

Hello, I am Dr. Patel, and I am testifying in support of HB 3012, HB 3013 & HB 3015. I wear many hats, but today I am representing myself as a pharmacist and co-owner of Independent Pharmacy

- Can any of you think of a business model where the owners and employees truly have no idea about how much they are paid for the products they sell and services they provide to their community?

In 2022, our pharmacy filled an average of 200 prescriptions per day. According to my pharmacy management software point of sale reports, our annual revenue for prescription claims in 2022 was 2.2 million dollars. Our staff consists of 1 FTE pharmacist, and 2 FTE pharmacy technicians, in addition to two pharmacist-owners. As owners, we have not been able to pay ourselves a salary for the last two years.

This may be as surprising to you as it is our staff, because the money PBMs tell us they are paying us is not actually what gets deposited into our bank account.

Facts:

- We billed 52 different PBMs for prescription drugs in 2022. However, only 5 of these PBMs were gracious enough to tell us how much money they stole from us on the back end in the form of DIR fees, price adjustments, and clawbacks.
- The 5 PBMs that reported their retroactive fees to our pharmacy stated they were taking a total of \$153,000 in aggregate in 2022.
- However, that is not the full story as our total amount for clawbacks and price adjustments from all PBMs in 2022 was slightly over \$300,000.
- If you are only looking at the point-of-sale sticker price, reimbursement data our reporting system tells that our gross profit margin on prescription drugs was 24% in 2022.
- However, factoring in backend DIRs and price adjustments that number goes down to 11%. That means the PBMs are taking half of our reported gross profits.

You heard yesterday that, *“DIR fees were going to be fixed with federal regulation”*. PBMs have several different names for the money they steal from pharmacies.

DIR Fees = Claim reconciliation fees, claim administration fees, performance-based fees, quality fees, network participation fees, price adjustments, spread pricing and they will come up with more different names.

They also told you that, *“Medicare Part D doesn’t allow rebates, but they just call those manufacturer drug administration or reconciliation fees.”* They are the same thing.

The only thing consistent with PBMs is that they change the name of their game, but not how they play it. Then they come and tell you they stopped playing the game. Do not be fooled by their words but investigate their action.

In our area, 2 BiMart Pharmacies and 1 Rite Aid Pharmacy closed. The vast majority of patients that transferred their prescription to our pharmacy after these closures were enrolled in one of Oregon's Coordinated Care Organizations, or Managed Medicaid Plans. At present, Oregon Managed Medicaid beneficiaries represent 30% our total prescription volume.

- The **average cost to fill a prescription drug** at my pharmacy regardless of drug's cost is around **\$16**.
- Open Card or **Oregon's DMAP Fee for service Medicaid** reimbursement pays our pharmacy a **\$14 dispensing fee** which is intended to cover the cost of dispensing. **In fact, federal law mandates that state Medicaid programs reimburse pharmacy providers at least break-even rates for dispensing services.**
- The **average gross profit margin on managed Medicaid** patients was **\$5**. This included **a 10-cent dispensing fee**, and we were **under water on 80%** of every managed Medicaid prescription we filled in 2022.

❖ **Other payers see how low the managed Medicaid payments are and they have lowered their reimbursement costs including \$0 to \$ 1 dispensing fee. We need all payers to pay pharmacies at least what it costs us to dispense drugs.**

Thus, it is no surprise that pharmacies in our area that accepted majority of Oregon CCOs patients like Bi-Mart and Rite Aid were not able to keep their doors open during the pandemic, despite the added infusion of COVID-19 revenue over the last two years. If it was not for COVID-19 vaccine, we would have been forced to close our doors in June 2021. Our patients are worried about this happening and express concern about where they would get their medications filled if we were to close.

One of the **most egregious acts by a PBM** that I have seen is, one PBM who pays my pharmacy no money for a drug, requires the patient to pay a copay, and then **steals the patient's money from my pharmacy in the form of a clawbacks**. I cannot tell you the name of this PBM as I fear retaliation from them, but I am sure they are listening to my testimony.

Without adequate oversight and regulation of PBMs provided by House bills 3012, 3013, and 3015, we do not know what new scheme PBMs will come up with, but I do know that it is unlikely that my pharmacy will be able to remain open to see it. I urge you to understand that medication is lifesaving, it is not a luxury.

Thank You

Dr. Patel