The PBM price war is on. Do you feel caught in the crossfire?

Pharmacists everywhere are feeling it. Healthcare prices continue to grow faster than the general economy, medication costs are skyrocketing and the pressure is on to lower them. The federal government is making affordable healthcare a top priority—and PBMs (pharmacy benefit managers) are responding by squeezing manufacturer drug prices and lowering reimbursements for pharmacies.

The competition among PBMs is fierce, and there’s no end in sight. Today, the top three hold a lion’s share of the market at more than 70%. But there’s no clear winner—yet. So the price war roars on, and pharmacists are feeling more financial pressure than ever before.

To help relieve it, Cardinal Health advocates on behalf of retail independent pharmacies and our franchise owners. We’re working directly with PBMs—as well as payers, manufacturers and legislators—to find new ways to lower medication costs.

To win we need to find ways to advance the role of Retail Independents, ensure reasonable reimbursements and determine a way for patients to access the medications they need in light of plan design changes. Here’s a closer look at each—what we’re doing to address them—and what pharmacists can do to become an advocate for change yourself.
Challenge: Declining reimbursements

Used with chain pharmacies for years, generic effective rates (GERs) are now becoming the standard for retail independents as well. GERs put a “floor” on your reimbursements for generic medications, which can have a substantial impact on your pharmacy’s financial health. Because of the deep contracting resources at Cardinal Health, we have the expertise to help our franchise owners navigate this complex and changing situation.

GERs aren’t the only cause of declining reimbursements. There’s a powerful wave of others that can feel like a tsunami hitting your bottom line:

1. **Brand Effective Rate (BER):**
   Think GER, but for branded drugs. This reimbursement floor for high-cost medications can have a significant impact on cash flow.

2. **Dispensing Fee Effective Rate (DFER):**
   The amount pharmacists earn for their clinical expertise continues to decline.

3. **Direct and Indirect Remuneration Fees (DIRs):**
   Based on the quality of care that a community pharmacy provides, PBMs can charge this after-the-fact fee that lowers reimbursements even more.

Challenge: Plan design changes

The federal government and employers alike are struggling with the rising cost of medications. To help meet the challenge, they’re decreasing health plan benefits and increasing co-pays.

The result: patients who can’t afford the higher costs may choose not to seek care or fill prescriptions. There are countless stories of patients who can’t afford their medications—even if they have health insurance. Lower adherence not only impacts patient outcomes and increases frustration among pharmacists, it also leads to a sicker patient population that increases the burden on an already overtaxed health system.
What Cardinal Health is doing right now

To help offset the affordability issue, we’re advocating for pharmacists every day:

As a franchise owner of The Medicine Shoppe® Pharmacy or Medicap Pharmacy®, you can take advantage of proven strategies:

**Negotiating with PBMs:**
We help our franchise owners balance access with profitability. Sometimes, it’s better to say “no” to a PBM contract. Our approach is “access that make sense” for our pharmacies.

**Expanding PBM and payer relationships:**
It’s in everyone’s best interests that we improve these critical connections and promote fairness. We’re all in this together!

**Increasing efficiency:**
A proven way to control costs is to leverage technology and our community pharmacy expertise to improve business operations, including workflow and inventory management.

**Offering patient care services:**
Community pharmacists can help offset declining reimbursement with a growing source of revenue that will improve the health of both your patients and practice. Our franchise owners’ become the healthcare destination in their community by offering services like immunizations, point-of-care testing, medication therapy management, medication synchronization, multi-dose compliance packaging and more.

**FACT:**
Most Medicine Shoppe and Medicap Pharmacy owners offer 4 or more patient care services at their stores.

What you can do right now

To succeed as a retail independent pharmacist today, be an advocate for change:

1. **Join:** your local and state pharmacy society, their PACs and the NCPA.

2. **Participate:** in legislative days in your state and at the federal level.

3. **Support:** state and federal legislation that protects the health of your patients and practice. **Key legislation includes:**
   - Establishing pharmacists as providers and supporting a patient’s right to choose one.
   - Supporting transparency and fairness in DIRs and generic pricing.
   - Promoting patient choice in the selection of their pharmacist.
Rx for the future

The more challenging managed care becomes, the more you need the right advocate on your side.

Here, you’ll have an entire franchise support team at your side, including expert consultants in managed care as well as marketing, operations and finance. Plus, your dedicated Franchise Business Consultant (FBC) will work with you one-on-one to help you navigate the complexities of managed care and make the right business decisions.

Need help navigating managed care? That’s why we’re here.

Contact us today:
cardinalhealth.com/MSI

About Cindy Pigg

Cindy is responsible for comprehensive strategic and operational pharmacy and managed care services for Cardinal Health’s Pharmacy Services Administrative Organization, including the development and management of business relationships with Pharmacy Benefit Managers and Health Plans.

Not your typical franchise deal:

• $599 per month flat fee to join the network
• 5-year contract with 90-day out
• $300 credit for services that will help you succeed in a competitive industry