Ohio Senate Finance Committee

Testimony on HB 96 – Pharmacy Provisions

Stephen Mabe, PharmD, RPh.

Dear Chair Cirino, Vice Chair Chavez, Ranking Member Hicks-Hudson, and members of the Senate Finance Committee, my name is Stephen Mabe. I am a community pharmacist and operator of my family independent pharmacies, who have been serving Pickaway County for 45 years. We have a location in Ashville, Ohio and Circleville, Ohio and cover a large amount of area that are designated as healthcare deserts by the Ohio Department of Health and provide vital medications and care to a disproportionate number of rural citizens. Today I would like to use this time to support the reforms within the Ohio Budget Bill (HB96) and ask you to keep in place the "fair reimbursement" language included in HB96 that the House has already passed. This language supports small, independent pharmacies and, by allowing them to operate in a fair market environment where they are not underpaid and abused by vertically integrated Pharmacy Benefit Managers, and have the ability slow the spread of pharmacy deserts which are emerging and exist in the State of Ohio.

Last week, I testified to the Government and Oversight Committee on the startling number of pharmacies that have been closing in the last few years. At that time, the numbers that were reported seemed to not show the true effect of what we have been seeing on the ground. As of this week via government released statistics, we have true, concrete evidence of the ruination that PBMs have caused to pharmacies across Ohio by underpayments by PBMs. Since 2015, almost 20% of Ohio pharmacies have closed their doors, 215 alone in 2024, and on track at 35 for this year. Shocking numbers to be honest. Being in a healthcare desert, let me tell you what would happen if we closed our doors. At the height and duration of the COVID pandemic and the statewide vaccination rollout, our pharmacies alone administered over 10,000 vaccinations to the public at large. At the infancy of the COVID vaccination program, we were the only healthcare provider in Pickaway County outside of the Health Department who had access to the COVID vaccinations to administer to the public. 7 days a week, 11 hours a day, we stood sentinel, vaccinating our community – a large swath of our county and even absorbing populations from other underserved communities who didn't have access to the vaccine. If this happened again now, where would our communities turn to if there was no trusted healthcare professional in their immediate community to turn to for these services?

To summarize our financial situation, as many are aware, our pharmacy business structure that has more than 90% of our prescriptions reimbursed through insurers means we have no ability to control our prices or profit margins. We are at the whim of increasingly nebulous contracts that average our reimbursement over a fiscal year period (meaning reimbursement can be dropped at the whim of a PBM without notice), mandatory processing junk fees that are created and inserted into contracts that are impossible to track, and are subject to no real concise pricing metrics that allow us to accurately know how we are being paid, or when we may finally get paid for the medication dispensed. These reimbursement models also do not take into account inflation or macro-economic considerations that have plagued this country since the pandemic. Pharmacies have had to contend with massive labor increases, costs of materials, insurance and liability premium increases, rent hikes, and many other business variables without being able to adjust their prices.

I would like to take a brief moment to elaborate how these unfair trade practices have affected my company. Due to the increasing vertical integration of the healthcare system, 80% of all prescriptions are now managed by 3 PBMs in the United States. This has created take it or leave it contracts with no negotiation, that have seen our revenue drop by almost 30% in the last 3 years alone in the face of filling the same volume of prescriptions. 40% of all non-Medicaid prescriptions are now filled under acquisition cost of the product alone. Coupled with the substantial macro-economic impacts we have had to contend with, we had to initiate the process last year of reducing our hours from 9-8 PM to 9-6 PM on weekdays, and from 9-2 pm to 9-1 pm on Saturdays. We have laid off 25% of our pharmacy and front end staff, professional and non-professionals alike, to an amount of almost half a million dollars. Personally, I now work every opening hour and after hours over 60 hours a week just to keep the business operating. Even with these substantial changes, we still posted a financial loss in our last fiscal year. Quite frankly, if we did not have the benefit of the House and Senate fixing the Medicaid Managed Care program a few years ago, we would be out of business.

The provisions in this House Budget are strong: they create reasonable, basic, and fair guardrails that not only protect community pharmacies, but their communities at large. Many years ago, I stood at this exact podium and spoke to you when the PBMs were squeezing our pharmacies with Medicaid reimbursements. Pharmacies then were being massively underpaid on Medicaid claims, but the State was spending more than they ever had before. At that time, we didn't know it but we were uncovering one of the largest spread pricing schemes of its time, over $225 million dollars of taxpayer money being spread priced and disappearing into the pockets of PBM middleman and taken out of state. What was that solution? We fired the PBM middleman and instituted a single PBM at NADAC plus a fair cost to dispense fee. With that solution, we fairly paid the community pharmacist and saved the taxpayer over 140 million dollars. The policy worked, and this amendment language will too.

Thank you for the opportunity to offer testimony today. I would be happy to answer any questions.