TOTAL PHARMACY

Independent Pharmacies Continue to Face Financial Hardships as the Clock Ticks on PBM Reform

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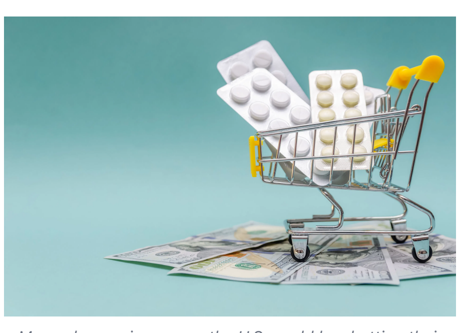
As pharmacy benefit managers gain leverage to continue driving up drug prices, local pharmacies struggle to keep up and Congress has been called to act—but it might be too late.

In recent years, pharmacists and lawmakers have shifted their focus to the cost of prescription drugs. As private insurers and pharmacy benefit managers (PBMs) continue to drive increases in drug pricing—leaving smaller, local pharmacies behind[1]—politicians and independent pharmacists have been working to hold industry giants accountable.

Multiple congressional bills have been introduced in the past year that call for more transparency in drug pricing and accountability for PBMs.[2] The Centers for Medicare & Medicaid (CMS) have also adjusted rules that create more transparency for Medicare Part D prescription pricing.[3]

However, the power remains in the hands of PBMs as local pharmacies scramble to make ends meet amidst rising costs and failures to pass legislation.[1]



Many pharmacies across the U.S. could be shutting their doors this year because of rising drug costs and low reimbursements. | image credit: yaroslav1986 - stock.adobe.com

How PBMs Affect Independent Pharmacies

"PBMs act as middlemen between patients and pharmaceutical manufacturers to negotiate drug prices. These negotiations should yield cost-savings for patients by lowering premium rates or reducing copays," stated a news release from the office of Senator Chuck Grassley (R, Iowa), a major player in the fight for PBM reform.[4] "However, PBMs often profit from them, and patients receive few—if any—benefits in premiums or at the pharmacy counter."

Over the years, organizations and people like Grassley[1, 4] have shined a light on PBM practices and how they are impacting smaller pharmacies. One of the tactics PBMs use to drive up drug prices and increase profits for Big Pharma is called spread pricing.

According to bill S.1339,[2] proposed by Senator Bernie Sanders (I, VT) in April 2023, "spread pricing occurs when a PBM charges an insurance plan (or an insurance plan charges plan participants) a price for a prescription drug that exceeds the price paid to the pharmacy for the drug."

Between spread pricing and other PBM tactics that have yet to be prohibited by law, local pharmacies face their toughest challenge in the year ahead. And while PBMs and major brands like CVS and Cigna retain leverage regarding drug pricing, smaller pharmacies are in hope of a saving grace.

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Key Takeaways

- CMS rule changes that went into effect at the start of 2024 have put many independent pharmacists in a dire financial situation.
- A recent NCPA survey revealed over 30% of independent pharmacists might have to close their doors in 2024. According to the survey, 99% of them have experienced lower reimbursements for prescription medications at the point of sale.
- Legislation to stop PBMs from spread pricing and participating in other price-gouging practices continues to be punted.

The Current State of Independent Pharmacies in 2024

Recent CMS rule changes went into effect at the start of 2024.[3] And while they are meant to benefit local pharmacies calling for more transparent prices, the changes have created an even bigger issue for independent pharmacists, according to NCPA.[1]

The new rule prohibits direct and indirect remuneration (DIR) for drugs covered by Medicare Part D.[3] Prior to the change, DIR was yet another PBM tactic that forced pharmacists to pay various fees for Part D drugs *after* the point of sale, leading to even more spread pricing and higher drug costs.[1]

Now, PBMs are required to assess all fees and payments at the point of sale only. But this has only allowed PBMs and the insurers they work with to decrease the reimbursements they pay out to local pharmacies while creating an even more dire, two-fold issue, according to NCPA.[1]

"[Community pharmacies] would be hit simultaneously with a double whammy: lower reimbursements on prescriptions at the point of sale resulting from a continued money grab from PBMs and forced price concessions on prescriptions from last year," stated the NCPA.[1] This means that pharmacies could face even greater increases in drug pricing while also paying out DIR fees from 2023 and prior.

Furthermore, the NCPA conducted a survey addressing the current state of independent pharmacy owners and managers. In response to the rule change and the "DIR hangover period" it has created for local pharmacies, owners and managers have a pessimistic outlook for the rest of 2024.[1]

According to the survey, featuring 815 responses from various independent pharmacies, 93% are less willing to participate in Part D networks because of decreasing reimbursements; 32% are considering closing their doors in 2024; 99% experienced reimbursement reductions; and 92% are taking necessary steps to avoid permanent closures, such as opening personal lines of credit, decreasing inventory of higher-priced drugs, and tapping into personal savings.[1]

"If a third of all community pharmacies close, and if more than 90 percent stop accepting Medicare Part D, it will be a catastrophe for seniors, a hardship for most other patients, and a devastating blow to the overall health care system," said NCPA CEO B. Douglas Hoey, pharmacist, MBA.[1] "This demands immediate action by Congress and the administration."

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References

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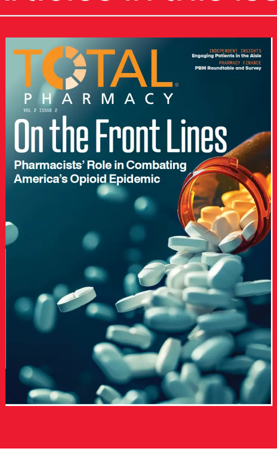

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