



SEP 27 2006

*Administrator*  
Washington, DC 20201

The Honorable Charles E. Grassley  
Chairman, Committee on Finance  
United States Senate  
Washington, DC 20510

Dear Mr. Chairman:

Thank you for your letter suggesting additional pharmacy-related improvements to our continuing efforts to implement the Medicare prescription drug benefit. We appreciate the Committee's bipartisan recognition of the efforts we have undertaken to date to improve the program and to ensure that Medicare beneficiaries have access to the prescription drugs they need. Just as we have throughout this year – for example, on issues related to special messaging on claims and the standardization of prior authorization materials and processes – please be assured that we will continue to work with Medicare prescription drug plans and pharmacists to facilitate good business partnerships and solutions to problems identified by both parties.

In your letter, you specifically recommend requiring plans to disclose maximum allowable costs lists and prices and to update average wholesale prices (AWP) daily. With rare exceptions, the Centers for Medicare & Medicaid Services (CMS) does not generally involve itself in dictating plan pharmacy contracting terms. Thus, for example, we generally do not opine on contracting terms and conditions associated with compensation, billing, and business practices, provided such terms and conditions are consistent with explicit Part D statutory and regulatory requirements. Nevertheless, we strongly agree that reimbursement terms in network pharmacy contracts should be as specific and clear as possible so that pharmacies can best assess the actual payments they will receive under their contracts. In addition, we have been assured that it is industry practice to regularly update AWP pricing, which typically occurs weekly.

In regards to your recommendation, we require plan sponsors to offer the option of electronic funds transfer (EFT) to mitigate cash-flow issues. We are pleased to report that America's Health Insurance Plans (AHIP) has already recognized this as an industry standard for payment terms to pharmacies. The organization, which includes many Medicare plan sponsors as their members, will work with plans and pharmaceutical benefit managers to ensure that payment for clean claims is transmitted via mail or EFT at least twice per month and no later than 30 days after the claims are first submitted by the pharmacy. In addition, AHIP has encouraged its members to move as expeditiously as possible to promote the availability and utilization of EFT payments to all pharmacies.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 does not require that access to extended day supplies of covered Part D drugs be available at all retail pharmacies, however, CMS has been very clear regarding its expectation that plans will contract with a

sufficient number of retail pharmacies to ensure that enrollees will have reasonable access to the same extended day supply benefits at retail as are available at mail-order. We are continuing to monitor enrollee complaints regarding the availability of extended day supplies at network retail pharmacies. When we receive specific complaints, we immediately take action to investigate and resolve the issues identified in the complaint. Please be assured that we have not received a significant number of beneficiary complaints related to the availability of extended day supplies at network retail pharmacies and therefore have no reason to believe that beneficiary access to extended day supplies has been compromised in any way.

Finally, we have been very clear with plans regarding our emergency supply and prior authorization requirements and have encouraged the standardization of prior authorization processes. Given the vulnerability of our beneficiaries residing in long-term care settings, however, we remain vigilant in this area in order to ensure that plan prior authorization processes do not unduly hinder beneficiary access to medically necessary medications.

Thank you once again for bringing these important issues to my attention. We recognize the enormous value and commitment of pharmacies to the Medicare prescription drug benefit program, and our goal is to continue to work with this community, plans, Members of Congress, and other stakeholders to further streamline implementation of the program. I also will provide this response to the cosigners of your letter.

Sincerely,



Mark B. McClellan, M.D., Ph.D.