



PHARMACEUTICAL CARE MANAGEMENT ASSOCIATION

April 7, 2010

The Honorable Charles Grassley
United States Senate
Washington, DC 20510

Dear Senator Grassley:

The Pharmaceutical Care Management Association (PCMA) applauds your recent efforts highlighting the numerous instances of “phantom pharmacies” defrauding Medicare and looks forward to working with you and the Administration on flagging these “bad actors” in the system, along with strengthening the detection of fraud, waste, and abuse.

PCMA is the national association representing America’s pharmacy benefit managers (PBMs), which administer prescription drug plans for more than 210 million Americans with health coverage provided through Fortune 500 employers, health insurers, labor unions, and Medicare. PBMs and Medicare Part D plans employ a variety of state-of-the-art techniques when working with pharmacies and other stakeholders to combat fraud, waste, and abuse.

The federal government states that a staggering \$60 billion is stolen from taxpayers through Medicare scams every year. Some experts believe the number is more than twice that. After passage of health reform, vigilance against fraud is more critical than ever to ensure that scarce health care resources are paying for legitimate services.

A survey in 2008 conducted by PCMA examining instances of pharmacy fraud, waste, and abuse found that:

- Approximately 1 percent of prescription costs are likely due to fraud, waste, and abuse, amounting to hundreds of millions of dollars in unnecessary costs for the Medicare Part D program and its beneficiaries.
- Typical examples of fraud, waste, and abuse detected prior to a claim being paid include prescription claims submitted with the improper quantity, improper days supply, improper coding, duplicative claims, and other irregularities.
- Independent pharmacies tend to be more vulnerable to fraud than large chain pharmacies, which have centralized billing operations with sophisticated accountability systems in place. Unlike chains, independent pharmacy owners both submit the bills and collect the payments, making fraud much easier and potentially more lucrative than in chains where payments flow to central offices.

The continued fight against fraud has been hobbled in one specific instance by requiring Part D plans to pay pharmacy claims within 14 days. This requirement significantly reduces the effectiveness of procedures designed to monitor, detect, and root out fraud, waste, and abuse. Nonetheless, it is critical to fraud-fighting efforts that we have access to every necessary tool which combats fraud on behalf of all payers, including federal and state governments.

In this light, it is ironic that several recent initiatives advocated by independent pharmacies could actually increase instances of fraud, waste, and abuse. These could undermine current detection efforts and result in increased costs for the public and private sectors. Some of these proposals include:

- Mandating PBMs contract with pharmacies that are currently banned from participating in federal programs.
- Opposing the Office of Inspector General's ability to prosecute pharmacists charged with a felony.
- Undermining the President's proposal to enhance Medicaid fraud enforcement.
- Requiring a lengthy waiting period of time to remove a pharmacy from a network even with irrefutable evidence of fraud.
- Creating unnecessary hurdles that hinder the ability of plans to audit pharmacies thoroughly.
- Exempting independent pharmacies from routine accreditation requirements to sell Durable Medical Equipment (DME).

Working together, all entities in the drug supply chain have an obligation to safeguard against fraud, waste, and abuse. Proposals such as those outlined above would undermine the essential system of checks and balances critical to effective oversight and accountability.

We look forward to working with your office and the Administration in aggressively combating and preventing instances of fraud, waste, and abuse in the health care system.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark Merritt". The signature is fluid and cursive, with a prominent "M" and "M" at the beginning and end.

Mark Merritt
President and Chief Executive Officer