with all laws, standards of practice, and other regulations and rules of that state. The model disclosure legislation additionally provides that the nonresident pharmacy be subject to the disciplinary action by the instate board when they fail to comply with certain minimum requirements.[6] I would be happy to answer any questions the committee may have. Thank you.

Attachments:

A. Credentials of Delbert D. Konnor, PharmMS, Executive Vice President, AMCPA;
B. "Pharmacies Fight Off New Competition," *The New York Times*, November 5, 1989, page F-17; and
C. "Model State Registration Disclosure Legislation for Nonresident Pharmacies (Major Provisions)."

---

[6]Attached is the "Model State Registration Disclosure Legislation for Nonresident Pharmacies." See ATTACHMENT C.

Background Information on Mr. Konnor

Delbert D. Konnor, PharmMS
Executive Vice President, AMCPA

- Formerly Vice President for Professional Services of the AARP Pharmacy Service of the American Association of Retired Persons

- Served earlier as Manager of the U.S. Drug Enforcement Administration's Voluntary Compliance Program

- Formerly Assistant to the Executive Vice President of the National Association of Retail Druggists (NARD)

- Has also served as Director of the first White House Conference on Prescription Drug Misuse, Abuse, and Diversion

- Serves as Adjunct Professor of Pharmaceutical Administration at Duquesne University School of Pharmacy

Attachment A
AMCPA Statement on Proposed Montana SB 218
January 29, 1993

Reproduced from:
The New York Times
November 5, 1989
Page F-17

WHAT'S NEW IN PRESCRIPTION DRUGS/Echo Montgomery Garrett

Pharmacies Fight Off New Competition

THERE is a drug war in America today that has nothing to do with crack dens and money laundering. Pharmacies are fighting to keep what was once their exclusive domain: the retail market for prescription drugs. Since 1985, health maintenance organizations, doctors and mail-order houses have cornered a growing share of that business and last year sold 15 percent of the nation's $28 billion in prescription drugs.

"Overall, it's not the best of times for the drug retailing industry," said Gary M. Giblen, an analyst at Paine Webber.

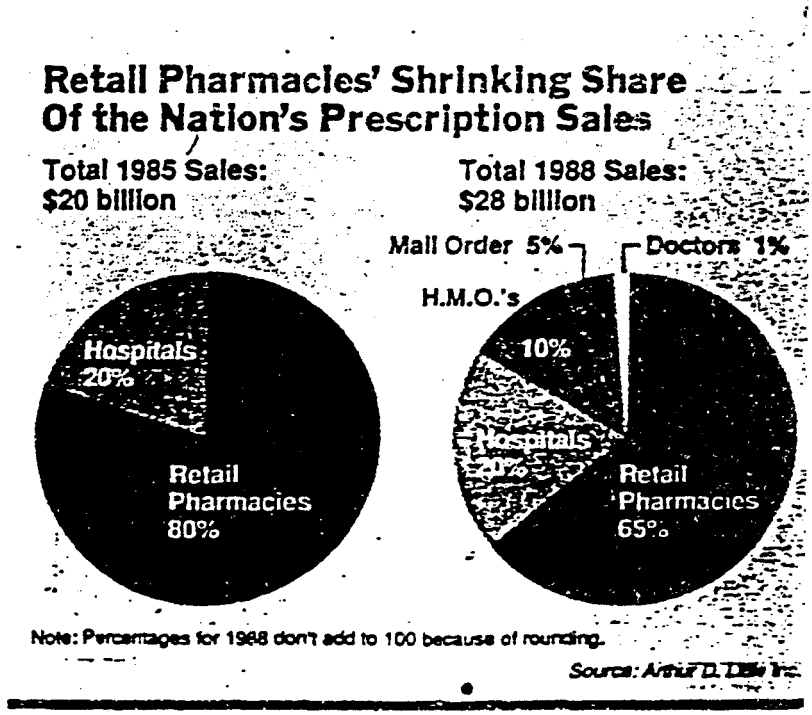
Pharmacies, which derive a quarter of their revenues from prescription drugs and use them to lure customers into their stores, have been under pressure for some time. Over the last decade, as employers increasingly added drugs to their benefits plans, insurance programs have replaced up-front cash purchasesas the dominant form of payment for prescriptions, burdening pharmacies. Now, druggists may wait up to 120 days to be paid.

Growing competition only exacerbated their problems. Supermarkets and convenience stores have recently entered the business. And with the prices of prescription drugs escalating by 88 percent since 1981 — twice as fast as the Consumer Price Index — many employers have turned to discount mail-order houses or started their own in-house pharmacies to cut costs.

The latest threat comes from physicians. Faced with heavy competition, rising costs for malpractice insurance and fees frozen by Medicare and Medicaid, many doctors have started to fill prescriptions they write as a way of generating revenues.

To cope, pharmacies have consolidated to gain efficiencies. The number of stores has remained stable over the last decade at about 60,000. But many chains have merged, decreasing their number by about 20 percent, according to the National Association of Chain Drugstores, an industry trade group in Alexandria, Va. For instance, Fay's, a leading chain, with 163 units, established a new division last year to make acquisitions. It hopes to expand its stores by at least 10 percent a year over the next five years, said John A. Kogut, president of the new arm.

Many pharmacies also participate in prescription card programs that give employers discounts on drugs. And they have convinced Congress to investigate discriminatory pricing practices by manufacturers that they claim give mail order houses an advantage. They are pressing state legislatures to pass laws to restrict dispensing by doctors.



Attachment B
AMCPA Statement on Proposed Montana SB 218
January 29, 1993

AMERICAN
MANAGED CARE
PHARMACY
ASSOCIATION

2300 Ninth Street South, Suite 210 • Arlington, Virginia 22204 • 703-920-8480 FAX: 703-920-8491

MODEL STATE REGISTRATION DISCLOSURE LEGISLATION FOR NONRESIDENT PHARMACIES – MAJOR PROVISIONS

REGISTRATION

Model registration disclosure legislation for nonresident pharmacies has been successfully implemented in several states across the United States. The model legislation would require any pharmacy, as specified, located outside the state of **[name of state]** which ships, mails, or delivers prescription medication into the state of **[name of state]** to register with the Board, disclose specified information to the Board, and meet other conditions. The legislation requires the following actions to be taken by a nonresident pharmacy:

- register with the **[name of state]** Board of Pharmacy when it ships medicines into the state;
- disclose the location, names and titles of both its corporate officers and its pharmacists who dispense drugs to **[name of state]** residents;
- maintain **[name of state]** residents' controlled substances' records so that they are readily retrievable;
- provide a toll-free telephone service to facilitate communications between **[name of state]** patients and a pharmacist at the pharmacy who has access to the patient's records; and
- comply with all requests for information by the **[name of state]** Board of Pharmacy.

RESIDENT STATE LICENSURE

The model registration disclosure legislation recognizes the authority and responsibility of the boards of pharmacy in other states over their own resident pharmacies. The legislation specifies that a nonresident pharmacy is responsible to the **[name of state]** Board of Pharmacy for the following licensure requirements:

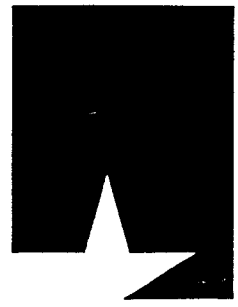
- the requirement to qualify and hold a valid pharmacy license;
- the requirement to submit to all licensed inspections;
- the requirement to comply with the pharmacy law, standards of practice, and other regulations; and
- the requirement to assure that its pharmacists are properly licensed in the state which they practice;

DISCIPLINARY ACTION

The model disclosure legislation additionally provides that the nonresident pharmacy also is subject to the disciplinary action by the **[name of state]** Board of Pharmacy for the following actions:

- failure to comply with the conditions of registration;
- failure to register in **[name of state]**, but advertising services to **[name of state]** patients; or
- causing serious bodily or psychological harm to a **[name of state]** patient, if the matter has been referred to the board of pharmacy of the state where the pharmacy is located and no action has been taken within 45 days of referral.

Attachment C
AMCPA Statement on Proposed Montana SB 218
January 29, 1993



Answers to Common Charges Against Managed Care Pharmacy

Delbert D. Konnor, PharmMS
Executive Vice President
American Managed Care Pharmacy Association
2300 Ninth Street South
Suite 210
Arlington, Virginia 22204
Phone 703.920.8480
Fax 703.920.8491

■ Managed Care, Mail Service Pharmacy is Unregulated

Not true. Managed care, mail service pharmacies are licensed by the states in which they are located. Each pharmacy is in full compliance with all applicable laws and regulations of both its domicile state and the federal government.

The practice of pharmacy today is largely regulated by the states through a complex set of legislative and regulatory requirements that govern the quality of pharmacy services. State regulations assure safety, high quality dispensing practices, and an appropriate pharmacist-patient relationship. The pharmacists employed at managed care, mail-service pharmacies are graduates of the same state board-licensing examinations as their colleagues practicing in communities and in hospitals.

State boards of pharmacy regulate pharmacies within their states; this works well. Multiple state regulation is neither needed nor feasible; a pharmacy serving patients in several states would then find itself enmeshed in overlapping and sometimes contradictory requirements imposed by state boards of pharmacy with different traditions and regulatory practices. A managed care, mail service pharmacy can comply completely only with the pharmacy laws and regulations of one single state.

The Food and Drug Administration has testified to the effectiveness and adequacy of the current system of state regulation: "[FDA] also disagrees ... that States have not been effective in regulating mail-order pharmacies."

Furthermore, any pharmacy with unacceptably high error rates would be put out of business by the tort system. The legal standards for managed care, mail service pharmacies and other pharmacies are indistinguishable.

Those opposed to managed care pharmacy have claimed that managed care pharmacy firms intentionally locate in states with weak legislative or regulatory oversight. This is a feeble claim, however, since managed care pharmacies are located in nearly half the states in the U.S. Clearly, half the states in the U.S. do not have excessively lenient oversight.

The claim that managed care pharmacy is unregulated is thus untrue and unproven. The current regulatory system for managed care pharmacies is adequate, effective, and appropriate.

■ Managed Care, Mail Service Pharmacies Do not Reduce Overall Drug Costs

This allegation is false. Managed care, mail service pharmacies are highly successful in reducing the overall cost of prescription drugs.

The cost-effective benefits of managed care pharmacies are in direct proportion to their ability to monitor patient compliance, drug-drug interactions, prescribing practices, and dispensing patterns. Couple these healthcare monitoring services with efficient management techniques such as economies of scale and effective utilization of professional staff and supportive personnel, and you have a natural formula for reducing healthcare costs. AMCPA's members have successfully followed this formula.

Economies of scale provide the basis for cost containment and cost efficiency. Some of the more important areas that have an impact on cost containment include: overhead expenses, generic dispensing, buying power, pharmacy group practice, and the use of mechanical and electronic technology to mechanize and improve pharmacy dispensing procedures.

Furthermore, there is no objective evidence to prove the claim that managed care, mail service pharmacies are not cost-effective. Only two studies, the Brandeis study and the Seiben study, purport to show that managed care, mail service pharmacies do not reduce overall drug costs. For several reasons, however, both of these conclusions are profoundly faulty.

In the case of the Brandeis study, which purports to show only a two-cent-per-day cost difference between mail service pharmacies and retail pharmacies, two factors make its cost comparisons useless. First, due to a lack of adequate response to the survey's inquires, limited cost data were obtained. Even the authors of the study themselves admitted that this called into serious question the validity of their so-called two-cent difference—"[The two-cent difference] may be inconclusive since many of the firms questioned failed to provide information on average net acquisition costs and selling prices for specific products." Second, the researchers used average prescription price data from one particular source without examining the origins of that data and determining whether they were truly representative of actual prescription costs. Other average prescription price data, which would have shown a significant saving for mail service pharmacies, were disregarded for no reason. This prompted even one of the study's coauthors, Stephen Schondelmeyer, when asked if the so-called two-cent difference was an unfair comparison, to respond under oath, "Yes, I've agreed with that." In fact, had other average prescription price data been used, the results would have shown a price difference of more than ten percent.

The only other study to allege that managed care, mail service pharmacy is not cost-effective is a study by Seiben & Associates, Inc. Even the Seiben study, however, acknowledged that the unit costs for mail service pharmacies were four percent less than for retail pharmacies. The study alleged, however, that net costs were higher (by five percent) because of increased drug utilization. For several reasons, however, these data and conclusions must be discounted. First, it utilized mail service plans with a 180-day supply. This is not representative of managed care pharmacy as a whole, which averages a 72-day supply. One would expect significant wastage in a plan using a 180-day supply. Second, the Seiben study did not compare actual costs before and after introduction of a mail service plan—it only compared post-plan data to *expected* pre-plan data. Finally, the study did not take into account the cost reductions resulting from generic substitutions. For all these reasons, the Seiben study too must be discounted.

In contrast to the two faulty studies mentioned above, there have been numerous studies that have testified to the ability of managed care, mail service pharmacies to reduce overall prescription costs. A study done by the firm William M. Mercer concluded that "mail service reduced total gross costs. Increased drug utilization was not a significant offsetting factor. . . . Total plan discounts achieved through the adoption of the mail service option more than offset the minor increase in utilization observed for these plans." Another study by the Boston Consulting Group concluded that "at the unit-cost level, MSP [mail service pharmacy] plans offer savings of 30 to 35 percent on maintenance drugs over card and MM [major medical] plans. . . . At the total drug-cost level, savings can potentially reach 20 to 25 percent." Another study by FIND/SVP observed "a 26% difference in cost between a mail order prescription and a prescription reimbursed through a standard major medical plan." Finally, a Frost & Sullivan, Inc. report established that managed care pharmacy provides 22% savings over major medical plans and 11% savings over card plans.

A recent study, prepared by the Wyatt Company, an international benefits consulting firm, compared costs under managed care, mail service pharmacies and pharmacy network arrangements with prices in unmanaged retail environments. Managed care, mail order pharmacy operations (best-suited for chronic-condition, maintenance medications) generally charge 13% below Average Wholesale Price (AWP) plus a $2.50 dispensing fee. Pharmacy PPO prices are about 10% below AWP plus a $2.75 dispensing fee. Unmanaged retail stores charge 8.25% above AWP plus a $4.00 dispensing fee, the study says.

And, the Wyatt study adds, "Note that mail order supplies an average 73 days supply compared to an average supply of 30 days in retail, resulting in a 'corrected' dispensing fee of $1.04 per 30 days supply (and) over 11% claims cost savings compared to unmanaged retail."

When all the data are collected, the conclusion is simple: managed care, mail service pharmacies *are* successful in reducing overall prescription costs. Any so-called evidence that claims otherwise is, for one reason or another, useless. All the remaining evidence clearly testifies to the cost savings inherent in managed care pharmacy.

■ Managed Care, Mail Service Pharmacies Do not Provide Adequate Care to Patients They Never See

Pharmacist/patient contact has always been discussed as the ideal situation, even to the extent of charging for the time of consultation. Philosophically, this is good, and it is an admirable goal.

To be blunt, however, there is no evidence to suggest that quality of care suffers because of a lack of face-to-face consultation. Mail service pharmacists are just a telephone call away for patients who have questions about their prescription medications or over-the-counter drug products. Pharmacists are available to counsel patients privately and confidentially in their homes through a toll-free (800) number. This confidential counseling service is available (1) before the patient sends the prescription order to the pharmacy, (2) after the patient receives the prescription medicine, and (3) anytime during or after the entire course of medication therapy.

Furthermore, a mail service pharmacy utilizes dispensing procedures that provide the same characteristics of consultation as those found at the traditional retail pharmacy level. A mail service pharmacy maintains patient profiles and checks each prescription against the patient's drug history file and a sophisticated adverse drug reaction program. Pharmacists review and resolve any potential problem before medication is dispensed. A mail service pharmacy also includes drug information leaflets with the drugs dispensed. These leaflets, written in easy-to-understand language, provide the patient with general information about the medicine as well as specific advice on proper usage, possible side effects, and precautionary measures.

Some claim that actual face-to-face consultation is necessary, and some have even suggested that it be legally required. But not everyone who gets prescription medication needs consultation nor wants it. Making face-to-face consultation mandatory is fraught with problems. Current state laws and regulations and good professional practice allow the pharmacist to consult with the patient when, in the pharmacist's professional judgment, it is necessary. Current federal law, in the form of the Omnibus Budget Reconciliation Act of 1990, requies states to adopt basic requirements for patient counseling, but allows states to provide specific guidelines on how the patient counseling should be administered. Two principles which must be kept in mind with regard to laws requiring patient counseling are: first, is the pharmacy or pharmacist allowed the proper flexibility in choosing how the patient counseling is to be administered in each situation; and second, do the regulations respect the variety of ways in which patient counseling can be administered in different pharmacy practice settings?

Furthermore, oral consultation can be faulty. It should be used only as a supplement to, not a replacement for, written consultation. After all, patients do not always pick up their prescription medication; sometimes they send a relative or neighbor or friend. Because patients on chronic medication know what they are taking, they probably do not need oral consultation anyway. However, their prescriptions do need to be monitored. Not all patients need or want oral consultation.

Managed care, mail service pharmacies have established themselves as professional practice settings. They incorporate physician prescribing data and patient consultation into drug usage reports. These give guidance to improving patient drug therapy. Furthermore, these reports represent some of the value-added services that home-delivered pharmacy offers. In effect, mail service pharmacies have separated the commodity—the prescription medication—from the service, from the consultation information, and they have set benchmark standards for cost-effective delivery of both the commodity and the service. These reports, when evaluated on a patient-by-patient basis, represent another form of patient consultation.

Problems relating to patient care permeate all forms of pharmacy practice—retail and chain drug stores as well as mail service pharmacies. It is not inappropriate to decry the loss of old-time values and practices; however, it is wrong to focus solely on the demonstrably reputable group of mail service pharmacists and attempt to allege that the evils of modern times reside entirely with them.

■ Managed Care, Mail Service Pharmacies are High-Speed, Error-Prone, Assembly-Line Operations

This accusation results from a fundamental misunderstanding of the way in which managed care, mail service pharmacies operate. Using standard estimates of the number of prescription orders dispensed by managed care, mail service pharmacies annually, the average managed care pharmacist dispenses about 12 prescription orderd an hour. His counterpart in a retail pharmacy typically dispenses about 10.2 an hour. This difference is hardly significant, considering that the managed care pharmacist is not interrupted by nonprofessional or retailing activities, and it hardly supports a claim of "high speed dispensing."

Managed care, mail service pharmacies use a group practice arrangement. In group practice at managed care pharmacies, some pharmacists are assigned to various quality checkpoints, some monitor drug-drug interactions, some perform actual dispensing, and some handle patient consultation. Pharmacists are periodically rotated if they desire, so that they have the opportunity to participate in all areas of the pharmacy practice. The concept of pharmacy group practice provides assurances that prescription orders and drug therapy monitoring receive the attention of a number of pharmacists throughout the dispensing process. The division of duties reduces stress and mistakes by keeping pharmacists from constantly jumping from one task to another, as they often do in a retail setting.

Managed care pharmacists are not interrupted in their practice by nonprofessional or retailing activities or other distractions. The pharmacist in the traditional retail pharmacy performs a number of non-pharmacy practice retailing activities. These retailing activities reduce the amount of time devoted to pharmacy practice, subsequently affecting the nature and number of prescription orders that can be dispensed.

Critics of managed care, mail service pharmacy try to impute stress to the working conditions and practice environment of the mail service pharmacist. The stress factors of all areas of pharmacy practice should be studied and compared. A scientific statement can then be made about stress and pharmacy practice. But there is nothing to suggest that stress is endemic to managed care pharmacy.

In fact, managed care pharmacies are pharmaceutical service centers where the profession of pharmacy is practiced to the highest degree. In many aspects, it is the culmination of professional pharmacy practice. It hardly compares to an "assembly-line" operation.

This is also an unfounded allegation. First, there is nothing endemic to senior citizens that makes them more susceptible to any supposed "risks" of managed care pharmacies as compared with "average" people. There are health-related issues that affect seniors directly, but these issues apply to all of pharmacy, not just managed care pharmacy. Second, there is no evidence to suggest that seniors have been placed at a greater risk through the use of managed care pharmacies, since managed care pharmacies don't create risks for anyone.

Prescription drug noncompliance is a problem for senior citizens, but here again this is a problem that affects all of pharmacy. The pharmacy, retail, chain, hospital, and managed care pharmacy, all need to address this issue to improve medication compliance among seniors. Obtaining prescription medication from the hospital pharmacy, the community pharmacy, the chain pharmacy, or the managed care, mail service pharmacy does not change the patient's ability to comply. Compliance depends on a patient's cooperation and the on-going monitoring of the medication regimen by the patient's physician.

Furthermore, no evidence exists to support the claim that managed care pharmacies create any risks for seniors. The AARP Pharmacy Service, for example, which markets its prescription drugs primarily to older Americans, has an enviable record of safety. A spokesman for AARP, testifying before the Illinois Department of Professional Regulation on behalf of the AARP Pharmacy Service, said, "The AARP Pharmacy Service operated three of the 41 registered nonresident pharmacies [in California] during the [two-and-a-half year] period under review and dispensed no less than 2.7 million prescriptions for California residents. Even had all of the [nine] complaints [recorded during the period] been filed against us—which I assure you is not the case—the report would represent one of the most remarkable safety and compliance records in regulatory history." In fact, during the review period mentioned, only nine complaints were filed against all of the managed care pharmacies operating in California. Managed care pharmacies have an enviable record of safety, and there is nothing to support an allegation of increased risk for senior citizens.

■ Managed Care, Mail Service Pharmacies Target Senior Citizens

Managed care pharmacies don't "target" anyone. Managed care pharmacies provide safe, convenient care to all patients, including seniors.

Is it true that senior citizens are frequent users of managed care pharmacies? Yes, but this is a direct result of the fact that senior citizens consume, on average, many more prescriptions than do younger people. It has nothing to do with "targeting" by managed care pharmacies. Elderly patients are the most likely to have chronic illnesses and be on maintenance medication; therefore, they are natural patients for managed care pharmacies.

A rapidly growing sector of our society is the elderly. It has been predicted that by 1995 the number of Americans over seventy-five will increase by 30%. That some population represents the largest per capita consumer of drugs; the group contains persons with the greatest prevalence of chronic diseases; and the group consists in large part of persons on limited incomes. Moreover, many elderly persons have problems with ambulation—getting to the local drug store. The idea of sending the prescription order away in the mail, and having the product arrive right at their door several days later at a competitive price, is an attractive, convenient, and proven concept.

In general, the major users of managed care pharmacies are retired workers, employees of large corporations, and union members with prescription drug coverage. Of these, it is the retired workers' group that consumes the most medicines and therefore has the highest costs and simultaneously has the greatest proportion of chronic disease. It is a natural for this patient population.

All of these factors, along with longer life expectancy and earlier discharge from hospitals, mean increased drug utilization by the elderly. This is a natural phenomenon, one that affects both managed care and other forms of pharmacy practice. It is in no way the result of an effort to "target" the elderly.

■ Managed Care, Mail Service Pharmacy, Despite its Claim, Is Inconvenient

This suggestion betrays common sense. Convenience is the number one reason why patients choose a particular pharmacy. But there is nothing to suggest that managed care pharmacies are inconvenient; in fact, the reverse is probably true—managed care pharmacies offer more convenience and value-added services than retail or chain drug stores.

Managed care pharmacies are extremely convenient for patients living in rural areas, the handicapped, and the homebound. Managed care pharmacy is especially valuable for the elderly as well, since it is this very group that has ambulation difficulties as a result of orthopedic disease, lack of a driver's license, or dependence on the lengthy and complex process of using public transportation. Managed care pharmacy has also been proven very convenient for patients who live in remote, isolated areas, places where retail pharmacies have decided they cannot or will not locate.

Managed care pharmacy began with the Veterans Administration. Why did the VA introduce a mail service pharmacy? Because not only did it reduce costs, it also provided a new level of convenience to veterans, many of who were homebound and could not easily get to a pharmacy for their prescription medication.

Furthermore, it is the enormous success of managed care pharmacy over the past ten years that truly disproves the assertion that managed care pharmacy is inconvenient. Sales by for-profit managed care pharmacies have grown form $100 million in 1981 to $3 billion in 1991, a thirty-fold increase. Would managed care pharmacy have experienced such tremendous growth if it were "inconvenient?" Of course not. Managed care pharmacy has grown because it provides safe, cost-effective, *convenient* services to millions of Americans. It is the American healthcare consumers themselves that have testified to the convenience of managed care pharmacy.

The claim that managed care pharmacy is inconvenient is a false one. Convenience is inherent in the concept of managed care pharmacy, a fact that has been proven by the enormous success this unique method of prescription dispensing has had over the past decade.

STATE OF MAINE
114TH LEGISLATURE
FIRST REGULAR SESSION

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 18
DATE 1/23/93
BILL NO. SP 318

COST CONTAINMENT FOR PRESCRIPTION DRUGS

A Report
of the
Joint Standing Committee on
Business Legislation

December 1989

Members:
***Sen. John E. Baldacci*
Sen. Barry J. Hobbins
Sen. R. Peter Whitmore

**Rep. Carol M. Allen*
**Rep. Virginia Constantine*
Rep. Nason S. Graham
**Rep. Christopher Scott Gurney*
**Rep. Jack L. Libby*
Rep. Bertram Marston
Rep. Gary W. Reed
Rep. Carl F. Sheltra
Rep. Albert G. Stevens
Rep. John Telow

***Denotes Chair of Subcommittee*
**Denotes Subcommittee Members*

Staff:
John B. Knox, Legislative Analyst

Office of Policy and Legal Analysis
Room 101, State House--Sta. 13
Augusta, Maine 04333
(207)289-1670

January 29, 1993

Exhibit #19, "Testimony regarding prescription drug prices and referring to the Pharmacy Times, the American Druggist and the Lilly Digest publications for quotes on prices". The original is stored at the Historical Society at 225 North Roberts Street, Helena, MT 59620-1201. The phone number is 444-2694.

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 20
DATE 1/29/93
BILL NO. SB 218

A COST ANALYSIS OF THREE STATE MANDATES TO REGULATE THE PROVISION OF PRESCRIPTION DRUG BENEFITS

Prepared for
The Health Insurance Association of America

The Wyatt Company
June 26, 1992

Exhibit #20, "A Cost Analysis of Three State Mandates to Regulate the Provision of Prescription Drug Benefits". The original is stored at the Historical Society at 225 North Roberts Street, Helena, MT 59620-1201. The phone number is 444-2694.

THE CLINICAL ROLE OF THE COMMUNITY PHARMACIST

CASE STUDIES

Exhibit #21
1-29-93
SB-218

Exhibit #21, "The Clinical Role of the Community Pharmacist, Case Studies". The original is stored at the Historical Society at 225 North Roberts Street, Helena, MT 59620-1201. The phone number is 444-2694.

Richard P. Kusserow
INSPECTOR GENERAL

OEI-01-89-89161 NOVEMBER 1990

Evaluation of Consumer Opinions of Prescription Drug Services from Community and Mail Order Pharmacies

Sponsored by

Chapman Drug Company

Conducted by

The Center for Pharmacy Management and Research
The University of Tennessee
College of Pharmacy

Kenneth B. Roberts, MBA, Ph.D.
Principal Investigator

and

Walter L. Fitzgerald, M.S. J.D.
Co-Principal Investigator

June 2, 1986

Center for Pharmacy Management and Research

The Center for Pharmacy Management and Research was established at the University of Tennessee College of Pharmacy in 1985 for the purpose of producing and providing management information for the pharmacy profession and related health care institutions. The Center goals include research in health care management, education for health care practitioners and service to industry, institutions and entrepreneurs in pharmacy. The Center is supported by the College of Pharmacy and endowments established by virtue of gifts from Mr. R. C., "Dudley", Hoskins, D.Ph. of Clinton, Tennessee and Chapman Drug Company of Knoxville, Tennessee.

Evaluation of Consumer Opinions of Prescription

Drug Services from Community and Mail Order Pharmacies

Introduction

During the past three years many employers and union trust funds have intensified their search for less expensive alternatives for providing health care benefits. Prescription drug benefits, although representing only 6.7 percent of total health care expenditures, have experienced uncommon scrutiny. Some large corporate purchasers, in search of health care cost containment, have implemented what many providers consider to be bizarre alternative delivery systems. Among such delivery systems are mail order prescription drug programs.

Although mail order prescription programs have only recently made headlines, these programs began in the prescription drug industry over forty years ago. The most famous programs with longevity include the Veterans Administration (VA) Drug Benefit established in 1946 and the National Association of Retired Teachers established in 1959. The VA program, a free service to veterans, mailed 19.3 million prescriptions in the 1983 fiscal year. This was by far the largest mail order program. Other programs met with mixed success until the health care industry entered the era of cost containment. Besides the large VA program, the next two largest mail order providers are the American Association of Retired Persons (AARP), dispensing approximately 5 million prescriptions per year, and National Pharmacies, dispensing approximately 2 million prescriptions per year.

As the emphasis accelerated on cost containment, prescription drug program purchasers became less enamored with service and much more preoccupied with financial consequences. Casting perceived quality aside, the buyer moved toward what appeared to be a less expensive delivery system with limited risk - mail order. The apparent reasons for economy in the system were (1) economies of scale; (2) ability to substitute generic drugs in states with liberal substitution laws; and (3) a computerized information system for utilization review and claims processing. For these reasons, mail order programs were offered to union workers in the early 1980s.

The Problem

A major employer in East Tennessee adopted a mail order prescription program in 1984. It is projected that the adoption of this program removed prescription drug purchases in excess of $2,000,000 from the local market. Through conversations with employees utilizing the mail order program, pharmacists reported significant effects on dispensing, as well as unusual injuries.

Purpose

The purpose of the study was to determine the degree to which mail order program users differ from non-users regarding their satisfaction with prescription drug services.

Methods

A personal interview was designed for administration to adults residing at private residences in the county in which the employer is situated. The interview was pretested and modified to reduce and/or eliminate items which were easily misunderstood or confused the interviewee (Appendix A). Interviews were conducted by telephone by a trained interviewer. The interviewer was instructed about proper procedure, etiquette and telephone interview techniques. The interviewees were informed that this project was being conducted by the University of Tennessee College of Pharmacy, and that the project was examining prescription drug services and consumer preferences.

A sample of 300 residences was selected from the county telephone directory. The selection process utilized the systematic random sample technique. The interviewer called each residence and requested to speak to the husband, wife or head of household. Procedures to assure randomness and representation were used in the event that contact could not be made with the occupants. The interview process continued until 300 complete and usable interviews were obtained.

Results

Data from 300 interviews were coded, entered and tabulated by computer. These tabulated data were summarized to describe the characteristics of the sample, their preferences for prescription services and comparison of mail order user preferences to community pharmacy user preferences.

The tabulated responses are summarized as follows:

: 69 percent of the interviewees were women

: The number of occupants in each household were:

one	- 17%
two	- 46%
three	- 14%
four	- 15%

: 50 percent of the interviewees were eligible for some type of employer funded health care benefit. These responses were further identified as participating in the following types of prescription drug programs.

Deductible plan	- 62%
Mail Order plan	- 22%
Co-payment plan	- 6%
Medicaid	- 7%
Veterans plan	- 1%
AARP	- 1%

: Pharmacy use was reported as:

Community independent	- 47%
Chain pharmacy	- 42%
Mail order pharmacy	- 11%

Mail Order Pharmacy Users

: Mail order pharmacy users were questioned further

- 34 interviewees (11 %) used mail order services
- Reasons for using mail order were:

  First - Price
  Second - Other: "because the Company encourages me to use it"

- Number of prescriptions obtained each month by mail order:

one	- 32%
two	- 21%
three	- 21%
four to five	- 12%
six or more	- 14%

- Services provided by mail order included:

	Yes	Consumer valued as important
medication record	- 41%	79%
prescription leaflets	- 47%	71%
insurance receipts	- 18%	21%
other (booklets)	- 21%	86%

- Mail order delivery time was typically:

7 days	- 38%
8 days	- 3%
10 days	- 32%
13 days	- 3%
14 days	- 18%
15 or more	- 6%

- Incidence of problems with mail order service:

	Yes
delays	- 12%
received wrong medication	- 0%
damaged containers	- 9%
lost in mail	- 0%
evidence of tampering	- 0%
other problems	- 3%

- Plans to continue using mail order

Yes - 100%

- Overall rating of mail order service:

excellent	- 56%
good	- 44%
fair	- 0%
poor	- 0%
	100%

Community Pharmacy Users

: Community pharmacy users were questioned further:

- 266 interviewees (89%) used community pharmacy services

- Reasons for using local service were:

price	- 33%	
the pharmacist	- 16%	
other	- 15%	(including used for years 6%, dependability 4%)
services	- 8%	
location	- 7%	
convenience	- 2%	

- Number of prescriptions obtained each month:

none	- 14%
one	- 30%
two	- 18%
three	- 10%
four	- 10%
five	- 7%
six or more	- 10%

- Services provided by community pharmacy:

	Yes	Consumer valued as important
medication record	- 74%	68%
counseling	- 59%	75%
insurance/billing	- 9%	10%
other (delivery, discounts, and OTC advice	- 19%	93%

- Incidence of problems with community pharmacy service:

	Yes
long wait	- 12%
wrong medication	- 5%
unfriendly employees	- 3%
other problems	- 1%

- Plans to continue using community pharmacy:

Yes - 99.6%

- Overall rating of community pharmacy services:

excellent	- 43%
good	- 53%
fair	- 4%
poor	- 0%
	100%

Conclusion

The incidence of mail order prescription service was only 11 percent in a community where the predominate employer has implemented the service. Most mail order users report few problems and the overall rating of the service was excellent or good. In fact, the rating for mail order services was slightly better than the rating for community pharmacy services.

REPORT OF THE BOARD OF TRUSTEES

Report I
(I-87)

Subject: Mail Service Pharmacy
(Resolution 91, I-86)

Presented by: Alan R. Nelson, M.D., Chairman

Referred to: Reference Committee E
(Frank B. Walker II, M.D., Chairman)

Resolution 91 (I-86) of the House of Delegates, asking the AMA to meet with the Pharmaceutical Manufacturers Association to communicate the AMA's concerns regarding mail order prescriptions to industry, insurance companies, and appropriate regulatory bodies, was referred to the Board of Trustees. The concerns addressed in the resolution are that: (1) the 90-day minimum quantity required by some mail order prescription services represents a potential for overdose in many patients; (2) the accumulation of medication may lead to the illicit diversion and misuse of drugs; (3) controlled quantities, controlled number of refills, and fixed intervals between refills are essential for many patients; and (4) the large minimum quantity required may be financially burdensome for low-income patients.

PAST HOUSE ACTION

In the last AMA policy statement that addressed mail order prescriptions, Board of Trustees Report N (A-60), the House of Delegates endorsed a proposal of the pharmacy profession to regard the "unorthodox practice of mail order filling of prescription drugs as not in the best interest of the patient except where unavoidable because of geographic isolation of the patient."

BACKGROUND

Mail order prescriptions or, more accurately, mail service pharmacy (MSP) is a form of pharmacy practice that dispenses drugs by mail. In the United States, consumer demand and the emphasis on cost containment in health care programs are partly responsible for the growth of MSP. The Veterans Administration (VA) dispenses the largest number of drugs to patients by mail, but usually not outside the individual VA medical center area which distinguishes it in part from other large MSPs. The American Association of Retired Persons

---

Past House Action: I-86:407; A-60:56

[AARP] Pharmacy Service is the oldest nonprofit private MSP. For-profit private companies (eg, America's Pharmacy, Medco) also exist. The for-profit companies may or may not require membership. MSP is now expanding to hospitals (eg, Arc Ventures, Inc., a for-profit subsidiary of the nonprofit Rush Presbyterian St. Lukes Medical Center in Chicago), and chain and independent pharmacies (eg, Thrift, SuperX, Walgreens). Industrial companies (eg, Chrysler, Ford, General Motors), have benefit programs which include drugs by mail.

Currently, the number of prescriptions dispensed by mail service pharmacies (excluding prescriptions dispensed by the VA) is approximately 60 million per year, which represents less than 4% of the 1.5 billion prescriptions dispensed annually. The remainder is divided among about 60 organizations. The National Association of Mail Service Pharmacies, which is currently composed of eight of the larger MSPs, projects that MSP will have 6% of the market in the near future and possibly 10% in the 1990s. This projection is based on growth during the last decade and the continued expansion of prepaid medical plans.

In 1986, the Louisiana State Board of Pharmacy commissioned a study to prepare a monograph on the regulation of MSP. The study concludes that the current regulatory status of MSP is in a state of flux. No federal law preempts the states in their regulation of MSP, and state boards of pharmacy differ widely in their requirements for licensure and operation. A few states have developed model guidelines for regulation, but the acceptance of one standard by all states seems unlikely. Currently, the Drug Enforcement Administration is the only federal agency which affects regulation of MSPs that ship prescription drugs across state lines. A pharmacist in any state can dispense a prescription written by a physician in any other state, and he/she is regulated under the laws of the state in which the license to practice pharmacy is granted; therefore, state boards of pharmacy can enforce the requirements for licensure of the pharmacists employed by MSPs whose place of business is located within the state.

At its 1987 annual meeting, the National Association of Boards of Pharmacy (NABP) recommended that a survey of all state boards be conducted to collect complaints and any disciplinary actions taken regarding MSP. NABP asked that the results of the survey be reported at its 1988 annual meeting.

BENEFITS AND CONCERNS

In a survey of a random sample of 1,800 customers out of a total of 50,000 customers conducted by the AARP Pharmacy Service in 1987, two benefits--convenience and price--were cited by 99% and 93% of the respondents, respectively. Economies of scale and generic dispensing are claimed to account for most of the cost savings perceived. The price advantage may be more perceived than real if a Prescription Card Service (PCS) study is correct. PCS is a claims processing subsidiary of McKesson, Inc. Although MSP was less

expensive per unit cost, total cost to the buyer is actually greater. The increase in total cost was due to an increase in utilization and the maximum prescribing amount allowed by the health benefit program for drugs.

The next two benefits cited in the AARP survey were promptness based on expectations (14%) and convenience when transportation is unavailable (13%). Although representatives of MSP comment that additional benefits will be the capability to perform drug utilization studies and postmarketing surveillance, there is little peer-reviewed literature that such benefits currently exist (except in the case of the VA).

The major concerns of members of the National Association of Retail Druggists (NARD) about MSP are the competition that the practice poses. Except for the state in which a MSP company is domiciled, it is usually not required to register for licensure. The members of the American Pharmaceutical Association (APhA) also are concerned about competition and believe that MSP does not offer comprehensive pharmaceutical services, eg, personalized counseling by the pharmacist. Further, the Policy Committee on Public Affairs of the APhA is concerned that patient freedom of choice will be limited if insurance companies require mail order use. MSP supporters argue that counseling by retail pharmacists is only offered in about one-third of total patient contacts. In addition, since many MSPs have a 24-hour, seven-day WATS line service, they believe that contact with patients and physicians is as frequent and as helpful as that of retail pharmacists.

In response to concerns about diversion, the Drug Enforcement Administration (DEA) conducted a study in 1972, entitled Project Script, to determine the ease with which prescription fraud is perpetrated and the prevalence of prescription fraud in MSP compared to retail drug stores. To estimate their vulnerability, 256 prescription frauds of controlled substances were attempted over a two-month period. Retail pharmacies honored the prescription 56% of the time, whereas MSPs filled identical requests only 25% of the time. As a result of this study, it is presumed that persons attempting to illicitly secure controlled substances are reluctant to furnish a mailing address and prefer to observe the pharmacist directly and to be able to leave the premises quickly if the pharmacist acts suspicious.

A second survey conducted by the DEA in 1976 of 123 pharmacies (including 93 VA pharmacies) offering mail order prescription services reached a similar conclusion. This survey revealed that less than 0.5% (approximately 12,000 dosage units) of the total number of dosage units of controlled substances that were sent through the mail (or United Parcel Service) in 1976 were actually lost or stolen. Overall, the verification systems to avoid drug diversion in MSP pharmacies were judged to be acceptable and accurate.

The VA has an extensive patient profile system and requires that a patient profile be on record prior to the dispensing of drugs. Prescriptions are limited to an original and five renewals, and a notice is sent with the last renewal to remind the patient that a physician must be contacted before another prescription can be dispensed for that drug.

Regarding the possibility of an overdose, no published studies are available that cite the prevalence of overdose in MSP patients compared to those who purchase their medication in the more traditional manner.

CONCLUSIONS

1. Mail service pharmacy is an established alternative method of distributing drugs in the United States.

2. Controlled studies in the 1970s support the fact that MSPs are less vulnerable to drug diversion than retail pharmacies. Although numerous concerns about lack of safety and drug diversion have been expressed in trade publications and newsletters, documented controlled data regarding these concerns are minimal. There is no evidence of lack of safety in the peer-reviewed controlled-study literature. The National Association of Boards of Pharmacy is currently conducting a one-year study to document complaints and review safety. Presently, the practice of obtaining drugs from mail service pharmacies appears to be relatively safe.

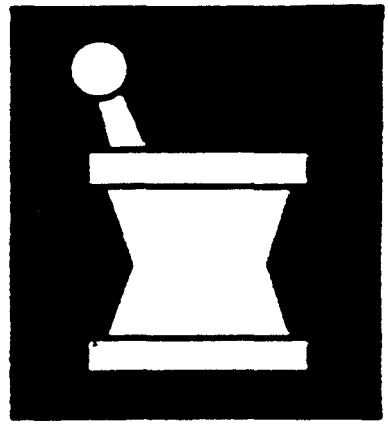
3. Mail service pharmacy for prescription drugs is probably most appropriate for patients who have a well-established diagnosis, who have long-term chronic illnesses, whose disease is relatively stable and in whom the dose and dosage schedule is well regulated, who are isolated because of geographic or personal reasons, who have a drug history profile on record, who have been adequately informed about their medication, and who continue to see their physician regularly. Certainly, MSP is not best utilized for medications that are to be used acutely. Further, there must be assurance that generic substitution occur only by order of the prescribing physician."

4. Any purported price savings from the use of mail service pharmacy is difficult to assess, since studies are generally limited to regional and limited patient populations.

5. Physicians have responsibility to prescribe reasonable amounts of prescription medications based on the diagnosis and needs of their patients. Physicians must not be influenced by purely economic reason, but they must take into account the patient's ability to pay and be aware of the guidelines recommended by particular health benefit programs for drugs.

The Board of Trustees recommends that this report be adopted in lieu of Resolution 91 (I-86).

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 24
DATE 1/29/93
BILL NO. SB 218



MAIL ORDER PRESCRIPTIONS

(SENATE CONCURRENT RESOLUTION 179)

A REPORT BY THE JOINT STUDY COMMITTEE

SENATOR HARMON CROPSEY, CHAIRPERSON

SENATOR JOHN SCHWARZ
SENATOR MICHAEL O'BRIEN

NOVEMBER 1988

MAIL ORDER PRESCRIPTION (SCR 179)

Hearings before the Joint Study Committee

by the Senate of the State of Michigan

Senator Harmon Cropsey, Chairperson
Senator John Schwarz, M.D.
Senator Michael O'Brien

Committee Clerk, Diane Black
Committee Staff, Matthew Hare
Policy Advisor, Catherine Virskus

November, 1988

CONTENTS

Introduction.....iii

I. The State of Michigan Contract.....1

II. Background on the Development of MOPS.....3

III. Questions of Concern to the Special Committee.....6

IV. Major Findings.....6

V. Possible Legislative Options.....15

VI. Summary.....17

Bibliography.....18

INTRODUCTION

Senate Concurrent Resolution 179, adopted by the Michigan Legislature on June 25, 1987, called for a special legislative committee to "review the health and safety impact of mail order prescription plans."

Pursuant to this Resolution, the Senate appointed a special committee of Senator Harmon Cropsey (Chair), Senator John Schwarz, M.D., and Senator Michael O'Brien. The Committee held hearings on September 17-18, 1987, and November 18, 1987. Invited to these hearings were representatives of the Departments of Civil Service and Management and Budget of the state of Michigan; the Michigan Pharmacists Association and pharmacists; mail order pharmacies; senior citizen organizations; and businesses which offer their employees a mail order pharmacy (MOP) benefit.

The Resolution and the establishment of a committee was initiated by the inclusion of a mail order prescription benefit in the benefit packages for several state of Michigan bargaining groups by the state Department of Civil Service. This action raised concern in a number of areas due to the fact that it was contrary to established state policy. Michigan law prohibits any pharmacist licensed in Michigan from using the mail to sell, distribute or deliver a drug which requires a prescription when the prescription for the drug is received by mail. (See Section 333.17763 (a) of the Public Health Code.) The state Attorney General has opined that the law does not apply to pharmacists licensed in other states.

Members of the Legislature felt that it was contradictory for the Executive branch to enter into a contract that was opposite in purpose to established state policy without legislative review of that contract and the policy that preceded it.

I. THE STATE OF MICHIGAN CONTRACT

The state program will provide mail service prescriptions to 27,000 active employees and dependents, and 20,000 retirees and dependents. The total eligible population is estimated at 103,000 individuals.

Medicines will be provided for a minimum of 21 days and a maximum of 90 days. The members will pay no copay for prescriptions filled through the mail order pharmacy but will pay a $2.00 copay for those filled by a community pharmacy. It is estimated the state will save $851,000 on $13.6 million in drug benefits provided. Other than the financial incentive offered by the elimination of the copay for those utilizing the MOP (mail order pharmacy), the program is entirely voluntary.

This optional benefit was negotiated by the Office of State Employer to become effective on October 1, 1987. The benefit was approved by the Department of Civil Service Commission in January 1987.

The contract was let by the state of Michigan to Baxter Travenol Preferred Prescription Service (PPS) with offices in Lincolnshire, Illinois, but incorporated in the state of Delaware. This company has been in the mail order prescription business since July 1985.

When the state's proposed action to initiate a voluntary mail order program was publicized, a number of concerns were brought to the attention of the Office of State Employer and the Civil Service Commission regarding health and safety implications of the mail order program. These same concerns were raised at Senate hearings here in Michigan and in other forums around the country. Those concerns include:

- the lack of state regulation of mail order programs;
- the inconclusive evidence demonstrating cost effectiveness;
- the lack of patient-pharmacist interaction;
- questions regarding the efficacy of checks and balances at mail order firms in filling prescriptions;
- possible time lags in receiving medications in the mail;
- the uncontrolled temperature climate with mail order delivery; and
- the potential of drug diversion.

The provisions of the contract between the state of Michigan and PPS appear to address a number of these concerns. Some of those provisions include:

- PPS will have toll-free telephone service between 8:30 a.m. and 6:30 p.m. EST;

- 90% of the prescriptions will be received and mailed within two days;

- the remaining 10% will be mailed by the third day;

- the company will provide Braille labels and nonchild-proof caps upon request;

- registered pharmacists will be responsible for initial reading and interpreting of the prescription for actually filling the prescription; and for comparing drugs dispensed to initial prescription. At least two registered pharmacists will see and put their personal stamp on each prescription filled by PPS; and

- the average generic dispensing rate at PPS is 20%, which is two times the national average. They purchase a generic from only one vendor to eliminate confusion. (However, PPS' rate is well below Michigan Blue Cross/Blue Shield average generic dispensing rate of approximately 35%. The Medicaid generic dispensing rate is estimated to be between 35-40%.)

All prescriptions are automatically checked to ensure that the drugs prescribed are included in the state's specific plan. Several other conditions will flag a prescription for additional attention including: premature refills; excessive dosages; excessive quantities; controlled substances; specialty medications; prescriptions which may result in a drug interaction based on the patient profile that will be maintained by the computer software program; and incomplete prescriptions.

Patient counseling information specific to the patient and the drug is provided on each prescription dispensed.

PPS, as the pharmacy contractor, operates a Utilization Review program. The program identifies where, for whom, and for what types of conditions benefit dollars are being spent. They will recommend action plans to address increasing health care costs.

It should be noted that while the state of Michigan Office of the Employer has done a credible job in negotiating a contract with many provisions which will address the health and safety concerns raised, there is no guarantee that other mail order pharmacies doing business with Michigan residents will incorporate the same safeguards in their practice. Michigan businesses adopting a mail order benefit for their employees, and individual Michigan citizens, need to be aware of the possible problems that may be inherent in mail order delivery, and need to assure themselves that the mail order firm with which they do business is utilizing all appropriate safeguards.

II. BACKGROUND ON THE DEVELOPMENT OF MOPS

The mail order prescription business is divided basically into four groups:

1. Nonprofit Government - Veterans Administration (VA)

2. Nonprofit Private - American Association of Retired Persons (AARP)

3. For profit limited - serving membership groups such as the Arthritis Foundation, Epilepsy Foundation, Cystic Fibrosis Foundation, National Council of Senior Citizens, and National Education Association.

4. For profit public drug programs - serving employee groups such as Chrysler, Ford Motor, the Ladies Garment Workers Union and public employee groups.

Mail service pharmacies have formed an association known as the National Association of Mail Service Pharmacies (NAMSP).

The two largest MOPs in the country are operated by the Veterans Administration, established in 1946, and the American Association of Retired Persons (AARP), established in 1959. Both of these have been in existence for many years with very wide utilization. There were no public records available to us of health or safety problems, nor is it known if any exist.

The Committee asked the AARP to send representatives to the mail order drug hearings to provide information on the background of mail order and its effect on senior citizens.

As the largest and oldest private mail order pharmacy business in the United States, it was felt that AARP could provide the most historical and comprehensive information. AARP responded by sending representatives and by compiling a large volume of data for the Committee to review. Highlights of that information follow.

Attention to mail order pharmacy services has become more focused in recent years, but MOPs have been around for a considerable period of time. Rural residents have historically been dependent on the postal system to deliver medicines and health products as well as other products, particularly prior to the development of the automobile.

The group with the longest history of involvement in MOPs is the Veterans Administration, which began the service in 1946. The major difference between the VA and others is that their medicines are provided free of charge to the patient. VA fills mail order prescriptions through 172 medical centers and 226 out-patient clinics.

In 1984, the VA delivered 22 million prescriptions by mail or other common carriers. Those prescriptions represented just slightly over 1% of the total prescriptions filled by mail order and community pharmacies combined. Thus, while the growth has been rapid in recent years, it still represents a very small percent of total drug deliveries.

AARP operates the largest private, nonprofit mail order pharmacy, having dispensed nearly 100 million prescriptions. They state that they want their members to have access to lower priced, high quality pharmacy services. They state that they also respond to the special needs of those with limited physical access to conventional pharmacy services, i.e. older Americans who are homebound, the disabled or handicapped, those living in rural areas, and those without access to public or private transportation.

More than two million members use the MOP on a regular basis--most for maintenance drugs. The AARP states that more than 80,000 of those members live in Michigan. AARP members are under no obligation to use the mail order service. AARP states that members freely choose to use the MOP instead of local community pharmacies because of its safety, convenience, services, and prices.

AARP Pharmacy Service is administered by Retired Persons Services, Inc., a District of Columbia not-for-profit membership corporation, which is organized independently of AARP. The net income is used either to improve services or lower prices but the pharmacy is not tax exempt. It pays all applicable federal, state and local taxes. It does not avail itself of any federal postage subsidies.

AARP Pharmacy Service operates pharmacies in eleven states and the District of Columbia. All offer walk-in service while 10 also provide postage-paid home delivery service by mail or other commercial carriers. Each complies with the pharmacy laws and regulations of the state in which it is located and with all federal statutes and regulations governing the practice of pharmacy and delivery of pharmaceuticals. Each is regularly inspected by the Board of Pharmacy of its home state, is registered with the United States Department of Justice, and complies with the regulations of the U.S. Food and Drug Administration and the U.S. Drug Enforcement Administration. Only licensed pharmacists dispense prescription drugs in its facilities.

In 1986, the AARP Pharmacy Service asked its customers why mail service was important to them. It states that in less than two months it received more than 65,000 hand-written responses. Of these, approximately 600 were received from Michigan residents.

In testimony delivered before the Senate Committee, AARP summarized the reasons their members gave for using the AARP MOPs:

> "Competitive prices, good service, convenience, privacy and free delivery. . .price has always been an important factor for older persons who depend on prescription drugs for chronic conditions. While making up only 12% of the population, people over age 60 purchase more than one-third of all the prescriptions sold in the U.S. A recent study conducted by AARP showed that prescription costs are the second highest out-of-pocket health care expenses for older Americans, exceeded only by nursing home costs."

Mail order pharmacy services (MOPs) are available as an employee benefit in numerous private sector firms doing business in Michigan, including the "big three" automakers. Several other states have included MOPs as a benefit to their employees.

AARP estimates the total of all prescriptions dispensed by all mail order pharmacies is less than 3% of the total number of prescriptions dispensed throughout the nation. That percentage estimate is echoed by several other sources. Thus, if 1.5 billion prescriptions are dispensed annually by all pharmacies, the approximate number of mail order prescriptions would be 50 million per year. In spite of this significant number of mail order prescriptions being filled, there are relatively few documented complaints about mail order delivery.

It should be noted that the lack of documented complaints does not mean that there are in fact no complaints about mail order delivery. There are complaints which have been reported in the news and other publications, but there has not been extensive documentation of these complaints since there is no regulatory body with specific responsibility for the mail order pharmacy.

The Board of Pharmacy in the state in which the pharmacy is physically located is the body which would be responsible for overseeing the operation of that pharmacy. Complaints, however, are most likely to be generated in another state--that which is the residence of the consumer receiving the drug. Since the state which the drugs are mailed to has no authority over a pharmacy located in another state, there is no regulatory body which is convenient for the consumer to contact regarding problems. It appears that when problems occur, the consumer either is able to resolve the problem with the mail order pharmacy directly or may very likely contact a local pharmacist for assistance and will correct the problem locally. This demonstrates the need for a procedure through which complaints can be documented and through which the state can access information regarding actual incidences.

Mail order pharmacy has grown from 1981 sales of less than $100 million to 1986 sales of $750 million. Thus, the recent nationwide growth in MOPs poses a threat nationwide to local pharmacists and pharmacies, and the traditional physician-pharmacist-patient relationship. Both the national and state associations have been active in lobbying for states to enact restrictions or regulations of MOPs as well as in lobbying individual public and private employers in opposition to major new MOPs' contracts. They support identifying alternative prescription programs that do not pose what they contend are health and safety hazards encountered with mail order.

Many local pharmacists are engaged in a fight for survival as the need for cost containment motivates both public and private employers and third-party payors to find ways to cut costs, some contend, without regard to the effect on the quality of health care. The competition comes not only from mail order business but from third party payors turning increasingly to exclusive provider contracts. In Colorado and Oregon, for example, 1987 saw these states require their Medicaid enrollees in HMOs to utilize specified pharmacies. In fact, 21 other states have been granted freedom of choice waivers from the federal Health Care Financing Administration to enter into these exclusive provider contracts, but have not yet done so.

Local pharmacists and pharmacies have strongly opposed mail order prescription services. The changing economic environment must be viewed as a major impetus to their opposition; however, they contend that the possible

health and safety problems they have identified are their most important concerns. In Michigan they have demonstrated this concern for health and safety issues by opposing House Bill 5204 which would have resolved their inability to compete with out-of-state mail order firms by allowing mail delivery in Michigan. Despite the fact that this bill would address the economic arguments, pharmacists remain steadfastly opposed to the receipt and dispensing of prescriptions through the mail.

III. QUESTIONS OF CONCERN TO THE SPECIAL COMMITTEE

The Committee asked numerous questions of those testifying at the two hearings and reviewed several hundred pages of documents available on the history and status of mail order pharmacy services.

The issues of concern for the Committee could be summarized in four broad categories:

1. Do mail order prescriptions actually result in any cost savings to the payor of the benefit or the individual patient?

2. Does receiving prescriptions by mail constitute any demonstrable danger to health and safety of those receiving the prescriptions or others who may come in contact with the mailed drug?

3. What jurisdiction over a pharmacy located out of state, but mailing into our state, does the state of Michigan have to regulate and inspect that pharmacy without impeding the flow of interstate commerce?

4. Do mail order pharmacies enjoy a tax favored status or evade state and local regulations which give them an unfair competitive advantage over community pharmacies?

IV. MAJOR FINDINGS

1. Cost savings may be illusory to the payor of the benefit. There is no definite documentation available that MOP results in lower costs of prescription drugs to the employer/payor.

Economies of scale and generic dispensing are claimed to account for most of the cost savings perceived. The price advantage may be more perceived than real if a Prescription Card Service (PCS) study is correct. PCS is a claims processing subsidiary of McKesson, Inc. PCS commissioned the independent actuarial firm of Sieben and Associates to determine the cost impact of mail order programs. Although MOP was less expensive per unit cost, total cost to the buyer was greater due to an increase in utilization and the maximum prescribing amount allowed by the health benefit program for drugs. The per unit savings were 4% but the overall utilization was 9% higher. The overall plan costs were 5% higher. The study attributed the increased utilization to greater wastage and recommended that for the greatest cost efficiency the maximum dosage dispensed be limited to 90 days. Thus, while the consumer did realize a per unit savings, the group paying for the benefit paid more for their prescriptions because of the greater utilization.

Potential cost savings may be even more difficult to realize in Michigan because of the highly competitive health care environment in this state. Pharmacists in Michigan are reimbursed on actual acquisition costs. In most other states they are reimbursed based on average wholesale price which results in higher costs. Additionally, generic dispensing is claimed to account for a large portion of the perceived cost savings. As mentioned previously, Blue Cross/Blue Shield of Michigan's average dispensing rate is 35%. PPS' is expected to be around 20% and the national average is 10%. It may be difficult for MOP to achieve additional cost savings in this state.

Testimony provided to the Committee by a representative of General Motors Corporation, however, indicated that GM is realizing a savings as a result of the mail order pharmacy program which they began in 1984. In written testimony to the Committee, GM says:

> ". .the Corporation realizes cost savings because fewer dispensing fees are necessary, a greater frequency of generic products are dispensed, and the acquisition cost of the drugs is lower under MOPD as a result of the volume purchasing arrangements. It is our opinion that mail order programs are an example of how enrollees and employers can benefit from cost containment programs which are innovative and quality based. In 1986, General Motors saved approximately 16% under MOPD compared to the traditional program."

2. Mail order pharmacy appears to be a safe and convenient method of obtaining pharmaceuticals for millions of Americans and hundreds of thousands of Michiganians.

In fact, review of some of the professional literature shows that some other segments of the health care industry are beginning to acknowledge the potential benefits and recent growth of MOP.

An article in the August 1987 edition of the American Journal of Hospital Pharmacy concluded:

> "The winds of change have brought a new acceptance of the mail-service pharmacy, despite opposition from within the profession. For specific segments of the patient population, the practice appears to represent a convenient and reliable alternative means of procuring medication. The popularity of the program with employers and consumers alike suggests tremendous growth potential, which will likely alter traditional distribution patterns. If, in fact, the outcome is improved, less costly, and more convenient patient care, with systems to ensure quality and safety, then traditional arguments against the practice may not be valid."

A 1987 report to the House of Delegates of the American Medical Association concludes (a partial list):

1. Mail service pharmacy is an established alternative method of distributing drugs in the United States.

2. Controlled studies in the 1970s support the fact that MOPs are less vulnerable to drug diversion than retail pharmacies.....presently the practice of obtaining drugs from mail service pharmacies appears to be relatively safe.

The potential for drug diversion has been often cited as one of the major safety problems with MOP. In 1972, the Drug Enforcement Administration (at that time the Bureau of Narcotics and Dangerous Drugs) concluded that "mail order prescriptions are not a significant source of diversion....the level of compliance with the Drug Abuse Control amendments compares reasonably well with the general run of prescription pharmacies.....generally it would appear that drug abusers are more likely to select a retail pharmacy.....to pass a forged prescription.....their needs are of a more immediate nature....."

A second survey conducted by the DEA in 1976 of 123 pharmacies (including 93 VA pharmacies) offering mail order prescription services reached a similar conclusion. This survey revealed that less than 0.5% (approximately 12,000 dosage units of controlled substances that were sent through the mail (United Parcel Service) in 1976 were actually lost or stolen. Overall, the verification systems to avoid drug diversion in MSP pharmacies were judged to be acceptable and accurate.

Testimony provided to the Committee by General Motors Corporation states their endorsement of MOP and attests to satisfaction by their active and retired enrollees with the MOP benefit. General Motors Corporation introduced a voluntary mail order prescription drug program on April 1, 1984. A representative of GM stated the following:

> "The MOPD program is targeted to individuals who may be taking a maintenance prescription drug for a chronic condition. Our data reflects that acute prescription needs are still filled by a local pharmacist. MOPD, thus far, has offered our people a cost-effective, quality alternative to the traditional prescription drug benefit program, as evidenced by the 980,700 prescriptions filled in 1986, approximately 5% of the more than 21 million prescriptions reimbursed under the General Motors' prescription drug program."

The DEA came to these conclusions after conducting an experiment known as "Project Script" by presenting forged prescriptions to hundreds of pharmacies, both mail order and walk-in. The mail order pharmacies processed the prescriptions 25% of the time, but the walk-in pharmacies did so 56% of the time. In neither case was the compliance laudable, but the results do not support the contention that MOP will result in greater incidence of drug diversion.

3. <u>There is anecdotal information citing problems with MOP but little or no documentation to support alleged problems</u>.

"Official" documentation of problems which could illustrate the many concerns that have been put forward regarding health and safety problems with MOP were largely not available to this Committee. The problems that were identified appeared "anecdotal" in nature due to the fact that they

were presented to the Committee by the Michigan Pharmacists Association without independent documentation by "official records" from a state or federal agency, and appeared to be primarily the same few cases which were presented to the Congressional subcommittee which held similar hearings in the summer of 1987. This is not to be construed as meaning that there have been no complaints regarding mail order pharmacies, but that information on specific complaints is not readily available.

The National Association of Retail Druggists attempted to conduct a survey of state boards in 1987 to gather data on complaints regarding MOPs. The final report was to be delivered at their 1988 annual meeting. They reported by telephone that they could not document a sufficient number of complaints to put together the survey. A major reason for the lack of documentation is that since state boards lack authority to regulate out-of-state pharmacies, they have no reason and possibly no authority to document or even handle the complaints they receive. In fact, it appears that the most often-used method of handling a complaint from a consumer is to refer them to the board of pharmacy in the state in which the MOP is domiciled. In view of the difficulty that a consumer would face in trying to press a complaint by dealing with the Board of Pharmacy in another state, it seems fair to conclude that only life-threatening problems are likely to ever become public knowledge.

The Michigan Pharmacists Association has attempted to deal with this lack of documentation by creating a statewide "problems center" and has now expanded it nationally in cooperation with the National Association of Retail Druggists.

In February 1988, there was a death in Idaho which is being attributed to a mistake by a mail order pharmacy. Reportedly, the wrong medication was sent and resulted in the death of the elderly woman who received it. A lawsuit is being prepared and all of the facts are not available on this case. A representative of the Board of Pharmacy in Idaho viewed this as similar to mistakes which have been made by community pharmacies and did not see it as an indictment of the entire mail order pharmacy business.

It should be noted that not only is it difficult to obtain documentation of complaints regarding mail order pharmacy, but that a further problem develops in trying to identify complaints which are inherent in mail order pharmacy alone. Mistakes and abuses occur in local pharmacies as well. The major difference is that a state may take action against pharmacists and pharmacies within its own jurisdiction, but presently must rely on the board in the state where a MOP is domiciled to document and correct problems.

4. <u>The rapid growth indicates high consumer acceptability of mail order prescription service.</u>

While some use is "mandated" in a way by lower copays or deductibles, or by provisions which deny coverage if a source other than the designated MOP is used, most of the growth is represented by a voluntary usage. The consumer appears motivated by both convenience and price. In 1987, the AARP conducted a random sample of 1,800 of their 50,000 customers in which convenience and price were cited by 99% and 93% of those surveyed as their reasons for using MOP.

5. The company selected by the Michigan Department of Civil Service appears to have in place most, if not all, of the quality control mechanisms pharmacists associations claim are needed to make mail order comparable, service and safety wise, to community pharmacies.

A listing of many of the innovations that PPS uses to achieve quality dispensing was included in the INTRODUCTION of this report. While there are no guarantees that all mail order pharmacies will adhere to specific dispensing standards, it appears that many mail order pharmacies have made substantial improvements in their methods of dispensing drugs in recent years and are dealing with many of the criticisms that have been made.

6. A major objection to MOP is that mail order prescriptions reduce communication between pharmacists and patients which may increase possible health risks. However, some question how much interaction actually does take place today between community pharmacists and their patients.

Some mail order pharmacies are using sophisticated computer software programs, toll-free telephone lines, and detailed drug information sheets to overcome objections about the lack of face-to-face contact with consumers.

Sophisticated computer software programs allow MOPs which use them to maintain extensive patient profiles and to automatically check for possible drug interactions, as well as for appropriateness of dosage and drug selection for each patient's age and condition. In addition, many MOPs use toll-free telephone lines to encourage communication with their customers and provide patient package inserts with detailed information about the specific drug they are receiving to compensate for the lack of face-to-face interaction.

In spite of these techniques, a major objection to MOP leveled at the industry by opponents is that mail order prescriptions reduce communication between pharmacists and patients which increases possible health risks. An extension of this argument is that this lack of communication also results in the inability of the MOP pharmacist to maintain complete patient profiles --a problem exacerbated by the fact that MOP pharmacies, by definition, deal primarily with maintenance drugs and do not have access to information about short-term acute care drugs which the patient may take.

In all of the literature, much emphasis is placed on the physician-patient-pharmacist relationship and the importance of their interacting together to deliver quality health care.

Community pharmacists argue that even with the sophisticated software programs, the important element of face-to-face contact is not available, and that nothing can substitute for the local pharmacist's "one-on-one" interaction with the patient.

This assumes that patients, if they do not use MOP, go to the same pharmacy for all of their prescriptions, have face-to-face contact with the pharmacist there, and that the pharmacist takes the time to review the patient's health status, age, and other medications the patient may be taking.

While these assumptions may have been accurate at one time, there is some question as to their validity today. The pharmacy profession itself seems to be questioning to what extent this type of interaction actually takes place in walk-in pharmacies today. A Blue Cross/Blue Shield study did show that consumers go to the same pharmacy 85% of the time.

Very often, in community pharmacies today, one deals with clerks or technicians, while the pharmacist is behind a counter filling prescriptions. In fact, in a consumer survey conducted in 1987, consumers frequently mentioned "waiting for a prescription to be filled" as one of the negative aspects of visiting a local pharmacy. On the other hand, delays in receiving a prescription from a mail order pharmacy were frequently mentioned in the same survey.

Survey results released by Schering Laboratories in 1987 showed that pharmacists themselves deal face-to-face with their patient-customers only 56% of the time. When the 2,000 patients surveyed were asked whether they remembered receiving instructions from their doctor or pharmacist on dosage instructions for their medication, 92% said they received them from their physician, but only 43% remembered receiving them at the pharmacy.

Whether the patient is using a community pharmacist or a mail order pharmacy service, it remains incumbent on the patient to continue to be an aware and involved member of his/her health care team. The consumer must be willing to communicate either by telephone or face-to-face with the pharmacist to ensure that they have given and received the information necessary for proper use of their medication.

It is important that a consumer or any company or public entity which is considering utilizing the services of a mail order pharmacy acquire information about the dispensing practices of that company. As in any other industry, there are variations in the individual company's ability to deliver a quality product. From the testimony and literature which has been reviewed, it appears that some MOP companies do in fact use a reward system to induce their pharmacists to handle ever-larger volumes of prescriptions, resulting in more potential for errors, while other companies put more emphasis on the quality of the dispensing. Extensive testimony was taken at the federal hearings on the Safety and Soundness Standards in the Mail Order Prescription Industry, held by the Committee on Governmental Affairs of the U.S. Senate on August 5 and 6, 1987, indicating the existence of bonus systems to induce MOP pharmacists in some companies to dispense larger volumes of prescriptions.

Further, a company's ability to develop patient profiles, check for drug interactions, and to develop data about the prescriptions being filled will vary. Some companies will deliver extensive printed instructions with each prescription, while others provide only the more traditional, cursory labeling.

7. <u>In the majority of cases, where patients order drugs through MOP they receive their medications in a timely fashion from the mail order pharmacy.</u>

Another major criticism of MOP is that patients may have to wait days or weeks to get medications that they could get in the local pharmacy in minutes.

The continued growth in the use of MOPs seems to support the industry's contention that the vast majority of prescriptions are turned around in two to three days. If long delays in obtaining prescriptions were a common problem, it would seem logical that consumers would discontinue using the mail order and return to using their local pharmacy. There is no question that there are complaints that prescriptions have taken sometimes even weeks to arrive, but again the complaints are undocumented and the complaints that can be identified are a tiny proportion of the approximately 50 million prescriptions that are delivered by mail or other common carrier each year.

On the other hand, the companies have presented data on the average turn around time for filling and mailing prescriptions that could be supported with documentation. Furthermore, there are millions of people using mail order on a voluntary basis who must find the service largely satisfactory or would discontinue the MOP.

8. Mail order pharmacies and the payors of prescription drug benefits are using lower copays, lower deductibles and refusal of coverage for some drugs if not purchased through a MOP as economic incentives to induce people to use the MOP.

The question here may be whether this should be viewed as unfair inducements or cost containment. Opponents to MOP present these economic inducements as unfair competition to local pharmacies or as unfair inducements to consumers to switch them to a drug provider which may give them lower quality in exchange for lower cost. They further argue that these lower copays encourage greater drug use.

Consumer surveys show that lower prices to the consumer are a major incentive to their use of MOP. Private industries which have included MOP in their benefit packages and third party payors contend that there are cost savings to both the consumers and the payors and that some of that cost savings should be passed on to the consumer.

If the Industry can achieve lower per unit drug cost due to bulk purchasing, lower drug dispensing costs, greater use of generics, and greater business volume, it is fair to question why some of that cost should not be passed back to the consumer. Different factors will be more or less important to each individual consumer. Some will be willing to plan ahead, as use of the MOP requires, to realize the cost savings; other consumers will never believe that the saving of a copay outweighs the benefits of going to their local pharmacy and immediately acquiring their medication.

Furthermore, the use of discounted prices as an economic incentive is one that community pharmacies have used as a way of generating business as well. It is very common for pharmacies to advertise discounts on established copays as an inducement to consumers to bring in their prescription business. Local pharmacists also dispense in larger quantities, use generics and purchase in bulk through cooperatives or chains.

There appears to be support for the contention that the use of MOP and the associated dollar incentives may result in greater drug use. Again, this may be negative in some individual cases and positive in others. One of the major problems facing the health professions as a whole is the lack of patient compliance. Cost is one of the factors which acts negatively in achieving patient compliance. A large percent of prescriptions are reportedly never filled. If a lower cost will result in greater compliance, this may act as a positive force in achieving a higher level of health care quality.

Again, there is no definitive documentation available to support whether greater drug use will result in overall improvement of health care, or higher overall drug costs and overmedication. Until such data can be made available, it would seem that the prudent course would be to encourage measures which can increase patient compliance and perhaps still result in overall cost containment.

9. The use of mail order pharmacies, while enjoying substantial growth, remains a small percent of total prescription drug delivery.

At present, mail order pharmacy service constitutes approximately 3-4% of total prescription drug business. Estimates are that this figure will grow to about 10% in the early 90s. Community pharmacists argue that mail order pharmacies are "skimming the cream" off the top of the prescription drug business by specializing in the lower dispensing cost, longer term maintenance drugs.

An estimate published in the January 15, 1986, Wall Street Journal article indicates that maintenance-type drugs account for approximately 80% of total drug sales. It would seem that even at 10% of the market, there would still be a substantial volume of this type of business available to walk-in pharmacies.

While MOP represents a small segment of the total prescription drug business, it is a growing segment. It should be of concern to state policymakers, not out of interest in preserving an industry's share of the market, but rather as a legitimate function of the state to protect the health and safety of its citizens.

10. To date, the federal government has not preempted states' rights to legislate in the area of mail order prescription services. State actions in this area are highly contradictory of one another.

Presently, the Drug Enforcement Agency is the only federal agency which regulates the shipping of drugs across state lines. Pharmacies are regulated under the laws of the state in which the license to practice pharmacy is granted.

There has never been a judicial test of the central question: Do states have the right to regulate the activities of those pharmacies outside its borders shipping drugs to citizens within its borders?

The most prevalent guideposts are the opinions of the various attorney generals from several states. Individually, their opinions have been

definitive as to the legal situation within their own state, but collectively they present a confusion of opinion because some contradict others.

For example, Arizona, California, Kansas, and Wisconsin all have attorney generals' opinions that they have the right to regulate. Delaware, Michigan, Nebraska, New York, North Carolina, Ohio and Utah all have opinions from their attorney generals or regulatory boards that they cannot. Alabama, Arkansas, and Louisiana have passed some type of regulation.

Those states which have taken legislative action to regulate pharmacies outside their borders have no track record of success in enforcement, largely because they have not yet attempted to enforce their laws within the courts. There is no question, however, that any legislative action must be very carefully crafted to avoid interfering with the flow of interstate commerce and to be in concert with the major federal supreme court opinions that provide boundaries for states' interference with interstate commerce.

In the state of Ohio, in 1982, the Attorney General opined that out-of-state pharmaceutical distributors were not subject to the regulation of the Ohio Board of Pharmacy and could not be prohibited from advertising their business in Ohio.

The following year, the Wisconsin Attorney General said that although the pharmacy law did not explicitly require out-of-state pharmacists to be trained or regulated, "an implied power" to regulate them when they solicit orders from Wisconsin residents may be inferred from the statute.

The Ohio Attorney General had said that the burden certain regulations would impose on interstate commerce could outweigh the benefits derived, but the Wisconsin Attorney General took the opposite stand: "I conclude, therefore, that in balancing the strong interest of Wisconsin in regulating the sale of prescription drugs.....against the incidental effect of the regulation of interstate commerce, there exists no undue burden on such commerce."

In spite of that, the Wisconsin Attorney General declined to handle the initial case generated by the board.

The Kansas Attorney General issued an opinion in 1984 which said that the state could require that out-of-state pharmacies hold a Kansas Pharmacy license and be subject to all Kansas regulation.

The California Attorney General, also in 1984, issued an analysis which affirmed the state Board's power to require licensure of out-of-state pharmacies and its power to regulate the condition of drugs and devices sent into California.

In 1985, the Attorney General in Nebraska issued a contrary opinion saying that the state's interest in regulating the flow of controlled substances is adequately protected by pertinent federal statutes and that relevant federal court cases would invalidate any state law attempting such regulation. The primary case relied on here and in other states taking the same position is Pike vs. Bruce Church (1970) in which the Supreme Court said that the effects of state regulation on interstate commerce "must only be

incidental." If the regulation seems to be based on economic protectionism, they are virtually invalid on their face.

The Mississippi Legislature passed a bill to regulate "extraterritorial" pharmacies, but the Governor vetoed it on the basis that a provision in the bill requiring such pharmacies to maintain a 24-hour toll-free telephone line would violate the "even-handed regulation" requirement in Pike. In-state pharmacies were under no such regulation to maintain a toll-free telephone line.

In Delaware in 1985, the Attorney General informed state regulators that legislation to require out-of-state pharmacy registration had potential legal problems.

The same year, Louisiana passed a law requiring registration of such pharmacies and their Attorney General said that there was no constitutional fault with the Act.

New York and Vermont are among those states which, like Michigan, have mail order programs in place for state employees, and as of August 1987, New Jersey was also considering such a program.

V. POSSIBLE LEGISLATIVE OPTIONS

1. That the Legislature direct the State Department of Civil Service to closely monitor the mail service prescription program and develop an annual report. The report should include, but not be limited to, detailing utilization patterns by age and drug type, average cost per prescription; savings to the state and individuals; use of generics; complaints; assurance of quality of drug dispensing; the increase of employee awareness of the expense of prescription drugs and availability of high quality generic substitutes; and results of monitoring for inappropriate or abusive drug utilization.

2. That the Legislature consider legislation similar to Louisiana's which requires that out-of-state pharmacies hold a Michigan Pharmacy License to dispense within our borders.

A major drawback to this approach is the difficulty of determining how the state Board would identify which MOPs were doing business in Michigan. Information obtained through "the grapevine" or accidentally is not a very efficient approach.

A second issue to be resolved with this type of legislation would be how the Board would handle the cost of inspections. Can they pass on the presumably higher cost to the out-of-state pharmacy?

Third, who or what would be licensed? The pharmacy or the pharmacist or both? Alabama adopted legislation which licenses out-of-state pharmacies and at least one full-time pharmacist in each firm.

3. The Legislature could consider a bill similar to a 1987 Arkansas law which makes it unlawful for any employer providing pharmacy services to

employees to require they obtain drugs from an out-of-state pharmacy as a condition of obtaining the employer's coverage or to impose a copayment or other condition not imposed upon employees utilizing the designated out-of-state mail order pharmacy.

This is primarily designed to prohibit the "economic incentive" which public and private employers are beginning to offer in their health care plans as an incentive to consumers to utilize the MOP and as a way of passing on the anticipated savings. The major effect would be to protect the community pharmacy from the competition, probably a questionable policy objective for the state government.

Furthermore, a new federal government program run by Aetna specifies that enrollees must purchase certain long-term drugs through the mail order service to receive coverage for them. Expenses for these drugs are not subject to the normal deductible and there is no copay on other drugs purchased through the MOP.

In view of the fact that the federal government has already offered this type of a plan to their employees, it makes it less likely that legislation of this type would survive a federal court challenge, should one be brought.

4. Legislatively allow the state Board of Pharmacy to provide a review of those mail order pharmacies which voluntarily submit. Such review could determine whether or not the pharmacy had minimum standards in place to assure a certain quality of dispensing practices. For example: only pharmacists interpreting the prescription and dispensing the drugs; and a computer system which could maintain sophisticated patient profiles and automatically do drug screening. The Board could then publicize a list of those firms whose practices had been reviewed and/or audited and make the information available to consumers considering using a mail order plan.

5. Direct the state Board of Pharmacy to undertake programs to provide consumer education on the pros and cons of the various drug dispensing practices and the consumer's responsibility to know what drugs they are taking and report accurately to their physician and pharmacist.

6. Repeal Michigan's prohibition against delivering drugs by mail. This would give community pharmacies in Michigan a better ability to compete with the chains and out-of-state mail order pharmacies by allowing them to also deliver drugs by mail. It would also allow the Legislature to establish regulations for pharmacies engaged in mail delivery of drugs which could then be applied "even handedly" to companies both in and out of the state, making constitutional problems with such regulation less likely.

The Michigan Pharmacists Association is already on record as opposing this type of legislation because of their health and safety concerns regarding mail order delivery of pharmaceuticals.

VI. SUMMARY

There is wide consumer acceptance of mail order pharmacies, and perhaps even growing demand for this as an employee benefit option. Companies and third-party payors believe that it has potential for cost containment, in spite of the fact that the PCS survey shows no cost savings for the payor of the MOP benefit. Public and private payors of MOP benefits should undertake indepth review of their long-term costs to assure that the cost savings they believe are available are not in fact "illusory."

There was no data available to the Committee to support the claim that mail order can result in cost savings, other than testimony from benefit payors who claimed that they realize savings with their MOP program. There are isolated reports of problems, most of them not documented by any independent official body or state or federal regulatory agency, due to the lack of federal regulatory oversight and the questions surrounding state authority in this area.

Some health care organizations are showing signs of acceptance of MOP for drug delivery and have raised the need for systems and practices which assure quality of drug dispensing and eliminate the relatively few, but definitely present, mistakes that are made.

States have not been preempted by the federal government to regulate mail order pharmacy and probably should become active in this area to maintain their prerogative. They should emphasize those activities which will assure quality and safety for their citizens and avoid those activities which are primarily aimed at maintaining a particular market.

States should be more vigilant in tracking and documenting complaints regarding mail order pharmacies as well as potential benefits so that policies can be developed which ensure citizens the widest choice of options and the maximum protection of health and welfare.

BIBLIOGRAPHY

Mail Order Pharmacy in the United States, a special report prepared for the Louisiana Board of Pharmacy, Ed Reed, July 1986.

Statement and Index of Exhibits, submitted by the American Association of Retired Persons and the AARP Pharmacy Service to the Michigan State Legislature Joint Study Committee, Nov. 1987.

Safety and Soundness Standards in the Mail Order Prescription Industry, Hearings before the Subcommittee on Government Efficiency, Federalism, and the District of Columbia, of the Committee on Governmental Affairs United States Senate, August 1987.

Medication Trends for Older Adults, Compiled by the National Pharmaceutical Council, Winter 1988.

"Mail Order Prescriptions: The Controversy Continues," Michigan Pharmacist, p. 4, January 1986.

Report of the Board of Trustees of the American Medical Association, Report I (I-87), presented by Alan R. Nelson, M.D., Chairman.

"Pharmacists Not so Hot at Patient Consulting," Drug Store News, p. 25,November 9, 1987.

The Forgetful Patient, Schering Report IX, 1987, Schering Laboratories, Kenilworth, New Jersey.

"Trends: Mail Order Pharmaceuticals," American Journal of Hospital Pharmacy, Vol. 44, August 1987.

GEHA
GOVERNMENT EMPLOYEES HOSPITAL ASSOCIATION

Form # GEHA

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 25
DATE 1/29/93
BILL NO. SB 218

Your Health Benefits package just got better ...

Introducing your new GEHA Prescription Drug Program!

Dear GEHA Member,

Whether you take medication on an ongoing basis or you simply need a prescription filled from time to time, your new GEHA Prescription Drug Benefit Program will save you time and money. To begin with, here is a summary of important changes to your GEHA Prescription Drug Benefit Program, effective January 1, 1993:

* Use your NEW GEHA Health Insurance Identification Card enclosed, to obtain short-term medication through the PAID Prescriptions Retail Pharmacy Network. With your new card, you can obtain up to a 30-day supply plus one refill from any participating pharmacy.

* The Mail Order Drug Program copayment is $5 for generic medication and $20 for brand-name medication. If you have Medicare Parts A & B Primary, there is NO copayment required.

* Fertility medication will no longer be covered.

* Drugs to aid in smoking cessation are not covered except as part of the smoking cessation program. See your brochure for further details.

For your short-term and immediate prescription drug needs, use the Retail Pharmacy Network.

The PAID Retail Pharmacy Network offers you the convenience of a local pharmacy for your short-term and immediate prescription drug needs. The PAID Retail Network consists of over 35,000 participating PAID pharmacies that have agreed to charge a discounted price for prescription drugs for GEHA members. It's easy to use. Simply present your NEW GEHA Health Insurance Identification Card at any one of the participating pharmacies and your benefits will begin with your first prescription... What's more, there's no need to pay full price up front or submit a claim form for reimbursement when you use a participating pharmacy. You just pay your copay/coinsurance at the time of purchase. That's it. (Please note: You must file a claim form if you use a non-participating pharmacy.)

(over, please)

For your ongoing prescription drug needs, use the Mail Order Drug Program.

For your ongoing prescription drug needs, you'll want to use the Mail Order Drug Program. It's designed to save you money on medications that you use on a regular basis. With the Mail Service Pharmacy, you can receive up to a 90-day supply of any generic drug for just $5 per prescription or any brand-name drug for just $20 per prescription. If you have Medicare Parts A & B Primary you pay nothing.

With the Mail Order Drug Program, there are NO claim forms to file and NO waiting for reimbursement. And, there are NO deductibles, so your benefits start with your very first prescription.

If you are presently taking medication on an ongoing basis, ask your doctor for a new prescription for up to a 90-day supply. Then, send the prescription, along with the appropriate copayment to National Rx. An envelope is enclosed for your convenience.

For any new prescriptions that you anticipate having to take for an extended period, you should ask your doctor to write two (2) prescriptions: the first for a 14-day supply, which you can have filled at a local pharmacy, and ... the second for the balance — up to a 90-day supply — which you should immediately send, along with the appropriate copayment, to National Rx.

When you send in your first mail order prescription, be sure to complete and return the Patient Profile Questionnaire enclosed indicating any drug allergies and health conditions you or any covered family members may have. This information will be used to alert us to any potential drug interactions when you have prescriptions filled through the Mail Order Drug Program.

We're pleased to bring you this improved health care benefit. You now have one of the most comprehensive prescription drug benefit programs in the country. We hope that you will take advantage of it.

Sincerely,

James R. Cantrell

James R.Cantrell
President

P.S. A new feature, the PAID National Formulary, is also being added to your GEHA Prescription Drug Benefit Program. A formulary is simply a list of cost effective, commonly prescribed medications for your physician to prescribe from when appropriate. The PAID formulary is meant to be a helpful guide, and will not affect your current coverage. More information is being sent to you under separate cover.

PAID PRESCRIPTIONS, INC
1900 POLLITT DRIVE • FAIR LAWN, NEW JERSEY 07410

********** CAR-RT SORT ** RR02
Ren L. Cleveland
248 Ricketts Rd.
Hamilton, MT 59840-9326

GEHA Prescription
Drug Plan

Effective January 1, 1993, a new "formulary" feature is being added to your current prescription benefit.

A formulary is simply a list of commonly prescribed medications that have been clinically selected based on the favorable effectiveness and cost they provide.

To be included on the formulary list, a drug must meet the rigorous standards of approval by a Pharmacy & Therapeutic Committee that is comprised of an independent panel of nationally recognized medical professionals. The formulary helps to encourage physicians to prescribe the most cost-effective medications whenever appropriate.

Please share the enclosed formulary with your physician during your next visit. By following the guidelines of the formulary, we can help keep the overall cost of health care down while maintaining high quality of care, too.

P.S. - Please note that the formulary enclosed represents many of the most commonly prescribed medications, and is not meant to be a complete list of your drug coverage. Please consult with your GEHA Prescription Drug Hotline Representative at 1-800-551-7675, 7:00 am - 7:00 pm Central Standard Time, Monday - Friday or 7:00 am - 11:00 am Central Standard Time, Saturday for more information.

POCKET GUIDE
to the
PAID NATIONAL FORMULARY

Dear Physician: Please refer to this list when prescribing for this patient. Categories listed represent the most commonly utilized prescription medications. This list is not all-inclusive nor does it guarantee coverage. While this list is not intended as a substitute for professional knowledge and judgement, your patient's plan will experience lower drug costs when you prescribe formulary medications. Thank you for your compliance.

ANTIBACTERIALS

$	*amoxicillin	$	*penicillin VK
$	*ampicillin	$	tetracycline
$	*Bactrim/Septra	$	*trimethoprim
$	*cephalexin	$$	PCE
$	*cephradine	$$	Macrodantin
$	*clindamycin	$$	Macrobid
$	*dicloxacillin	$$$	Augmentin
$	*doxycycline	$$$	Biaxin
$	*EES	$$$	Ceftin
$	*Eryc	$$$	Cefzil
$	*Ery-Ped	$$$	Duricef
$	†Ery-Tab	$$$	*minocycline
$	*Erythromycin base	$$$	Suprax
$	*Erythocin	$$$	Zithromax
$	*Gantrisin	$$$$	Cipro
$	*Pediazole	$$$$	Floxin

ANTIULCER DRUGS

$$$	Tagamet	$$$	Cytotec
$$$$	Zantac	$$$$	Carafate
		$$$$$	Prilosec

ANTIHISTAMINES

$	*Atarax	$	*Vistaril
$	*Benadryl	$$$	*PBZ,SR
$	*Periactin	$$$	*Polaramine
$	*Phenergan	$$$$	Seldane

ANTIHISTAMINE/DECONGESTANTS

$	*Phenergan VC	$$$	Bromfed, PD
$	PolyHistine-D, Ped	$$$	Ru-Tuss
$$	Kronofed-A Jr	$$$$	Seldane-D
$$	Naldecon	$$$$	Rondec TR
$$	Nolamine		

ORAL ANTIFUNGALS

$	†Gris-Peg	$$$	†Grifulvin-V
$	*nystatin	$$$$$	Diflucan
$$	Mycelex troche	$$$$$	Sporanox
$$	Nizoral		

ACE INHIBITORS

$$	Zestril	$$	Lotensin
$$	Monopril	$$$$	Capoten

BETA BLOCKERS

$	propranolol, LA	$$	†Trandate
$$	*atenolol	$$	Visken
$$	Lopressor	$$$	Corgard
$$	*timolol		

CALCIUM BLOCKERS

$	*Cardizem	$$	Verelan
$	*verapamil	$$$	Cardene, SR
$$	†Calan SR	$$$	Cardizem SR
$$	Cardizem CD	$$$	*nifedipine
$$	Dynacirc	$$$	Procardia XL
$$	Norvasc		

ANTILIPIDEMICS

$	*clofibrate	$$$$	Lopid
$	Slo-Niacin,Niacor(otc)	$$$$	Pravachol
$$	Colestid	$$$$	Questran, Light
$$$	Lorelco		

BETA-AGONISTS

$	*Alupent,Metaprel (tabs, syrup)	$$	Proventil Repetabs
		$$	†Ventolin inhalers
$	†Brethine tabs	$$	†Ventolin soln
$	Maxair	$$	†Ventolin syrup
$	†Metaprel inhalers, soln	$$$	Ventolin rotocaps
$	*Ventolin, Proventil tabs		

ORAL HYPOGLYCEMICS

$	*tolbutamide	$$	*acetohexamide
$	*chlorpropamide	$$	*tolazamide
$$	Glynase	$$$	Glucotrol
$$	†Micronase		

ALPHA BLOCKERS

$	*Minipress	$$	Hytrin
		$$$	Cardura

NSAIDS

$	*ibuprofen	$$$	*piroxicam
$	*indomethacin	$$$	Relafen
$$	†Pediaprofen	$$$	*sulindac
$$	*meclofenamate	$$$	Tolectin, DS
$$$	Anaprox,DS	$$$$	Ansaid
$$$	Naprosyn	$$$$	Voltaren

ORAL CONTRACEPTIVES

$	†Levlen	$$	†Modicon
$	Norlestrin,Fe	$$	Ortho Novum (all)
$	Loestrin,Fe	$$	Ortho-Cyclen
$	†Tri-Levlen	$$	Ortho Tri-Cyclen
$$	Demulen	$$	Tri-Norinyl
		$$$	Ovcon

ESTROGENS

$	Estrace	$$	Estraderm
$	Estratab	$$	Ogen, Ortho-Est

VAGINAL ANTIFUNGALS

$	*Mycostatin	$$$	Monistat 7(otc)
$$$	Femstat	$$$	Mycelex-G
$$$	Gyne-Lotrimin(otc)	$$$	Terazol
$$$	Monistat-3 Dual	$$$	Vagistat-1

NASAL CORTICOSTEROIDS

$	Beconase, AQ	$$	Nasacort
$$	Beconase, Vancenase pockethaler	$$	Nasalide

NITROGLYCERIN PATCHES

$	Transderm-Nitro	$$	Nitro-Dur

KEY:

$ = Relative cost index
* = Generic available
otc = Available without a prescription
† = Brand preference for dual marketed products. Use brand listed.

PDPKTDPS

Senate B & I
Exhibit #25
1/29/93
SB 218

Dear Physician: Please open for a more detailed list of formulary medications. Listed below are non-formulary medications and the recommended formulary alternatives. Please prescribe formulary medications for this patient when appropriate. Thank you for your compliance.

Non-Formulary	Formulary Alternative(s)
Alupent	Metaprel (soln inhaler)
Aventyl	Pamelor
Axid	Tagamet, Zantac
Brethaire	Ventolin, Metaprel, Maxair
Brevicon, generics	Modicon
Bricanyl	Brethine
Ceclor	Ceftin, Cefzil, Suprax
Chenix	Actigall
Children's Advil suspension	Pediaprofen
Clomid	Serophene
Curretab, Cycrin	Amen or Provera
Deponit	Transderm-Nitro or Nitro DUR
Desoxyn gradumet	Desoxyn
Diabeta	Micronase or Glynase
Dimetane DC syrup	Polyhistine CS syrup
Dimetane DX	Bromfed DM
Doryx	doxycycline
E-Mycin 333 mg	EryTab 333 mg
Entex PSE	Zephrex LA
Epogen	Procrit
Erygel	Emgel
Fioricet	Esgic

Non-Formulary	Formulary Alternative(s)
Fulvicin P/G 125mg, 250mg	Gris Peg 125 mg, 250mg
Fulvicin U/F	Grifulvin-V
GoLYTLY	Colyte
Grisactin	Grifulvin-V
Grisactin Ultra 125mg, 250mg	Gris Peg 125mg, 250mg
Imodium	Imodium A/D (otc)
Isoptin SR, generic	Calan SR
Keflet	cephalexin HCL
Keftab	cephalexin HCL
Kerlone	atenolol
Leukine	Prokine
Lorabid	Ceftin,Cefzil,Suprax
Lorcet	generic Vicodin (not ES)
Lortab	generic Vicodin (not ES)
Maxaquin	Cipro, Floxin
Metrogen vaginal	Cleocin V
Mevacor	Pravachol
Minitran	Transderm Nitro or Nitro DUR
Monodox	docycyline
Motofen	generic Lomotil

Non-Formulary	Formulary Alternative(s)
Mycrox	Diulo, Zaroxolyn
Nitrodisc	Transderm Nitro or Nitro DUR
Nordette	Levlen
Norinyl, generics	Ortho-Novum
Normodyne	Trandate
Noroxin	Cipro, Floxin
Nor-QD	Micronor
Penetrex	Cipro, Floxin
Pepcid	Tagamet, Zantac
Proventil	Ventolin**
Prozac	Zoloft
Ru-Tuss DE	Zephrex LA
Stuartnatal 1 + 1	Zenate, Materna, Prenate 90, Natalins Rx
Sumycin tabs	tetracycline capsules
Tofranil PM	imipramine HC1
Trinalin	Seldane-D
Triphasil	Tri-Levlen
T-Stat	Erycette
Vancenase, AQ	Beconase, AQ
Vanceril	Beclovent
Vasotec	Zestril, Capoten, Monopril
Vicodin ES	Generic vicodin (not ES)
Zocor	Pravachol

**Proventil 4mg Repetabs will be formulary due to unavailability of an equivalent Ventolin formulation.

In an effort to help contain the increasing cost of prescription drug coverage and continue our commitment to quality care, a new formulary feature has been added to your prescription drug plan.

A formulary is simply a list of commonly-prescribed medications that have been chosen based on their combination of effectiveness and cost.

The PAID National Formulary will operate in conjunction with your existing plan. Please present this booklet to your physician for referral during your next visit.

Please note: This is not meant to be a complete list of the drugs covered under your plan. Under some circumstances, formulary drugs may be excluded from your plan (for example, oral contraceptives). Please consult with your Prescription Drug Plan Customer Service Representative for any questions about your coverage.

Please list any allergies or special health conditions.

THE PAID NATIONAL FORMULARY

Provide this information to your doctor each time you or a covered family member have an appointment.

PAID Prescriptions, Inc.

POCKET GUIDE

PAID 11

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 26
DATE 1/29/93
BILL NO. SB 218

JUST A REMINDER TO SUMMARIZE HOW YOUR 1993 PRESCRIPTION DRUG BENEFIT WORKS FOR GEHA MEMBERS ENROLLED IN MEDICARE WHEN PARTS A AND B ARE PRIMARY:

- No copayment or coinsurance when you receive your first prescription and refill from a participating retail pharmacy.
- No copayment or coinsurance when you receive your prescription from a GEHA Mail Order Drug Program.
- This benefit was designed to maximize your benefits and reduce your out-of-pocket expenses. Your drugs will be **FREE** if you:
  - Use participating retail pharmacies for your first prescription and first refill.
  - Use the Mail Order Drug Program for medication used for an extended period of time.
- Remember, after the first refill, if you continue to purchase prescription drugs at a retail pharmacy, you will be subject to a $15 or 50% coinsurance, whichever is greater for brand-name drugs.
- If you use non-participating pharmacies, any copays or coinsurance will not be waived and GEHA will only pay the amount had a participating pharmacy been used.

WHY PAY MORE?

- *Use the Mail Order Drug Program.*
- *Use participating retail pharmacies.*

For more details call the GEHA Prescription Hotline

1-800-551-7675

All benefits are subject to the definitions, limitations and exclusions on Federal Brochure RI71-6

GEHA KEYNOTES

Working For People, Not For Profit.™

Government Employees Hospital Association ▲ P.O. Box 10304, Kansas City, Missouri 64111 Fall 1992

FINANCIAL FOCUS

New Drug Card for 1993

Each year your plan faces new challenges. In the past, we have initiated programs such as Prescription Mail Service and a Preferred Provider ganization to give you lower cost ternatives for your health care needs. Your response to the Rx-by-Mail Program has been overwhelmingly positive, and your nominations of doctors and hospitals continue to expand the PPO network.

With the PPO network helping to lower the escalating costs of hospital and surgeons' charges, we are focused on urther reducing your costs for pre-cription drugs.

For the first time, GEHA will offer members a Prescription Drug Card. This card offers several important advantages. No deductible is necessary prior to obtaining our prescriptions, and the price you pay is based on a negotiated price rather than the higher retail pharmacy price. On-line reporting by the pharmacy will guard against overdose resulting from different doctors prescribing the same drug at the same time. Drug incompatibility will be monitored and avoided when more than one drug is being used.

The card system is designed to work in conjunction with the Rx-by-Mail Program. This will allow you to save money on short-term as well as long-term prescriptions. To further minimize your costs, subsequent refills should be obtained through mail service.

Current GEHA members will receive their Prescription Drug Cards along with additional information in late December. This important benefit will become effective on January 1, 1993. ■

GEHA members will receive two separate mailings this fall and winter:

Early October
GEHA Plan Brochure
Letter from our President

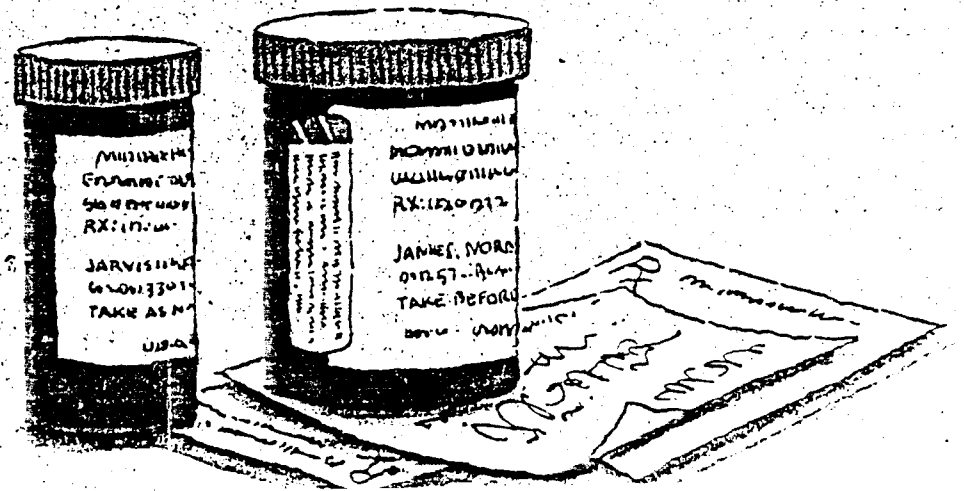
Late December
ID Cards
Rx Card Info Pamphlet
Vision Care Info Pamphlet

Due to the size of the Plan, some members may receive their mailings sooner than others.

Supplemental Benefits
Page 2

Changes for Families
Page 3

Facts about Drugs
Page 4



members do receive a benefit from lower negotiated fees for covered services received from a PPO provider. When a non-PPO provider is used, the Plan will pay its regular benefits. Although a PPO provider is used, precertification of hospital admission is still required as outlined on page 16 of this brochure.

When a PPO participating doctor is used, the Plan will increase its coinsurance to **90%** for those services normally paid at **80%**. These PPO providers not only agree to accept lower negotiated fees but agree not to balance bill members for covered services over these negotiated fees less any normal deductible or coinsurance payments. If a non-PPO provider is utilized, the Plan will pay its regular benefits.

PPO networks are now available in many metropolitan areas and additional coverage areas will be added throughout the year. Enrollees residing in a PPO region will receive a directory of the PPO providers in their service area. These providers are required to meet licensure and certification standards established by State and Federal authorities, however, inclusion in the network does not represent a guarantee of professional performance nor does it constitute medical advice. Call 1-800-548-7413 for further information or to obtain a list of PPO providers in your area.

Prescription drug program

What is covered

This program enables you to purchase medication which requires a prescription by law and is prescribed by your doctor from a local pharmacy or receive up to a 90 day supply of maintenance medication through the Mail Order Drug Program. Prescription drugs are not subject to the calendar year deductible and any coinsurance or copays paid by you do not count toward the catastrophic protection benefit.

At your local pharmacy

You will be provided with a combination GEHA PAID Prescription identification card. In most cases, you simply present the card together with the prescription to the pharmacist. For the initial 30 day supply and the first refill, you pay the greater of **$15** or **20%** of the cost of the drug for name brand drugs and the greater of **$5** or **20%** of the cost for generic drugs. The second refill will require that you pay the greater of **$15** or **50%** coinsurance for name brand drugs or the greater of **$5** or **50%** coinsurance for generic drugs. You may fill your prescription at any pharmacy participating in the PAID TelePAID system. You may obtain the names of participating pharmacies by calling 1-800-551-7675.

Each participating pharmacy has a TelePAID system which calculates the coinsurance. The Pharmacist receives an electronic message displaying the correct amount to charge you. You will be required to sign a signature log to prove you have received the prescription drug. You do not file a PAID prescription card claim with GEHA.

If a participating pharmacy is not available where you reside or you do not use your identification card you must submit your claim to:

PAID Prescriptions, Inc.
P.O. Box 6121
Fair Lawn, NJ 07410-0999

Your claim will be calculated on the **20%** or **50%** coinsurance or **$15** or **$5** minimum described above. Reimbursement will be based on GEHA's cost had you used a participating pharmacy.

Through mail order

Through the Mail Order Drug Program you may receive up to a 90 day supply of maintenance medications for drugs which require a prescription, ostomy supplies, diabetic supplies, and insulin (including syringes) and oral contraceptives. You may receive refills of the original prescription for up to one year. You must pay a copayment of **$20** for name brand drugs and **$5** for generic drugs.

Each enrollee will receive an installment kit which includes a brochure describing the Mail Order Drug Program, including a Patient Profile Questionnaire, and a pre-addressed reply envelope.

Complete the Patient Profile Questionnaire kit the first time you order under this program. Complete the information on the back of the pre-addressed envelope, enclose your prescription and your **$20** or **$5** copayment, and mail to:

National RX Services, Inc.
P.O. Box 30534
Tampa, FL 33630-3534

12-5-92

GEHA
GOVERNMENT EMPLOYEES HOSPITAL ASSOCIATION
P. O. BOX 10304 / KANSAS CITY, MISSOURI / 64111-0304 / 816-753-1260
(CLAIM INQUIRIES — 816-257-5500)

Dear GEHA Member:

Enclosed is an addendum to the GEHA 1993 FEHB Brochure which clarifies the changes associated with Public Law 102-393. Because of this legislation, we have revised our Prescription Drug Program. Effective January 1, 1993, GEHA will waive the co-payment and co-insurance for members with Medicare Parts A and B as primary on the initial prescription and one refill at participating pharmacies and on all mail order prescriptions.

To all GEHA members, let me re-emphasize the benefits of your new 1993 RX Card Program effective January 1, 1993:

* **No deductible, first dollar coverage**
* **Lower prescription cost at participating pharmacies**
* **Over 75% of pharmacies participating nationally**
* **Virtually no claims filing when you utilize participating pharmacies**

This prescription drug program was designed for your advantage. It will make it easier for you to receive your prescription drugs and maximize your savings while minimizing paperwork.

Remember if you have a medical condition that requires use of a maintenance medication or other medication for an extended period, the mail order drug program will best serve your needs. Use the mail order drug program because it will significantly reduce your out-of-pocket costs.

An official mailing describing the Prescription Drug Program along with a new Identification Card will be sent to you in December. For questions call 1-800-551-7675.

We look forward to continuing our efforts to bring you comprehensive benefits while maintaining reasonable premium rates.

Yours Truly,

James R. Cantrell
President

Page 4
Senate B & I
Exhibit #26
1/29/93
SB 218

Additional benefits

Accidental injury

100% of covered charges (No calendar year deductible) incurred within 72 hours of an accident for treatment outside a hospital or in the outpatient department of a hospital. This provision also applies to dental care required as a result of accidental injury to sound natural teeth. Masticating (chewing) incidents are not considered to be accidental injuries.

Chiropractor

The services of a chiropractor will be covered, subject to the calendar year deductible, to the following extent:

(a) adjustments by hands-only of the spinal column, up to a maximum of 30 adjustments per calendar year, and up to a maximum payable by the Plan of $9 per adjustment; and

(b) use of X-rays to detect and determine the presence or absence of nerve interferences due to spinal subluxations or misalignments up to a maximum payable by the Plan of $25 per calendar year.

Charges exceeding these amounts are not applied toward the calendar year deductible.

No other services of a chiropractor are covered under any other provision of this Plan.

Hospice care

What is covered

100% of the covered charges, subject to the $250 calendar year deductible, for a hospice care program for each period of care, up to:

- $2,000 for hospice care on an outpatient basis
- $150 per day for room and board and care while an inpatient in a hospice up to a maximum of $3,000.

These benefits will be paid if the hospice care program begins after a person's primary doctor certifies terminal illness and life expectancy of six months or less and any service or inpatient hospice stay that is a part of the program is:

- Provided while the person is covered by this Plan,
- Ordered by the supervising doctor,
- Charged by the hospice care program,
- Provided within six months from the date the person entered or re-entered (after a period of remission) a hospice care program.

Remission

Halt or actual reduction in the progression of illness resulting in discharge from a hospice care program with no further expenses incurred. A readmission within three months of a prior discharge is considered as the same period of care. A new period begins after three months from a prior discharge with maximum benefits available.

What is not covered

- Charges incurred during a period of remission
- Charges incurred for treatment of a sickness or injury of a family member which are covered under another Plan provision
- Charges incurred for services rendered by a close relative
- Bereavement counseling
- Funeral arrangements
- Pastoral counseling
- Financial or legal counseling
- Homemaker or caretaker services

Page 5
Senate B & I
Exhibit #26
1/29/93
SB 218

PPO arrangements

The Plan has entered into a contract with a national Preferred Provider Organization (PPO), which has a network of hospitals and doctors in various areas in over 40 states. The doctors and hospitals participating in this network have agreed to provide services to Plan members at pre-negotiated discounted rates. You always have the right to choose a PPO provider or a non-PPO provider for medical treatment.

When a PPO hospital is utilized for Medical, Surgical, or Maternity reasons, the Plan prorates the discount between the room and board and the hospital miscellaneous. The discounted room and board charges will then be paid at 100% and the discounted hospital miscellaneous charges will be paid at 90%. Although mental conditions and substance abuse confinement will continue to be paid at 50%,

pmsi®
Dispensing Control With Care

January 28, 1993

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 21
DATE 1/29/93
BILL NO. SB 218

VIA FAX (406) 444-2105

State of Montana
Members of the Senate Committee
on Business and Industry
Montana State Senate
State Capitol
Helena, Montana 59620

RE: SENATE BILL NO. 218

Dear Senate Committee Members:

I am writing to you on behalf of Pharmacy Management Services, Inc. (PMSI) to offer our comments in opposition to Senate Bill 218, "an act revising the laws relating to out-of-state mail service pharmacies".

PMSI is the country's leading independent national provider of medications, medical products and cost containment services to workers' compensation payers and claimants.

PMSI supports Montana's existing regulatory scheme which conforms to the model disclosure legislation, meets constitutional requirements and legitimate needs, and guarantees nonresident pharmacies the opportunity to provide high-quality, home-delivered pharmacy services to Montana citizens.

While PMSI supports legislative approaches which require nonresident pharmacies to be licensed by the states in which they are located and to register with the state Board of Pharmacy when they dispense medications, Senate Bill 218 would require nonresident pharmacies to observe Montana pharmacy laws while simultaneously complying with the pharmacy laws of its domicile state. Such a regulatory scheme would force nonresident pharmacies to obey conflicting laws.

3611 Queen Palm Drive
P.O. Box 20248
Tampa, FL 33622-0248
1-800-237-7676
(813) 626-7788
FAX (813) 622-7822

Dispensing Control With Care

Page 2
January 28, 1993
State of Montana
Senate Committee on Business and Industry
RE: Senate Bill No. 218

We ask that the Senate Committee oppose SB 218 and consider following the lead of other states which have successfully implemented rules establishing a statutory framework (i.e., California, Kentucky, Maine, Minnesota, Missouri, South Carolina, Texas, Virginia, Washington, West Virginia, and Wyoming).

PMSI supports high standards for the practice of pharmacy and continues to provide consumers with pharmacy services meeting these standards.

Sincerely,
PRESCRIPTION MANAGEMENT SERVICES, INC.

John J. Riccardi, R.Ph.
Director of Pharmacy Services

JR/rd
982.JR

TRUST

THRIFT DRUG, INC.

A Subsidiary of J.C. Penney Company, Inc. • 615 Alpha Drive • Pittsburgh, PA 15238-2876

January 28, 1993

VIA FAX

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 28
DATE 1/29/93
BILL NO. SB 218

The Honorable John Lynch
Chairman
Committee on Business and Industry
Montana State Senate
State Capitol
Helena, Montana 59620

RE: Senate Bill 218

Dear Chairman Lynch:

I am writing on behalf of Thrift Drug, Inc. and its mail service pharmacy division doing business as Express Pharmacy Services ("EPS"), to express our strongest opposition to Senate Bill 218.

EPS fully respects and supports the Legislature's intention of ensuring the health and safety of prescription drug patients in Montana. However, enacting any law which would require strict compliance with procedural laws which are specific to Montana would place an undue burden on non-resident pharmacies dispensing prescriptions into Montana.

Specifically, section 3(2) of the bill would require mail service pharmacies to employ pharmacists registered in Montana to dispense prescriptions being delivered to patients in Montana. All of our pharmacists are licensed with the resident board of pharmacy in the state which the pharmacy is located. To require additional licensing for every state would be operationally impossible. Likewise, section 3(3) of the bill imposing the submission and approval of a "utilization plan for the employment of pharmacy technicians" would also be placing an undue burden on out-of-state pharmacies' operations.

The United States Supreme Court has established a test to determine whether or not a state statute unconstitutionally burdens interstate commerce. In Pike v. Bruce, Inc., 397 U.S. 137 (1970), the Court established the following two-part test:

1)Is the burden imposed on interstate commerce clearly excessive in relation to the local benefits?; and

2) Could the same local interests be protected with a lesser impact on interstate activities?

We believe that once the Legislature examines the sections with which we are concerned, the members will agree that the legislative intent could be attained through other means which would not violate the test set forth in Pike. Id.

In addition, section 1(5)(b) of the bill violates Pub. L. No. 86-272, 73 Stat. 555, 15 USC §381 (1959). The principal operative provision of P.L. 86-272 prohibits Montana from imposing apportioned business income taxes on out-of-state mail service pharmacies. Id.

As a member of the American Managed Care Pharmacy Association, EPS fully supports model disclosure legislation for non-resident pharmacies. The legislative requirements Montana recently adopted as part of its Pharmacy Practice Act entitled: "Out-of-State Mail Service Pharmacies" take the kind of approach that began in California and has subsequently been successful in Kentucky, Maine, Minnesota, Missouri, South Carolina, Texas, Virginia, Washington, West Virginia, and Wyoming. The promulgation of rules for these new requirements in the Pharmacy Practice Act will achieve the legislature's intent within the scope of the U.S. Constitution as well as continue to serve the needs of the prescription drug patients in Montana in the most effective and cost containing manner.

Although we are unable to have a representative of EPS at the hearing, this matter is extremely important to us. If any of the members of the committee would care to discuss this matter further please call me at (412) 967-8173.

Sincerely,

Amy C. Smith

Amy C. Smith
Government Relations Coordinator

cc: Senate Committee on Business and Industry

SENATE BUSINESS & INDUSTRY

EXHIBIT NO. 29

DATE 1/29/93

BILL NO. SB 218

's only human nature.

'ou like to save a few dollars when you h p, don't you? After all, who doesn't ke a bargain price in a bracelet or va et? But, when you buy prescription rugs by mail, do you really want to argain away your health?

When you buy drugs by mail, here's v at you're missing:

- Personalized service from the "drug expert"—your pharmacist—who knows you:

  —which other drugs you may be taking that would interact dangerously with your new prescription

  —whether you might be allergic to the new medication because of the "patient profile" he/she keeps on you

- Your own "consultant," there in the pharmacy to answer your questions about this medication and other non-prescription items you may want to use

- Access to your pharmacist, in an emergency or on a 24-hour basis or even at home when you, because of illness, can't get to the pharmacy

The next time your health plan descri the "benefits" of mail order prescript drugs, ask yourself these questions:

- What do you do until the medic arrives in the mail?
- What do you do if the medicine lost?
- What do you do if the medicine stolen?
- What do you do when the medi cine you take runs out? How lo will it be before you can be re-supplied?
- Do you really want to receive lar than normal quantities of a medi cine, which can lead to abuse an waste?
- Do you really deserve fourth-clas health care?

Let's face it: Your pharmacist knows you—the nature of your health probl and why you're taking certain drugs t help solve that problem. He/she kno because a patient profile is kept on pe sons like you who use pharmacy ser-vices. Your pharmacist also knows yo because he/she is right there in your hometown, an important part of the business and professional community serving you and your family. The ma order prescription drug business does know you or your special needs, the your pharmacist does.

Do you really want to give all this up the quality of your own health care—save a few dollars?

Think about it for a minute.

We believe you'll agree: Mail order prescription drugs are **no** bargain.

Mail order prescription drugs are NO bargain

Ask Your Family Pharmacist
NARD

ional Association of Retail Druggists
205 Daingerfield Road
Alexandria, Virginia 22314
(703) 683-8200

A message from your independent pharmacist. . .concerned about your

ırself these questions you buy drugs h the mail:

ill I do until my medication

ıg will my drug treatment be if my shipment is lost or stolen?

n I be sure the drugs I receive are ent after traveling through the

ll make sure I'm not taking ıat will interact badly with one ·?

ırced to buy large quantities the mail, what will I do with the medicine?

ll I know if I'm really using my ion properly?

o I do in an emergency?

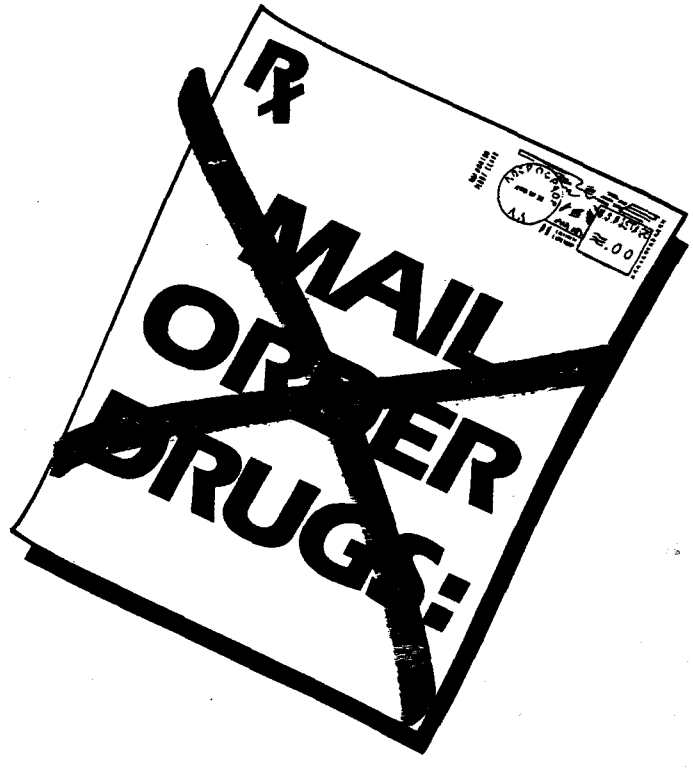
s, your pharmacist knows you. rmacist knows your doctors. Your st is there in emergencies. Your keeps a complete record of all you take—alerting your pharma- tential drug interactions. Your st is an integral part of your com- nd an essential member of the re team.

Mail order prescription drugs are NO bargain

REPRESENTING INDEPENDENT RETAIL PHARMACY

N·A·R·D

205 Daingerfield Road
Alexandria, VA 22314



This Is One Rx That's NOT For You

A message from your independent retail pharmacist . . . concerned about your health.

Mail Order Drugs

nsumers are being asked to make
n that can have serious conse-
to their health. They are being
ten coerced, by their employer or
e plan to purchase their prescrip-
s through the mail.

a decision that
d cost you your
th – even your

escription drugs are powerful medi-
efully chosen by your physician and
spensed by your pharmacist. Personal
h your pharmacist ensures that the po-
nes you are taking do what your doctor

borhood pharmacist is available to make
nderstand how your drugs should be
she checks the doctor's prescription for
osage, and method of administration,
ou to any potential side effects or inter-

Most patients go to more than one physician and are prescribed medications by different doctors. Only your neighborhood pharmacist, who keeps a profile of all the medications you are taking, is in a position to determine if one drug you are taking will interact dangerously with another prescribed by another doctor. Your pharmacist is also often aware of the over-the-counter medicines you take and special dietary restrictions that can cause adverse reactions to your prescription medication. Your pharmacist also generally offers home delivery and is available to assist you in emergencies—24 hours a day.

With mail order, you sacrifice all these services, and you risk your health. You trade the personal services of a drug expert, with five or more years of pharmaceutical training, for an 800 number operated by customer service representatives.

When you buy drugs through the mail, you're just a number, along with countless others processed and shipped from hundreds of miles away. The potential for error in these assembly line mail order operations is enormous. The United States Congress was concerned enough to hold hearings on the matter. A consumer from Virginia Beach, Virginia testified at those hearings that she was the victim of a potentially deadly mail order drug mix-up. Her local pharmacist confirmed the mistake after she noticed that her pills looked different.

A 70-year old Idaho woman wasn't so lucky. She died, reportedly after taking for several months the wrong prescription drugs sent to her through the mail. Involuntary manslaughter charges have been filed against the mail order firm that sent her the medication.

Even the cost savings mail order firms claim to achieve are illusory. A recent yearlong national study showed mail order drug programs to be five percent more expensive than neighborhood pharmacy services—and least cost effective among those for whom savings are most important, the elderly.

Your health is much too important to be placed at such risk. Your independent pharmacist offers you the personal, face-to-face service you have a right to expect when it comes to your pharmaceutical care. How can mail order drug vendors possibly provide quality health care to patients they never even see?

May Be Hazardous

Think about it for a minute, and you'll agree: Mail order drugs are no bargain.

to Your Health

HOME PHONE: 752-8965

OFFICE PHONE: 756-1044

MONTANA STATE SENATE

SENATOR JOHN "ED" KENNEDY, JR.
SENATE DISTRICT 3
5567 MONTANA HWY. 35
KALISPELL, MONTANA 59901

COMMITTEES:
LOCAL GOVERNMENT—CHAIRMAN
BUSINESS AND INDUSTRY
NATURAL RESOURCES

Senator Ed Kennedy
Testimony--Senate Bill 218

Cost containment in health care has become such a major focus of this legislature that there are those who seem willing to do anything at any cost to save money. They are even willing to believe that mail order pharmacy is the salvation of the pharmacy side of the health care system, even though we have clearly proven that the cost savings is a myth and mail order dangerous.What concerns me the most is that, in our desperation to find answers to the health care crisis, we are willing to believe that which is impossible to justify: we want to believe that dangerous drugs are like any other commodity that we buy through the catalog. The coumadin that killed the woman in Idaho is not like the down jacket that you ordered form J.C. Penney's. It is not like the toys you bought for Christmas for your kids from Montgomery Ward. Or, maybe it's okay that prescriptions are being filled by people who are--maybe--high school graduates, the same as who filled the box of candy that you ordered from the Sears catalog.

Don't you believe it, fellow senators. Don't you buy that this is a standard of health care that we can live with. Don't you buy that the myth of cost containment is the altar at which you are willing to sacrifice every level of patient protection. Montana pharmacists want to take care of their friends and neighbors. The people of Montana want their home town pharmacists to take care of them. They do not want to be <u>forced</u> to get their prescriptions from out of state pharmacies. Put Montana pharmacist on a level playing field with mail order pharmacy and they will win the game, but the real winners will be Montana people.

Montana's pharmacists have made their case. I ask that you make yours. Pass SB 218

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 5
DATE 1/29/93
BILL NO. SB 218

DATE Jan 29, 1993

SENATE COMMITTEE ON Business & Industry

BILLS BEING HEARD TODAY: HB 108, HB 120, SB 218

Name	Representing	Bill No.	Check One: Support	Check One: Oppose
Ray Cebulski	Missoula Elec.	108	✓	
Allen Martinell	Vigilante Electric Coop	108	✓	
Delbert D. Konnor	American Managed Care Pharmacy Ass	SB218		X
Bill Chapman	Glacier Elec Co-op	108	✓	
Diana Dowling	AARP	SB 218		X
[illegible]	MECA/MTA	HB120 HB108	✓	
G. Bruce Morris	Carpenter's Union	SB218		✓
Pam Egan	Mt. Family Union	SB219		✓
Darrell Holzer	MT. St. AFL-CIO	SB218		✓
Kevin McRae	MT Fed. of Teachers, state Employees	SB 218		✓
Patricia Foley	Bergum Drug (Self)	SB218	✓	
Wm Egan	IBEW State Conf.	HB120		✓
		SB218		
Mark Eichler	MSPA	SB218	✓	
Cathy West	Pharmacy	SB 218	✓	
[illegible]	Retail pharmacy	SB218	✓	

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

F10

DATE 1/29/93

SENATE COMMITTEE ON Business & Industry

BILLS BEING HEARD TODAY: ______

Name	Representing	Bill No.	Check One: Support	Check One: Oppose
Carl W. Ollila	Pharmacy	218	✓	
Thomas R. Krueger	Krueger Drug	218	✓	
Jean P. Krueger	"	218	✓	
William J. Fitzgerald	Drug Fair MM	218	✓	
Greg Hauska	~~[illegible]~~ Pharmacy	218	✓	
Jerry Stoick	Stoick Drug	218	✓	
Betty Stoick	" "	218	✓	
Linda Hoppingarden	Hamilton, Mt	218	✓	
Darlene Elespuru	Family Pharmacy Stevensville MT	218	✓	
Terri J. Wolfgram	Bozeman MT Buergeloos Drug	218	✓	
Tony Sevenik	Stevensville Family Pharmacy	218	✓	
John Brantom	Hamilton MT. Hamilton Pharmacy	218	✓	
Wayne A Hedman	Bitterroot Drug Hamilton MT	218	✓	

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

F10