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November 25, 2019

Dear Delegates Sample-Hughes and Kipke,

Thank you for your continued support for community pharmacy. As you know, the 2019 legislative session unanimously supported our pharmacy legislation. However, we continue to suffer from poor reimbursement at the hands of the PBM industry. I am in full support of House Bill 885, with the hope that it will compel the PBMs and the managed care industry to institute fair business practices when dealing with their trading partners.

The PBM industry has seen profits soar to unprecedented levels, while community pharmacies cannot pay their employees. PBMs are the sole contracting influence with both the insurer and the provider of pharmacy services. We are left with no options in the contracting process, and must accept or reject the contractual offering. Rejecting a take it or leave it contract devastates our pharmacies and our loyal customers. I would estimate that PBM controlled networks constitute better than 80% of a pharmacy's prescription business. It would seem fair and reasonable that the pharmacy partners should be allowed to engage in the contracting process, since these contracts overwhelmingly control our destiny.

Spread pricing is another unfair practice. Consider the fact that a PBM generates significant revenue with a spread pricing model, much of which comes from the pricing structure that often renders prescriptions reimbursed at or below actual cost, and the negotiated terms that are contracted at a higher fee to the insurer. In essence the rebates are essentially extracted from both the provider and insurer. This is not a fair business practice.

DIR fees and clawbacks impact the pharmacy often months after the transaction has been completed. The formulas are convoluted, and the pharmacy cannot calculate the impact on its sales. Audits serve the same purpose. They have become increasingly more frequent, and tend to address high cost items. Parameters do not represent fair evaluations of prescriptions. There is a revenue agenda, not patient safety or prescription accuracy.

Access to our customers continues to be threatened. Restricted networks do not allow freedom of choice for our patients. Many prescription meds are being



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considered specialty items, when they are not. Patients are being diverted to other pharmacies when this is unnecessary.

Community pharmacies provide a multitude of services. Many of our services are a critical access to healthcare. Many community pharmacies offer free delivery. We provided needed vaccines, and serve as ancillary healthcare providers. We are always available to our customers. Many seek us out as their first resource when healthcare services are needed. Our existence is threatened, and without some positive correction we will be gone.

I believe that House Bill 885, if enacted will pave the way for fair and equitable participation for community pharmacy in the emerging healthcare arena.

My Sincerest Thanks!



Charles Kelly