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Written Testimony

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**Lessons from Katrina
Building Robust Partnerships**

**Before the Little Hoover Commission
Thursday, February 23, 2006**

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Acting Executive Director Lyons and distinguished Members of the Commission:

Rite Aid Corporation wants to thank the Commission for its work on this very important issue and for holding this hearing today. We support the actions taken to better prepare the state of California and its communities to respond to and recover from all disasters, both natural and manmade. We are prepared to work with you at all levels of government and within the communities we share. Rite Aid Corporation is honored and pleased to be a part of this process that may help the Commission and the California Government take action to better prepare for inevitable catastrophes.

Background

My name is David Vucurevich R.Ph. I am the Vice President of Pharmaceutical Purchasing for Rite Aid Corporation, the third largest chain pharmacy in the United States with 3,400 locations in 28 states and the District of Columbia. I am responsible for oversight of the procurement, logistics, distribution and regulatory compliance of pharmaceutical products dispensed as prescriptions to more than 20 million patients each year. Rite Aid Corporation operates 582 drugstores that dispense over 36 million prescriptions in California communities annually.

I am a licensed pharmacist in Arizona, Colorado and New Mexico with professional affiliations that include National Association of Chain Drug Stores Policy Council, University of New Mexico College of Pharmacy Executive Board, and numerous industry trade advisory boards. As a retail pharmacy industry veteran of more than 20 years, my background also includes extensive experience in pharmacy operations, managed care and governmental affairs. I am an undergraduate of the University of Arizona and a 1982 graduate of the University of New Mexico, College of Pharmacy.

Purpose of the Hearing and Rite Aid's Role

As we understand it, the purpose of this hearing is twofold:

- 1) review the lessons learned from the gulf coast hurricane disaster that could inform California's efforts to leverage private sector resources and expertise to better respond to large scale emergencies

- 2) explores strategies the State should pursue to build robust public-private collaboration for emergency preparedness

Rite Aid Disaster Plan

Being properly prepared in crisis management is critical to Rite Aid Corporation's operational sustainability. Like most major retail organizations, we have created a corporate natural disaster plan that provides clear guidance (24/7/365) at all management levels and within all 17 functional areas of our company. The plan contains clear and concise direction at three levels. Level I; Pre-disaster, Level II: Post-disaster and Level III: Recovery. As stewards of one of the most critical needs of disaster victims; healthcare, Rite Aid Corporation core values are important *"We are caring neighbors, focused on and committed to the healthcare needs of our customers and our associates, particularly in their time of need"*.

The focus of the disaster plan is associate welfare, reconstitution of operations, and community support. During times of crisis there are key components to success:

- central leadership to orchestrate activity
- quick situational evaluation and associate empowerment
- effective and efficient communication
- sound information systems and logistics
- leveraging assets
- flexibility
- strong collaborative business relationships
- last but not least, strong associate culture

Each of these important characteristics can be identified in Rite Aid Corporation's response to hurricanes Katrina and Rita last fall.

Rite Aid response to Katrina

The following information is not intended to be all inclusive, but rather serve as an overview of Rite Aid Corporation's disaster response and provide a baseline for thought and discussion.

Hurricane Katrina made landfall in Louisiana, Mississippi and Alabama on Monday, August 29th in the early morning. Before noon, the city of New Orleans experienced major flooding as parts of their levee system collapsed creating forcing hundreds of thousands of residents from their homes. This wave of evacuees in addition to residents that had already left the area began to overwhelm emergency response agencies throughout the region.

By Monday afternoon, a "task force" was formed at Rite Aid Corporation headquarters in Camp Hill, Pennsylvania to work directly with the regional vice president and district managers overseeing the recovery efforts in affected areas. The task force began formulating an action plan to locate associates, assess the damage to stores and initiate a response to the disaster. The task force met everyday at 10am for an update

conference call with field based associates. The call, led by the Regional Vice President of Operations, provided a store by store condition update from various departments including information systems, telecommunications, retail facilities, pharmacy operations, store operations, governmental affairs and human resources.

A regional command center was formed at the Division 2 office in Detroit, Michigan and information was gathered and reported on from that location back to the corporate headquarters task force. The Detroit office is responsible for operational management of the area impacted by the storm and facilitated communications from the impacted region. Communication from the New Orleans area was particularly challenging with phone lines down and cell service providers overwhelmed with call volume. To overcome this challenge, our Information Systems department ordered a number of satellite phones to keep the lines of communication open for several weeks during the most challenging times. In addition, a toll free number for Rite Aid associates affected by the disaster was activated to let management know where they were, their health condition, inform them of Rite Aid shelter locations and when stores were scheduled to open as they came back on line. The number went directly into the regional command center.

All Rite Aid associates who worked at the affected stores continued to get a paycheck for an agreed upon amount of time. Also, our Benefits department set up a toll free number which was fully staffed with individuals trained to provide emotional support and assistance to affected associates.

Initial store conditions assessments were very difficult. Access to areas hardest hit by the hurricane was very challenging due to storm damage and public safety restrictions in place to ensure security. On September 1, over 90 of the 231 Rite Aid locations in Louisiana, Mississippi and Alabama sustained damage ranging from power outages, flooding and looting (see exhibit B) to locations in the Gulfport, MS that were completely destroyed (see exhibit A).

Rite Aid damage assessment personnel were slowed by having to get special clearance and permits from local authorities to drive to affected areas. Getting to stores in a timely manner was critical in evaluating the integrity of prescription drugs. In stores that lost power, we had to assess timing of how long certain medicines went with out refrigeration or were exposed to temperatures outside of approved guidelines and order replacement product. Many stores operated without power to meet the needs of the community until service was restored or generators arrived. Our Facilities department worked very closely with the district managers to get generators to affected stores to power air conditioning, refrigeration, lights, cash registers and computer systems. Press Releases were sent out daily announcing the openings of additional Rite Aid stores as they regained power and were staffed. Associate safety was a major concern in the region as looters began to raid some of our open stores and delivery vehicles.

Rite Aid's Real Estate team began to identify vacant buildings in the regions that were converted to four shelters equipped to support over 300 associates and their families who may have been displaced. In addition, these shelters served as temporary housing for associates arriving from other states to support recovery efforts. This action was necessary as lodging in the affected area was almost non-existent. Our Facilities group

worked hard to find essentials to furnish the shelters including cots, lounge chairs, TV's, computers, toilets, blankets ovens and shower facilities. We provided three meals each day in the shelters for our associates. A gas tanker was deployed to the affected areas for our associates to fill their cars, allowing them to get back and forth from their homes or shelters to work. Members of Rite Aid's Executive Management team traveled to the affected areas on three occasions to visit with store associates, offer support and get a first hand look at the destruction.

Rite Aid associate teams including pharmacists, technicians and store managers from New York, Michigan, West Virginia, Pennsylvania, and other states traveled to the affected areas to help get our stores back up and running. Teams stayed for weeks at a time helping to relieve resident associates who were working around the clock to fulfill the front end product and prescription needs of affected residents. Our Licensing team had to work closely with each affected state's board of pharmacy to get pharmacy licenses waived for out of state pharmacists. Temporarily, the states allowed any licensed pharmacist from any state fill prescriptions (typically pharmacists need to be licensed in the state where they are working or reciprocate to another state through a lengthy process). The licensing teams also needed to quickly get licenses for the mobile pharmacies (#12 total See Exhibit B) that were being deployed to areas based on the request of state agencies or to replace a destroyed store. The affected states waived the mandatory board inspections normally required for licensing and we were able to turn around licenses within a 24 hour timeframe.

Our Information System and Telecommunications departments worked closely with local phone companies to get our phone lines back up in all stores while Field Systems Support provided new equipment to stores. Scanners, terminals and printers were delivered to many stores where equipment was destroyed and extra equipment was delivered to stores where prescription demand grew because of evacuees and shelters opening in the area.

Rite Aid stores receive 80-90% of the products they sell from corporate distribution centers. The balance of products is provided by wholesale distributors or directly from vendors. Pharmaceutical products are available from Rite Aid distribution centers (90%) or from our primary wholesaler, California based McKesson Corporation (10%). McKesson was truly an unsung hero in Rite Aid's response to the pharmacy needs of residents and evacuees in the disaster area. Rite Aid's primary drug wholesaler lost their Slidell, Louisiana distribution center to the storm; however, their redundant systems allowed critical drug orders from pharmacies in the area to be rerouted and sourced out of distribution centers they operate in Texas and Tennessee. In addition, McKesson was able to rebuild a courier network for deliveries in less than a week after the storm.

For days after the storm, our Pharmacy Operations department manually ordered pharmaceuticals for locations that had no power and could not communicate through normal electronic means to both Rite Aid and McKesson distribution centers. McKesson also proactively contacted pharmacies if they did not receive a product order when expected to make certain drug products were available to meet the demand.

Rite Aid Corporation's distribution center in Tuscaloosa, Alabama worked around the clock sending trucks and deliveries of front end and pharmaceutical products to stores in the affected areas. There were special orders and multiple deliveries to stores each day if necessary. Warehouse truck drivers would frequently make a delivery and then turn around and go right back with another load of product to another location. The distribution center management and staff worked 24/7 to fill every store's needs. Deliveries were challenging with very limited availability of diesel fuel. The distribution center fuel supplies were sufficient for outbound trucks; however, return trips were difficult due to power outages at filling stations and restrictions of purchase quantities imposed by states. In Mississippi for example, there was a 50 gallon limit per purchase and drivers had to stop every 25 to 30 miles on their return trips to refuel.

Within days of the hurricane's passing, hundreds of thousands of evacuees began filling shelters and the homes of friends and relatives throughout the region to as far away as California, Michigan and Massachusetts. The weeks that followed "may come to be remembered as community pharmacies finest hour (see exhibit C)". Rite Aid, along with other chain and independent pharmacies, worked closely with the National Association of Chain Drug Stores and the Centers for Medicare and Medicaid Services to address the desperate need to provide life saving medications to these evacuees. Multiple daily conference calls were coordinated by Larry Kocot, special assistant to Mark McClellan, administrator of the Centers for Medicare and Medicaid Services. These calls served as a central point of communication in which the needs of state and federal emergency relief agencies and community pharmacy providers could exchange critical information. The prescription drug needs of hundreds of shelters, with occupant populations from 20 to over 15,000, were systematically divided among pharmacy providers on the calls with unwavering collaboration. At Rite Aid Pharmacies, patients with no other means of payment were provided prescription drugs at no charge for the entire month of September. For evacuees in Louisiana shelters, the practice was continued for 3 additional months. Rite Aid also reached out to the state departments of health to offer services and in-kind product donation as needed and provided mobile pharmacies in the hard hit New Orleans area as residents returned. Mobile pharmacies were also deployed to Rite Aid sites where prescription services were needed and the store was too damaged to safely serve customers (see exhibit B). Rite Aid Information Systems group worked with the Department of Health and Human Services, Sure Scripts, Gold Standard and other national chains to create a central database of medical information for Medicaid patients displaced by the storm. This medication history was available online to physicians providing medical care in many of the large shelters.

Lessons learned in Rite Aid's response efforts to Katrina

Following Hurricane Katrina, the timely response of private sector pharmacy providers was able to minimize the most critical loss of any natural disaster, the loss of human life. While public sector agencies struggled to organize and mobilize, community pharmacy providers moved forward quickly, efficiently and collaboratively; leveraging assets and expertise, to meet needs of disaster victims. Throughout this critical period, there were lessons learned that can serve to highlight opportunities for improvement to disaster response. These lessons are not solely applicable to the private sector, but to the public sector as well.

- Communication is critical
 - Communication in the disaster area was a major challenge affecting associates, operational teams and information systems.
 - The creation of central communication points both internally and externally was critical to the success of Rite Aid Corporation's disaster response.
 - Institutionalizing the external communication process is a tremendous opportunity. A thorough review of the model created with the Centers for Medicare and Medicaid Services facilitating collaborative communication between the public sector and private sector pharmacy providers would be recommended. Although not perfect and modified on the fly, the process worked amazingly well.

- Understanding capabilities and limitations of the private sector
 - Emergency preparedness plans of both the public and private sector should be shared on a regular ongoing basis through an ongoing task force
 - Knowing in advance what each sector can contribute in response to disaster efforts will eliminate redundancy, inefficiency and costs
 - Expose regulatory barriers that create impediments to a timely response to the needs of disaster victims. For example:
 - HIPAA's impact on accessing protected health information
 - Prescription drug pedigree law's impact on the ability to transfer product between entities providing services
 - Fuel limits
 - Travel clearance restrictions and curfews
 - Clear and concise pre-disaster agreement on payment for products and services provided by the private sector

- Create Legislation that supports private sector collaboration
 - Give the Governor and one other high ranking state official the authority to utilize emergency power (for a limited time period-probably 30 days-subject to 15 day renewal periods). This redundancy will ensure the enactment of emergency measures will occur in a timely manner.
 - Legislation should recognize the need to immediately call on private sector resources as a component of the public sector first response in order to get the most help, to affected communities, in the shortest amount of time.
 - Legislation should also guarantee payment for pharmacy services provided to individuals impacted by the disaster that have no other means to pay during the proclaimed emergency period.
 - Immediately after Katrina, state and federal agencies took days to work out communications, chain of command and priorities in the disaster area. Meanwhile, local hospitals, pharmacies and other health care providers were managing the critical care needs of residents with no guarantee of payment for services rendered.
 - Within a week of the hurricane, the Louisiana Board of Pharmacy requested support from community pharmacy providers to provide prescription drugs at no charge to displaced evacuees with no means to pay. The Board indicated they would submit a claim for

services to FEMA on behalf of the providers and secure payment. At the time of this writing, no payment has been received for tens of thousands of prescriptions provided to those in need by Rite Aid.

- The Governor should be able to authorize payment for pharmacy services at a predetermined rate and reconcile funding with FEMA or other federal agencies after the fact.
 - Also, authority needs to be given to quickly enroll pharmacies and other medical providers in the state Medicaid program. In the wake of a disaster in California, evacuees will begin to pour into neighboring states. For a Medicaid recipient whose benefit ends at the state line, access to critical medications is dependent on the provider being enrolled with the state Medicaid agency. Legislation does not need to spell out all the details, just provide the authority for the agency to develop rapid enrollment procedures to be used during a state of emergency.
- Additional opportunities for future legislation:
 - Emergency authorization for the Medical Board, Nursing Board, Pharmacy Board, etc to grant a 1 month license to practice in California. This is very important since in-state medical practitioners may no longer be available or in sufficient numbers to meet the needs of the emergency.
 - The California Board of Pharmacy should be empowered to waive, for a period of time, some pharmacy practice rules that may impede providing needed medications in a timely manner. For example, if a displaced person comes into a pharmacy with an empty prescription bottle from a closed or destroyed pharmacy, the pharmacist should be able to use professional judgment to give out 15-30 days supply of critical medications. Controlled substance and future product pedigree regulations are also areas of consideration for waivers.
 - Security is critical to timely recovery. Legislation should provide reciprocal agreements with surrounding states that would facilitate the mobilization of additional law enforcement to hard hit areas. In Louisiana, many Rite Aid pharmacies were victims of looting and robbery. In addition, drug deliveries from wholesale distributors were often targeted by criminals for narcotics they were transporting.

Conclusion

As with each business processes, Rite Aid Corporation constantly strives to improve its preparation, response and recovery to all types of disasters. Based on lessons learned from Katrina, collaboration with the public sector is key area of opportunity for improving our disaster response process, commitment to associates, customers and the communities we serve.

There are many certainties in this country today. One of those certainties is that we will face another major crisis and whether it is a natural disaster, pandemic disease or terrorist event; we will all be required to respond again. The success or failure of our future response will depend on whether we continue to learn from past opportunities

and proactively collaborate with each other in the future. Both the public sector and private sector are filled with talented leadership that can build partnerships to unprecedented levels of preparedness for years to come.

On behalf of Rite Aid Corporation, I would like to thank you for allowing me to share our experience with the Commission and look forward to working closely with you on this very important topic.