OREGON STATE PHARMACY ASSOCIATION
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November 22, 2022

Department of Consumer and Business Services
c/o Andrew Stolfi
350 Winter Street NE, Room 410
Salem, OR 97309-0405
503-378-4140 | rx.prices@dcbs.oregon.gov

Dear Mr. Stolfi,

On behalf of the members of the Oregon State Pharmacy Association (OSPA), I would like to submit this letter and the enclosures as written testimony for your upcoming meeting on December 1, 2022. I recently sent the same information to the Prescription Drug Affordability Board for their meeting on November 16, 2022, and I wanted to ensure you received the attached report. We are thrilled that OSPA Board of Directors member, Kevin Russell RPh, MBA, BCACP, will be part of your speaker panel.

Oregonians, like many Americans, currently experience hardships due to high healthcare costs. A 2021 survey of Oregon adult residents found that 55% encountered cost-related barriers to getting healthcare, including cutting medication in half, skipping doses, or not filling a prescription due to cost.

While prescription drugs represent just one component of healthcare costs and utilization, they provide one of the most transparent ways to contextualize potential healthcare inequality. This is because the reimbursement structure of prescription drugs is inherently unequal. There are more than a dozen pricing benchmarks that could be utilized from a typical drug reference file to determine a drug's price. Such benchmarks might be "objective" in that they could be sourced from a drug reference file directly, but rarely does that objectivity translate into a consistent price at the pharmacy counter for any particular drug. The options for how to pay for drugs become nearly limitless when you consider that each payer for prescription drugs potentially pays for the same product and service in a different way despite the same reliance on the same pricing benchmarks. When there are many prices for a product, there is effectively no price for that product.

Those in the pharmacy industry have known about the problems of Pharmacy Benefit Mangers (PBMs) for years. When the Bi-Mart pharmacies closed last year, we knew OSPA had to take action. The disparities in pharmacy pricing and the inequality of payment resulted in 3 Axis Advisors, LLC being commissioned by OSPA to review reimbursement trends between payers and retail pharmacies between 2019 and 2021. The primary request was to identify if there may be the existence of differential pricing in payment or PBM-to-pharmacy spread pricing among Oregon Medicaid retail pharmacy networks, which could compromise the sustainability of some providers and create barriers to care for many Oregonians.

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Key findings of the report:

- **Significant disparities exist in reimbursement between the pharmacies in the study and the broader retail pharmacy market in Oregon, particularly in already disadvantaged communities.**
- **Among the three broadly different payer types – Medicaid, Medicare and Commercial – PBMs operating in each of the segments are setting different incentives for pharmacies. For example, PBM reimbursements for the Oregon Medicaid Coordinated Care Organization program were associated with the lowest margins for pharmacies, creating incentives that may drive providers away from underserved communities.**
- **On a per-100 prescription basis, PBM reimbursement for the majority of claims (75 out of 100) dispensed at a typical retail Oregon pharmacy (as represented by those in the study) were insufficient to cover the pharmacy labor and drug costs.**
- **The PBM incentives embedded in the current system appear to reward and encourage higher drug prices at pharmacies, resulting in higher out-of-pocket costs for patients who obtain their medications through cost sharing or without insurance coverage at all.**

The report showed that 1-2% of claims resulted in very high margins for pharmacies and these claims were necessary to offset the 75% of claims which were below the cost of doing business. Current payment practice incentivizes, even requires, that pharmacies maintain high usual and customary prices to capture the necessary 1-2% of profitable prescriptions. If payment were more equitable across all claims on a cost+ basis, then usual and customary prices would come down.

One particularly troubling example detailed in the report shows that the state Medicaid program, which provides health care coverage to low-income Oregonians, was made to pay more than eight times the manufacturer's asking price for a generic multiple sclerosis drug. **If the payment was instead based on the manufacturer's list price ($350) instead of what PBMs charged Medicaid on average ($2,928), the state could have saved approximately $1.9 million on this one drug alone.**

Thank you for the work you are doing!

Sincerely,

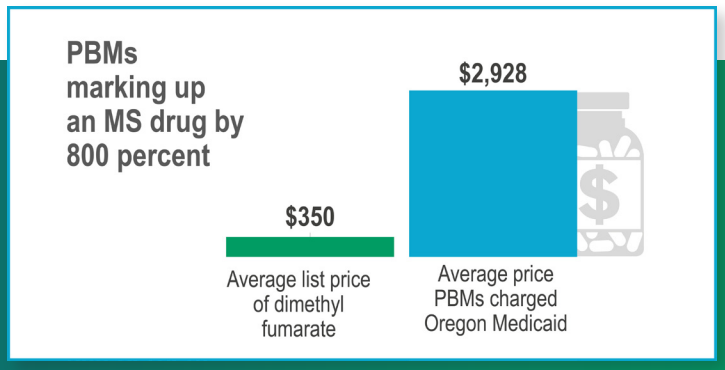
Brian Mayo
Executive Director

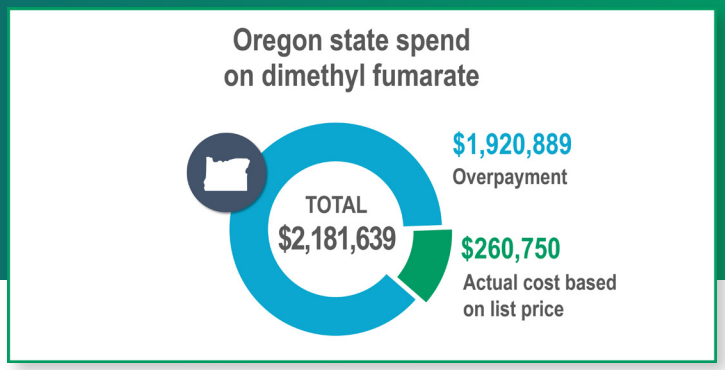
Inequity in PBMs' Drug Pricing Practices in Oregon Raises Serious Questions

OSPA
OREGON STATE PHARMACY ASSOCIATION

The Oregon State Pharmacy Association (OSPA) and 3 Axis Advisors recently released a **report** that illustrates the worrying tactics pharmacy benefit managers (PBMs) employ to increase their profits at the expense of local pharmacies, taxpayers and patients. The study, *Understanding Pharmacy Reimbursement Trends in Oregon*, found that PBMs are reimbursing pharmacies at wildly different rates while at times charging Medicare and Medicaid astronomical prices.

A particularly troubling example seen in the enclosed figures shows that **the state Medicaid program was made to pay more than eight times the manufacturer's asking price** for a generic multiple sclerosis drug.





Here are other key findings from the study:

- Among the three broadly different payer types – Medicaid, Medicare and Commercial – PBMs operating in each of the segments are setting different incentives for pharmacies. For example, PBM reimbursements for the Oregon Medicaid Coordinated Care Organization program were associated with the lowest margins for pharmacies, creating incentives that may drive providers away from underserved communities.
- On a per-100 prescription basis, PBM reimbursement for the majority of claims (75 out of 100) dispensed at a typical retail Oregon pharmacy* were insufficient to cover the pharmacy labor and drug costs.
- The PBM incentives embedded in the current system appear to reward and encourage higher drug prices at pharmacies, resulting in higher out-of-pocket costs for patients who obtain their medications through cost sharing or without insurance coverage at all.

** As represented by those in the study*

> We need to make a change – not just here but across the US – to protect our pharmacies and help lower prescription drug costs at the pharmacy counter. The urgency of taking action couldn't be more clear.
>
> **OSPA Executive Director Brian Mayo**

> These trends are detrimental to patients in rural and minority communities who are most impacted by increasing disparities in accessing care. If you can no longer afford your medication or your only local pharmacy closes down, you quickly run out of options.
>
> **Michele Belcher, OSPA member and immediate past president of the National Community Pharmacists Association**

> We have real concerns about what this means for patient health and safety. When we see these unfair markups, it means more and more patients are struggling to afford and adhere to the medications they depend on.
>
> **Lincoln Alexander, local Portland pharmacist and immediate past president of OSPA**

To learn more, visit oregonpharmacy.org

You can also read the full report here