The State of Community Pharmacy in Oregon

Brian Mayo, Executive Director, Oregon State Pharmacy Association
Man sues Pendleton Rite Aid over delayed prescription

By ANTONIO SIERRA, East Oregonian  Feb 16, 2022 Updated Feb 16, 2022

Citing the recent announcement by Bi-Mart that it’s begun closing 36 pharmacies in Oregon and the Northwest, U.S. Senator Ron Wyden this week urged the Federal Centers for Medicare and Medicaid Services (CMS) to review pharmacy closures nationwide in the last three years with a focus on how fees imposed by Medicare Part D plans and pharmacy benefit managers (PBMs) on local pharmacies is affecting rural communities.

Wyden noted in his letter to CMS Administrator Chiquita Brooks-Lowe that Bi-Mart chief “increasing costs and ongoing reimbursement pressure” in its announcement of the pharmacies closing, 37 of which are in Oregon.

“I write with deep concerns about these closures, which reports indicate are caused by the negative financial impact of direct and indirect remuneration (DIR) fees imposed by Part D plans and pharmacy benefit managers (PBMs) on local pharmacies in Oregon and other states,” wrote Wyden, chair of the Senate Finance Committee. “Pharmacies across Oregon report that these fees exert significant financial strain and impede their ability to deliver critical services. These fees do nothing to lower the amount Medicare beneficiaries must pay for their drugs each time they fill a prescription and seemingly serve only to pad plan and PBM profits.”

He wrote that CMS reported in June to Congress that Part D plans and PBMs increased pharmacy DIR fees by an astounding 91.500 percent from 2010 to 2019, and that fees doubled from 2018 to 2020.

“I am deeply concerned that the rise of these fees has contributed to the permanent closure of 2,200 pharmacies nationwide in the last three years,” Wyden wrote.

Closures, staffing shortages make pharmacies less accessible for many Oregonians

By Jamie Goldberg  Oregonian/Oregonlive Updated: Feb 10, 2022 07:36 AM

Baker City resident Rafferty has rheumatoid arthritis and needs to get her medications refilled twice a month. Recently, that’s meant standing in line at a pharmacy for more than two hours.

“It hurts to stand for any length of time, to be on my feet, because it’s a hard cement floor,” Rafferty said.

Rafferty has had to get used to long waits after Bi-Mart closed its pharmacy counter last year, forcing its former patients to transfer about 1,500 prescriptions to the remaining three pharmacies in Baker County, which covers 3,000 square miles. Now lines in those pharmacies are long, Rafferty said people bring their dinners and eat them while waiting. Staff have to provide wheelchairs to people who can’t stand that long.

Last year, Oregon lost nearly 60 pharmacies at once after the Pacific Northwest retailer Bi-Mart got out of the pharmacy business. The company’s decision left thousands of Oregonians with prescriptions that needed to transfer elsewhere.

Some people went to other nearby pharmacies without much issue. But in rural areas where options were already limited, remaining pharmacies struggled to take on the extra workload.

If Rafferty doesn’t take her medication every day, she can’t walk. She has tried changing her appointments to cut them in half, but complications with her insurance have made that difficult.
## NCPA Annual Reports

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### State Breakdown

**Washington**
- 2008: C 306, S 265, M 185, I 382
- 2022: C 355, S 252, M 183, I 205

**Oregon**
- 2008: C 123, S 128, M 182, I 248
- 2022: C 167, S 116, M 126, I 90
“The Pharmacy Benefits Managers are crushing independent pharmacies,” Jeanne Mendazona said. “It's been an ongoing issue for quite a few years now, but it's gotten worse and worse...they are responsible for managing the pharmacy benefits on behalf of an insurer. Now three Pharmacy Benefits Managers own 80% of the pharmacy prescription processing marketplace.”
OSPA: Let’s study what is really happening

OSPA commissioned a study by 3-Axis Advisors

- 86 of Oregon’s estimated 534 retail community pharmacies (16.1%) participated
- Examined prescription claims and reimbursement data for 3 years (2019-2021)
- Medicaid reimbursements to pharmacies from CCO PBMs were compared to reimbursements reported to the Oregon Medicaid program as reflected in the State Drug Utilization Database

Understanding Pharmacy Reimbursement Trends in Oregon can be accessed at Oregon State Pharmacy Association (oregonpharmacy.org)
The Understanding Pharmacy Reimbursement Trends in Oregon report looked at almost 12 million claims!
Findings of the Report: Understanding Pharmacy Reimbursement Trends in Oregon by 3 Axis Advisors

Inequity in PBM’s Drug Pricing Practices in Oregon Raises Serious Questions

The Oregon State Pharmacy Association (OSPA) and 3 Axis Advisors recently released a report that illustrates the worrying tactics pharmacy benefit managers (PBMs) employ to increase their profits at the expense of local pharmacies, taxpayers and patients. The study, Understanding Pharmacy Reimbursement Trends in Oregon, found that PBMs are reimbursing pharmacies at wildly different rates while at times charging Medicare and Medicaid astronomical prices.

A particularly troubling example seen in the enclosed figures shows that the state Medicaid program was made to pay more than eight times the manufacturer’s asking price for a generic multiple sclerosis drug.

Here are other key findings from the study:

- Among the three broadly different payer types – Medicaid, Medicare and Commercial – PBMs operating in each of the segments are setting different incentives for pharmacies. For example, PBM reimbursements for the Oregon Medicaid Coordinated Care Organization program were associated with the lowest margins for pharmacies, creating incentives that may drive providers away from underserved communities.
- On a per-100 prescription basis, PBM reimbursement for the majority of claims (75 out of 100) dispensed at a typical retail Oregon pharmacy* were insufficient to cover the pharmacy labor and drug costs.
- The PBM incentives embedded in the current system appear to reward and encourage higher drug prices at pharmacies, resulting in higher out-of-pocket costs for patients who obtain their medications through cost sharing or without insurance coverage at all.

Understanding Pharmacy Reimbursement Trends in Oregon can be accessed at Oregon State Pharmacy Association (oregonpharmacy.org)
The PBM boondoggle on dimethyl fumarate
Price Spreads & Patient Steering

In 2020 the drug Tecfidera™ went generic (dimethyl fumarate: used by multiple sclerosis patients). By January 2021, the pharmacy acquisition price of the generic had dropped from the $8,275 brand price to $350 (WAC). There were no study pharmacy claims for this drug in 2021 indicating it was restricted and likely filled at a PBM affiliated pharmacy.

Per SDUD, Oregon Medicaid was charged an average of $2,578 in margin over WAC for each claim, totaling $1,920,889!
ARE PBMs PRICE GOUGING OREGON BY 800%?

Oregon state Medicaid CCO spend on dimethyl fumarate

$1,920,889 Overpayment
$260,750 Pharmacy acquisition costs

TOTAL $2,181,639
Price & Access to care for medications treating the sickest patients are being exploited

- It's not just Multiple Sclerosis (MS) patients.
- Example: Generic Gleevec (imatinib mesylate 400 mg) used to treat cancer was filled by just 1 pharmacy that took part in the study one time out of 441 transactions.
- The pharmacy that filled it did so at a margin of $40.75 above NADAC which is 60 times lower than the average margin per Rx program wide which was $2,441.16.
- Who is filling these prescriptions? Why are community pharmacies not having access to fill these prescription in Medicaid managed care? What about oncologists and oncology pharmacists? PBM and CCO affiliates?
- The PBMs arbitrage drug prices to their benefit. Underpaying pharmacies and overcharging taxpayers in Medicaid managed care and overcharging patients in Part D only to claw that $$$ back from the pharmacies later via DIR.
Vertical Business Relationships Among Insurers, PBMs, Specialty Pharmacies, and Providers, 2022

1. In September 2022, CVS Health announced its acquisition of Signify Health. The transaction is expected to close in 2023.
2. Since January 2021, Prime’s Blue Cross and Blue Shield plans have had the option to use Express Scripts or Alliances’ Affordable Prime for mail and specialty pharmacy services. On Dec. 31, 2021, Walgreens purchased Prime Therapeutics’ 49% ownership interest in Alliance’s Affordable Prime, so this business has no PBM ownership in 2022. Effective June 2022, the company has been known as Alliance Walgreens Pharmacy.
3. In 2021, Cigna announced its intention to consolidate all of its PBM operations onto a single platform and outsource its PBM operations to an external company.
4. In 2021, Cigna sold a majority stake in its U.S. Medical Management to a group of private-equity firms.
5. Since 2020, Prime has sourced formulary retailers via Accent Health Services. In 2021, Humana began sourcing formulary retailers via Accent Health Services for its commercial plans.
6. Cigna also partners with providers via its Cigna Collaborative Care program.
7. In 2019, Humana announced an agreement to divest its majority interest in Varta’s Hospice and Personal Care Divisions to Clayton, Dubilier & Rice. In 2022, Kindred at Home was rebranded as CenterWell Home Health.

Source: Drug Channels Institute (59)
Oregon Announces $17 Million Settlement with Health Care Giant Centene

December 6, 2012 • Posted in Consumer Protection, Media Release

Attorney General Ellen Rosenblum and Insurance Commissioner Andrew Stolfi jointly announced a $17 million settlement with managed health care giant Centene regarding pharmacy services and including allegations that the company overcharged Oregon’s Medicaid program for pharmaceutical costs.

Specifically, Centene served as both a pharmacy benefit manager, and provided managed care through a subsidiary to Oregon’s Medicaid program. In Oregon, that managed care organization was Trillium, which largely operated out of Lane County. The investigation focused on whether Centene failed to provide certain pharmacy discounts in Oregon, resulting in inflated fees paid to Centene.

The settlement and investigation were jointly conducted by the Oregon Attorney General’s office, Department of Consumer Business Services (DCBS) and the Oregon Health Authority (OHA).

“This pharmacy partnership with Centene was meant to help some of our most vulnerable, but this company took advantage of Oregon. This settlement is one more way we can help reign in the price of prescription drugs,” said Attorney General Rosenblum.

Insurance Commissioner Stolfi agreed:

“We cannot allow those most vulnerable in Oregon to be taken advantage of,” he said. “We will not only continue to hold companies accountable who do business here, but also to shine transparency on and bring down prescription drug prices for everyone.”
Pharmacy Cost to Dispense

- $12.40 = a pharmacy’s cost to dispense a prescription in 2018. This was based on an extensive national study with 24% of US pharmacies participating. This factors in all non-drug costs pharmacies incur as part of doing business and does not include profit.

- $15.00 = a reasonable 2023 estimate of a pharmacy’s cost to dispense a prescription. Payment below this level is not sustainable to provide good healthcare and service and to open new pharmacies in areas where they are needed.

- $7.00 = Average margin being paid to Oregon pharmacies per our reimbursement report. *Prior amount at time of sale. Does not include final reimbursement after DIR fees.

HOW PHARMACY DIR* FEES WORK
*Direct and Indirect Remuneration

#1
RPh
Pharmacist dispenses medicine to patient
DAY 1

#2
RPh receives
Wholesaler Invoice
For: Drug
Pay $90
& reimbursement for the drug from PBM
IN BOX
DAY 14

#3
RPh receives
DIR Fee Deduction Notice
For: Drug
Return $15
DIR clawback for medication already dispensed
DAY 90

#4
Pharmacy Balance Sheet
Bought Drug: $90
Reimbursed: $95
DIR Fee: (-$15)
Net Reimbursement: $80
Net Loss: (-$10)
RPh
FINAL ACCOUNTING
Overall Pharmacy Payment

Average margin is $7

19/100 reimbursements are below cost

75/100 prescriptions are needed to break even on drug cost

Top 3% of prescriptions account for 50% of margin - not equitable between pharmacies
CCO Medicaid Payment

**Average margin is $2**

- 44/100 reimbursements are below cost
- 97/100 prescriptions are needed to break even on drug costs
- Top 2% of prescriptions are the entire margin

*CCO Medicaid Margin Over NADAC Per 100 Prescriptions, Oregon Retail Pharmacy Data Set (2019 - 2021)*

*Sources: 86 Oregon retail pharmacies in study, CMS NADAC, 3 Axis Advisors, LLC*
Medicaid pays lower margin % to pharmacies in areas with lower household income

When some claims are reimbursed well, and others are reimbursed poorly, economic incentives exist to serve some patients over others

• De-stocking medications
• Closing locations
• Reduced staff / hours

Sources: 72 Oregon retail pharmacies in study, CMS NADAC, Medi-Span, US Census Bureau, 3 Axis Advisors, LLC
Support HB 3012, HB 3013, HB 3015

These bills will save lives in Oregon. They will:

1. Require that PBMs be licensed by the Department of Consumer and Business Services (DCBS). This allows for more of our existing insurance code to apply towards PBMs to help with enforcement.

2. Establish a dedicated FTE at DCBS to regulate the PBM business practices in Oregon.

3. Additionally, to combat unfair reimbursement practices that are driving pharmacies out of business, this bill will require that pharmacies are reimbursed at the same rate as fee-for-service Medicaid, which sets its rates to reimburse pharmacies only for the costs they incur for filling a prescription.

4. This reimbursement provision will also add some level of transparency to prevent spread pricing.

5. Other provisions, such as requiring that PBMs do not retaliate against pharmacies for trying to enforce fair business practices, regulating remote or desk audits, and preventing excess fees for submitting claims, will help prevent PBMs from shifting their current practices to other practices that are unforeseen at this time.