Chair and Members of the Committee,

I am Dr. Patel. **Oregon is facing a pharmacy access crisis**—and for over a decade, we have failed to pass meaningful **PBM reform**.

Fair Reimbursement: Pharmacies are **not asking for handouts**—we are simply asking for reimbursement that allows us to **break even**. Yet, we are forced to dispense prescriptions **below cost** while paying every tax imaginable—**personal tax, payroll tax, corporate activity tax—while PBMs steer over 60% of Oregon's prescriptions to their own mail-order pharmacies, draining millions from our economy.**

The impact: Over **240 pharmacies closed in the last decade—51 in just two years.** When pharmacies shut down, **patients lose access to life-saving care, tax revenue disappears, jobs are lost, and local economies suffer.** Meanwhile, **PBMs and plan sponsors like CVS Caremark and UnitedHealth rake in billions—yet claim reimbursing pharmacies at cost will raise prices.**

But let's talk facts.

1) **FTC Releases Second Interim Staff Report on Prescription Drug Middlemen:** Report finds PBMs charge significant markups for cancer, HIV, and other critical specialty generic drugs. The FTC's latest report analyzed 51 specialty generic drugs and found that CVS Caremark, Express Scripts, and OptumRx imposed markups exceeding 1,000% over NADAC—extracting over $7.3 billion in excess revenue from 2017 to 2022. If these drugs had been reimbursed at NADAC rates, it could have saved billions of dollars.

FTC Releases Second Interim Staff Report on Prescription Drug Middlemen | Federal Trade Commission

2) Cost Plus Model: PBMs claim paying **actual acquisition cost plus a fair dispensing fee** will increase drug costs—but **CVS Caremark's own CostVantage program reimburses every CVS pharmacy nationwide at cost plus a markup and a $4–$16 dispensing fee.** If this model is sustainable for **the largest chain pharmacy in the country, why is it unacceptable for Oregon's local pharmacies?**

   CVS Pharmacy achieves CVS CostVantage milestone

3) **Federal Matching Through the State Plan Amendment (SPA):** FMCOs in Oregon claim they can't afford DMAP pharmacy reimbursement rates, but this is misleading. Oregon's SPA outlines how the state administers Medicaid, including provider reimbursement rates. The federal government matches state Medicaid spending through the **Federal Medical Assistance Percentage (FMAP)**. This means a significant portion of the funding for DMAP rates is federally supported, reducing the financial burden on the state and, indirectly, the MCOs.

   Why are **PBMs and plan sponsors refusing to use it?**
   Despite having sufficient funding, MCOs are incentivized to **minimize costs to maximize profits**, especially since many are for-profit entities. This often leads to aggressive negotiations with PBMs, which in turn push down pharmacy reimbursement rates. The MCOs' claims about affordability are often more about **preserving profit margins** than reflecting actual financial constraints. Given that DMAP rates are based on **cost-based reimbursement models** supported by federal funds, MCOs should theoretically have **no financial excuse** for under-reimbursing

pharmacies. This disconnect highlights the need for stronger **state oversight and PBM reforms** to ensure that the intended funding reaches healthcare providers.

Rebuttals to PBM Misinformation:

1. **PBM Claim:** "Only 10% of Claims Are Underwater Based on independent pharmacy workgroup data."
   Reality: This manipulative claim only considers **ingredient costs. And if ingredients cost 1 cent over then it does not pull in data as below buying cost which is most of the case PBM pay one cent more over buying cost, so they can say we pay above cost. What they are not accounting for are**
   - **Operating costs per prescription:** $14–$22 (payroll, utilities, licensing, etc.)
   - **Transaction fees:** $0.09–$0.18 per claim—every time you process claim even when you return to stock prescription.
   - Making **one cent over cost** still means **we lose money** due to transaction fees and overhead.
2. **PBM Claim:** " PBM mention on several occasions that their 70% of Drug Costs Are Due to Specialty Drugs"
   Reality: PBM-owned specialty pharmacies fill almost all **of specialty prescriptions.**
   - Independent pharmacies only fill **30% of total prescriptions.**
   - The real cost driver? **PBM-controlled mail-order and specialty pharmacies. So PBM Owned Mail Order Pharmacy driving costs up, not non affiliate or independent pharmacy**
3. **PBM Claim:** "We Take a Portion of Rebates as an Administrative Fee for Plan Sponsors"
   Reality:
   - PBMs collect **billions** in rebates, claiming it's for "services."
   - Health plans get their cut.
   - But **pharmacies providing direct patient care** are left without fair dispensing fees.

4) **Plan Sponsor**: Example: **Ondansetron** costs $3.50, but $10 dispensing fee inflates the cost to **$13.50** for patients. Plan Sponder and PBM do not want to take responsibility of cost of doing business (by the way don't you received premium from members) but flat out do not want pay dispensing fee and reimburse pharmacies below cost.

5) **Vertical Integration:** The PBM Monopoly
   a. **Blue Cross Blue Shield** (plan sponsor) contracts with **Prime Therapeutics** (PBM), which offloads their responsibility to **Express Scripts (PBM).**
   b. Different names, **same corporate entity.**

Express Scripts Networks

To apply for Express Scripts networks, go to www.ESIProvider.com and follow the steps below to create a new account and apply:

1. Select create "New Account" or log into your existing account
2. Once logged in, select Begin New Process
3. Under Begin New Process, select "Apply to be a network provider"
4. Complete the application and submit all required documentation
5. Wait for next steps and confirmation from Express Scripts' Credentialing team

If you have any questions, please email us at PrimeCredSupport@Express-Scripts.com.

Pharmacy Credentialing - Prime Therapeutics - Portal

6) According to the **3 Axis Study:** PBMs drive up your prescription costs. It's time for Washington to protect patients and employers.
   i. PBMs overpay for their own pharmacies while underpaying independent ones.
   ii. **Spread pricing** drains funds from healthcare.
   iii. **NADAC-based reimbursement** could save millions

3 Axis Study: focusing on the benefits of banning spread pricing and how the NADAC plus model saves money for plan sponsors:

Benefits of Banning Spread Pricing: Banning spread pricing eliminates the practice where Pharmacy Benefit Managers (PBMs) charge health plans more than they reimburse pharmacies, pocketing the difference as profit. This practice has led to inflated drug costs for plan sponsors, taxpayers, and consumers. For example, audits in states like Ohio, Kentucky, and Maryland uncovered hundreds of millions of dollars lost annually due to spread pricing. Without spread pricing, plan sponsors would pay closer to the actual cost of medications, leading to increased transparency and substantial cost savings.

How the NADAC Plus Model Saves Money: The NADAC (National Average Drug Acquisition Cost) plus model bases reimbursement on the average cost pharmacies pay to acquire drugs, plus a fixed dispensing fee. This model ensures that plan sponsors pay prices reflective of true market costs, minimizing overpayments. The Washington report shows that applying NADAC-based pricing reduced discrepancies between plan sponsor costs and pharmacy reimbursements, translating into significant savings. By aligning payments with real drug acquisition costs, plan sponsors avoid hidden markups, ensuring fair and transparent pricing.

WSPA/3-Axis Study Results Released

In 2023, the Washington State Pharmacy Association commissioned 3 Axis Advisors to conduct a first-of-its-kind study, examining the reimbursement experiences of Washington community pharmacies and the cost experiences of Washington commercial plan sponsors.

Here's what we found:

- For a subset of matched claims between the plan sponsors and the pharmacies, the average plan sponsor (employer) costs were approximately $165,000 higher (roughly 80% more on generic drug transactions) than the reimbursement provided to pharmacies (approximately $8 more per prescription).
- Plan sponsor (employer) costs increased by 30% while commercial pharmacy reimbursement decreased by 3% between 2020-2023.
- PBM-affiliated mail-order pharmacies had prescription markups that were more than three times higher than the markups at retail pharmacies.
- For a subset of claims comprised mostly of costly "specialty drugs," plan sponsors were charged more than $1,000 in markups per prescription at PBM-affiliated mail-order pharmacies despite retail pharmacies typically filling those medicines at a loss.

The comprehensive analysis reviewed over six million prescription claims from independent and small chain pharmacies and over three million prescription claims from private, commercial plan sponsors operating within the State of Washington.

What's at Stake:

- Oregon is the **second worst state** for pharmacy access.
- **If we do nothing, we will be number one.**

Our Future Without Reform:

- Pharmacies will be forced to:
    - Go **cash-only**
    - Adopt a **Mark Cuban Cost Plus** model
    - **Shut down entirely**

Pass HB 3212—before there are no pharmacies left to save.

Thank You

Dr. Patel