

Lina M. Kahn
Chair
Federal Trade Commission
600 Pennsylvania Ave., NW
Washington, DC 20580

Dear Chairperson Kahn:

The National Association of Chain Drug Stores (NACDS) thanks you for the opportunity to submit comments for the record in connection with the Federal Trade Commission's (FTC's) upcoming February 17th Open Commission Meeting in which it will explore investigating contracting and other practices of pharmacy benefit managers (PBMs). NACDS and its members have a strong interest in these PBM practices before the FTC for review, as explained below.

NACDS is a non-profit, tax-exempt organization representing over 80 chain pharmacy member companies include regional chains, with a minimum of four stores, and national companies. Chains operate over 40,000 pharmacies, and NACDS' chain members employ nearly 3 million individuals, including 157,000 pharmacists. They fill over 3 billion prescriptions yearly, and help patients use medicines correctly and safely, while offering innovative services that improve patient health and health care affordability.

NACDS and its members have a strong interest in initiatives that help protect the health and safety of patients by promoting the economic viability of their trusted community pharmacies. The unregulated reimbursement practices of PBMs have caused numerous pharmacies to close, leaving many communities without front-line health care providers. Helping to ensure that PBMs' reimbursement rates cover pharmacies' costs of providing prescription medications is critical to preserving and protecting patient access to needed care and services provided by pharmacies.

Pharmacies not only dispense medications, but also provide front-line health care like immunizations, tobacco cessation, hormonal contraceptive therapies, blood pressure testing, glucose testing, flu shots, and information to customers on a variety of health-related matters. Throughout the global COVID 19 pandemic, community pharmacies have been vital healthcare destinations helping to ensure patients' uninterrupted access to critical medications during the entirety of the pandemic as well as providing critical community-based COVID-19 testing, life-saving vaccines, and now beneficial treatment therapies.

Despite continuing to step up heroically during the pandemic and beyond, pharmacies are facing a crisis that poses a genuine health care threat to Americans: the rampant closure of pharmacies, especially in rural areas. In fact, independent data sources have reported that the number of retail pharmacies in the United States dropped by almost 2,000 in recent years.¹ Moreover, several pharmacy chains have announced plans to close hundreds of additional pharmacies.² Pharmacy closures have disproportionately affected rural areas. 630 rural communities that had at least one pharmacy in March 2003 had no retail pharmacy in March 2018.³

Pharmacy closures are harmful to patients because pharmacies serve as front-line health care providers. As described above, in addition to providing medications, pharmacies offer immunizations and a range of other patient services on a variety of health-related matters. When a pharmacy closes in a rural area, the frequent result is that the rural area has no front-line health care provider at all. Thus, if a patient in such a rural area wishes to obtain medications or basic health care testing, the patient may have to drive an hour or more out of their way and take time out of work. If the patient is unable or unwilling to do so, the patient may not comply with medication regimens or may not get tested, and poor health care outcomes may result.⁴

One of the reasons for the mass closure of pharmacies is that PBMs can reimburse pharmacies at low rates that do not cover the costs of purchasing and dispensing expensive prescription medications, causing the pharmacies to take a loss for dispensed prescriptions. Some background on PBMs' operating practices is necessary to understand why.

Pharmacies buy drugs from drug manufacturers and distributors. To make a profit, pharmacies must recoup those costs from the patients who purchase the drugs. But in most cases, the patients do not pay the full cost of the drugs; rather, they pay a co-pay, and the rest comes from a health care plan. But pharmacies ordinarily do not interact directly with health care plans. Rather, they interact with PBMs.

Presently, PBMs can reimburse pharmacies for dispensing drugs at rates that do not cover pharmacies' costs of purchasing those drugs. As a result of these practices, pharmacies can and do receive reimbursements from the PBM that are less than the cost of obtaining the drug in the first place. While some states have attempted to regulate such PBM practices, they still do persist, as does the threat they pose.

NACDS appreciates being given an opportunity to share the above information and concerns with the FTC as it examines PBM contracting practices. Should you have any questions, please contact Christie Boutte, Senior Vice President, Reimbursement, Innovation & Advocacy at 703-837-4211 or cboutte@nacds.org.

Sincerely,

Steven C. Anderson, FASAE, IOM, CAE
President and Chief Executive Officer

Endnotes

¹ National Association of Chain Drug Stores, *The Pharmacy Reimbursement Crisis* (last visited Feb. 24, 2020)), available at

<https://www.nacds.org/pdfs/pharmacy/2020/Pharmacy-Reimbursement-2020.pdf> (showing the number of U.S. retail pharmacies dropped from 58,706 in December 2017 to 56,788 in December 2019 according to IQVIA, an industry group that collects pharmacy data, and a net 995 pharmacy profiles closed in 2018 and net 695 pharmacy profiles closed in 2019 according to the National Council for Prescription Drug Programs, a national group that assigns identification numbers to pharmacies for billing purposes).

² Chains Closing Stores, Opening Fewer, <https://www.drugtopics.com/latest/chains-closing-stores-opening-fewer>.

NACDS Comments Submitted to FTC February 15 for February 17 Open Commission Meeting

³ Center for Rural Health Policy Analysis, Rural Policy Brief, <https://rupri.public-health.uiowa.edu/publications/policybriefs/2018/2018%20Pharmacy%20Closures.pdf>

⁴ Dima M. Qato, et al., *Association Between Pharmacy Closures and Adherence to Cardiovascular Medications Among Older US Adults*, *Journal of the American Medical Association* (Apr. 19, 2019) (finding “pharmacy closures are associated with persistent, clinically significant declines in adherence to cardiovascular medications among older adults in the United States.”).