POLICY COMMITTEE HEARING ON PHARMACY DESERTS

WRITTEN TESTIMONY FOR ROB FRANKIL, RPH

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Community pharmacies, both independent and chain pharmacies, have been under attack by Pharmacy Benefit Managers (PBMs) for years, driving down reimbursement rates for prescriptions filled and limiting networks by herding patients (steering) to their own pharmacies. This can be steering patients to their own pharmacy (ex-Caremark owns CVS) or to their own mail order pharmacy.

The result of this practice is that many pharmacies (independent and chain) are now being paid below cost for about 20% of prescriptions filles, or pharmacies are completely blocked from using the insurance that many patients have due to restrictive networks. In addition, due to low reimbursements, thousands of prescriptions are filled for a total reimbursement of less than $5 (even though this may not be below cost). Studies show that it costs a pharmacy on average $13 to fill a prescription to pay the bills and keep the lights on.

The strength of the PBMs (the big 3, Caremark, Express Scripts, and Optum) control over 90% of the prescriptions filled in America) and vertical integration (Ex-CVS owns Caremark, and is partners with Aetna, and owns thousands of minute clinics), has created a lopsided world where pharmacies have no leverage to negotiate a contract for fair reimbursement, or in many cases, even to be in a network.

The result of this is that many pharmacies can no longer stay in business. We are now at a tipping point, as over 70 pharmacies in PA (over 30 independents and over 40 chains) have closed their doors since 1/1/24. This is creating pharmacy deserts in rural and underserved urban areas. We now have areas of rural Pennsylvania where people need to travel over 50 miles for a pharmacy. In the Kensington area of Philadelphia, only small independent pharmacies are left, as the big chains will not open up in these areas due to crime and limited space for a big-box drive thru pharmacy. The smaller independent pharmacies are most susceptible to these tactics by the PBMs.

Fortunately, we have had legislation introduced in Pennsylvania that will address the one-way contracts that the PBMs offer pharmacies. SB1000 and HB1993 will require PBMs to fairly contract with pharmacies, without locking the pharmacy into one reimbursement formula. It will also prohibit patient steering, spread pricing, and post adjudication clawbacks. Spread pricing is where the PBM reimburses the pharmacy one amount, and charges the sponsor a higher price, thus making a profit on the prescription filled by the pharmacy and pocketing the difference. A post adjudication clawback is a charge to the pharmacy long after a prescription is filled. In addition, PBMs will be required to be transparent in their process to collect rebates from manufacturers for medicines that are filled. Currently, a PBM has no requirement to show the sponsor (in Medicaid this is the Commonwealth) what they do with the rebates from manufacturers).

These bills both have broad bi-partisan support, and will go a long way to stop pharmacy closures and prevent pharmacy deserts from popping up. Governor Shapiro called for robust PBM reform to be passed in his budget address.

Thank you for allowing me to testify on this very important issue, which directly affects patient care in Pennsylvania and is threatening the ability of citizens of Pennsylvania to get the medicines they need.

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