



Established 1898

I represent some 250 Independent Pharmacies in SE Pennsylvania. Daily, I hear from my pharmacies stories about numerous abusive practices of the PBMs they must deal with if they are to stay in business. Most of these problems deal with reimbursement issues and the appeal process. It should be noted that since January of 2017, we have had 18 stores close and go out of business. This is a significant loss to the communities and patients they served.

Let me specifically address Reimbursement:

Daily, stores have shared with me that 20-25% of the prescriptions they fill are at a loss. PBMs set pricing for every drug by using what is called a MAC list. MAC is the acronym for Maximum Allowable Cost. Something that sounds nice – like they are controlling costs. But it has no basis in reality. The PBMs say that we should be able to purchase our inventory at these prices or better, but that is not accurate. As PARD owns a Group Purchasing Organization that negotiates pricing with wholesalers and distributors, I am privy to the pricing available to my pharmacies. In recent years we have passed State legislation mandating that PBMs update their pricing on a weekly basis but in the past pricing was often not updated for a month or two after a drug price was increased by the manufacturer. Interestingly, they often updated prices if the price dropped. When a pharmacy cannot purchase the drug at the price they are paid, in some cases significantly below, their only option is to file appeals.

Appeal Process:

Presently there is a pricing appeal process with the PBMs. The problem is that 99% of the appeals are automatically rejected. (Examples attached) Sometimes the PBM supply the store with an alternate drug manufacturer that they say offers a better price. In the past 2 years that I have checked the pricing of these alternative drugs, I have never found one that is available to my pharmacies through their wholesalers/distributors in Pennsylvania at a better price. There is not, at present, a secondary level or method to appeal this as the PA Insurance Department (PID) says it does not have jurisdiction over Medicare, Medicaid, or self-funded plans due to Federal ERISA regulations, which is presently being contested in Federal Court. This restriction covers at least 75% of the prescriptions filled at a pharmacy. Additionally, we believe they are using contracted pricing from their mail-order facility as a basis for these lowball prices because of their mail order “class of trade” pricing is set at better prices than community pharmacies. PBM calculated MAC pricing continues to be below invoice pricing from the wholesalers to the Independent pharmacies.

I am attaching articles from two National Pharmacy Organizations (NCPA and PUTT) and Dan Hussar (Dean Emeritus and Remington Professor Emeritus) that discuss Gag clauses, Spread Pricing, Preferred Pharmacies, Mail-Order pricing, and mail-order waste as well as other deceptive practices.

I would like to conclude by saying: If complete TRANSPARENCY was mandated by all parties and DHS, and the PID, were given the opportunity to oversee and approve all contracted pharmacy programs – Healthcare costs to the Commonwealth would decrease by some \$500 million dollars; Commercial Healthcare costs would decrease by millions also. Only then would our consumers be able to make educated decisions from the maze of confusion that currently is occurring in the Insurance industry.

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