

March 5, 2021

The Honorable Michelle R. Benson
Chair, Senate Health and Human Services Finance and Policy Committee
1200 Minnesota Senate Building
St. Paul, MN 55155

RE: NATIONAL COMMUNITY PHARMACISTS ASSOCIATION SUPPORT OF HF1279

Dear Chair Benson and members of the Senate Health and Human Services Finance and Policy Committee:

I am writing on behalf of the National Community Pharmacists Association in support of HF1279, which would bring transparency to Minnesotans' prescription drug benefit programs and protect patient access to community pharmacy services.

NCPA represents the interest of America's community pharmacists, including the owners of more than 21,000 independent community pharmacies across the United States and 179 independent community pharmacies in Minnesota. These Minnesota pharmacies filled over 10 million prescriptions last year, impacting the lives of thousands of patients in your state.

HF1279 would address a lack of transparency in pharmacy reimbursement methods, the impact of which has been severe. A study by the Rural Policy Research Institute found that under-reimbursements led to the closure of 1,231 independent pharmacies in rural areas between 2003 and 2018. As a result, 630 rural communities nationwide that had at least one retail pharmacy in 2003 had zero retail pharmacies in 2018.¹ The situation is no better in urban areas; between 2009 and 2015, 1 in 8 pharmacies closed as a result of under-reimbursements, disproportionately affecting independent pharmacies and low-income neighborhoods. Minnesota alone has lost half of its independent pharmacies since 2010. These pharmacy closures "are associated with nonadherence to prescription medications, and declines in adherence are worse in patients using independent pharmacies that subsequently closed."²

HF1279 would bring much-needed transparency to PBM reimbursement practices, thereby protecting patient access to community pharmacy services. The bill would ensure that PBM-determined reimbursement amounts accurately reflect the true market costs for Minnesota pharmacies, and it would protect pharmacies from being forced to accept under-reimbursements that have led to so many pharmacy closures in Indiana and across the nation. Additionally, this legislation prohibits PBMs from implementing arbitrary, retroactive reimbursement adjustments

¹ Abiodun Salako, Fred Ullrich & Keith Mueller, *Update: Independently Owned Pharmacy Closures in Rural America, 2003-2018*, RUPRI Center for Rural Health Policy Analysis, July 2018, Rural Policy Brief No. 2018-2, available at <https://rupri.public-health.uiowa.edu/publications/policybriefs/2018/2018%20Pharmacy%20Closures.pdf>.

² Jenny S. Guadamuz, G. Caleb Alexander, Shannon N. Zenk & Dima M. Qato, *Assessment of Pharmacy Closures in the United States From 2009 Through 2015*, JAMA Internal Medicine, Oct. 21, 2019, www.jamainternalmedicine.com.

that make it impossible for pharmacies to know their reimbursement amounts with any certainty, even after a claim has been adjudicated.

Not only do these reimbursement transparency provisions ensure community pharmacies can continue serving patients, but they also protect patients and payers from PBM conflicts of interest. Specifically, the bill prohibits “spread pricing,” in which a PBM reimburses a pharmacy at one price for filling a prescription and charges the plan sponsor a higher price for administering that same prescription. Spread pricing can end up costing plan sponsors millions of dollars in overcharges, as officials in Ohio, Kentucky, and other states have found after investigating the PBMs serving state-funded benefit plans.³ And by preventing PBMs from paying a pharmacy less than it reimburses a PBM-owned pharmacy, the bill would protect patients and plan sponsors from the inherent conflicts of interest that arise when PBMs own their own pharmacies.

For these reasons, NCPA respectfully requests your support of HF1279. If you have any questions about the information contained in this letter or wish to discuss the issue in greater detail, please do not hesitate to contact me at matthew.magner@ncpa.org or (703) 600-1186.

Sincerely,



Matthew Magner
Director, State Government Affairs

³ Auditor of State of Ohio, *Auditor’s Report: Pharmacy Benefit Managers Take Fees of 31% on Generic Drugs Worth \$208M in One-Year Period*, (Aug. 16, 2018) <https://ohioauditor.gov/news/pressreleases/Details/5042>. Kentucky Department for Medicaid Services, *Medicaid Pharmacy Pricing: Opening the Black Box* 5, 8 (Feb. 19, 2019), https://chfs.ky.gov/agencies/ohda/Documents1/CHFS_Medicaid_Pharmacy_Pricing.pdf.