



SENIOR CARE  
PHARMACY COALITION

# PBMS AND LONG-TERM CARE PHARMACIES

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APRIL 2023



# ABOUT SCPC:

- Represents long-term care (LTC) pharmacies as businesses
- 60 pharmacy members
- 275 individual LTC pharmacies
- One million patients/day in 50 states



# LTC PHARMACY PATIENT POPULATION

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## DIVERSE SETTINGS

- Federally defined LTC facilities: skilled nursing facilities (SNFs), nursing facilities (NFs), intermediate care facilities (ICFs)
- Congregate care settings: assisted living facilities (ALFs), group homes
- Private Homes

## SIMILAR PATIENT CHARACTERISTICS: INSTITUTIONAL LEVEL OF CARE NEEDS

- Medicaid statute → state-by-state variation
- Common proxy: impairments in 2+ activities of daily living (ADLs)
- Related terms: need for LTC, need for long-term services and supports (LTSS)



# COMPLEX AND DISTINCT LTC PATIENT POPULATION



- **75-90% have 3+ impairments in ADLs**
- **39-59% have 4+ chronic medical conditions**
- **59-75% have cognitive impairments**
- **Average patient takes 12-14 prescription medications/day**

*Note: percentages vary by setting*

# LTC PHARMACY SERVICES

## **Clinical and consultative services**

- **Direct patient/family consultation**
- **Part of care planning team**
- **Medication therapy management, drug regimen review, medication reconciliation**
- **Nurse training**
- **Infection control**

## **Specialized services**

- **Specialized packaging; reduce medication errors, improve adherence, assist nursing staff**
- **24/7/365 delivery and pharmacist availability**
- **Onsite emergency drugs and supplies**

**Medicare and Medicaid requirements for federally defined LTC facilities (SNFs, NFs, and ICFs)**



# DIVERSE PAYERS

## Multiple payers

- Medicare
- Medicaid
- TRICARE
- FEHB Program
- Commercial
- Out-of-pocket

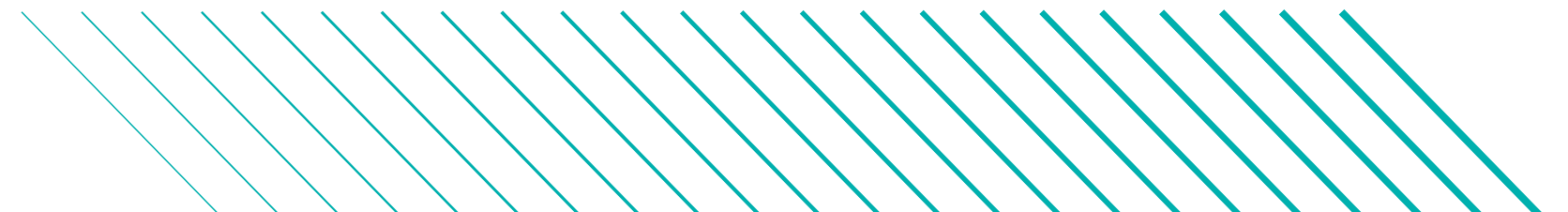
**Different payers for  
LTC services, health  
care services, and  
prescription drugs**

**PBM oversight differs  
by payer**



# PBM ANTICOMPETITIVE PRACTICES

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# **TAKE IT OR LEAVE IT CLAUSES**

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- One-sided “negotiation”**
- PBMs are highly concentrated**
- LTC pharmacies are fragmented**
  - Estimated 1,400 individual pharmacies
  - Only two are big enough to negotiate on their own
- Typically, only one pharmacy can serve one LTC facility, therefore the pharmacy needs to serve all patients in that facility and going out of network is not an option**
- Force independent pharmacies to accept onerous terms to avoid being excluded from plans**
- Onerous faxed communications**





# PRICING AND FEES

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- **Maximum Allowable Cost (“MAC”) reimbursement enables PBMs to alter payments day-to-day without reflecting actual changes in the marketplace**
- **Hidden Direct and Indirect Renumeration Fees (“DIR Fees”) are opaque and unfair**
- **Unilateral price-change provisions allow PBMs to force pharmacies to accept changes or face contract terminations**
- **Price squeezes through contractual pricing below acquisition cost**
- **Ignoring contract terms**

# CLAWBACKS AND ADJUSTMENTS



- **PBMs take back payments after-the-fact, leaving pharmacies with unanticipated losses**
- **Retroactive audit fees based on irrelevant criteria**
- **Clawbacks sometimes occur with no explanation**

# INTEGRATION AND SELF-PREFERENCING

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- **Vertical integration incentivizes PBMs to favor their affiliated pharmacies at the expense of independent pharmacies (CVS/Caremark, United/Optum, Cigna/Express Scripts)**
  - **Horizontal integration among PBMs breeds lack of competition (Caremark/AdvancePCS, Express Scripts/Medco, Express Scripts/NextRx)**
  - **Use of sham “quality measures” such as 90-day dispensing to prefer mail-order pharmacies such as Express Scripts, owned by Cigna**
    - **In federally defined facilities, LTC pharmacies are prohibited by law and regulation from dispensing in 90-day supplies**
    - **In non-federally defined facilities, dispensing in 90-day supplies to patients with cognitive and other impairments creates risk of medication errors**
  - **Preferential payments and contract terms for PBM-affiliated pharmacies**



# VERTICAL INTEGRATION OF MAJOR PBMS

Exhibit 212: Vertical Business Relationships Among Insurers, PBMs, Specialty Pharmacies, and Providers, 2022



1. Cigna also partners with providers via its Cigna Collaborative Care program.  
2. Since January 2021, Prime's Blue Cross and Blue Shield plans have had the option to use Express Scripts or AllianceRx Walgreens Prime for mail and specialty pharmacy services. In December 2021, Walgreens Boots Alliance purchased Prime Therapeutics' 45% ownership in AllianceRx Walgreens Prime.  
3. In 2021, Centene has announced its intention to consolidate all of its PBM operations onto a single platform and outsource its PBM operations to an external company.  
4. In 2021, Centene sold a majority stake in its U.S. Medical Management to a group of private equity firms.  
5. Since 2020, Prime has sourced formulary rebates via Ascent Health Services. In 2021, Humana began sourcing formulary rebates via Ascent Health Services for its commercial plans.  
Source: Drug Channels Institute research

Source: Drug Channels Institute, The 2022 Economic Report on U.S. Pharmacies and Pharmacy Benefit Managers at 340.

# CONTINUING INTEGRATION

Need help? Call CVS Customer Service 1-800-746-7287



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## Leave your pharmacy in good hands

If you're an independent pharmacy owner, multi-store owner or broker interested in selling, get in touch with CVS Pharmacy® Acquisitions.



We'll work side-by-side with you throughout the purchase and ensure that your legacy of quality service is carried on.

Here's how our simple acquisition process goes:

### Step 1: Contact us

Reach out to your regional director by phone or by filling out the form on the right. Expect to hear back within 3 business days.

### Step 2: Complete a pharmacy valuation assessment

Fill out an assessment form for an estimate on your pharmacy's value.

### Step 3: Make the transition

Our goal is to provide a seamless, turnkey deal. Your acquisitions director will guide you through the entire process, from Drug Enforcement Agency (DEA) and Board of Pharmacy notification to the inventory process.

### Step 4: Close acquisition

Once the acquisition closes, we'll work closely with you, your pharmacy team members and your patients to make a smooth transition.

You can check the guidelines and regulations for selling your pharmacy with the [State Board of Pharmacy and the DEA](#).

## Get in Touch Today

Select your state and find your regional director to get in touch.

Select a State \*

--Select a State--

If your pharmacy specializes in Long Term Care, Specialty medications, or Infusion please contact

[Zillul.Mia@CVSHealth.com](mailto:Zillul.Mia@CVSHealth.com)

Or send a message

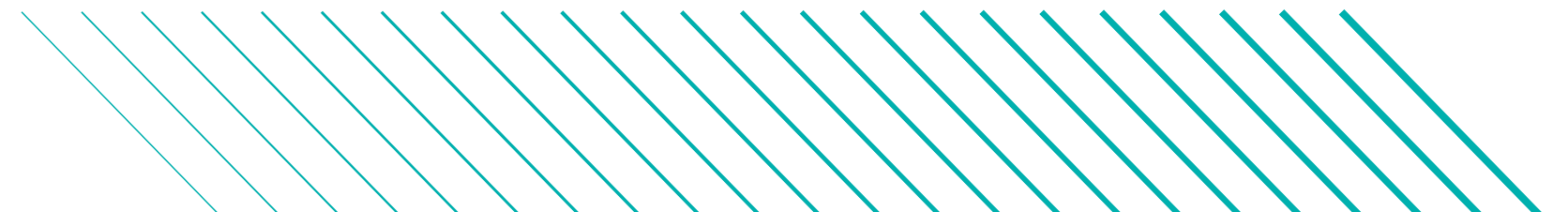
Name \*

First

Last

Phone \*

Zip/Postal Code \*





# DENYING ACCESS TO SPECIALTY DRUGS

- **Generally among the most expensive drugs**
  - Specialty drug spending has increased to \$191.6 billion in 2021, about half of PBM benefit spending
  - 8.7% spending increase from 2020 to 2021
- **PBMs create their own definitions and exploit ambiguity to restrict access and favor affiliated specialty pharmacies**
- **Medicare regulations require LTC pharmacies to provide services which specialty pharmacies do not provide**
  - Results in LTCs administering specialty drugs and providing services without compensation
- **Patients often face delays or other challenges receiving drugs from specialty pharmacies**



# HIGH-COST DRUGS STEERED TO AFFILIATED PHARMACIES

Pharmacy Name	Parent Organization	Estimated 2021 U.S. Prescription Revenues from Specialty Drugs (\$ billions)	Change in Revenues vs. 2020	Share of Prescription Revenues from Specialty Drugs
CVS Specialty <sup>1</sup>	CVS Health	\$52.9	+11%	28%
Accredo / Freedom Fertility	Cigna (Evernorth/Express Scripts)	\$43.5	+15%	23%
Optum Specialty Pharmacy <sup>2</sup>	UnitedHealth Group (OptumRx)	\$25.8	+8%	14%
AllianceRx Walgreens Prime / Walgreens stores	Walgreens Boots Alliance	\$19.2	-14%	10%
Humana Specialty Pharmacy	Humana	\$4.9	+14%	3%
Acaria Health <sup>3</sup>	Centene (Envolve Health)	\$4.7	+3%	2%
Kroger Specialty Pharmacy / Kroger stores	Kroger	\$4.0	+4%	2%
CarePathRx <sup>4</sup>	n/a	\$2.0	+33%	1%
Specialty Pharmacy Solutions <sup>5</sup>	McKesson	\$1.8	+5%	1%
AHF Pharmacy <sup>6</sup>	AIDS Healthcare Foundation	\$1.7	+12%	1%
US Bioservices	AmerisourceBergen	\$1.6	+5%	1%
SenderraRx	n/a	\$1.3	+18%	1%
Walmart Specialty Pharmacy / Walmart stores	Walmart	\$1.1	+6%	1%
Elixir Specialty / Rite Aid stores	Rite Aid	\$0.8	+6%	0%
Amber Pharmacy / Hy-Vee stores	Hy-Vee	\$0.6	+21%	0%
All other retail, mail, long-term care, and specialty pharmacies	n/a	\$25.7	n.a.	13%
<b>Total</b>		<b>\$191.6</b>	<b>+9%</b>	<b>100%</b>

Source: Drug Channels Institute research and estimates. Includes revenues from retail, specialty, and mail pharmacies. Includes specialty revenues from retail locations, where relevant. Excludes revenues from network pharmacies of PBM-owned specialty pharmacies and infusion services covered by medical benefit. Totals may not sum due to rounding.

1. Includes CVS Caremark specialty pharmacies and CVS retail pharmacies.

2. Formerly known as BrivoRx.

3. Includes Drug Channels Institute estimated revenues from AcariaHealth, Exactus Pharmacy Solutions, Foundation Care, and PANTHERx Rare Pharmacy.

4. Includes Drug Channels Institute estimated revenues from BioPlus Specialty Pharmacy, ExactCare Pharmacy, and the management services organization of Chartwell Pennsylvania.

5. Includes Biologics by McKesson and the Patient Assistance Pharmacy (formerly known as Care Advantage).

6. Growth rate based on revised figure for 2020.

Source: Drug Channels Institute, The 2022 Economic Report on U.S. Pharmacies and Pharmacy Benefit Managers, at 77.


# HIGH-COST DRUGS STEERED TO AFFILIATED PHARMACIES

2018-2019 % Brand Name Prescriptions (Excl. 340B)	Over \$2,000 per Rx		Under \$2,000 per Rx	
	Affiliated Pharmacy	Non-Affiliated Pharmacy	Affiliated Pharmacy	Non-Affiliated Pharmacy
STAYWELL (WELLCARE)	53.0%	47.0%	0.4%	99.6%
SIMPLY HEALTHCARE	18.2%	81.8%	0.3%	99.7%
SUNSHINE (CENTENE)	60.2%	39.8%	0.6%	99.4%
MOLINA	31.2%	68.8%	0.2%	99.8%
PRESTIGE HEALTH	59.0%	41.0%	0.5%	99.5%
UNITED HEALTHCARE	44.9%	55.1%	0.2%	99.8%

Source: [3 Axis Advisors](#), Sunshine in the Black Box of Pharmacy Benefit Management: Florida Medicaid Claims Analysis, 127 (Jan. 27, 2020).

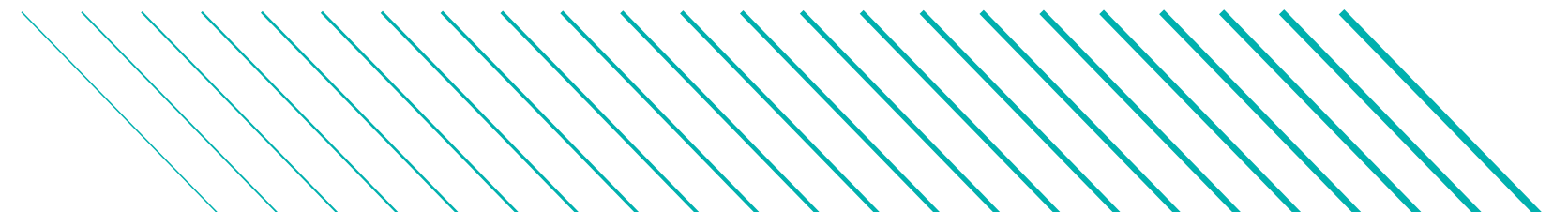
# CIRCUMVENTING PSAOs

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- **Due to small size and fragmentation, independent pharmacies need PSAOs to handle matters such as negotiations and audits**
  - **Humana refuses to negotiate with PSAOs**
  - **PBMs pressure LTCs to negotiate directly, instead of through PSAOs**
  - **PSAO effectiveness constrained by antitrust concerns**
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# EFFECTS OF PBM BEHAVIORS

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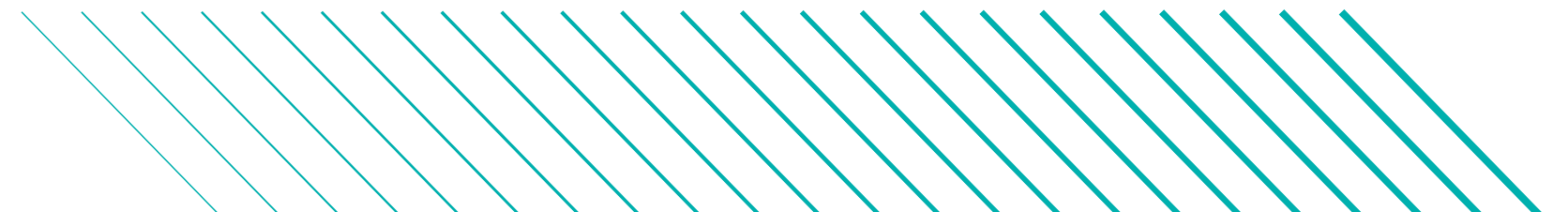
PATIENT EFFECTS



COMMUNITY EFFECTS



PHARMACY EFFECTS



# PATIENT EFFECTS

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- Diminished consumer choice of pharmacies
  - From June 2018-June 2019, nearly 2,000 pharmacies closed, causing 10 million patients to lose their pharmacies of choice.

Source: National Community Pharmacists Association,  
NCPA Survey: Health of Independent Pharmacy (2019).

- Delays in receiving medications from specialty pharmacies
- 90-day dispensing criteria endangers patients by increasing risk of medication errors

# COMMUNITY EFFECTS

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- LTC pharmacies serve vulnerable patient populations
- Pharmacy closures threaten community access
  - 16.1% of independent rural pharmacies closed between 2003 and 2018.

Source: Abiodun Salako, Fred Ullrich & Keith J. Mueller, Update: Independently Owned Pharmacy Closures in Rural America, 2003-2018, RUPRI Center for Rural Health Policy Analysis, 1(July 2018).

- Insufficient number of LTC pharmacies could prevent at-risk patients from receiving needed services

# PHARMACY EFFECTS

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- Drugs dispensed at a loss
- Legal obligations to provide uncompensated services
- Minimal ability to negotiate contract terms

# INTERESTED IN LEARNING MORE?

**For more information about SCPC,  
please visit our website: <https://seniorcarepharmacies.org>**