



May 9, 2019
Interested Party Testimony on HB 166

Barry Klein, MS, RPh

To members of the Ohio Senate Finance Subcommittee on Health and Medicaid.

I am providing this written testimony on HB 166 as a call to action for our great State of Ohio to correct a wrong that has gone uncorrected for far too long: Medicaid managed care pharmacy payment reform.

Klein's Pharmacy is a second-generation family-owned business that has been proud to provide pharmacy care services to residents of Akron and Cuyahoga Falls for more than 50 years. However, with continued reduction in reimbursement from Medicaid managed care, we are struggling to continue to provide these services to those disadvantaged in our communities.

Klein's had a presence in downtown Akron where we served patients for more than 40 years and was forced to close that location in the fall of 2017. The reason for closing was due to the fact that more than 60% of that location's business was Medicaid managed care, and the reimbursement we were receiving was unsustainable, often being reimbursed less than the cost of the medication itself.

Another larger second-generation family-owned pharmacy chain, Ritzman Pharmacies, had to sell to CVS in January of this year for many of the same reasons. CVS promptly closed 17 of the 20 Ritzman locations, taking both jobs and access to healthcare out of those communities. CVS' sister company, Caremark, is the pharmacy benefit manager (PBM) for four of the five managed care Medicaid organizations, one of the two PBMs that have been setting our unsustainable reimbursement rates. The Columbus Dispatch has done a wonderful job reporting how these arrangements are not truly in the interest of providing value to the State of Ohio and the patients served by these PBMs.

In my practice, I have always told my staff, "I do not want to hear complaints, I want to hear solutions." In an effort to create a solution, starting in January of 2018, myself and other Klein's staff members have reached out to many legislators in our area, at both the state and federal level, and invited them to visit our Klein's location in Cuyahoga Falls. The goal was to provide education on the realities of pharmacy reimbursement and that the value that pharmacies like Klein's provide was not being recognized. It's actually the complete opposite, and driving us out of business.



Klein's has provided free delivery and medication adherence packaging for most of my career at Klein's. We have done this and absorbed the cost, because severely ill patients in our community need that level of service. Our delivery service is not out of patient convenience, it is out of necessity for patients that have transportation and mobility issues. Our adherence packaging service is not out of marketing; it is helping patients to better self-manage their complicated medication regimens. Our average patient is taking 10 or more medications, and their health is compromised without extra attention and care. We are caring for sick patients with multiple disease states, and I am proud of the talented pharmacists and staff we have working at Klein's. We are truly caring for our community that we live and work in every day. We want to improve patient's lives in our community, but the current Medicaid system is making that nearly impossible.

In 2016, Klein's made the financial commitment to invest in our business to continue providing care to our community for hopefully another 50 years. That was all based on eroding Medicaid managed care reimbursement compared to Medicare D and commercial insurance, but at the time, all together, we felt we could make it work. Then in the fall of 2017, Medicaid managed care reimbursement went from gradual erosion to falling through the floor, meaning that close to 20% of the prescriptions were being reimbursed below our cost to purchase the medication. It has only gotten worse since then. The result is that by investing in our business and community, the State of Ohio has allowed these PBMs to put our company's financial health at risk.

I strongly feel pharmacy can be part of the solution in improving patient outcomes and reducing Medicaid cost, but every stakeholder must be in alignment with achieving the goal of providing value-based healthcare.

In closing, I applaud the legislature for moving forward on meaningful pharmacy benefit reform within the Medicaid program, but I request the following be considered:

1. Transparent, reference-based pricing for medication
2. True transparency between the state, managed care organizations, PBMs, and providers
3. Realignment of incentives to be less focused on volume dispensing and more focused on quality
4. Develop additional innovative payment models to layer on top of traditional dispensing-based reimbursement to drive value and improve health outcomes
5. Provide a commitment to fix this problem now, so I can share that commitment and plan with my employees and my bank



Your local healthcare partner. *Let's talk!*

Klein's is dedicated to being part of the solution. We have welcomed lawmakers and the staff of managed care organizations to visit our business and have invited folks from Ohio Medicaid as well. I invite any legislator that would like to learn more, come visit us at Klein's.

Thank you for your time and consideration.

Barry E. Klein, M.S., R.Ph