THE WHITE HOUSE

WASHINGTON

August 12, 1994

Dr. J.B. Pratt, Jr.
Pratt Foods Supermarkets
P.O. Box 308
Shawnee, OK 74802-0308

Dear Dr. Pratt:

It was a pleasure meeting with you during my visit to Oklahoma. Thank you for writing and expressing your concern about the treatment of part-time workers under health care reform. The President and I appreciate the concerns of businesses who rely on part-time workers to survive in competitive markets.

The President has an unwavering commitment to guaranteeing private health insurance to all American families. And because nine out of ten Americans with private insurance get it through their employers, he believes that reform should build on the tradition of shared responsibility for health care costs between employers and employees. Without universal coverage, the poor will continue to receive health care through government programs and the wealthy will continue to be able to afford to purchase coverage, while the middle class will remain at risk. Twenty-four million Americans, most of whom work hard to earn a living, will have no insurance coverage at all, and one million will continue to lose coverage each month. And without universal coverage, cost shifting and the need of individuals without insurance to rely on expensive emergency care will continue, causing health care costs to rise.

You mentioned that, as a small businessman, the cost of providing health insurance for part-time workers will place a significant financial burden on your company. As you may know, Congressman Gephardt and Senator Mitchell have introduced health care reform bills that include provisions to offset the costs of covering part-time workers. Employers would be required to pay only a pro-rated portion of the premium payment for part-time workers, based on the ratio of the hours worked up to 120 hours per month. No employer payment would be required for employees who work less than 40 hours per month or for employees who are covered as a dependent child under a parent's policy.

Further, the Gephardt and Mitchell bills include other provisions to offset the burden on small businesses like yours. The bills include subsidies for small businesses to limit their premium contributions. In addition, both bills give small businesses and individuals the opportunity to bargain for and purchase health insurance on the same basis as large employers by allowing them to join voluntary, non-governmental purchasing cooperatives. No longer will small businesses pay as much as 35 percent more than big businesses for the same health insurance. And no longer will small businesses pay administrative costs that amount to as much as 40 percent of their health care costs, compared to five percent for big businesses.

Thank you again for writing and expressing your concerns. This nation now has an historic opportunity to change our health care system to make it work for all of us. The President and I look forward to continuing to work to guarantee affordable, private health insurance to all American families.

Sincerely yours,

Hillary Rodham Clinton

Hillary Rodham Clinton

cc: The Honorable Bill K. Brewster

THE WHITE HOUSE

WASHINGTON

August 3, 1994

The Honorable Bill K. Brewster
U.S. House of Representatives
Washington, D.C. 20515

Dear Congressman Brewster:

Thank you for sending Mr. Max Moore's testimony and for sharing your concerns about the ability of employers to self-insure or administer health insurance programs for their employees under health care reform.

I appreciated learning that Mr. Moore supports the President's fundamental goal of guaranteeing private health insurance coverage for all Americans. I was also pleased that Mr. Moore is interested in a range of issues that are also important to the President -- including ensuring access to preventive care, ending cost shifting, and reforming the insurance market to eliminate preexisting condition exclusions, lifetime limits and other practices that prevent those who need health care the most from getting it.

As you know, the bill that Mr. Gephardt plans to introduce will not require businesses to purchase insurance through alliances, as originally proposed by the President. Instead, companies like Mr. Moore's may maintain self-funded plans. The House bill will simply give small businesses and individuals the opportunity to bargain for and purchase health insurance on the same basis as large employers by allowing them to join voluntary, non-governmental purchasing cooperatives. No longer will small businesses pay as much as 35 percent more than big businesses for the same health insurance. And no longer will small businesses pay administrative costs that amount to as much as 40 percent of their health care costs, compared to five percent for big businesses.

Members in both the House and the Senate have made great progress in proposing a less bureaucratic and less governmental approach, while preserving the fundamental goal of guaranteeing private health insurance to all Americans. I very much look forward to continuing to work with you in the coming weeks.

Sincerely yours,

Hillary Rodham Clinton

BILL K. BREWSTER
3D DISTRICT
OKLAHOMA

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March 9, 1994

Mrs. Hillary Rodham Clinton
Office of the First Lady
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

PAM MAR 30 1994

Dear Mrs. Clinton:

I very much appreciate the opportunity to meet with you to discuss health care reform issues. I look forward to working with you on this issue over the coming months.

In our meeting I mentioned my concern with provisions in the "Health Security Act" which would preclude most businesses from having the option to self-insure or administer health insurance programs for their employees. Many employers have worked hard to develop innovative programs which provide insurance coverage for their employees and hold down costs. I also mentioned that a business owner from my district, Mr. Max Moore, had testified in front of the House Ways and Means committee on this issue. At your request, I am forwarding a copy of his testimony. It seems to me the government should encourage efforts like the Moore's have taken, not preclude them from playing a role in providing health insurance for their employees.

I would also like to take this opportunity to thank you for your hard work on health care reform. I am confident that by working together, we can deliver to the American people much needed health care reforms.

Sincerely,

Bill K. Brewster

Bill K. Brewster
Member of Congress

BB/jl

THE WHITE HOUSE

WASHINGTON

March 21, 1994

The Honorable Bill K. Brewster
U.S. House of Representatives
Washington, D.C. 20515

Dear Congressman Brewster:

I thoroughly enjoyed our recent meeting. Your insights were quite helpful, as always.

I am writing in response to your letter dated February 10 asking for clarification of a number of provisions of the Health Security Act and the Omnibus Budget Reconciliation Act of 1990 (OBRA 1990) that are of interest to the pharmacy profession. The issues you raise -- the second previous payment period, the definition of actual charge, and the OBRA 1990 moratorium -- are technical, but critically important, reimbursement issues. To answer them most clearly and completely, I have asked that the Health Care Financing Administration respond to you directly.

As you know, the President and I are extremely pleased to have received the strong endorsement of the two largest national organizations representing community pharmacists -- the National Association of Retail Druggists and the National Association of Chain Drug Stores. We are committed to assuring that pharmacists are reimbursed fairly under national health care reform.

Please feel free to contact me with any additional questions or concerns. I look forward to continuing to work with you on passing health care reform legislation that we can both strongly support.

Sincerely yours,

Hillary

Hillary Rodham Clinton

BILL K. BREWSTER
3D DISTRICT
OKLAHOMA

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February 10, 1994

PAM FEB 15 1994

Mrs. Hillary Rodham Clinton
Office of the First Lady
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Mrs. Clinton:

As a member of the Ways and Means Committee, which will play an active role in health care reform, I am writing to seek clarification on several sections of the Health Security Act pertaining to the pharmacy services benefit; particularly the proposed Medicare Outpatient Prescription Drug Benefit and the existing OBRA '90 moratorium on reducing pharmacy reimbursement that is due to expire on December 31, 1994.

Second Previous Payment Period

A concern with the current Health Security Act language in both S. 1757 and Hr. 3600, is that a payment limit to pharmacy providers for covered outpatient drugs under Medicare unnecessarily uses data 12 to 18 months old to calculate the reimbursement rate for the drug dispensed. As you know, the prices of prescription drugs can increase significantly during 12-18 months, which will result in substantially underpaying the pharmacy. Since drug pricing data is routinely updated daily, I suggest the use of data no more than 30 days old, which was supported by Senator Pryor in the Prescription Drug Prudent Purchasing Act of 1990.

The legislative language can be found in Title II, Subtitle A of both bills. Specifically, it reads:

"In the case of a covered outpatient drug that is a multiple source drug which had a restrictive prescription, or that is a single source drug, the payment limit for a calculation period is equal to-

(i) the 90th percentile of the actual charges (computed on the geographic basis specified by the Secretary) for the drug product for the second previous payment calculation period".....

Page 361 (C), Payment Calculation Period
"The term 'payment calculation period' means the 6-month period

beginning with January of each year and the 6-month period beginning with July of each year."

The language should be changed to state:
In the case of a covered outpatient drug that is a multiple source drug which has a restrictive prescription, or that is a single source drug, the payment limit for a calculation period is equal to-
(i) the 90th percentile of the actual charges (computed on a geographical basis specified by the Secretary) for the drug product for the payment calculation period.

Page 361(C) Payment Calculation Period
The term "payment calculation period" means the price 30-days prior to the dispensing of the prescription.

Reimbursement rates should reflect a rolling 30-day price.
Electronic claims management systems available and fully operational today, and called for in the Medicare Outpatient Prescription Drug Benefit, can be used to calculate the proper reimbursement to the pharmacy providers using very recent data.

The following are three examples of the difference in the drug product price that would be used in making a reimbursement determination under the current language as compared to the proposed version:

Drug Dispensed in December 1993	Reimbursement Determination Based on Product Costs of Drug in July 1993	Reimbursement Determination Under New Language
Tagament	$ 77.90	$ 85.25
Hythrin	$103.80	$113.23
Mevacor	$110.61	$119.79

Definition of Actual Charge

Again, in the language of the Health Security Act relating to the Medicare Outpatient Prescription Drug Benefit, the product reimbursement formula makes reference to the *"actual charges"* for the prescription (see citation earlier in this letter). While the term actual charges may be one frequently used in health care contracts, it has become a source of serious contention to community retail pharmacies and the third party programs in which they participate. Payors, with increasing and troubling frequency are assigning to this seemingly self explanatory term new and creative meanings which materially impact the payment to the dispensing pharmacy.

To preempt any potential disagreement on the definition of this term under the Medicare program, I respectfully ask your consideration of the inclusion of a definition of "actual charge". I propose the following:

Page 361 (D) Actual Charge
The term actual charge shall mean the usual and customary price for a prescription that includes cost of goods, dispensing fee, and an administrative charge to provide pharmacy services. These charges may vary depending on volume, and cognitive and administrative services performed.

OBRA '90 Moratorium

Secondly, and equally important, is the pharmacy profession's need to seek an extension of the OBRA '90 moratorium on further reduction in pharmacy reimbursement until a health care reform package is passed and implemented. OBRA '90 (Public Law No. 103-55 as amended) under the section entitled, "Treatment of Pharmacy Limits" states:

During the period beginning on January 1, 1991 and ending on December 31, 1994 (A) a State may not reduce the payment limits established by a regulation under this title or any limitation described in paragraph (3) with respect to the ingredient cost of a covered outpatient drug or the dispensing fee for such a drug below the limits in effect as of January 1, 1991.

Congress included the moratorium on reducing pharmacy Medicaid reimbursement in OBRA'90 to protect community retail pharmacies from further inequitable payment cuts indiscriminately made by either HCFA or the individual states. In response to the continued increase in prescription drug prices, the two previous Administrations through HCFA and many state Medicaid agencies had previously implemented cuts to reduce community retail pharmacy reimbursement without any consideration of whether the resulting reimbursement was even adequate to cover the pharmacies' costs.

During the extensive debate on prescription drug prices that preceded OBRA '90, Congress acknowledged that it was not community retail pharmacy that was driving up prescription prices and included the moratorium to protect pharmacy until December 30, 1994. Congress also required in OBRA '90 that HCFA perform a study on the adequacy of pharmacy Medicaid reimbursement, which could be used, if necessary, to formulate a new and more equitable Medicaid pharmacy reimbursement methodology. HCFA has indicated to us that the report to Congress on the results of the study are not expected to be available until March, 1994 at the earliest.

In light of the impending results of the OBRA '90 study on the adequacy of community retail pharmacy Medicaid reimbursement, I am requesting your support in amending the Health Security Act to extend the moratorium through the establishment of the approved state plans, at which time Medicaid prescription programs transfer to the jurisdiction of health alliances. This extension of existing law would allow for a reasonable transition from the current Medicaid programs into a reformed health care system. It will also allow time for interested parties to review and react to

the HCFA study results and the report to Congress.

Your response on these issues will be greatly appreciated as we mutually seek to meet our goal of meaningful health care reform.

Sincerely,

Bill K. Brewster

Bill K. Brewster
Member of Congress

BB/in

CC: Ira Magaziner
Chris Jennings

THE WHITE HOUSE

March 9, 1994

The Honorable Bill K. Brewster
U.S. House of Representatives
Washington, D.C. 20515

Dear Congressman Brewster:

Thank you for your letter regarding the public/private AIDS education partnership developed by the Foundation of Pharmacists & Corporate America. Educating the public about AIDS is critical and, as you noted, pharmacists can play a pivotal role in this effort.

I have forwarded your suggestions to Kristine Gebbie, the National AIDS Policy Coordinator. Again, thank you for your letter.

Sincerely yours,

Hillary

Hillary Rodham Clinton