

Health Care Policy: Walgreens, CVS Health Step Up Buyout Offers During Pandemic

Walgreens (WBA) and CVS Health (CVS), the Nos. 1 and 2 drugstore chains in the U.S., are accelerating efforts during the coronavirus outbreak to buy out rival independent pharmacies upended by the economic turmoil the pandemic has caused, the pharmacists said.

Independent pharmacists in West Virginia, Wyoming, Minnesota, Illinois and Georgia told *The Capitol Forum* that Walgreens has been especially aggressive with their solicitations, referencing the pandemic's harsh economic impact in [emails](#) sent over the past 30 days.

"I know the market is really tough and hectic right now due to COVID-19 and [wanted to] see if you are looking to sell," John Michael Vecchietti, a Walgreens senior analyst in retail mergers and acquisitions, writes to an Illinois pharmacist.

The persistent offers rankle the pharmacists, who accused Walgreens and CVS of using the global health crisis to grow their market shares. The pharmacists said their suspicions about CVS's motivations, in particular, were compounded by pharmacy benefit managers (PBM), including [market leader](#) CVS Caremark, slashing the druggists' prescription reimbursements recently.

"They are bullying us into selling," said a West Virginia pharmacist who spoke on the condition of anonymity, fearing retaliation from Walgreens and CVS.

Two years ago, independent pharmacists [accused](#) CVS of taking advantage of its vertical integration to conduct a "squeeze and buy," cutting prescription reimbursements through CVS Caremark and then offering to purchase financially weakened rivals.

Prescriptions are vital to these small businesses, constituting 93% of the \$75.8 billion in revenue independent pharmacists generated in 2018, according to a [report](#) last year from the National Community Pharmacists Association (NCPA), an industry trade group.

The druggists have expressed their most recent concerns to lawmakers, including Representative Buddy Carter (R-GA), the [only](#) pharmacist serving in Congress.

"PBMs bring no value to the system, and now they are exploiting a global pandemic," said Carter, a longtime critic of PBMs and co-chair of the Community Pharmacy Caucus. "This is absolutely unacceptable."

Independent pharmacists have struggled for years to compete against chain stores' scale and deep pockets, and to receive consistent reimbursements from PBMs, which are hired by companies and government agencies to keep their employees' prescription costs as low as possible.

The pandemic has put many independent pharmacists in an even more financially precarious situation. Government stay-at-home orders and other social-distancing restrictions have reduced foot traffic in their stores.

The pharmacies have tried to encourage prescription home deliveries but said they've been thwarted by PBM policies diverting customers to the PBMs' own mail-order services.

The pandemic's impact on Walgreens and CVS is more mixed. CVS last month [warned](#) that the outbreak has increased operating expenses and reduced efficiency. Walgreens Boots Alliance, the international chain that operates Walgreens, reported last week that same-store sales rose 26% in the first 21 days of March. But sales then fell off in the last week of the month, a time when governments were urging people to stay home.

Walgreens Booth [said](#) that before the virus, it was on track to meet its annual guidance of flat growth. But "many rapidly changing variables related to the pandemic" have made it difficult to determine if the forecast now is accurate, according to the company.

Still, both companies have said they're going to hire tens of thousands of new workers to handle higher customer demand.

A Walgreens spokesperson didn't respond to multiple requests for comment about the pharmacists' accusations. CVS spokesperson Mike DeAngelis said, "These are ridiculous claims that do not warrant a response."

PBMs are supporting pharmacists during the outbreak, encouraging them to deliver prescriptions to customers' homes, said JC Scott, president and CEO of the Pharmaceutical Care Management Association, an industry trade group.

"PBMs are working with the entire prescription drug supply chain, including pharmacists, to help patients access needed medications during this public health emergency," he said. Scott's full statement is [here](#).

Express Scripts, the second-largest U.S. PBM, isn't cutting reimbursements, said Jennifer Luddy, a company spokesperson.

“These assertions are false. Express Scripts has not made any changes to the way it reimburses network pharmacies,” she said. “We continue to reimburse them fairly and in a timely manner.”

A spokesperson for OptumRx, the No. 3 U.S. PBM, didn’t respond to a request for comment.

“Extraordinary time.” Pharmacists are adamant, though, that their reimbursements are shrinking while CVS’s and Walgreens’ solicitations are increasing.

Daniel Hay, a Walgreens senior analyst for retail mergers & acquisitions, begins one such email with a pandemic reference. “This is an extraordinary time in healthcare and in our world,” he says. “With this rapidly evolving situation, our industry is on the front lines of helping people worldwide.”

Then Hay makes his pitch to the pharmacist: “If there is anything Walgreens can do to help, either in the present or in the near future, please contact me directly.”

Walgreens representatives sent similar messages to drugstores in Illinois, Minnesota and Georgia, according to emails reviewed by *The Capitol Forum*.

CVS’s recent emails to pharmacists have been more direct. In one email, Yolanda Baez, a CVS regional director of pharmacy acquisitions, writes, “I wanted to reach out to you to find out if you would be interested in receiving an offer (with no obligation on your part) from us for your pharmacy.”

Pharmacists complain about reimbursement cuts. As the emails fill inboxes, PBMs’ decreasing reimbursements on some drugs have left some pharmacies cash-strapped, said Monique Whitney, executive director of Pharmacists United for Truth and Transparency, an advocacy group for independent drugstores.

CVS Caremark’s reimbursements for simvastatin, a drug used to treat high cholesterol and triglyceride levels, fell to \$2.20 on Tuesday from \$9.21 on December 31, a 76% drop, according to data obtained by *The Capitol Forum*.

The PBM’s reimbursement for hydrocodone, a popular painkiller, decreased to \$22.67 on March 31 from \$27.69 on March 2, an 18% reduction.

Patricia Epple, CEO of the Pennsylvania Pharmacists Association, complained in an [op-ed](#) Thursday that PBMs during the outbreak have cut reimbursements to antidepressant aripiprazole, heartburn medication omeprazole and some blood pressure treatments.

In Illinois, PBMs steadily decreased reimbursements last month, said David Falk, owner of Sav-Mor Pharmacies, which has eight locations in the state.

“They are trying to push us over the edge,” he said.

In some cases, PBMs have put off paying reimbursements. Last month, OptumRx told Pharmacy First, a network of 2,300 independent pharmacies, that the payments were [delayed](#) due to changes related to the pandemic.

When the reimbursements arrive, they sometimes don’t cover the cost of buying and filling the prescriptions, said a Georgia pharmacist who requested anonymity out of fear of PBM retaliation.

With lower reimbursements, the pharmacists have less cash to pay for drugs, Whitney said.

Mail-order referrals. As more mayors and governors restrict people’s movements to slow the virus’ spread, independent pharmacists are trying to increase their mail-order and delivery business. About 76% of them make deliveries to home and work, according to the NCPA report.

But PBMs are hampering those efforts by diverting patients to their own mail-order services, the pharmacists and their supporters said.

Patient advocate Loretta Boesing, whose son needs medication every [12 hours](#) to stay alive, said she’s pushing for PBMs to be more supportive of independent pharmacies.

Boesing is founder of Unite for Safe Medications, which [advocates](#) for alternatives to mail-order delivery.

“Independent pharmacies are vital to me and my child and the entire community,” she said.

Boesing, who lives in Park Hills, Missouri, a town of 8,600 people that’s 68 miles south of St. Louis, said she relies on a local pharmacy to fill prescriptions for her son, who underwent a liver transplant several years ago.

Because of PBM restrictions, many in Park Hills can only get a 30-day supply of medication from the pharmacy, she said. But PBMs allow customers to buy a 90-day supply through their own mail-order services, Boesing said.

She said recently her PBM, CVS Caremark, agreed to allow the pharmacy to sell her a 90-day supply of her son’s medication.

Health insurance plans and employers determine how much medication a person can buy at a drugstore, Express Scripts' Luddy said. Express Scripts supports 90-day supplies purchased in a pharmacy or through mail order because people tend to take their medication more faithfully when they buy in such amounts, she said.

Drugstores urge government action. The delivery issue united independent and chain drugstores to press for provisions in the recent \$2 trillion coronavirus aid package.

In a March 20 [memo](#), organizations that represent both types of drugstores urged Congress to “instruct PBMs to allow 90-day prescription refills for patients by home delivery from any pharmacy of their choice or mail to include commensurate reimbursement.” The groups also asked for expedited reimbursements.

None of the PBM-related recommendations, though, ended up in the bill.

The NCPA now is pleading with the Centers for Medicare & Medicaid Services to issue guidance on reimbursements, and audit and delivery issues with PBMs, said Ronna Hauser, the group's vice president of policy and government affairs operations.

Separately, the group is asking Walgreens and CVS to reconsider attempting to buy out their smaller competitors during the pandemic, she said.

“It is disheartening to see these type of letters at the time of the national emergency,” Hauser said.