



The Partnership for
SAFEMEDICINES.org[®]
 WORKING TOGETHER TO PROTECT THE SAFETY OF YOUR PRESCRIPTION DRUGS

Senator Scott Wiener
 1021 O Street
 Suite 8620
 Sacramento, CA 95814-4900

March 24, 2024

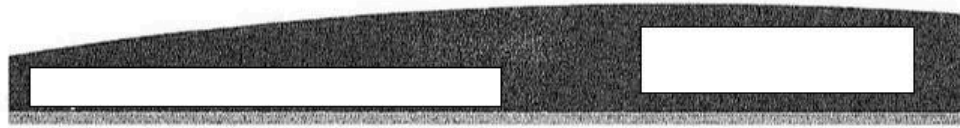
Dear Senator Wiener,

The Partnership for Safe Medicines (PSM) is proud to endorse SB 966 because it addresses a dangerous situation that has arisen due to spread pricing in the pharmaceutical supply chain.

PSM is a public health group committed to the safety of prescription drugs and protecting consumers against counterfeit, substandard or otherwise unsafe medicines. Comprised of more than 45 non-profit organizations, PSM studies counterfeit drug crime, threats to American patients, and educates the public, policymakers, and health care professionals about threats to the safety of the U.S. drug supply.

Over the past decade, Pharmacy Benefit Managers (PBMs) have been cutting the reimbursements pharmacies receive for the medicine they dispense to insured patients into smaller and smaller amounts. In many places, [those reimbursements don't fully cover the acquisition cost of medicine](#). Pharmacies now routinely dispense medication that they lose money on.

This is by design. A pharmacist sent us the 2024 contract for a major PBM and it shows that dispensing brand name medicines is compensated at a rate of "average wholesale price minus 25.5%."



September 25, 2023

**2024 MEDICARE PART D NATIONAL PERFORMANCE AMENDMENT
 TO THE [REDACTED] INC. PHARMACY PROVIDER AGREEMENT**

Contract Rates			
BRANDS	GENERIC – A	GENERIC – B	
Up to an Average Discount for Single-Source & Multi-Source ^{(4),(7)} Brands not paid on <input type="checkbox"/> MAC + Not less than an Average Dispense Fee:	Up to an Average Discount for Generic Drugs not paid on <input type="checkbox"/> MAC + Not less than an Average Dispense Fee:	Generic Drugs and Multi-Source ^{(4),(7)} Brands paid on <input type="checkbox"/> MAC + Not less than an Average Dispense Fee:	
30 Day Network Participation			
Year 1	AWP – 25.50% + \$0.00	AWP – 57.00% + \$0.00	<input type="checkbox"/> MAC + \$0.00
90 Day/EDS Benefit Participation			
Year 1	AWP – 30.50% + \$0.00	AWP – 57.00% + \$0.00	<input type="checkbox"/> MAC + \$0.00



This contract from a Pharmacy Benefit Manager was offered to a small community pharmacy. It shows that pharmacies are supposed to lose money on the medicines they dispense.

When a pharmacy is faced with being reimbursed less than the cost of acquisition for medicine, they have two simple choices: stop serving the patients that need that medicine, or find it for a cheaper acquisition cost. But in many cases, that medicine is not legitimately available at a price low enough to make that reimbursement not a loss.

The pharmacies that remain in business are vulnerable to criminals offering medicines at lower prices than their usual distributors because they are losing money on PBM reimbursements.

Because criminal counterfeiters discovered they could not easily get pharmacies to trade safety for savings, they have developed extremely convincing fraudulent systems. These sophisticated fronts are designed to fool pharmacies into thinking they aren't compromising safety while selling them diverted and counterfeit medicine. They sell through companies with legitimate state-issued wholesale licenses, and they often use forged DSCSA transaction histories.

Pharmacies wouldn't be looking for medicines at unrealistic prices if they weren't forced into near-bankruptcy by under-reimbursement practices. This market dynamic is created by these reimbursement practices, but it can also be eliminated by changing the market dynamic.

PSM believes SB 966, by eliminating the practice of spread pricing and passing through all rebates to payers or patients, will eliminate the under-reimbursement practices that create this dangerous opportunity for criminals to enter the legitimate supply chain. That will make all Californians safer from criminal counterfeiters, and we support passage of SB 966.

Sincerely,

Shabbir Imber Safdar, Executive Director
Partnership for Safe Medicines