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*HB 505 Sponsor Testimony*  
*House Insurance Committee*  
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Chairman Lampton, Ranking Member Sweeney and my fellow members of the House Insurance Committee, thank you for the opportunity to provide sponsor testimony on HB 505, the Community Pharmacy Protection Act.

Many communities and constituents in our districts will soon face a healthcare access crisis as community and independent pharmacies rapidly close at the hands of Pharmacy Benefit Managers (PBMs) across Ohio.

The three largest PBMs in the United States control 80% of the market as third-party negotiators due to vertical integration. This legislation's primary purpose is to address a market failure, created by the policies and practices of PBMs, that are bankrupting community & independent pharmacies leading to pharmacy deserts across Ohio.

This legislation seeks to address three business tactics that PBMs are using to eliminate independent pharmacies in our communities:

- Accreditation
  - PBMs require independent pharmacies to meet certain 'standards' (in addition to those established by the State Board of Pharmacy) to enter their network and this process usually requires them to disclose proprietary information & data acting as a pseudo-regulator.
- Dispensing Fees
  - Fees paid by PBMs to pharmacies that help cover the costs of the services/operations provided by the pharmacy.
  - These fees are not high enough for pharmacies cover their costs of doing business.
- Drug Cost Reimbursement
  - PBMs agree to reimburse pharmacies for the cost of procuring prescription drugs, but those reimbursements are far **below** the actual costs for a pharmacy to buy the drugs they need for their patients.

In response to this growing healthcare crisis, this legislation will do the following:

- Prohibits PBMs to have accreditation standards of any kind or certification requirements inconsistent with, or in addition to, the State Board of Pharmacy in exchange for network participation.
- Require PBMs to compensate pharmacies using the contract price by the PBM or their actual acquisition cost of the drug for all prescriptions, whichever is greater.
- Require PBMs to compensate pharmacies a minimum dispensing fee based on the national average of the cost to dispense a drug as provided by the Cost to Dispense Survey by the Ohio Department of Medicaid.

To provide transparency, HB 505 also requires an itemized receipt be submitted to insurers and plan sponsors in the form of an electronic report that is machine-readable and discloses all drug claims processed in the previous month.

These receipts will also denote the actual acquisition cost of each prescription drug for every claim, ensuring transparency by allowing employers to audit their drug costs and the ability to determine if the drug coverage plan meets their financial standards.

Opponents of this legislation will try to convince you that the PBMs are not to blame. They will claim that HB 505 will increase the costs of prescription drugs further, that drug manufacturers and PSAOs are to blame, and that the business model of independent pharmacies is no longer viable in today's market.

How are manufacturers to blame when the only entity able to negotiate the prices of prescription drugs are the PBMs themselves?

How can any business model be successful if you must incur losses by signing a contract with no viable alternatives and risk not being able to do business at all? Especially when the contracts are 'take it or leave it' deals from the PBM oligopoly.

How can we determine if costs for prescription drugs will go up if we don't ever know a price in the first place?

It is our hope these provisions will help community and independent pharmacies remain in business to provide critical healthcare services for constituents in our districts across Ohio. We must remember that not only are they healthcare providers, but they are also small businesses and community partners.

Thank you again for the opportunity to provide sponsor testimony on HB 505. We would be happy to answer any questions at this time.