

**From the Desk of
Representative Greg Smith**



To Chair Monnes Anderson and members of the Health Care and Human Services Committee:

RE: SB 402 (We are unable to attend this hearing today but hope to leave you with details of how MAC issues from PBM's affect the viability or rural Oregon pharmacies)

Our names are John and Ann Murray, we are pharmacists from Heppner. Our family owns Murray's Drug Inc. with stores in Heppner, Condon and Prairie City. It is a family business serving Eastern Oregon since 1959 with 3 generations of pharmacists, 5 licensed pharmacists, one graduating this year and one intern in the program. We serve south Morrow, east Grant and all of Gilliam and Wheeler counties as the only local pharmacy provider. This equates to over 5,000 square miles of rural Eastern Oregon, involving a population of about 15,000 . We are passionate about quality services, know how to provide them, have been doing so for over 50 years and we care about the quality of our profession. Ann recently spent last summer and fall serving on a work group on PBM issues leading to HB 2123.

We recently spoke to an associated press reporter who was doing a story on why so many independent pharmacies have closed nationally and Oregon in particular. The reason that access to pharmacies is decreasing in the rural areas, and will continue into the urban ones, especially those serving specialty populations, can be traced to PBM practices that drive pharmacies out of business. We would like to explain why SB 402 is so vital to protect access to quality personal pharmaceutical care for Oregonians from Oregon pharmacists.

In 2002 in an article written by Ed Heckman called "Evolution of a Hurricane" it was predicted what would happen if PBM's (which hadn't been around too long and we might add are only found in the United States) became more powerful. He warned that PBM's would greatly increase the cost of healthcare by adding an expensive "middle man" layer of BUREAUCRACY AND PROFIT instead of insurers being able to directly contract with pharmacies that are actually doing the work of providing health care services. Last year 2 of the 3 biggest PBM's (Express scripts and Medco) merged producing an even bigger PBM corporation and more

powerful entity. According to Forbes.com for 2012 highest paid CEO's (top 100 list) Express Scripts came in at #6 paying out \$51.5 million to their CEO. The issue we are trying to address today is access to local pharmaceutical care, preservation of Oregon jobs and Oregon Pharmacists helping Oregon patients. The playing field is not level right now. Oregon pharmacies are squeezed to the breaking point by PBM's. There is money to be saved which will result in lower premiums and lower health care costs but the savings must come from PBM profits. There is no more money to be squeezed from the pharmacies actually providing the health-care services, it must come from the PBM corporations. PBM's will come up with many and varied reasons why the pharmacies are the problem in this equation (such as the fact that I am paid a salary for my work) but as other states are finding, there are millions and millions to be saved by enacting legislation to reduce or remove PBM profits from the dwindling available health care dollars. No where else in the world does this expensive layer of bureaucracy exist.

PBM's are driving pharmacies out of business with the "take it or leave it" contracts which include below cost reimbursement of which the MAC issue (addressed by SB 402) is such a big part. This "maximum allowable cost" is a methodology that reimburses pharmacies off a drug list that the PBM determines they will pay for a given unit of a generic medication. We achieve a higher than average generic utilization rate in an effort to save everyone money. The problem is that we are paid for these generics through "MAC" pricing which is not disclosed to the pharmacies, so when we are trying to determine if we can afford to accept a contract we are totally unable to know what we will be paid. They can change these prices at any time without telling us, and when market shortages arise that increases the marketplace price we are forced to buy the medication at the higher price and the MAC is not adjusted. We are told by PBM's that we are "under contract" to dispense the medication and thus we cannot refuse to fill the prescription. There are varying but unsatisfactory means of trying to reach these PBM's to get adjustments to MAC rates. We have a whole book documenting these efforts and below costs examples, a few of which follow:

Clarithromycin 500 mg cost \$100.19 paid 26.15 (supply issue where MAC doesn't respond to market changes

Promethazine suppositories cost 32.48 pd. 14.20

These types of underpayments happen all day long. We spend hours trying to get through to a PBM help desk where the customer service people usually don't know what a MAC is let alone the process to deal with it. They put us on hold, then get a "supervisor" who may eventually give an email of a department that deals with reimbursement issues. It is common that these departments do not have a phone number. We have documentation showing that most are not responded to and when we insist on a response weeks later we get an email that no change will be made to reimbursement. Meanwhile we have paid our wholesaler for the drug dispensed, provided professional pharmacy services to their clients for which the PBM is being paid an undisclosed amount by the insurer.

To put it metaphorically, PBM'S are the 800 pound gorilla in the room that hopes not to be discovered, hopes not to have light shined on its business practices and profits gained at the expense of healthcare purchasers in our state. Other states and other insurers have gone away from the PBM model and realized huge savings in their pharmaceutical services budget. It is time for Oregon to catch up and do the same. Control of the MAC issue is a great first step to taking back control and regaining desperately needed dollars for health care from these highly profitable corporations.

\$51 million dollars gained back from just one PBM executive would provide pharmaceutical care for a lot of Oregonians, people that Oregon pharmacists care about and for every day.

Sincerely,



John and Ann Murray

