



Testimony of Terica Gatewood
before the

Robert G. Bethell Joint Committee on House and Community Based Services and KanCare Oversight

Chair Hawkins and members of the committee, thank you for the opportunity to testify today on behalf of Genoa, a QoL Healthcare Company (Genoa) on the effects of the 4% pharmacy cuts implemented earlier this year. My name is Terica Gatewood and I am the site manager for the Genoa pharmacy located inside Valeo Behavioral Health Care in Topeka. While the focus of my testimony will be on the effects to Genoa, similar effects can be applied to the members of the Kansas Association of Chain Drug Stores, the National Association of Chain Drug Stores, and the Kansas Pharmacists Association, all of which Genoa is a member.

Just a little information on Genoa, Genoa builds on-site, closed-door pharmacies inside Community Mental Health Centers (CMHC). Nearly 100% of our patients are living with severe and persistent mental illnesses. We understand the unique and special needs of this population. Our pharmacies offer full service, confidential and compassionate medication therapy services to patients. Our location inside the CMHCs, our singular focus on behavioral health, and our integration with the clinical care teams lead to much better health outcomes for the Medicaid beneficiaries of Kansas. Our pharmacies provide, among other things, specialized adherence packaging, personal refill reminder calls, and medication synchronization services. We operate eleven pharmacies in the state and due to our high touch model, our adherence rate is typically 30 to 40 points higher than the industry standard which studies show contributes to a significant reduction in the overall cost of care. Moreover, due to the many services we provide, and the fact we are integrated into the CMHC, it builds trust within our patient population.

On April 1, 2016 pharmacies' Medicaid reimbursement was changed to NADAC plus \$10.50. This change resulted in a negative financial impact to Genoa of over \$750k. Consequently, on July 1, 2016 pharmacies' reimbursement was further lowered to NADAC plus \$9.25 for companies with less than 30 sites in Kansas, including Genoa. This final rate increased the loss for Genoa to over \$1M.

The 2015 CCPA Cost to Dispense study concluded, and the KDHE agreed, that the cost of dispensing in Kansas is \$10.44 per prescription in a typical retail pharmacy. However, due to Genoa's model of providing extra services like packaging and personalized refill reminder calls, our cost to dispense is 50% higher than a typical retail pharmacy. Therefore, under the current dispensing fee of \$9.25, Genoa is reimbursed below what it costs to dispense every prescription I fill.

Recently, a peer-reviewed study published in the Journal of Managed Care and Specialty Pharmacy demonstrates that Genoa's integrated care model, that features onsite pharmacies within community mental health centers, produces higher medication adherence rates than the industry standard. The research also shows that this model reduces rates of hospitalization and lowers emergency department utilization for the patients that visit Genoa's onsite pharmacies. Specific study findings include:

- Genoa patients had a 96% medication adherence rate, which was significantly greater than the industry average.
- Genoa patients had a 40% lower rate of behavioral health-related hospitalizations.
- Genoa patients had an 18% lower rate of behavioral health-related emergency department visits.

- Cost avoidance estimates for Genoa patients in the Michigan study were approximately \$58 per member per month based on costs for hospitalizations and emergency department visits.

These annualized savings are being realized today by the state as a result of our efforts. We believe we began saving the state money due to our high touch model immediately after opening our first pharmacy in Kansas in 2007. In fact, we'd estimate that in 2015 we saved the State of Kansas over \$3 M. I would like to continue to provide this better model of care.

The impact of these reimbursement cuts is causing our pharmacies in Kansas to re-evaluate the services we provide to our patients. If I have to decide to stop providing some of the services like adherence packaging due to the rate of reimbursement, this will increase the risk of my mental health patients becoming non-adherent to their drug regimen; non-adherence leads to higher health care costs due to the increases in hospitalizations and emergency room visits. I urge you to set a Medicaid reimbursement rate that is fair and will allow pharmacies like mine to continue to take care of my patients at the high level to which they are accustomed.

Mr. Chairman, members of the committee, once again, thank you for the opportunity to testify today. I am happy to answer any questions you may have.