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Appropriations and Financial Affairs Committee
The Honorable Margaret Rotundo; Senate Chair
The Honorable Melanie Sachs - House Chair

Health and Human Services Committee
The Honorable Joseph Baldacci; Senate Chair
The Honorable Michele Meyer; House Chair

February 12, 2025

RE: Testimony IN OPPOSITION - LD 210, Language Part "SS" Establishes a \$0.70 cents per pharmacy prescription assessment on pharmacy providers

Dear Committee Chairs and Members of the Appropriations and Financial Affairs and the Health and Human Services Committee,

My name is Ron Lanton and I am a lobbyist for many of the Maine independent pharmacies.

Since 2006, we have worked almost every year with the Joint Standing Committee on Health Coverage, Insurance and Financial Services to create laws ensuring that pharmacies had a level playing field against pharmacy benefit managers, so that pharmacies could continue servicing Maine patients.

Over this long stretch, Maine pharmacies have worked with many bill sponsors who have seen their proposals turn into law to ensure that patients always had a place to fill their prescriptions.

With this proposal, the safety net of having a place for patients to fill their medicines has been put in serious jeopardy.

If members of your committees are not familiar with how pharmacies are reimbursed, I would strongly advise going through the lengthy records of the Committee on Health Coverage, Insurance and Financial Services. Due to the unique business model of pharmacies, this is not an expense that they can simply absorb.

Pharmacies are typically reimbursed by submitting claims to a Pharmacy Benefit Manager (PBM) who negotiates reimbursement rates with the pharmacy on behalf of health insurance plans. This means the pharmacy receives payment from the PBM after dispensing a prescription, with the reimbursement amount based on pre-negotiated rates between the PBM and the pharmacy. This often includes a set dispensing fee on top of the drug cost itself. Not to mention, the pharmacy industry is not one that can

negotiate contracts on its own, meaning that the pharmacies are subjected to take it or leave it contracts. Again we highly encourage members of this Committee to look at the IFS Committee records for clarification.

Additionally, pharmacies are either paid very low reimbursement by Medicare/Medicaid and on the commercial side, the pharmacies are at the mercy of their competitors to give them a fair rate. This often leaves the pharmacies getting paid way less for medications they dispense to patients at what the market rate should be, meaning pharmacies are constantly operating at a loss. Without drastic change, it is an unsustainable model over a long period of time. This can be seen from the closures of not just small independent pharmacies, but from chain drug stores like CVS and Walgreens.

For illustrative reasons, I have included a chart that shows how complex it is for a pharmacy to get paid.

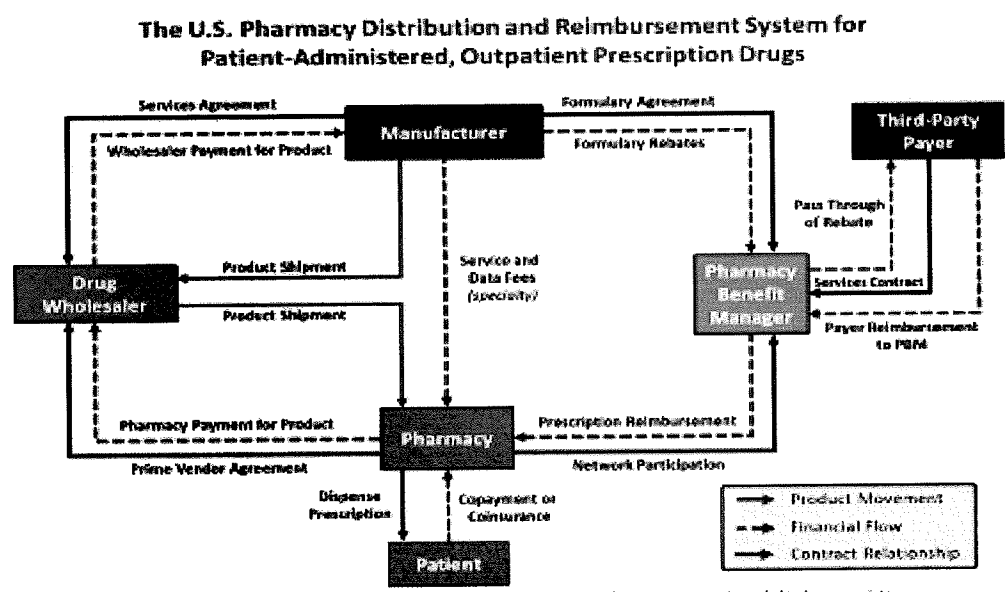


Chart illustrates flows for patient-administered, outpatient drugs. Please note that this chart is illustrative; it is not intended to be a complete representation of every type of financial, product flow, or contractual relationship in the marketplace.
 Source: Fries, Adam, et al. *The 2016 Economic Report on Retail, Mail and Specialty Pharmacies*. Drug Channels Institute, January 2016.
 Available at <http://drugchannelsinstitute.com/wordpress/wp-content/uploads/2016/01/2016-ecr-pharmacies.pdf>

My understanding of LD210 is that it is intended to be budget neutral in aggregate but there is no guarantee that individual pharmacies will be made whole. There will be winners and losers. Everyone is taxed at the same rate per prescription, but only pharmacies that fill a high degree of MaineCare prescriptions will have a chance to be made whole.

Pharmacies that have tried to survive by going to cash only will be punished, while pharmacies located in affluent areas that don't have a significant Medicaid population will also be punished. There are no budget projections in play to offset the very likely reality that these stores too will close. The expectation is that someone else in the system will pick up the slack for closed stores but that expectation does not always work

out as planned, as there will be fewer professionals in the system to care for patients that need access to pharmacy services.

With Medicaid cuts and the return of block grants almost a certainty with the coming Congressional reconciliation budget this spring, Maine will face a bigger problem that no amount of taxing the local pharmacist will fix.

Pharmacies have been there for their patients through thick and thin. They are there when they get sick, they were there when they had to help physician practices that were overrun during the COVID-19 pandemic, but now it's your turn to be there for them.

Don't have your local pharmacies close because of a tax.

I urge you to reconsider this proposal.

kindest regards,
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