

**Statement for the Hearing Record****"Buried in Paperwork: A 1099 Update"**

House Small Business Committee  
U.S. House of Representatives

February 9, 2011

**Introduction**

The National Association of Chain Drug Stores (NACDS) is pleased to offer this statement in connection with the Committee's hearing entitled, "Buried in Paperwork: A 1099 Update." NACDS supports legislation to repeal the 1099 reporting requirements that were enacted as part of the Affordable Care Act (Public Law 111-143) and we applaud the committee for convening a hearing to focus on this problematic issue. While NACDS shares the concerns of the broader business community about the additional administrative burdens and costs associated with the 1099 reporting requirement, chain pharmacies, as healthcare providers, are also deeply concerned the mandate could hinder the delivery of patient care.

NACDS represents traditional drug stores, supermarkets, and mass merchants with pharmacies. Its more than 137 chain member companies include regional chains with a minimum of four stores to national companies operating in nearly every state. Chain community pharmacies operate 39,000 pharmacies, and employ a total of more than 2.7 million employees, including more than 118,000 full-time pharmacists. NACDS members fill more than 2.6 billion prescriptions yearly, the equivalent of about 72% of all prescriptions in the United States. Retail stores with pharmacies are valuable economic and business resources in their communities paying nearly \$23 billion in state taxes annually. The total economic impact of retail stores with pharmacies reaches well beyond their \$830 billion in annual sales. Retail stores with pharmacies have a total economic impact of \$1.57 trillion, based on 2009 data. That is the equivalent of approximately 11% of the gross domestic product. Every one dollar spent in these stores creates a ripple effect of \$1.96 throughout other segments of the economy.

**The Role Of Neighborhood Pharmacies**

The primary function of retail chain pharmacies is to assist individuals in the communities where they operate with their healthcare needs. While the convenient, safe and efficient dispensing of prescription medicines is a core function of the modern neighborhood pharmacy – and one our members take very seriously -- NACDS members do much more that positively impacts the lives of their customers and patients. Today's pharmacies offer a variety of preventive healthcare services including immunizations and

vaccinations, smoking cessation clinics, health screening services, disease management services and routine advice on the best and most effective over-the-counter products for patients' specific needs. Americans trust their neighborhood pharmacies to provide these services, which is one reason pharmacists have ranked in the top three each of the past eight years in Gallup's annual survey of integrity across all professions.

### **Medication Adherence and Medication Therapy Management (MTM)**

One of the most important roles that pharmacies play is in helping Americans take their medications in the safest most effective manner possible. Millions of Americans fail to take their medications appropriately. Poor medication adherence costs the U.S. health system \$290 billion annually, equal to 13% of total health expenditures. (New England Healthcare Institute, 2009). In addition, poor adherence also leads to \$100 billion in hospital readmissions annually. (New England Journal of Medicine, April 7, 2010.) NACSD believes this is an unacceptable amount of waste that needs to be addressed.

The best way to make sure Americans use medications most effectively is through a complete medication review and professional counseling services offered by qualified pharmacists, otherwise known as "medication therapy management" (MTM). MTM helps prevent medication errors, ensures medication compliance and gets patients more involved in their medication therapy. Evidence shows that MTM improves outcomes and reduces unnecessary medical services, producing a very high return on investment.

Congress has recognized the importance of MTM on a bipartisan basis. The Medicare Modernization Act of 2003 created the Medicare Part D drug benefit and specifically included MTM as a required offering. In addition, the health reform legislation of 2010 made improvements to the Medicare Part D MTM benefit and established grant programs for MTM in treating chronic diseases and in care provided in the new "medical home" model. While these steps are welcome, more needs to be done to control the huge costs associated with medication non-adherence and to improve access to MTM services. NACDS supports S.274, the Medication Therapy Management Empowerment Act of 2011, which will strengthen and improve access to the MTM benefit in Medicare Part D. A bipartisan companion measure is expected to be introduced soon in the House.

### **1099 Requirement May Interfere with Patient Care**

Because Americans rely more and more on their neighborhood pharmacies for important healthcare services, our industry resists the imposition of additional administrative mandates, especially those that distract from their role as providers of patient care services. The 1099 mandate is a prime example of an administrative mandate that will interfere with pharmacies' ability to furnish convenient and cost effective healthcare.

The provision would require businesses to report to the Internal Revenue Service on a 1099 form any payment of \$600 or more to an individual vendor. This would dramatically increased data collection and reporting requirements putting a tremendous and costly administrative burden on accounting departments in every organization in America, including neighborhood pharmacies. If fully implemented, the provision would impose substantial paperwork and reporting burdens forcing our members to institute

new and complex record-keeping data collection and reporting requirements that track every purchase by vendor and payment method.

Pharmacies are the face of neighborhood healthcare and are a highly trusted source of healthcare information, products and services. The 1099 reporting requirements will force pharmacies – whether large national companies or small local drug store chains – to spend inordinate amounts of time and human resources on additional paperwork. This will take away from the time that pharmacies and pharmacists have to help patients address their medication and other healthcare needs.

Again, NACDS supports repeal of these overly burdensome requirements, to help ensure that American pharmacies can continue to focus on their patients, not needless paperwork.

We thank the committee for the opportunity to offer this statement and applaud you for highlighting this important issue with this hearing. If you have any questions, please contact Paul T. Kelly, Vice President, Federal Government Affairs, National Association of Chain Drug Stores, 413 North Lee Street, Alexandria, Virginia, 22314, (703) 549-3001 or [pkelly@nacds.org](mailto:pkelly@nacds.org).