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Testimony on HF1752 / SF2067

Good morning. I am Luke Slindee, a second-generation Minnesota pharmacist, and I am here today to discuss rural pharmacies, and the state's use of for-profit Pharmacy Benefit Managers in Minnesota Medicaid. I grew up in Harmony, a small town south of Rochester. Many of you may be familiar with Harmony's Representative, Greg Davids; for reference, I attended school with his children.

For many years, my family owned and operated Slindee Pharmacy; like many Minnesota small towns, it was the only pharmacy in town. However, in 2007, while I was still in pharmacy school at the U, my family decided to sell the business to another local small chain. The primary reason? Abusive business practices from for-profit "Pharmacy Benefit Managers" or PBMs.

Fast forward to 2022, increasingly worse conditions caused the owners of the pharmacy in Harmony to close the business altogether, leaving Harmony without a pharmacy for the first time in over 100 years. Unfortunately, Harmony's circumstance is not unique, here is a list of Minnesota cities that had a pharmacy in town as of 2006, but currently have none.

You may recognize a town in or near your own district. The loss of a rural pharmacy creates barriers to health care access, and the loss of economic vitality due to the absence of an anchor small town business, similar to the loss of a grocery store.

Now let's talk about Medicaid in Minnesota. As of January 2023, approximately 85% or 1.2 million Medicaid beneficiaries receive their pharmacy benefit via a for-profit PBM, subcontracted from a Managed Care Organization. For these 1.2 million patients, a pharmacy is paid by, and must interact with, one of these for-profit PBMs on this list. When I speak to owners of small Minnesota pharmacies about the use of for-profit PBMs in Minnesota Medicaid, within the first 30 seconds or so, they frequently say something to the effect of "I have had a LOT of problems with Express Scripts".

If you would like more details, I would be happy to connect you with an independent pharmacy owner in or near your district. To paraphrase a statement I heard from one pharmacist, "Why does the state take my tax dollars and, via Medicaid, give it to an out-of-state Fortune 20 mega-corporation that is trying to put me out of business?" It's a fair question.

Fortunately, there is good news! Minnesota has an already-existing Medicaid Fee-For-Service pharmacy program that currently covers the remaining 15% of beneficiaries and treats pharmacies much more reasonably.

This chart highlights 4 key ways the FFS program is better for Minnesota pharmacies compared to for-profit PBMs. One main benefit is transparency. The network contract terms and the payment rates to pharmacies under the FFS program are public information, in contrast to for-profit PBMs, whose network contract terms and opaque Maximum Allowable Cost (MAC) rates are considered "trade secrets" and "proprietary". Unfortunately, I have learned that in pharmacy, "proprietary" means "we are going to keep this information secret, in order to take advantage of everyone who is not us". To

reinforce this point, prior to submitting a claim to a for-profit PBM, a pharmacy has NO IDEA what the payment rate ultimately will be.

Another benefit of the FFS program is the source of payment rates. To determine payment rates, the FFS program collects cost accounting data from pharmacies themselves to help determine reasonable rates, allowing pharmacies to participate in the payment rate setting process. Alternatively, the processes for-profit PBMs use to set payment rates is again “proprietary” and a giant mystery.

The final benefit of the FFS program I will discuss is a lack of patient steering. Beneficiaries under FFS may fill their prescriptions at any network pharmacy, while for-profit PBMs often attempt to force a beneficiary to use a mail-order or other pharmacy owned by the PBM, creating a lack of patient choice. The coerced use of PBM-owned mail order pharmacies is particularly detrimental to rural pharmacies.

In my opinion, the evidence is clear. The existing FFS program is much better for Minnesota patients and pharmacies. And many other states agree with me!

Here is a list of states that have already removed for-profit PBMs from their Medicaid pharmacy benefit, while still retaining Managed Care Organizations for medical coverage and other non-pharmacy benefits. As you can see from this mix of states, this proposal is \*not\* a traditional partisan issue.

I humbly request you support HF1752 / SF2067 to remove unnecessary and problematic for-profit PBMs from Minnesota Medicaid, transfer all beneficiaries to the FFS program, and help preserve the state’s rural independent pharmacies.

As a final note to 340B Covered Entities; we see you. We understand this change may have effects of your operations, and I request that you proactively contact Representative Liebling so we can collaborate on this bill to minimize any unintended effects to 340B.

Thank you committee for your time, and I’m happy to answer any questions.