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March 18, 2025

Chair Melissa Wiklund
Senate Health and Human Services Committee
St. Paul, MN 55155

Dear Chair Wiklund and committee members:

On behalf of Minnesota Farmers Union (MFU), I am writing to share our support for Senator Mann's SF1574 and SF2152. Combined these bills will provide a much needed lifeline to independent pharmacies in Minnesota, address some of the structural forces that are harming local pharmacies and help save patients and taxpayers money.

MFU is a grassroots organization that has represented Minnesota's family farmers, ranchers and rural communities since 1918. At our annual convention in November, members voted to make ensuring affordable and accessible care a key priority and identified supporting independent pharmacies as an important part of meeting that goal.

Unfortunately, it is becoming more and more difficult for community pharmacies in Minnesota to survive. While surveys suggest independent pharmacies outperform their larger competitors on price, quality of care, and wait times, they are disappearing fast.ⁱ Over the past two decades the number of independently-owned pharmacies has dropped from 478 to 156.ⁱⁱ Beyond independent pharmacies, 39% of chain and regional chain pharmacies have also closed in that same period.

This dramatic decline has left nearly half a million Minnesotans in pharmacy deserts and over 15% of rural residents with limited access to pharmacies according to the Minnesota Department of Health.ⁱⁱⁱ The loss of community pharmacies robs main streets of important small businesses and leaves patients without access to necessary healthcare services.

SF2152 would help protect Minnesota's existing community pharmacy network by providing an additional \$4.50 per prescription payment for prescriptions provided to Medical Assistance patients. The legislation targets these payments to independent pharmacies and small chains in medically underserved areas. This bill will provide a lifeline to community pharmacies in crisis and rural communities that are already struggling to maintain access to healthcare.

While pharmacies need a lifeline, these small businesses and the communities they serve also need more structural reforms. A key culprit driving the decline of independent pharmacies are PBMs, opaque middlemen that have built immense power in the healthcare system. The three largest PBMs manage nearly 80% of prescription claims and are all vertically integrated into large insurance plans and operate their own mail-order and specialty pharmacies. PBMs have used rebates and fees to raise the cost of prescription drugs for patients while reimbursing independent pharmacies a fraction of the actual costs they incur.^{iv}

Under Medical Assistance, each PBM separately controls their payment rates to pharmacies and uses their market power to pay as little as possible. According to Minnesota's most recent Cost of

Dispensing Survey, it costs a pharmacy an average of \$11.55 per prescription.^v Despite these costs, it is not uncommon for PBMs to pay pharmacies much less for a prescription. In Oregon, a study of PBM reimbursements to independent pharmacies in that state's Medicaid program found that 75% of reimbursements failed to cover labor and drug costs.^{vi}

SF1574 would replace the current Medical Assistance model with a single PBM and a preferred drug list selected by the state. SF1574 would also prohibit the PBM from using anticompetitive tactics like spread pricing, claw-backs, below cost reimbursement and formulary fees. This approach was first tested by Kentucky and has since been adopted by Ohio, Louisiana and Mississippi. In Kentucky the state has saved nearly \$283 million and Ohio's savings have exceeded \$100 million each year.^{vii} This means a fairer playing field for independent pharmacies and less costs to taxpayers.

We are grateful to Senator Mann for bringing these bills forward and urge the committee to support SF1574 and SF2152. If you have any questions, please contact our Antimonopoly Director, Justin Stofferahn, at justin@mfu.org or (612) 594-1252 (C). Thank you for considering the needs and perspectives of Minnesota's farm families.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary Wertish". The signature is fluid and cursive, with the first name "Gary" being more prominent than the last name "Wertish".

Gary Wertish
President, Minnesota Farmers Union

ⁱ <https://www.consumerreports.org/pharmacies/consumers-still-prefer-independent-pharmacies-consumer-reports-ratings-show/>

ⁱⁱ <https://www.startribune.com/pharmacies-closing-pharmacy-deserts-growing-health-care-access-walgreens-cvs/601173628>

ⁱⁱⁱ <https://www.health.state.mn.us/diseases/cardiovascular/documents/pharmacy.pdf>

^{iv} <https://www.ftc.gov/reports/pharmacy-benefit-managers-report>

^v <https://www.lrl.mn.gov/docs/2023/mandated/231385.pdf>

^{vi} <https://www.3axisadvisors.com/projects/2022/10/27/understanding-pharmacy-reimbursement-trends-in-oregon>

^{vii} <https://kentuckylandern.com/2023/10/05/reprieve-for-kentuckys-independent-pharmacies-is-saving-medicaid-millions/>