# Patient Access To Minnesota Pharmacy Services In Peril

## *Minnesota pharmacy deserts & unsustainable pharmacy economics.*


## Situation

Minnesota residents are facing growing challenges in accessing critical health and medication services due to pharmacy closures. The current pharmacy economic model is unsustainable, leading to more "pharmacy deserts" across the state. Pharmacies are at a tipping point, with many at risk of closing in 2025 if legislative reform isn't enacted to address reimbursement and other payer issues.

**Since 2013, 61% of independently owned and 39% of chain pharmacies have already closed**. The primary driver of this instability is below-cost reimbursement from Pharmacy Benefit Managers (PBMs). Over the past decade, PBM reimbursement has dropped significantly, compounded by punitive fees, contract terms, and opaque market practices that make it difficult for pharmacies to remain open across Minnesota.

The current community pharmacy business model isn't working. Below cost reimbursement is the primary driver of pharmacy economic instability. The result is an increasing number of pharmacy deserts, leaving residents in both urban areas including Minneapolis and St. Paul, as well as rural communities, without access to local pharmacies. Many must drive long distances or rely on mail-order services.

Pharmacies are vital to community health, and the current payer model must change. The good news is that Minnesota has the power to help, by enhancing legislative reforms that keep pharmacies open in communities and providing patient access to pharmacist services. These reforms will also save taxpayers money in the long run.

## Recent Relief

In 2024, Minnesota raised the Fee for Service (FFS) dispensing reimbursement for the state's Medical Assistance (MA) and MNSure populations, which cover approximately 1.2 million Minnesotans. However, FFS claims only represent about 14% of total MA medication claims. The remaining 86% of claims are managed by PBMs that work for Managed Care Organizations (MCOs), which reimburse pharmacies well below their costs.

For example, a 2021 Minnesota Cost of Dispensing Survey showed that the average cost to dispense a medication was $11.55 — far higher than the reimbursement pharmacies receive from PBMs managing MA beneficiary claims. Many PBMs reimburse pharmacies at well below the actual cost of medication and the cost to dispense. This reimbursement gap is unsustainable and the number one contributing factor to pharmacy closures throughout Minnesota.

*Continued on next page...*

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## The Path Forward

- HF1100/SF2152 : Directed Pharmacy Dispensing Payment Program
  - Eligible pharmacies would qualify for life-line FMAP match eligible directed reimbursement to maintain access to critical health services for MN residents.
- Medicaid Coverage for Health Services Provided by Pharmacists
  - Include MN Medicaid for coverage for pharmacist health services (point of care testing, prescribing and administering select medications, etc.) law that was passed last session for commercial insurers.
- Single PBM Model for Minnesota Medicaid
  - Prohibits use of spread pricing, claw-backs, below cost pharmacy reimbursement, formulary fees and reduces by 100+% the amount paid per claim to manage adjudication of claims, saving State millions of dollars.
- Revise & update MN-62W PBM Licensure & Regulation statute
  - Recent reports by the Federal Trade Commission, the US House Oversight & Health Subcommittees and local media have highlighted the impact of spread pricing, patient prescription steering, chronic under reimbursement and other PBM practices that are inflating drug costs and limiting access to vital health services. We encourage you to read the full reports and view the hearings (linked below).

We look forward to working with the Minnesota House and Senate Health and Commerce Committee members, Governor Walz and the agencies during the 2025 Legislative Session and budgeting process. We urge the Committee to hear and enact a short and long-term pharmacy legislative package to stem the tide of community pharmacy closures happening across Minnesota, reign in PBMs and save the taxpayers of Minnesota by reforming Medicaid-MA in Minnesota.

## Resources & Reports

MBOP Statistics- 2013-2024

- 61% of all Minnesota independently owned pharmacies have disappeared/closed their doors since 2013
- 39% of all chain pharmacies in Minnesota have disappeared/closed their doors since 2013
- **44%** of all pharmacies in Minnesota have closed since 2013

July 3rd, 2024 – US House Committee on Oversight:
Hearing Wrap Up: Oversight Committee Exposes How PBMs Undermine Patient Health and Increase Drug Costs
US House Committee on Oversight & Government Reform - PBMs

Dec. 18th, 2025 - Healthcare insurance companies blamed for 'pharmacy deserts' in Minnesota
www.fox9.com/news/healthcare-insurance-companies-blamed-pharmacy-deserts-minnesota

July & November, 2025 - Federal Trade Commission reports - Pharmacy Benefit Managers:
The Powerful Middlemen Inflating Drug Costs and Squeezing Main Street Pharmacies
https://www.ftc.gov/system/files/ftc_gov/pdf/pharmacy-benefit-managers-staff-report.pdf

Second Interim Staff Report on Prescription Drug Middlemen: Report finds PBMs charge significant markups for cancer, HIV, and other critical specialty generic drugs
https://www.ftc.gov/system/files/ftc_gov/pdf/PBM-6b-Second-Interim-Staff-Report.pdf

February 26th, 2025 - US Commerce & Energy, Subcommittee on Health hearing:
Chairman Buddy Carter (R-GA) How Reining in PBMs Will Drive Competition and Lower Costs for Patients

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# Directed Pharmacy Dispensing Payment Program

***Keep pharmacies open in Minnesota's rural and underserved communities through a directed pharmacy dispensing payment life-line - HF1100/SF2152***


## Minnesota must step up to keep pharmacies viable amid closures

Recently, Minnesota has seen some of the most pharmacy closures in America. Between 2013 and 2023 Minnesota lost 61% of all non-chain community pharmacies. Another 39% of chain and regional chain pharmacies closed in that same period. In 2024, another 32 pharmacies closed in Minnesota. As of 2024, 17% of Minnesotans live in a zip code without a pharmacy, with many more at risk if additional pharmacies close.

Towns that no longer have pharmacies just since 2006 include: Adams, Arlington, Ashby, Avon, Babbitt, Belgrade, Browns Valley, Byron, Clara City, Clarkfield, Clearbrook, Comfrey, Dallas, Hallock, Harmony, Houston, Howard Lake, Kenyon, Lamberton, Le Center, Little Fork, Long Lake, Lonsdale, Maple Plain, North Minneapolis, Nashwauk, Nisswa, Osakis, Osseo, Renville, St. Charles, portions of St. Paul, Spicer, Spring Grove and Waterville.

Pharmacy closures are not only devastating rural Minnesota patient access, the current unsustainable pharmacy business model is also creating pharmacy urban deserts in cities like Minneapolis and St. Paul, where there is no pharmacy within North Minneapolis and several neighborhoods throughout St. Paul. Many pharmacy owners say they will be forced to close in 2025 if something is not done about reimbursement.

Several states have recognized that pharmacy closures are a huge problem, bordering on a crisis, and that access to patient services at a pharmacy is critical to the overall healthcare of the population and individual communities. TN, KY, MI, NM, and OH have authorized and implemented "lifeline" or sustainability programs-- add-on reimbursement fees to certain pharmacies within the state to preserve Medicaid prescription access. The federal government has also recognized that patient access to pharmacy services is at stake and CMS has deemed each of these life-line state programs FMAP eligible for a federal match.

The Minnesota-directed pharmacy dispensing payment program for pharmacies in rural and medically underserved areas would seek to address the current unsustainable reimbursement to pharmacies by pharmacy benefit managers (PBM) contracted to administer the MN-MA outpatient drug program, which accounts for approximately 85% of all pharmacy enrollee coverage and their paid prescriptions through MA. This program is designed to be a direct dispensing reimbursement payment to certain rural, underserved and independently owned pharmacies in addition to the current dispensing fees reimbursed by managed care (PBM) organizations under MN-MA.

The program would have claim eligibility qualifiers and criteria (13 or fewer independently owned locations or HRSA designated underserved geographic areas & cannot be owned or affiliated with a PBM.) To enroll, pharmacies would have to attest that they qualify for the program. CMS has an expedited waiver process for these types of state programs. MPA has worked with DHS to design the direct provider payment program so that it is FMAP eligible.

MPhA Minnesota Pharmacists Association
MSHP Minnesota Society of Health-System Pharmacists
College of Pharmacy, University of Minnesota, Driven to Discover℠

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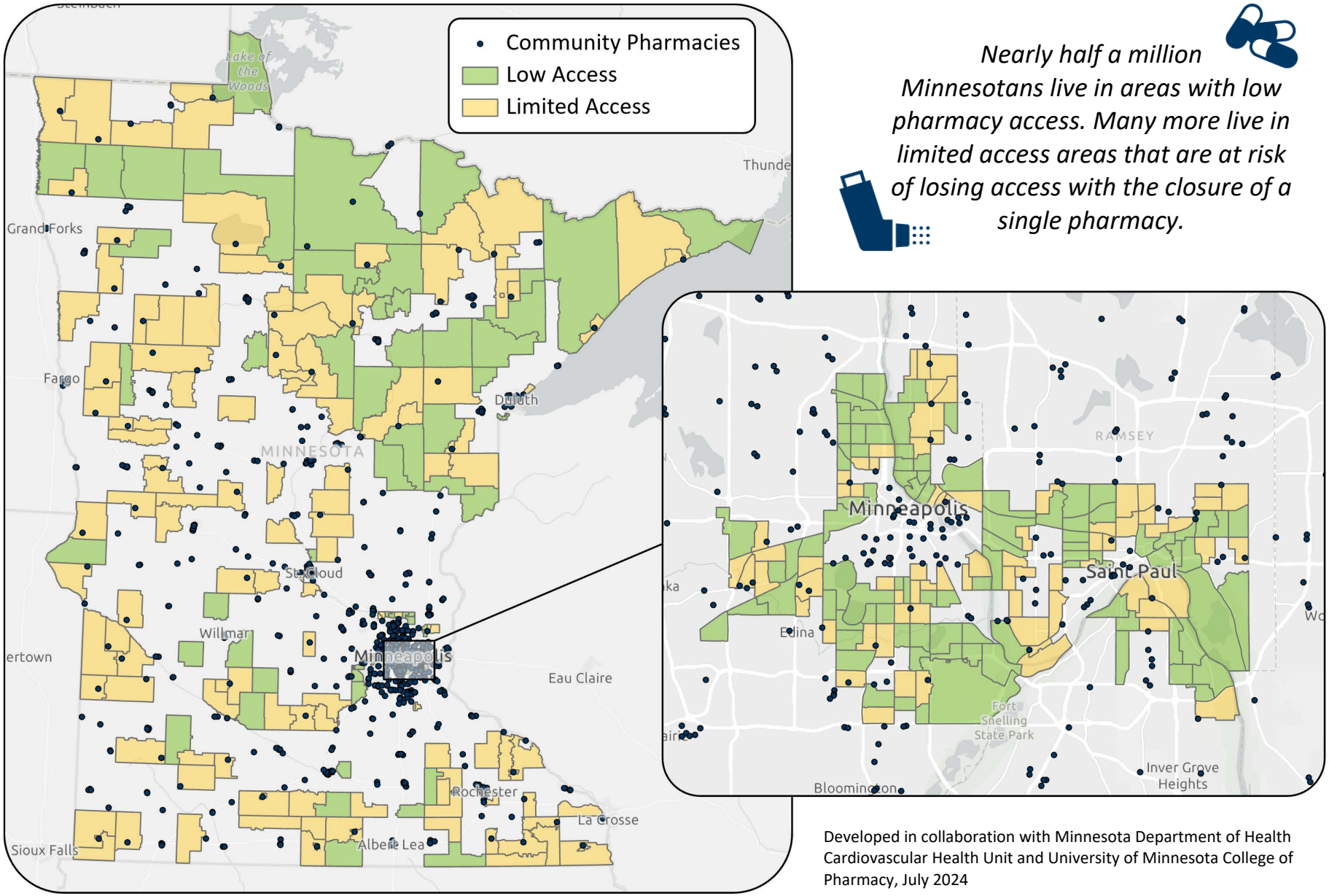
DEPARTMENT OF HEALTH

# Pharmacy Access Gaps in Minnesota, 2024




*Nearly half a million Minnesotans live in areas with low pharmacy access. Many more live in limited access areas that are at risk of losing access with the closure of a single pharmacy.*

Developed in collaboration with Minnesota Department of Health Cardiovascular Health Unit and University of Minnesota College of Pharmacy, July 2024

# Pharmacy Access Gaps in Minnesota

**Low pharmacy access** areas are census tracts where the population center (the point in the census tract around which the population is equally distributed) is more than this distance from the nearest pharmacy:

- Minneapolis/St Paul Urban Core – **1 mile**
  - Including Columbia Heights, Fort Snelling, Hilltop, Hopkins, Minneapolis, Richfield, Robbinsdale, South St. Paul, St. Louis Park, Saint Paul, and West St. Paul (Thrive MSP 2040 (https://metrocouncil.org/Planning/Publications-And-Resources/Thrive-MSP-2040-Plan-(1)/5_ThriveMSP2040_CommunityDesignations.aspx)).
- Metro Areas (Outer Twin Cities metro, St Cloud, Rochester, Duluth, Moorhead, Mankato) – **5 Miles**
- Non-Metro Areas – **15 Miles**

**Limited pharmacy access** tracts are only being served by a single pharmacy and would lose access if that pharmacy were to close.

## Minnesota Population With Low or Limited Access to Pharmacies, 2024

| Region | Total Population | Population with Low Access | Population with Limited Access |
|---|---|---|---|
| Statewide | 5,706,494 | 463,515 (8.1%) | 670,091 (11.7%) |
| Urban Core | 926,686 | 312,761 (33.8%) | 267,403 (28.9%) |
| Metro | 2,586,719 | 64,176 (2.5%) | 66,327 (2.6%) |
| Non-Metro | 2,193,089 | 86,578 (4.0%) | 336,361 (15.3%) |

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www.health.state.mn.us/diseases/cardiovascular

04/08/2024

*To obtain this information in a different format, call: (651) 201-5405.*

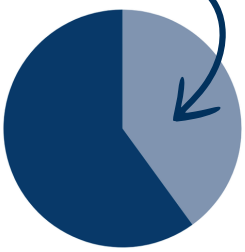
# ACCESS TO A LOCAL PHARMACY IS CRITICAL
## FOR PATIENT & COMMUNITY HEALTH

MNIndys
MINNESOTA INDEPENDENT PHARMACISTS

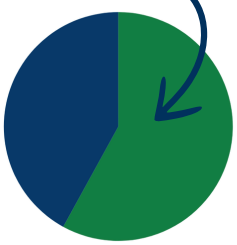
**Pharmacies provide access to prescriptions, as well as additional essential healthcare services** like blood pressure checks, vaccinations, and over-the-counter medications. **When pharmacies are local and accessible, patients are healthier:** health outcomes improve, emergency room visits are prevented. **When pharmacies are less accessible or unavailable,** studies show this contributes to medication non-adherence, especially among elderly adults.

## BUT PHARMACIES ARE RAPIDLY CLOSING IN MN,
## LEADING TO PHARMACY DESERTS & A CRISIS FOR ACCESS

**44% (474) of pharmacies have closed in the past 10 years**

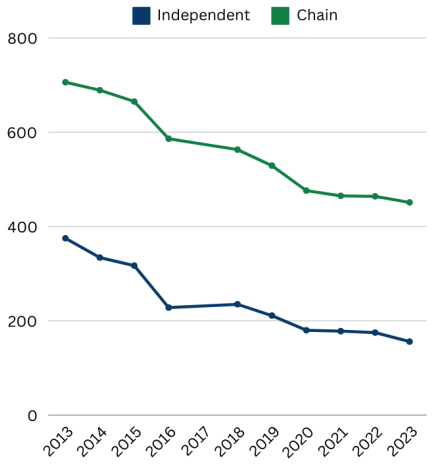


**Of these, 58% (219) were independent (non-chain) pharmacies**



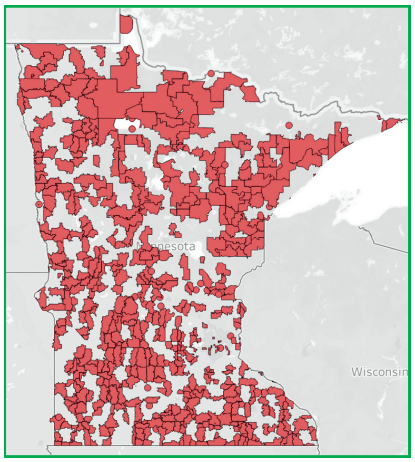
Data from MN Board of Pharmacy

**Both independent & chain pharmacies are rapidly closing**




Data from MN Board of Pharmacy

**Zip codes without pharmacies (in red) are growing**




Data from MN Board of Pharmacy. Map by Luke Slindee, PharmD.

## AFFECTING BOTH URBAN & RURAL AREAS

Minnesota Department of Health (MDH) estimates that **more than one-third of residents in Minneapolis, St. Paul, and the first-ring suburbs are living in pharmacy deserts.** The risk for pharmacy closures is higher in predominantly Black and Latino neighborhoods, as well as in rural areas. In a 2024 study, **Minnesota ranked 10th in the nation for the largest proportion of residents living in a pharmacy desert.**

## THE PRIMARY THREAT TO LOCAL PHARMACIES

**is the chronic under-reimbursement from pharmacy benefit managers, as well as their exclusions of certain pharmacies from their preferred networks, affecting pharmacies' profitability which leads to disparate closure rates.**

**Pharmacy benefit managers (PBMs) serve as middlemen between pharmacies who fill prescriptions and payers** (such as insurance companies or government programs like Medicaid or Medicare) **who cover the cost of patients' pharmacy care.**

Originally created to streamline the insurance claims process, they are now **vertically integrated** with insurance companies and influence **what drugs are available to and covered for patients, how much they cost, where patients can fill them, and how much the pharmacies who fill them are reimbursed.**

Minnesota Farmers Union

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March 12, 2025

Chair Jeff Backer
House Health Finance & Policy Committee
2nd Floor Centennial Office Building
658 Cedar St.
St. Paul, MN 55155

Dear Chair Backer and committee members:

On behalf of Minnesota Farmers Union (MFU), I am writing to share our support for Representative Bahner's HF1100, which would create a targeted reimbursement program for pharmacies in rural and underserved areas of the state. This will provide a critical lifeline to struggling pharmacies and help maintain access to healthcare in small towns across Minnesota.

MFU is a grassroots organization that has represented Minnesota's family farmers, ranchers and rural communities since 1918. At our annual convention in November, members voted to make ensuring affordable and accessible care a key priority and identified supporting independent pharmacies as an important part of meeting that goal.

Unfortunately, it is becoming more and more difficult for community pharmacies in Minnesota to survive. While surveys suggest independent pharmacies outperform their larger competitors on price, quality of care, and wait times, they are disappearing fast.[i] Over the past two decades the number of independently-owned pharmacies has dropped from 478 to 156.[ii] Beyond independent pharmacies, 39% of chain and regional chain pharmacies have also closed in that same period.

This dramatic decline has left nearly half a million Minnesotans in pharmacy deserts and over 15% of rural residents with limited access to pharmacies according to the Minnesota Department of Health.[iii] The loss of community pharmacies robs main streets of important small businesses and leaves patients without access to necessary healthcare services.

A key culprit in this decline are opaque middlemen called pharmacy benefit managers (PBM). PBMs have built immense power in the healthcare system with the three largest PBMs managing nearly 80% of prescription claims. They are all vertically integrated into large insurance plans and operate their own mail-order and specialty pharmacies. PBMs have used rebates and fees to raise the cost of prescription drugs for patients while reimbursing independent pharmacies a fraction of the actual costs they incur.[iv]

Several other states have taken steps to address pharmacy closures by creating programs similar to what HF1100 would establish. The bill would help temporarily address this low reimbursement by providing an additional $4.50 per prescription payment for prescriptions provided to medical assistance patients. The legislation targets these payments to independent pharmacies and small chains in medically underserved areas. While more needs to be done to address the market power

PBMs have accumulated, HF1100 will provide a lifeline to community pharmacies in crisis and rural communities that are already struggling to maintain access to healthcare.

We urge the committee to support this legislation and look forward to working with members on additional reforms that will protect rural pharmacies and bring down the high cost of prescription drugs. If you have any questions, please contact our Antimonopoly Director, Justin Stofferahn, at justin@mfu.org or (612) 594-1252 (C). Thank you for considering the needs and perspectives of Minnesota's farm families.

Sincerely,

Gary Wertish
President, Minnesota Farmers Union

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[i] https://www.consumerreports.org/pharmacies/consumers-still-prefer-independent-pharmacies-consumer-reports-ratings-show/

[ii] https://www.startribune.com/pharmacies-closing-pharmacy-deserts-growing-health-care-access-walgreens-cvs/601173628

[iii] https://www.health.state.mn.us/diseases/cardiovascular/documents/pharmacy.pdf

[iv] https://www.ftc.gov/reports/pharmacy-benefit-managers-report