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Pharmacy & Medical Supplies 

January 23, 2020

The Honorable Heather Sanborn
The Honorable Denise Tepler
Joint Standing Committee on Health Coverage, Insurance & Financial Services
100 State House Station
c/o Legislative Information Office
Augusta, ME 04333

RE: Support for LD 1928

Dear Senator Sanborn, Representative Tepler and members of the Committee,

My name is Michael Nadeau and I am the owner and pharmacist of Bedard Pharmacy Inc. located in Androscoggin County. I am a third-generation pharmacist and along with my wife we employ over eighty people in the surrounding communities. We, along with our hard-working associates, are deeply committed to providing the best possible service to our customers.

I write today in support of LD 1928 - *An Act To Prohibit Health Insurance Carriers from Retroactively Reducing Payment on Clean Claims Submitted by Pharmacies*. These retroactive fees, sometimes called Direct and Indirect Remuneration (DIR) fees, implemented by pharmacy benefit managers (PBMs) have negatively impacted our ability to operate our pharmacies. In the past two years we have had over \$700,000.00 in retroactive DIR fees recouped by PBMs. These fees are taken back directly from our payments months after a claim was originally paid and almost always leave us with a net loss on the prescription where we previously had some level of profit. We cannot continue to operate in this environment of uncertainty.

Reigning in the opaque practices of PBMs and payers is overdue. These entities force pharmacies to sign take-it-or-leave-it contracts with no negotiation on reimbursements or fees. Prior to federal legislation signed into law in 2018, pharmacies were prohibited from informing customers that they could save money by paying cash instead of using their insurance. Furthermore, PBMs have recently put language in their contracts giving them the right, in its sole discretion, to discontinue any program and reimburse pharmacies significantly less if they find they are not making enough money in that program.

Retroactive DIR fees are just one of the ways PBM middlemen hurt not only small independent pharmacies like Bedard, but also patients and taxpayers. Patients pay a co-pay at the point of sale that reflects the full price of the drug. Months later when the PBM decides to take back a portion of the reimbursement, the patient's original higher price is still counted against them pushing them into the "doughnut hole" coverage gap. Once they reach Medicare's catastrophic coverage phase, taxpayers are on the hook for 80% of the patient's prescription expenses.



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For the past 4 years we have made annual trips to Washington D.C. to urge our senators and representatives to support PBM reform legislation, specifically around DIR fees. While there is progress at the federal level, no legislation has been passed. However, many states are taking matters into their own hands. As recently as December 2019 the state of New Jersey unanimously passed legislation A3717 which prohibits PBMs from retroactive reductions in claims payments to pharmacies.

In closing, you can see how PBMs have negatively impacted pharmacies, customers and taxpayers. If retroactive fees and other harmful PBM practices can continue unchecked by legislation, I will have to make difficult decisions on services offered, employee salaries and benefits and other cuts that would impact the services we offer to our customers.

Respectfully,



Michael R. Nadeau RPh
President/Owner
Bedard Pharmacy and Medical Supplies
Auburn, ME

