

Senate Government and Oversight Committee

Testimony on HB 96 – Pharmacy Provisions

Stephen Mabe, PharmD, RPh.

Dear Chair Manchester and members of the Senate Government and Oversight 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, have the ability slow the spread of pharmacy deserts which are emerging and exist in the State of Ohio.

To expand on the topic of these pharmacy deserts, I think it’s important for the Senate to know and understand the crisis of pharmacy closures that are affecting Ohio and the United States at this time. Ohio alone in 2024, based on the Ohio Board of Pharmacy statistics, lost 191 pharmacies or almost 10% of all community pharmacies. How does 2025 look? Well, if you have been reading the news and seeing the vacant large buildings in some of your communities, you will see that one large chain has just recently entered its 2nd bankruptcy proceeding and will be exiting Ohio in entirety, and the 2nd largest chain pharmacy in America has been sold to private equity which is currently looking at how many pharmacies it is planning to close in the coming year. Just last week, we lost two independent pharmacies in the Dayton and Springfield area, and pharmacies in small towns such as New Bremen have shuttered after 100 years of serving their community. A large local small chain in Southern Ohio is about to close their doors, affecting Appalachian communities with poor access to care. These are just a few examples of the mass extinction of pharmacy you will see in Ohio in 2025. What is the common denominator you ask? Put bluntly, if you are not a vertically integrated healthcare system who owns one of the largest Pharmacy Benefits Managers, you cannot exist on a fair playing field and support your local communities.

To summarize, 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 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. 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.

On One last final note: Recently, we were privileged with a visit from our State Senator Michele Reynolds at our location in Ashville, which also houses a small museum to the pharmacy industry. A hobby project of my father.

The ironic thing I thought about with that visit, was that if we don't stand up and make changes to the law, someone will need to have a museum dedicated to community independent pharmacies in Ohio, because soon enough they also will be a thing of the past if we allow middleman to destroy the fabric of our local communities, and rural Ohio will suffer because of it,

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