

May 14, 2025

Chair Manchester, Vice-Chair Brenner, Ranking Member Weinstein & Committee Members

I want to thank this committee for allowing me to speak on behalf of retail pharmacies. My name is Dennis Blank, and I am pharmacist. My resume includes past co-owner of retail independent chain; district pharmacy coordinator, third party coordinator and retail pricing manager for Kroger's; and VP of pricing and third-party compliance for Omnicare. Currently I practice part time pharmacy for the Medicine Shoppe of Urbana Ohio and provide business consulting.

I am in support of keeping the Fair Pharmacy Reimbursement provision in the House passed version House Bill 96 because it is a necessity to help stop the current epidemic of pharmacies closing. **Pharmacies are dying** due to below cost reimbursement! Nationwide, in 2024, a pharmacy is closing every day. More specifically, it is rapid in Ohio. In Champaign and the contiguous counties, 11 independent pharmacies have had to shut their doors leaving just 5 left and they are hanging on a thread. Customers are panicking, especially those that need the special services we provide. This is the current trend and is snowballing.

PCMA (The Pharmaceutical Care Management Association is the national association representing America's pharmacy benefit managers, PBMs) states that the profit structure has remained stable. To understand the falsity of this statement, one must look at the change that has occurred. In 2017, Direct and Indirect Remuneration (DIR) fees were established. DIR fees are fees that pharmacies may be charged by pharmacy benefit managers (PBMs) or plan sponsors. The fees are based on the pharmacy's performance and are usually collected after the point-of-sale. **These fees were charged without explanation or ability to challenge and were deducted from the pharmacy's current monthly reimbursement.** More importantly the 21% gross profit PCMA claimed did not reflect this "claw back". Subsequently, this DIR fee greatly increased substantially yearly to almost 1000%, lowering in actuality the gross profit to about 16%. In 2024 DIR fees were stopped, and amazingly the pharmacies instead saw reimbursement hit **new lows in both drug cost and fee reductions.**

There are staggering examples of below-cost payments that **are the rule in over 90% of transactions**. To give you one more current example, a diabetic insulin Lantus Solostar has a listed Wholesale Allowable Cost (WAC) is $\$385.52/4 = \96.38 . We received $\$88.00$ plus a $\$.10 = \88.10 or a loss of $\$8.28$ (8.6%) . This is the vast rule and not the exception. The third party not only pays us below even a $\$2.00$ dispensing reimbursement (most contracts now are $\$0.20$ or less) the PCMA representative claims, but also below the cost of the drug without any process to make adjustments or communication where they get this cost or where it can be purchased at this price. **It is totally autocratic.**

The claim that pharmacies receive rebates that cloud the actual cost is a fallacy of deal making. No brand name legend drugs are purchased by the wholesaler below WAC minus a small per cent discount for rapid pay (1-2%) . Any rebates or discounts a pharmacy may get are based on the generic purchasing ratio (Generic/Brand) or purchase volume achieved **so in essence it is a discount on the generic price, not the brand legend drug**. (The pharmacy I currently advise has gone to a net pricing on all generics and brands and therefore does not see a rebate).

There is also the statement that PBM's do reimburse below cost on a few transactions, but this is made up by the profit on the rest. This is totally false, in fact and in concept. Yes, in the free enterprise world retailers' price what they call as "loss leader" (at near cost or below cost) to drive sales in other areas that they markup greater to "offset" these sale items. **No such opportunity exists in the third party contract**. The third party world is not a free pricing market arena and there is no way to make up a loss on any transaction via that pricing module. In addition, the per centage of items below cost is not just a few **but rather has increased to 90% of all brands sold**.

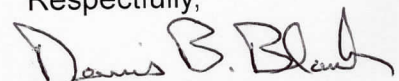
PCMA also claims that increasing the dispensing reimbursement will yield a great increase in patient fees. This is stated as a fact without any transparency. Over 25 states have adopted legislation similar to House Bill 96 and the claim of increased price to the consumer has not been supported. To understand why is to examine the lack of transparency the PBM's work under that this bill tries to correct. There is a large disconnect in the amount the PBM reimburses the pharmacy and what the insurance

collects from the insurance in cost of drug and dispensing reimbursement. This is unknown to the pharmacy, and consumer since it is not reported to either! Since Ohio Medicaid went to an outside vendor, both cost of drug and dispensing reimbursement have been to the levels this bill provides, and it is working to the benefit of the provider, Ohio Medicaid and patient access.

Third Parties and PBM's currently require pharmacies to lose money on a service or product dispensed to their client. There is no sound reasoning for any business to follow this demand, yet they say it is more important for pharmacies to lose money than for them to give a profitable return for the service. Would they do the same?

In conclusion, the playing field for PBM's and Insurance companies have economically changed drastically in the last 2-5 years, gradually paralyzing retail pharmacy from being able to exist. The problem exists because the PBM's do not have accountability or oversight. This potential has always been there but the unconscionable trends that they have developed are causing pharmacies to be unable stay in business. I am in support for the Senate to keep the fair Pharmacy Reimbursement provision in the House passed version of HB 96 and I urge you to pass this immediately to stop this mass death of pharmacies.....for the benefit of your constituents.

Respectfully,


Dennis B. Blank, R.PH