



## OREGON STATE PHARMACY ASSOCIATION

19363 Willamette Drive #260 • West Linn, Oregon 97068  
(503) 582-9055 • [www.oregonpharmacy.org](http://www.oregonpharmacy.org) • [info@oregonpharmacy.org](mailto:info@oregonpharmacy.org)

February 8, 2023

Written Testimony for SB 56 & SB 61  
Senate Committee on Finance and Revenue

Chair Meek, Vice Chair Boquist, Members of the Senate Committee on Finance and Revenue,

The Oregon State Pharmacy Association and the Oregon Society of Health-System Pharmacists need your help to address the significant impact that the Corporate Activity Tax (CAT) has had on pharmacies. **SB 56 and SB 61 do that by exempting the revenues derived from the sale of prescription drugs.**

Pharmacies are uniquely impacted by the CAT. Unlike other businesses, the price paid by the consumer is determined by a pharmacy benefit manager (PBM) or other third-party payer, not by the pharmacy itself. All PBM and third-party payers require that pharmacies charge consumers the amount outlined in the contracts (i.e., deductible, copayment, coinsurance), and explicitly prohibit additional amounts to be passed onto the consumer. Examples from these contracts include, *“The provider cannot waive, discount, reduce or increase the plan member copayment amount determined by the claims processing system”* and *“If the provider collects an amount in excess of the determined copayment, the payer contractually has the right to recover any excess from pharmacy payments and return them to the plan member.”* As a result, while drug wholesalers and manufacturers can pass along the impact of this tax to the pharmacy by increasing the cost of goods, the pharmacy is unable to pass along any of the cost tax burden to the consumer. Pharmacies are being double-taxed as they have to pay the taxes of the drug suppliers and again pay the at tax when they sell the drugs. This is an unfair tax burden to community pharmacies.

In the 2022 Oregon Legislative Session, CAT exemptions were passed for prescription drugs with a four-year exemption for pharmacy chains with less than 9 pharmacies and all independent pharmacies. This was a much need “win” for our independent pharmacies and small chains, but we need to do more because of the patient safety implications. In towns all over Oregon, people are experiencing wait times measured in days. Pharmacy phones are not answered. Pharmacy hours of access have been reduced or pharmacies have closed altogether. People with complex medical problems are having trouble finding a pharmacist who can help them. We support these new proposed bills which would apply to all pharmacies.

An anonymous pharmacy provided a major wholesaler invoice showing CAT passthrough of 0.37% (below). This is a real statement showing how the CAT tax is being implemented at our pharmacies.

***Leading Pharmacy, Advancing Healthcare***



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[Redacted]

## Invoice

Phone: [Redacted]  
 DEA: [Redacted]

Billing No.: [Redacted]			
Billing Date: [Redacted]			
PO#: [Redacted]			
Customer	Route	Stop	Page

BILL TO: [Redacted]

SHIP TO: [Redacted]

DEA: [Redacted]  
 PHCY: [Redacted]  
 CTRL: [Redacted]

NDC/UPC#	ITEM#	DEL DOC#	QTY	UM	ITEM DESCRIPTION	AWP	OR	R	UNIT	I	EXTENDED	H
						RETAIL	X		PRICE	D	AMOUNT	M

TOTAL RX PURCHASES:  
 TOTAL OTC PURCHASES:

\$577.36  
 \$0.00

TOTAL CONTRACT PURCHASES:  
 TOTAL NON CONTRACT PURCHASES:

\$567.81  
 \$9.55

0.37%

OREGON CORP ACT TAX: \$2.15  
 NET PAYABLE BY STATEMENT DATE 07/10/2022: \$579.51  
 GROSS PAYABLE AFTER STATEMENT DATE 07/10/2022: \$591.29

AWP is a benchmark published by MediSpan or supplied by manufacturers when it is unavailable through MediSpan. It is not an average, and does not reflect actual prices in sales transactions between wholesalers and their customers. AWP can change at any time and the AWP provided herein may not be current.

Lines	Cases	Pieces
82	0	85

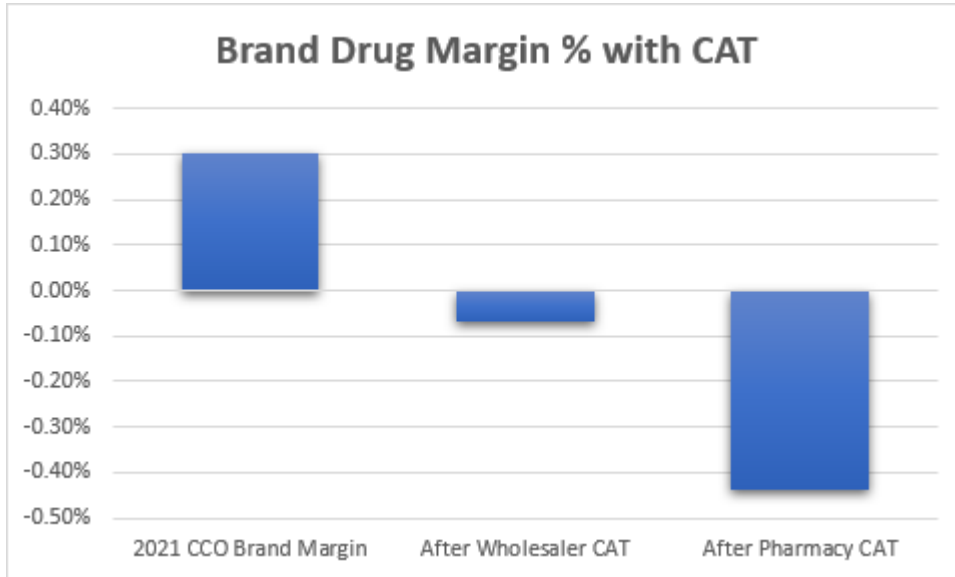
[Redacted]

One of our members created the graph below. It shows the 2021 CCO % brand margin above acquisition cost for our pharmacies from our [3-Axis Advisors study](#) on PBM practices in Oregon. If the CAT tax was applied to those transactions, this graph shows margin after deducting wholesaler passthrough CAT, and then CAT paid by pharmacies. As you know, pharmacies cannot pass through this expense to Medicaid patients.



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SB 56 and SB 61 provide an exemption for the sales of prescription drugs. **To help ensure patient safety and that all patients have access to a pharmacy within their community, please support this legislation.** Thank you for your consideration.

Sincerely,  
Brian Mayo  
Executive Director

***Leading Pharmacy, Advancing Healthcare***