



A Network Of Independently Owned Pharmacies

Testimony offered on behalf of: EPIC PHARMACIES, INC.

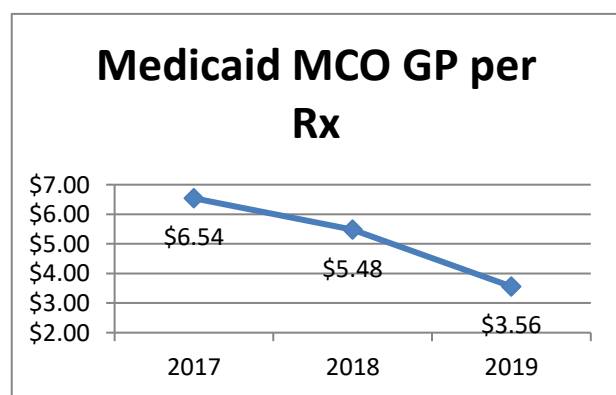
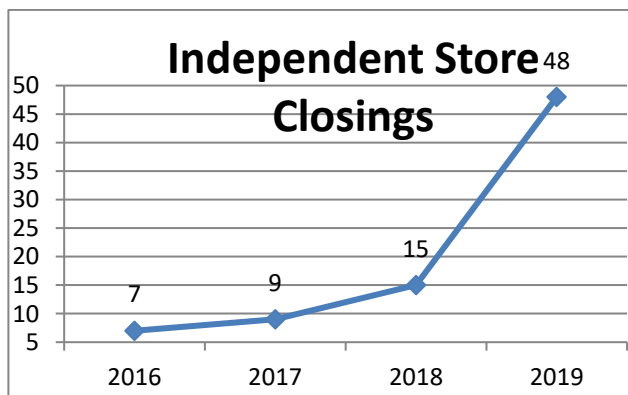
IN SUPPORT OF: HB 0602 – Maryland Medical Assistance Program and Managed Care Organizations That Use Pharmacy Benefits Managers - Reimbursement Requirements

House Health and Government Operations Committee Hearing 2/10/2021 at 1:30 PM

EPIC Pharmacies, Inc. SUPPORTS HB 0602 – Maryland Medical Assistance Program and Managed Care Organizations That Use Pharmacy Benefits Managers - Reimbursement Requirements.

EPIC Pharmacies are positioned in hundreds of communities across the state and represent the front line of healthcare providers caring for Maryland communities and your constituents. On behalf of myself and the other EPIC pharmacies in Maryland, I am asking for your help in correcting the horrible underpayments that we continue to receive as providers of prescriptions within the Maryland Medicaid Managed Care Organizations (MCO’s). We have no power to negotiate what these reimbursements are or when the Pharmacy Benefit Manager (PBM) raises or lowers those reimbursements. In 2019 these PBMs forced me to dispense 2733 of 3044 prescriptions (89%) to Medicaid MCO beneficiaries below our cost to dispense forcing a loss of almost \$24,000. Of those 2733 prescriptions, 983 were dispensed below even the cost of the product. In no other business model would this be acceptable, and it should not be acceptable in pharmacy either!

This is especially true after the independent study findings from HB589 in 2019 that showed the PBMs are spread pricing the State of MD to the tune of over \$72 Million in 2018 and likely more in 2019. This same audit recommended pricing language like you see in HB 0602. Allowing these predatory companies, who also own pharmacies, to continue to administer the program and line their pockets with taxpayer funds must stop. We have seen an exponential increase in the closing of independent pharmacy businesses in Maryland over the last year which correlates with the continued decrease in the gross profit (GP) margin for MCO claims as shown in the graphs below.



Imagine the State of MD telling any other industry that they were going to underpay them for 89% of the products or services they provide. It sounds ridiculous but that is what PBMs representing Maryland Medicaid MCOs are forcing us to do every day if we want to provide prescriptions to the members of our communities. All while paying their own pharmacies much higher average reimbursements. Pharmacy owners genuinely care about the health and wellbeing of the members of their

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HB 0602

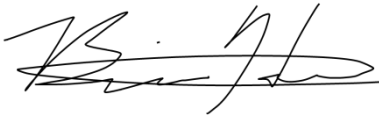
communities and will do whatever they can to keep them healthy, but our good nature and concern for your constituents has been taken advantage of by the corporate greed of the PBM industry. In pharmacies, we are not only providing a product at a loss, but we are screening it for safety, counseling the patient on its proper use, and bearing the legal and audit risks associated with the prescription. The horrible reimbursements we are receiving from these companies are why so many independent pharmacies are disappearing from your communities. Like myself, they cannot easily afford to be in Annapolis, but they will not be in business at all if they sit back and continue to be uninvolved in the process. Each time you see me or the white coat of a pharmacy owner in Annapolis, they must pay another pharmacist to tend to their patients and that often costs them upwards of \$500. There are significant sacrifices being made by the folks who are here today, and you are running out of time to help them. We need immediate relief from the predatory reimbursements within the Maryland Medicaid MCO programs.

Maryland Medicaid knows how much it costs to dispense a prescription in the State because they have already conducted independent cost of dispensing studies in 2011 and 2018. Medicaid used this data to determine that it costs a pharmacy \$10.49 plus the cost of the medication to provide it to a patient within the Medicaid program. It is infuriating that our state uses this data to pay us fairly for Fee for Service (FFS) prescriptions that are carved out of the MCO plans but then allows the MCOs to underpay pharmacies for the prescriptions that are covered within their portion of the Medicaid program. The FFS program relies heavily on the National Average Drug Acquisition Cost (NADAC) rather than a PBM to determine a fair drug cost. NADAC is not perfect, but it is an average pharmacy cost determined by an independent accounting firm and is calculated through a continuous surveying of real pharmacy invoices for prescription drugs. This cost is based, unlike the PBM pricing methodologies that are forced on pharmacies and then used to underpay claims to increase the spread that they put into their pockets. I have previously provided the committee detailed profitability data and would be happy to do so again to show how unsustainable the current payment model is for pharmacies.

We cannot continue with the status quo in Maryland if you want pharmacies that are not owned by PBMs to exist in your communities. Many have already closed or been forced to sell because of the current market conditions. We need the legislature to put a stop to predatory pricing and force a fair and transparent payment model that guarantees the pharmacy NADAC plus a reasonable dispensing fee. **It is for these reasons that we urge a FAVORABLE report on HB 0602.**

I hope that you can find a way help us and I am always available to discuss these issues further or provide additional data.

Sincerely,



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