



June 3, 2035

TO: Honorable Members of the House General Government Operations Committee

RE: Support for HB 229 – PBM Licensure for Transparency and Accountability

On behalf of our members who operate pharmacies in Ohio, the National Association of Chain Drug Stores (NACDS) is grateful for the opportunity to share our strong support for HB 229. NACDS represents traditional drug stores, supermarkets and mass merchants with pharmacies. We thank Representative Deeter for sponsoring the bill, which is critically needed **now** to reverse the growing trend of pharmacy closures across the state. The Ohio Board of Pharmacy recently reported that 215 pharmacies closed in 2024, including 196 chain pharmacies, with 35 closings so far in 2025. These numbers clearly underscore the need for oversight of the industry whose three largest players control more than 80% of pharmacy claims.

PBM licensure is not a new concept; it has been implemented in most states, including Indiana, Kentucky, Michigan, West Virginia, Virginia and Pennsylvania. HB 229 establishes basic licensing requirements and requires greater transparency around pharmacy benefit managers (PBMs). PBMs are the “middlemen” in the pharmaceutical supply chain, and their historical role was limited to managing prescription drug benefits for insurers and employers while processing and paying pharmacy claims. However, that role has morphed over the years; and today, PBMs have significant influence that shapes drug pricing, reimbursement, and patient access.

Unfortunately, the current lack of transparency and regulatory oversight in this sector has created challenges that directly impact pharmacies and the communities they serve in devastating ways. PBMs use their dominant position in the market to enforce narrower provider networks limiting patient choice and drive higher prescription drug prices – *sometimes with markups of upwards of thousands of percent* – to their own benefit, while severely under-reimbursing pharmacies for the medications they purchase and dispense. This is the major factor that has forced pharmacy closures and reduced patient access to essential medications.

With three PBMs controlling approximately 80% of all pharmacy claims and six controlling more than 90% of the market, monopolistic behavior has become the norm. This is not free enterprise in action. Lack of guardrails has also allowed PBMs to evolve from their traditional benefit administrator role to one of a shadowy middleman that pulls strings behind the scenes to manipulate pharmacy benefits to increase their profitability -- much to the disadvantage of employers, health plans, patients and pharmacies, even if they don't know it. These machinations transpire in a non-transparent, “black box” environment. Often, plans and sponsors are not aware of the details around how their funds are allocated or where there are opportunities to expand coverage and/or yield savings for their beneficiaries.

House Bill 229 addresses these issues head-on. It moves PBMs into a dedicated chapter of the Insurance Code, rather than under the current Third-Party Administrator chapter that, frankly, falls short in providing sufficient oversight. This new regulatory structure will clarify definitions, standardize reporting requirements, and require PBMs to obtain licenses to operate in Ohio. These

changes would be pivotal in ensuring transparency and accountability in the pharmacy space for the benefit of all stakeholders, especially Ohio patients.

For pharmacies, the lack of transparency in PBM pricing and reimbursement mechanisms has led to arbitrary and subjective interpretations that devastate both business and patient care. HB 229 will create a framework to deter these opaque practices by empowering the Ohio Department of Insurance to oversee PBMs effectively and enforce fair reporting practices. It prioritizes the balance between transparency and confidentiality, safeguarding sensitive business information while ensuring that employers, payers, and individuals can make informed decisions about their pharmacy benefits.

This legislation is a significant step forward in protecting Buckeye pharmacies and the patients they serve. By addressing the existing regulatory gaps, HB 229 will help prevent further closures of pharmacies, reduce rising drug costs, and improve access to care for Ohioans. For too long, pharmacies have been subject to unfair business practices and shrinking reimbursement rates imposed by PBMs with unchecked power. Reform is critical to preserving the integrity of the pharmacy network and ensuring patient care is not further jeopardized. We cannot afford to wait to enact reforms; as more pharmacies close, more patients are forced to find other options or drive further to receive care.

NACDS wholeheartedly supports HB 229 and urges its swift passage. Advancing this bill would indicate Ohio's intent to maintain a competitive pharmacy market and prevent further reduction of patient access to medications. Thank you in advance for your consideration.