

Comments from an independent pharmacist:

To illustrate the broader systemic issues, consider this: pharmacies like mine frequently face reimbursement challenges that are unsustainable. For example, recent claims submissions yielded significant discrepancies between the costs of drugs and PBM reimbursements, leaving pharmacies with losses that threaten their viability.

These systemic issues are compounded by the lack of enforcement of existing regulations. PBMs are required to process manual adjustments at the point of sale, yet this rule is frequently ignored, and claw backs persist unchecked. Where is the enforcement?

It's no wonder Oregon ranks as the second-worst state for pharmacy access. This is a direct consequence of inadequate PBM reform and legislative oversight. Legislators continue to request drug price transparency, but the reality is that transparency without meaningful reform does little to address the root causes.

- Oregon 2nd worse in the nation for retail pharmacy access, new analysis finds – OPB (<https://www.opb.org/article/2024/06/05/oregon-pharmacy-closures-limited-access/>)
- As pharmacies disappear nationwide, Oregonians among the hardest hit - oregonlive.com (<https://www.oregonlive.com/business/2024/06/as-pharmacies-disappear-nationwide-oregonians-amongst-the-hardest-hit.html>)

I hope the Division of Financial Regulation and legislators will refocus their efforts on enforcing current laws and holding PBMs accountable. Meanwhile, my priority must remain protecting the livelihoods of my employees and the sustainability of my business. Thank you for understanding, and I hope the BELOW information contributes to the conversation.

Q: Why are rebates necessary, and how do they help or harm the consumer?

A: First, it's important to define who the "consumer" is in this context. Is it the patient, the pharmacy, the PBM or the health plan? Every industry in the U.S. operates with rebates as an incentive structure. For example, when you purchase a new car, manufacturers often provide rebates as a way to encourage sales. Without those rebates, there might be less motivation to sell new cars, and dealerships might focus more on selling used vehicles instead.

In the pharmaceutical world, pharmacies can be considered consumers when they purchase drugs from wholesalers. However, pharmacies don't directly receive rebates or incentives from wholesalers. Instead, there's an intermediary entity called a Group Purchasing Organization (GPO) that negotiates these deals.

This raises an important question for legislators: Many PBMs (Pharmacy Benefit Managers) have GPOs, why aren't they transparent about them? PBMs and health plans don't buy or

sell drugs themselves, so why do they receive rebates from manufacturers? Do they pass 100% of those rebates back to their members? Evidence suggests they don't. In fact, PBM executives have been called out for lying under oath to Senate and House representatives on this issue.

- The Role of Pharmacy Benefit Managers in Prescription Drug Markets Part III: Transparency and Accountability - United States House Committee on Oversight and Accountability (<https://oversight.house.gov/hearing/the-role-of-pharmacy-benefit-managers-in-prescription-drug-markets-part-iii-transparency-and-accountability/>)

Q: How do rebates affect what drugs are available?

A: Pharmacies have no control over drug availability. We don't manufacture drugs in a backroom to sell the next day. The key players influencing drug availability and pricing are:

1. **PBMs and Health Plans** – They determine which drugs are included in their formularies (the list of covered drugs).
2. **Drug Manufacturers** – They produce the drugs and set their prices.
3. **Wholesalers** – They distribute the drugs to pharmacies.

Manufacturers also create different pricing structures for various PBMs and offer unique rebate systems to them. PBMs then pass a portion of these rebates as kickbacks to health plans. PBMs have different reimbursement structures for their own pharmacies, chain pharmacies, and independent pharmacies. Do legislators ever ask for transparency regarding these reimbursement practices? Perhaps this lack of transparency is a factor affecting drug availability for patients. This complex system creates conflicts of interest, prioritizing rebates over patient access and affordability.

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