Pharmacy Deserts

Submitted by: Richard Ost RPh

RichOst137@gmail.com

215-740-3722

It is estimated by the National Community Pharmacists Association that over 20% of community pharmacies will close by the end of 2024 because many patients are struggling to get their medications and creating a phenomenon called Pharmacy Deserts. Pharmacy Deserts are defined in various ways depending on the location and economics of an area. In a rural area, a pharmacy desert is defined as a five-mile radius between a person and their nearest pharmacy. However, when it comes to urban areas, some say that distance can be one mile between a person and their closest pharmacy. Within those numbers lurks another story about a disturbing shift affecting low income, Black, Brown, and Latino neighborhoods, in the Commonwealth. Limited access to reliable transportation in unsafe neighborhoods makes it difficult for many people to travel more than a ½ mile to their local pharmacy. Now add the patients age into the equation, and it just becomes worse. In the first quarter of 2024, 32 independent and 45 chain pharmacy stores have closed, accelerating the growth of pharmacy deserts in Pennsylvania. In addition to the numbers above, just two days ago Rite-Aid announced it will be closing another 23 pharmacies in Pennsylvania.

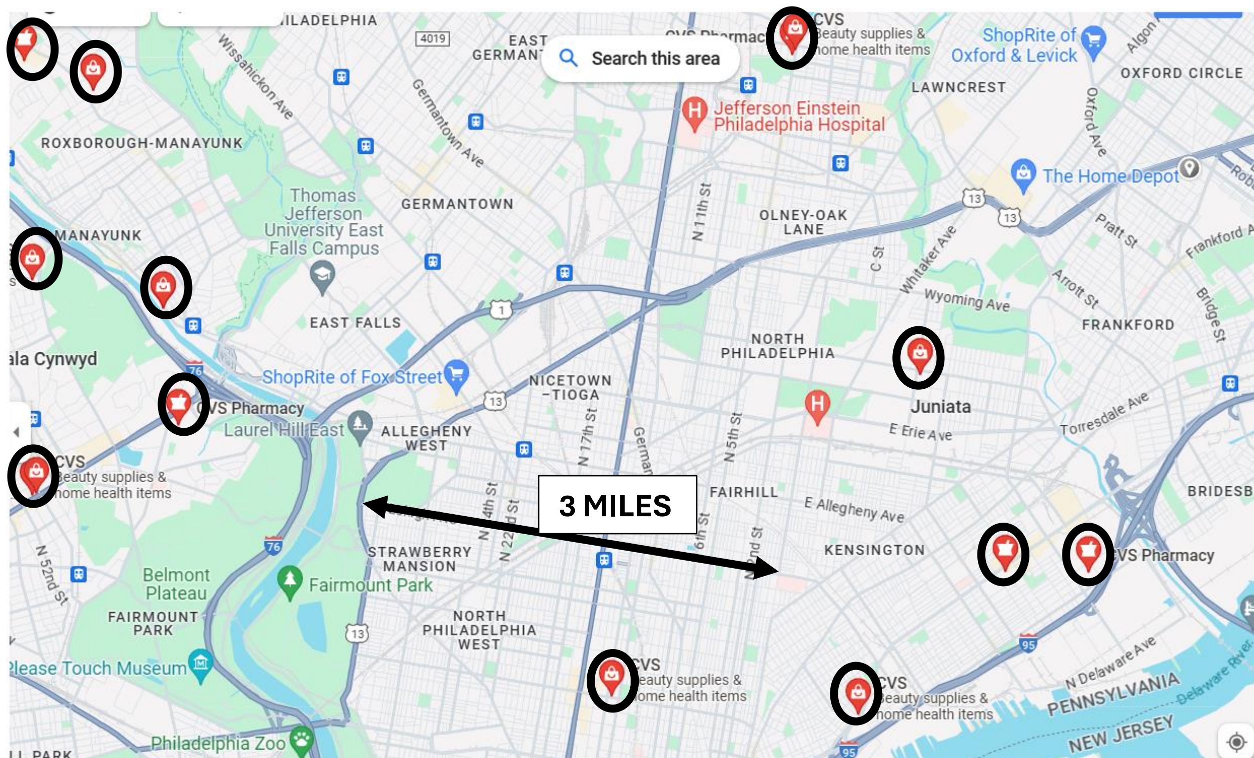
How did the problem start and how do we fix it? The reimbursement a pharmacy receives for filling a prescription has drastically decreased over the last 10 years, to the point that a pharmacy can make more money selling a candy bar than filling a prescription. For example, the reimbursement from a Pennsylvania Managed Care Organization (MCO), and many commercial Prescription Benefit Managers (PBM) for a prescription for 30 tablets of Metformin 500mg, (a lifesaving diabetes drug) is approximately $4.00. The reimbursement for 30 tablets of Amlodipine 5mg (a life savings blood pressure drug) is approximately $3.00. When looking at more expensive brand name items, in many cases the pharmacy is reimbursed below its cost of acquisition for the drug. Therefore, many local community pharmacies no longer wish to carry expensive brand name medications to avoid selling prescriptions at a loss.

In 2019, CMS and the PA Department of Human Services (DHS) based on a cost of dispensing study, set the reimbursement for prescriptions for the Fee for service program in Pennsylvania at National Average Drug Acquisition Cost (NADAC) plus a $10.00 dispensing fee. If $10.00 is the dispensing fee set by the federal and state government in 2019, then how is it equitable that a MCO or commercial payor can pay less than $3.00 as above for these lifesaving drugs. A community pharmacy makes more money on selling a candy bar to a customer than it does on filling a prescription, and there is no professional service or schooling needed to sell that candy bar. MCOs and the PBMs determine how much they will pay for the cost of the drug and the professional fee with no relevance to the cost of the

drug or cost to dispense. As previously stated, pharmacies lose money on many generic and brand name prescriptions.

Managed Care Organizations started out as a company that managed the care of a patient. Over the years it has changed into how to save dollars on all services, especially pharmacy with the help of a PBM partner with no regard for a patient's health, or how they get the services provided.

Take a look at the map below of CVS pharmacies using the ZIP code of 19134 for the city of Philadelphia. Funny that there are many more locations in more affluent neighborhoods. CVS also own CVS /Caremark a PBM that pays for an estimated 40% of the Medicaid prescriptions in the Philadelphia area, however they do not have or want to have CVS locations in those low-income areas. When you look at a map for Walgreen's you will see the same thing. The most prominent pharmacy chain servicing the low-income areas of Philadelphia is Rite-Aid which is in bankruptcy and closing more and more stores each day. That leaves only small community pharmacies to serve the most vulnerable population, where their reimbursement may be determined by one of their competitors who thinks the reimbursement is so low, that they do not have pharmacies in those neighborhoods. Looking at the map below, how far does a patient needs to travel to a CVS Pharmacy (circled) when they live in Germantown, Allegheny West, North Philadelphia, or Strawberry Mansion.



Small community pharmacies are at the mercy of the large PBMs and the MCO's that hire them. Community pharmacies are presented with a take it or leave it, non-negotiable

contracts. Community Pharmacies cannot file litigation, as the contracts limit them to arbitration, and in the case of CVS/Caremark, a $50,000 deposit is required upfront to file arbitration, which will be heard by an arbitrator selected by CVS/Caremark in Arizona. We are bound by confidentiality and cannot band together to negotiate or fight them. The statement above applies to all PBMs with little exception.

Many residents of low-income communities count on their local pharmacy for more than just prescriptions. We are a healthcare resource for our community. When they cannot reach their doctor, they turn to us for assistance. When more and more low-income minority patients lose access to their trusted local community pharmacist, healthcare costs will increase. Patients will become less compliant as they lose contact with their pharmacy as a trusted healthcare provider, and this will end up leading to more emergency room visits as their chronic conditions remain untreated with pharmacy therapy.

Pharmacy Deserts will raise total healthcare costs to the state government via medication noncompliance for chronic conditions. Mail order pharmacy just does not work in low-income neighborhoods. In a meeting with a local insurer, they said they based their pharmacy reimbursement on the lowest Medicaid rate in the market. If an MCO in PA pays a fee of only $1.00, then why shouldn't they.

We are at a crisis point! Legislation is needed to protect our most vulnerable communities from becoming pharmacy deserts. National studies show the cost to dispense a prescription in the United States for a fee for service Medicaid patient is $12.45. It is my suggestion that the state immediately set the minimum reimbursement for pharmacies for any prescription plan at the Pennsylvania Fee for Service Medicaid rate of NADAC plus a $10 dispensing fee, while Pennsylvania conducts a new cost of dispensing study.

THANK YOU!