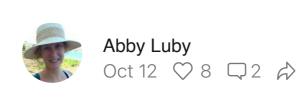
## Our Vanishing Corner Drugstores

Independent pharmacies struggle to survive against the big chains and those who control the pricing of prescription medicine.



## Examiner+ NEWS + ISSUES

Good morning! Today is Tuesday, October 12, and you are reading today's section of **Examiner**+, a digital newsmagazine serving Westchester, Putnam, and the surrounding Hudson Valley.



You've heard this story before. The mom-and-pop pharmacy that's been down the

block for decades, whose friendly and knowledgeable pharmacist knows every

medication you ever needed, is suddenly going out of business. The community is jolted, years of trust and unique patient/pharmacist relationships — gone. How did this happen?

Cash flow in the healthcare empire is like a swift creeping vine with multiple tentacles reaching for revenue any time money is exchanged between drug manufacturers and insurance plans, doctors and patients, or patients and drugstores. The vines have

grown into a huge, dark jungle where shadowy profits are made hand over fist without any accountability.

THE SQUEEZE FROM THE MIDDLEMEN

The hands dipping into the till of this \$21 billion industry are those of middlemen known as Pharmacy Benefit Managers or PBMs who outwardly serve as go-betweens

## for health insurers and drug makers aimed at lowering drug prices. But the real goal of these for-profit middlemen is to have complete control over prescription drug prices

Hudson.

that benefit some 266 million Americans while undercutting independent pharmacists seen as competition to the ubiquitous big-chain drugstores.

If you look at your prescription card, you'll see the name of the three controlling PBMs: Caremark, OptimumRx, or ExpressScripts. Also listed is your health insurance plan which might be Medicare Part D, or a government or employee plan. The PBMs act as middlemen and negotiate the distribution of prescription drugs by controlling the money flow between the big pharmacy companies and the public. These three

companies control approximately 90% of the medical drug distribution in our country.

When filling a prescription, your cost is calculated by the PBMs, who want a sizeable

rebate from the drug manufacturer — usually around 50-60% of the drug price. PBMs

can overcharge insurance companies and underpay pharmacist reimbursement fees.

Known as spread pricing, the difference between each of these costs goes into the PBM's pocket. We're talking billions of dollars a year. And the hardships fall to our neighborhood drugstore.

When PBMs first came on the scene, everyone thought having a company manage drug prices to keep the cost down was a good idea. "Forty years ago, every pharmacist thought it was great when insurance companies came in and said we had to sign a contract with PBMs agreeing to fill all prescriptions at the average wholesale

price," said Michael Altman, former owner of Greenleaf Pharmacy in Hastings-on-

Altman eventually sold Greenleaf after ten years and is now the owner and supervising pharmacist of Blend Labs Rx, a veterinary medicine lab in Queens. He recalled a time when independent pharmacies realized a profit, but then it all changed. "When the PBM contract was up for renewal they lowered our profit margin to 17 percent and said take it or leave it."

Pharmacists choosing not to work with PBMs would see their supply of meds dramatically dwindle and risked losing their business. "New drugs are \$70 a pill and

you're making \$5 on it. At the end of the day you're spinning your dollars," said

Altman. Pharmacies even reported that PBMs forced them to take a loss on

prescription drug sales.



the price at their big chain drugstores compared to prices charged by local pharmacies. Snagging away small drugstore patients is also done by mandating that medicines and supplies be only available by mail-order, specialty pharmacies, or

To date, the former drugstore on Wheeler Avenue remains empty.

Acknowledged as a common practice is when big chain drugstores

such as Walgreens buy out smaller drugstores, they usually rent the

space for about a year and keep it empty to insure no other drugstore

"I was forced to order my diabetes medicine and supplies by mail-order," said Marcia Stone, a Shrub Oak resident. "When I was first diagnosed, my insurance covered a certain amount for supplies I needed. But when I went to refill, I could only do it

Stone ended up buying all new equipment made by an accepted brand. "It was a waste of money and there was obviously a financial agreement between the company who made the equipment and Medicare."

LOSING THE WAR OF INDEPENDENCE

Stone is all too familiar with the world of independent pharmacies. Her grandmother was one of the first women pharmacists to open a store in the Bronx in the early 1900s and her father and uncle opened a drugstore in Long Beach, Long Island, and another in Larchmont called Hughes Pharmacy. "Eventually, in the late 1990s, the competition

compounded by insurance contracts that lowered the reimbursement rate," Stone

recalled. "My father would get about \$1.50 above the cost of the prescription. It was

from the big chains closed down all the independent pharmacies. That was

## another death blow to independent pharmacies." When the Pleasantville Pharmacy suddenly shutt

through a specific company approved by Medicare."

Medicare-approved supply companies.

When the Pleasantville Pharmacy suddenly shuttered in August after being a village mainstay for a hundred years, many customers said they felt like owners Salvatore Dileo and Ira Schwartz seemed to have disappeared, even though they agreed to be interviewed by the local public access TV station PCTV. All patient records owned by the Pleasantville Pharmacy were automatically transferred to Walgreens. Patients refusing to buy their medicine from Walgreens had to ask their doctor to switch to a drugstore of their choice since Walgreens did not cooperate with small pharmacies requesting the records.

To date, the former drugstore on Wheeler Avenue remains empty. Acknowledged as a

common practice is when big chain drugstores such as Walgreens buy out smaller

drugstores, they usually rent the space for about a year and keep it empty to insure no

A handful of Pleasantville residents who didn't want to buy their medications from Walgreens contacted Robbins Pharmacy in Croton-on-Hudson, while others have gone to more local pharmacies. The owner, Praveen Vuppala, purchased Robbins three years ago. He worked there for three months before he bought it and became familiar with the competition of larger chain drugstores nearby. But since Robbins Pharmacy has been a village landmark in the community since 1929, Vuppala saw great potential. To counteract the drastically low PBM reimbursement fees for prescriptions, which are 60% of his business, Vuppala expanded his products to include high-end vitamins and

supplements, toys, and tailored school kits for elementary students in Croton and

and see what we carry," Vuppala said. "Even though we don't make money on the

school kits, the word goes out and they come in."

Yorktown. "We were able to pay our bills to stay afloat and we want people to come in

Parameter Harman Harman

The contractual agreements between pharmacies and PBMs are also known to include

fees. If a pharmacist refuses to sign, PBMs have been known to cut them off, knowing

"gag clauses" which prohibit pharmacists from disclosing their low reimbursement

"A gag order means I can never speak to the insurance company or the drug

manufacturer about my contract with the PBM," explained Rye resident Roger

Bronx. "There is a veil of secrecy which gives PBMs a competitive advantage."

Paganelli, a third-generation pharmacist and owner of Mt. Carmel Pharmacy in the

According to Paganelli, when a drugstore chain like Walgreens buys patient records

Owner Praveen Vuppala inside his Robbins Pharmacy in Croton-on-Hudson.

**FORCED INTO SILENCE** 

from small independent pharmacies, a contractual non-disclosure clause prohibits former owners from discussing any details of the transaction. For Michael Altman, his contract with the new Greenleaf owner stipulated that he couldn't open another pharmacy for seven years within 50 miles of Greenleaf in Hastings-on-Hudson.

the small drugstore would lose business and be unable to survive.

Abe Gurgis, who was reluctant to be interviewed for this story.

The threat PBMs pose to small independent pharmacies is greatly minimized by the corporate health industry and seen instead as a boost to fair pricing and a way to keep drug prices down. "We are incentivizing the rest of the [medical] supply chain to

Health vice president for state government affairs. "With our reimbursement rates to

pharmacists, we are able to pay a competitive rate in a volatile commodities market

that is actively changing every single day. We're pushing the price down and we take

that role very seriously." However, many see this as an attempt to monopolize the

prescription drug industry and bring in billions a year to the companies that own

negotiate lower prices that are better for everyone," said Leanne Gassaway, CVS

Other contractual non-disclosure clauses between pharmacy owners and PBMs have a

chilling effect; some prohibit owners from talking to the press. The Robert Jacobson

Surgical Pharmacy, a multigenerational family-owned pharmacy that opened over a

hundred years ago in Yonkers and then in Mount Kisco in 1981 was recently sold to

Another claw-back waged by PBMs is a retroactive charge known as DIR or Direct and Indirect Remuneration fees. DIR fees are based on confusing and often dubious pharmacy performance standards allowing PBMs to take back portions of their reimbursement fees and charge pharmacists many months *after* they've already received a low reimbursed fee for selling a drug. DIRs make it impossible for a pharmacist to know whether or not reimbursement of a claim will fully cover their

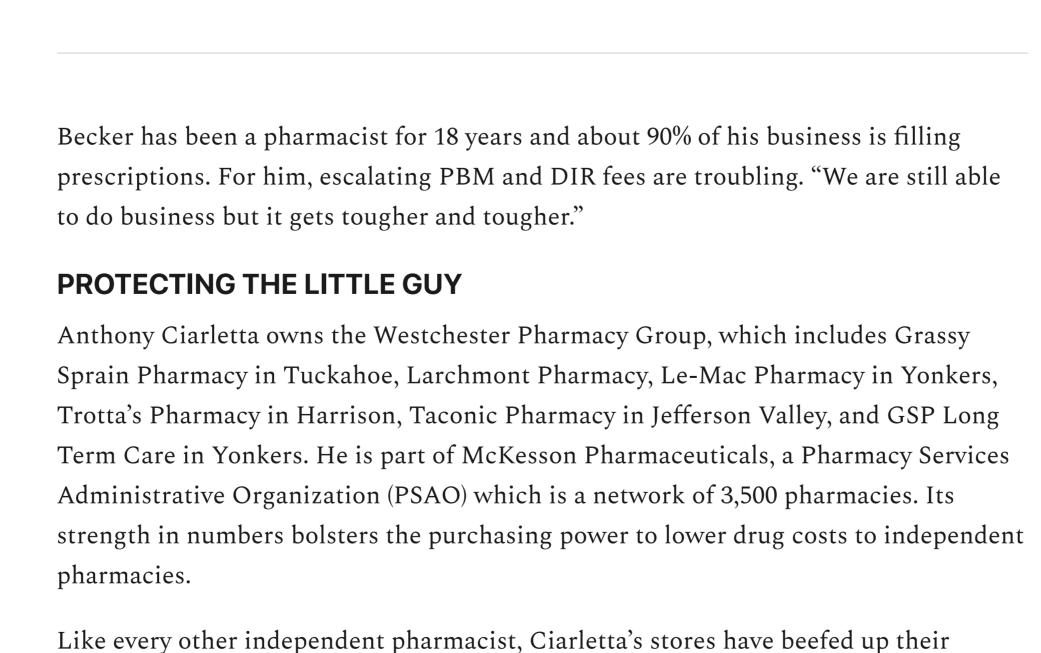
costs for a drug. "They give star ratings to pharmacists," said Jefferson Valley

year in DIR fees."

Pharmacy.

Pharmacy owner and pharmacist Dan Becker who also owns Putnam Valley Pharmacy.

"The higher your star rating is, the less the fees. An average pharmacist pays \$81K a



services to attract more customers by offering seven-day free home delivery of

medications, longer hours, and online ordering. "We also monitor certain patients

with diabetes and high cholesterol," Ciarletta explained. "We send reminders and call

to tell them when to take their meds. We also offer a co-mingled blister drug pack that

Jefferson Valley Pharmacy owner and pharmacist Dan Becker, who also owns Putnam Valley

could have ten different medications, each one labeled the time and day the med has to be taken."

As mom-and-pop pharmacies become increasingly more competitive, the powerful Fortune-500 health companies up the ante by repeatedly lowering prices at the big chain drugstores while cleverly evading regulations that force them to operate with transparency. This is why many independent pharmacists feel that real change has to come with new, tougher federal and state laws. Pharmacy advocacy groups across the country and here in New York have demanded government step in. The Pharmacists Society of the State of New York (PSSNY) and its national counterpart, Pharmacists

United for Truth and Transparency (PUTT), are among those pressing for new laws.

And the pandemic has emboldened that call. The blow dealt to small independent pharmacies during the COVID-19 outbreak was alarming. More than 300 independent pharmacies surveyed by PSSNY in March 2021, found 98% of pharmacies had their reimbursements further cut during the pandemic, and 97% feared laying off employees or having to reduce store hours or close as a result of those cuts.

The Pharmacy Rescue package was passed unanimously in June by the New York State

Legislature but was never signed by then-Governor Andrew Cuomo. Some attribute

Cuomo's failure to sign the bills to pressure from powerful opposing lobbyists. This

package of bills, if signed into law by Governor Kathy Hochul, promises to protect

independent pharmacists from PBMs.

The legislative package, initially introduced by New York State Senator James Skoufis (D-39) of Orange County, parts of southern Ulster, and northern Rockland counties, is considered to be the most aggressive, comprehensive PBM set of accountability laws in the country. They require PBMs to be licensed by the state and to publicly disclose the specifics of spread pricing which, to this day, remain unknown.

independent pharmacies have stood as integral parts of our communities that supported the vitality of Main Street," he said. "The recent closing of the pharmacy in Pleasantville, however, underscores the necessity of the Pharmacy Rescue Package which will provide much-needed relief in different areas to these important small businesses, and I am optimistic that Governor Hochul will sign the package soon."

CVS Health vice president Leanne Gassaway said if Hochul signs the Pharmacy

Rescue package into law, "we will examine the PBM regulations on payments and

Urging Hochul to sign the bills is Senator Pete Harckham (D-40). "Over the years,

make every effort to comply with the law. We will do our best to continue to be able to serve our customers."

Jefferson Valley Pharmacy owner Dan Becker is hopeful but has reservations on the efficacy of new laws geared towards transparency by health corporations and PBMs. "For every law that is passed, there's always a way out the back. Unfortunately, every time lawmakers try to implement legislation, it has the teeth taken out and the new

law doesn't have as much bite to it."

Abby Luby is a writer and journalist living in the Hudson Valley. She currently writes for The Examiner and has written for The New York Daily News, SolveClimateNews, The Villager, The Real Deal, and the Record Review (www.abbyluby.com). Her feature writing on food and on the arts has been published in Hook Magazine, Valley Table Magazine, Edible Hudson Valley, Roll Magazine, Living@HomeCT, the Poughkeepsie Journal, The Stamford Advocate/Greenwich Time. Luby began writing creative non-fiction and poetry eight years ago. Her published short stories appear in the literary journals Parhelion and Persimmon Tree.

Read article online.