

Hello, my name is Patrick Kovacs. I am the owner of Cheffy Drugs, a small independent pharmacy in eastern Ohio. I am here to testify in favor of HB 505 regarding PBM practices.

I want to begin by giving you a short background of myself & Cheffy Drugs. I was an intern at Cheffy Drugs in 1993. I graduated from Ohio Northern University in 1994 with a Bachelor of Science in Pharmacy. I began my career working in a retail pharmacy with a goal to one day own an independent pharmacy. I purchased Cheffy Drugs in 2007. My dad is a retired coal miner & farmer. My Mom was a nurse. I know the value of working hard & helping others. I appreciate the value of the dollar.

Cheffy Drugs was established in 1925. Before that, it was Hilles Drug Company built circa 1870. My building has housed a pharmacy for over 150 years. Next year, I want to celebrate 100 years of Cheffy Drugs. IF this bill does not pass, that celebration is unlikely to happen.

When I purchased Cheffy Drugs in 2007, Pharmacy Benefit Managers did not have the control they do now. Today they control 95% of my business. Quite simply put, they have figured out how to “work the system”.

I am being paid less than cost on dozens of prescriptions a day. I am routinely reimbursed less than \$2 total on a patient’s prescription. I have printouts to show this. NO business can survive on those earnings. Every day I must decide whether to dispense life sustaining medication to my patients OR lose money. I should NOT have to make these decisions.

Currently the average cost to dispense a prescription is approximately \$11. This pricing includes materials such as vials, lids, & labels.

PBMs use spread pricing. They pay me \$800 for a drug that costs me \$1000. Then they charge the plans sponsor/employer \$1300. That is a profit of \$500 for the PBM.

Right now, PBMs are running unchecked. The top 3 PBMs are CVS/Caremark, United Health, & Cigna. They are the parent companies of Direct Competitive Pharmacies. Imagine having your competitor control how much you are paid for your services. There is readily available data showing where the PBM is paying their own pharmacies 10x as much as they are paying independents.

In 2017, Ohio Medicaid confirmed that \$223 million extra was paid in “spread pricing”. That is just ONE year, ONE state, ONE plan. Extrapolate that to 50 states and ALL plans.

AG Yost took them to task and was able to recoup millions of dollars with lawsuits. How did the PBMs respond to that loss? They decreased independent pharmacy reimbursements and increased our fees.

Last year alone, Cheffy Drugs paid over \$100,000 in Direct Indirect Remuneration fees (DIR fees). These DIR fees are random and are not clearly defined. These fees are placed under the guise that they are saving health care dollars. Since 2010 these DIR fees have increased by 110,000 PERCENT. I am here to tell you that not one single dollar goes back to the patient.

They hold drug companies’ hostage by demanding rebates to assure drugs are placed on formularies. Referring to my above example where the drug cost me \$1000, I was paid \$800, the plan/sponsor was charged \$1300, and the PBM profit was \$500. NOW the PBM gets a \$200 rebate to be covered. Their profit on ONE drug at ONE pharmacy on ONE prescription is now \$700. Meanwhile, my 2023 tax return shows that I lost money. Sounds like a legal ponzi scheme to me.

They like to blame big pharma on increased health care spending. Who do you think is to blame?

- The CEOs of each Pharmacy Benefit Manager company is paid an average of \$20 million a year.
- The Big 3 PBM companies are all on the Forbes List
- One independent pharmacy closes a day!

I currently have 9 employees. They all have families. I am responsible for their livelihood. WE are not only co-workers. We are a family.

We know every patient that comes into the store. They know us!

- When a customer celebrates a milestone, We celebrate with them
- We care when a patient is sick.
- We care when a patient dies.

- We reach out and offer condolences.
- We send flowers to the funeral home.

Cheffy Drugs offers

- free delivery
- after hours on call
- grace periods to those who cannot pay up front for the astronomical price of drugs that they NEED to live

Cheffy Drug sponsors:

- Little league ball teams
- 4H projects
- Local non-profits

I love reinvesting in my community. I love being a part of a small-town community “where everybody knows your name”. I love my job.

I hate that I must fight to make an honest living. I believe my 5-year pharmacy degree is worth more than \$2. I do not need to be a millionaire like the CEO’s of the PBM’s. I do expect a fair shot at making an honest living.

I could go on and on but since my time is limited. I will leave you with this.

- Why do we have state minimum prices on beer & cigarettes but not on prescription drug reimbursements?

In the 150 years that my building has housed a pharmacy, it has survived 2 world wars, 2 pandemics, the great depression and many other life altering situations that have occurred. Will I be able to survive the PBMs? If the current practices keep happening, the answer is quite simply NO!

If anyone would like to discuss this further with me, please don’t hesitate to contact me anytime. Thank you for your time.