

[https://www.fredericksburg.com/opinion/commentary-pharmacy-benefit-managers-are-squeezing-locally-owned-drug-stores/article\\_55bbc0b1-28b8-5a46-8ead-966f6577ff2a.html](https://www.fredericksburg.com/opinion/commentary-pharmacy-benefit-managers-are-squeezing-locally-owned-drug-stores/article_55bbc0b1-28b8-5a46-8ead-966f6577ff2a.html)

## **COMMENTARY: Pharmacy benefit managers are squeezing locally-owned drug stores**

By Travis Hale Aug 24, 2019



Town of Remington

THE U.S. Senate Finance Committee is working on reforms to bring down the cost of prescription drugs. Senators are considering a measure that would address the lack of transparency in how pharmaceuticals are priced.

Several large corporations are at the heart of the problem, and as owners of Remington Drug, a local independent pharmacy, it is our hope to shed light on these corporations.

Known as pharmacy benefit managers (PBMs), these middlemen work for insurance plans to negotiate with drug manufacturers. They determine which pharmacies customers must use, and how much they're going to pay at the counter—two components that significantly affect our community and our pharmacy, as well as all the other communities and pharmacies in the U.S.

Free Lance–Star readers won't be surprised to learn that the largest PBMs also own pharmacies and they direct patients to these pharmacies using plan design and patient co-pays. It's common for PBMs to negotiate big discounts from the drug manufacturers and keep part of the savings for themselves instead of passing them on to the patients who deserve them.

The PBMs also assess different types of fees on pharmacies for every prescription filled, sometimes months after the transactions. The types of fees having the largest financial impact on pharmacies are direct and indirect remuneration fees (DIRs).

This type of fee is only assessed on prescriptions filled for Medicare Part D patients. The original purpose of DIR fees was to serve as a mechanism for PBMs to report manufacturer rebates to the Centers for Medicare and Medicaid Services so the government would be able to account for actual drug costs.

But PBMs “hijacked” the original purpose and inserted these fees into pharmacy contracts. Each year, the PBMs get a little greedier. These fees have increased by 45,000 percent in recent years, forcing many pharmacists to turn away patients or even shut their doors for good.

Patients are also affected because these fees increase their co-pays and cause them to enter the coverage gap or “donut hole” faster. Essentially, PBMs pull the increased co-pay amount out of the pharmacy on the back end in the form of these fees, so both pharmacies and patients are sharing this burden. Because these fees are assessed retroactively, it is very difficult to come up with an exact figure.



TOP ARTICLES 2/5

In 2017, Remington Drug's estimated DIR fee total across all Medicare prescription drug plans was \$31,560. In 2018, it increased to \$41,480 and through the first eight months of 2019, it's estimated to be \$27,470.

There are several factors that contributed to the rise in fees, including an increase in the number of Medicare prescription plans as well as the number of beneficiaries. As the number of Medicare beneficiaries increases, so too will the total dollar amount of DIR fees assessed or "clawed back" from pharmacies.

Remington Drug is considered an average-sized independent pharmacy based on gross sales, and there are approximately 22,000 independent pharmacies in the U.S. If half of the 22,000 independent pharmacies paid approximately \$41,480 in DIR fees in 2018, PBMs collected \$450+ million in DIR fees.

That's a very conservative estimate and an enormous amount of money.

Many of the pharmacies struggling with these fees are like Remington Drug—a small-town community pharmacy where patients have been filling prescriptions and seeking advice for decades. We sponsor local sports teams, local schools, local events and other community programs.

However, as these fees continue to increase, it becomes harder and harder for us to afford to support our local community and provide the pharmacy services we've provided since 1913.

Virginia Sen. Mark Warner serves on the Senate Finance Committee. He and his colleagues should put an end to these practices and force the PBMs to be more transparent.

Local pharmacies are disappearing, partly because of the actions of PBMs. Ultimately, their patients will suffer, as will communities they serve.

---

Travis Hale is president of Apothecary Solutions, Inc., which does business as Remington Drug Co. in Remington, Virginia.