PHARMACY AND INDEPENDENT GROCERY

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Independent supermarkets operate over 3,000 pharmacies across the country. In many small towns and rural areas, the grocery store pharmacy is the only healthcare provider in the community. In recent years, too many of these independent and community pharmacies are closing. This is a direct result from pharmacies being assessed ever increasing fees by the middlemen in the drug supply chain: pharmacy benefit managers (PBMs). These fees, often referred to as "rebates" or "price concessions", are abused by PBMs to strategically recoup funds from pharmacies long after transactions have been completed. As we have seen a dramatic increase in vertical integration within the healthcare industry, there are now only a handful of national PBMs that control an overwhelming majority of the prescription drug benefit marketplace.

Background:

The most abusive fee scheme is known as pharmacy direct and indirect remuneration (DIR) fees. These fees have had a significant impact on their ability to conduct business and serve their communities. NGA members have reported a dramatic increase between 87 percent and 250 percent in pharmacy DIR fees annually. DIR fees are unpredictable and seemingly unconnected to a pharmacy's performance and other standards. Under the current system, PBMs often claw back fees from pharmacies retroactively, weeks or even months after prescriptions are filled.

According to the federal government, pharmacy DIR fees have grown by more than 45,000 percent between 2010 and 2017. Independent supermarket pharmacies have virtually no ability to absorb these unexpected costs, therefore, they are forced to either pass those costs on to consumers in the form of higher prices, or worse, discontinue offering pharmacy services altogether at certain locations.

Position:

As Congress continues to debate drug pricing issues and other systematic healthcare reforms, NGA urges Members of Congress to include provisions that address the imbalance in the prescription drug benefit system, affording greater access to patients and giving pharmacies the ability to protect themselves from profit-seeking PBMs.

NGA supports drug pricing legislation that includes the following examples of pharmacy price concession reforms:

- Redefining the term "negotiated price" in statute so that all pharmacy price concessions are required to be included at the point of sale (not after).
- Requiring a third-party or independent agency (such as CMS/HHS) to set the "pharmacy quality measures" that PBMs use to measure pharmacy performance so that PBMs can no longer move the goal posts or hold pharmacies to standards that they have no control over.
- End the practice of "spread pricing" whereby PBMs are paid a certain amount by health plans but they pass on (or reimburse) a lesser amount to pharmacies instead of operating strictly as a pass-thru.