



Closure of Ron's Apothecary Shoppe reflects nationwide battle over prescription drug prices

Ron's Apothecary Shoppe, located at the south end of the Mendenhall Mall, is closing at the end of the day, Wednesday, leaving Juneau with one remaining independent pharmacy. (Mark Sabbatini / Juneau Empire)

- By [Mark Sabbatini](#)
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When Ron's Apothecary Shoppe closes at the end of the day Wednesday it will be another blow to what independent pharmacists and their advocates say is affordable, safe and prompt access to medications, especially in remote areas such as Alaska where people are forced to get some prescriptions filled by mail.

It is also part of a broader and heated national battle over prescription drug prices that has Congress and the Biden administration investigating industry practices, along with some major companies taking actions to purportedly address the issue without government regulation.

In Juneau it means a small business owner giving up because of the struggle to profitably operate — or find a buyer for — the pharmacy located at one end of the Mendenhall Mall. Another element is how it may affect customers — especially those needing custom medications made on-site that will no longer be available locally.

The primary focus in the battle is what are known as pharmacy-benefit managers (PBMs), which have existed since the 1960s and act as third-party administrators for providing prescription drugs for a wide range of health plans.

Among the stated intents of PBMs is negotiating discounts and rebates with drug manufacturers, and PBMs also help insurers decide which drugs are covered for a patient.

“PBMs administer prescription drug plans for more than 275 million Americans who have health insurance from a variety of sponsors including: commercial health plans, self-insured employer plans, union plans, Medicare Part D plans, the Federal Employees Health Benefits Program (FEHBP), state government employee plans, managed Medicaid plans, and others,” according to the Pharmaceutical Care Management Association, a national association PBMs. “PBMs will save health plan sponsors and consumers more than \$1 trillion on prescription over 10 years.”

But critics say PBMs have for many years — and are increasingly — keeping any savings rather than passing them onto pharmacies or consumers.

“Frustration with PBMs has grown over complaints that they keep too much of the discounts they negotiate or steer patients to costlier drugs to benefit their own bottom lines,” [an analysis](#) by the political [news](#) website Axios published in August notes.

There are currently about 70 PBMs in the U.S., but three — CVS Caremark, Optum Rx and Express Scripts — control about 80% of the prescription drug market, according to federal and industry sources.

A particular point of contention is so-called “clawbacks” by PBMs, which are fees charged after the point of sale and can result in a net negative reimbursement to a pharmacy for a drug provided to a customer. Scott Watts, co-owner of Ron’s Apothecary Shoppe with his wife Gretchen, said Monday their business is among those that suffered significantly due to the practice and that “the reimbursements from PBMs are running us out.”

“I know it’s a concern for every retail pharmacy — chain, independent — especially independents,” he said. “The negative reimbursements is unfair, to say the least, with what we’re seeing in the pharmacy world. I saw times where we were unable to fill prescriptions because of the reimbursements.”

Watts said he has been trying to sell the store since before the COVID-19 pandemic hit in 2020, but due to the issues with PBMs “it’s more of a challenging environment to find somebody that wants to step in.”

The store’s owners, when announcing the closure last week, said the nearby Safeway pharmacy is agreeing to accept the prescriptions of all customers as well as offering jobs to all current employees.

The closure of Ron’s Apothecary Shoppe after nearly 50 years of existence will leave Juneau Drug as the sole remaining independent pharmacist in town. A co-owner of Juneau Drug is state Rep. Justin Ruffridge, a Soldotna Republican who owns or co-owns two other pharmacies in Alaska, and thus has made industry policies a substantial part of his legislative agenda.

“They’ll offer pharmacies what we would call a take-it-or-leave-it contract — ‘here is what we are offering, and you will either take it or you won’t be able to bill our insurance and you will lose your patients,’” he said. “Those contracts have proceeded to get worse and worse and worse.”

The situation isn’t just affecting small and/or independent pharmacies. Kroger Co., the parent company of Fred Meyer, [ended its relationship with the major PBM Express Scripts](#) as of Jan. 1. On Tuesday, [CVS Pharmacy announced](#) it is planning to overhaul its drug pricing formulas by enlisting five companies to handle the process of getting drugs from drugmakers to consumers rather than a single PBM.

Ruffridge said Juneau Drug can remain a viable independent pharmacy because it also sells other retail items in the heart of downtown, and thus is heavily visited by tourists and other customers.

“If any business including Walgreens, mine, Juneau Drug, Fred Meyer — it doesn’t matter — if they relied solely on the dispensing of medication to make it, no one would be in business,” he said.

However, a key loss with the closure of Ron’s Apothecary Shoppe that Juneau Drug can’t fulfill is Ron’s is a “compounding” pharmacy, meaning it is able to combine, mix, or alter drug ingredients to create a medication tailored to the needs of an individual patient. Ruffridge said such pharmacies are rare in the state and he is unaware of any others in Southeast Alaska.

“I’m kind of wrapping my head around it and trying to see if there’s a way we can help provide some of that service,” he said. “We do have a compounding pharmacy here in Soldotna, and maybe there’s an option to ship things back and forth, but that will be a big a big hole to fill.”

The mailing of prescription drugs due to the unavailability of them from local pharmacists is among the issues of emphasis of the Alaska Pharmacists Association, which [in a website post](#) about the closure of Ron’s Apothecary Shoppe noted Alaska residents are especially vulnerable to the perils of such deliveries

“Mail order prescriptions often take up for 7 to 10 days to arrive in Alaska (if they are not completely lost in transit) and are often frozen, inappropriately thawed or otherwise unsafe for use,” the website states.

The APA is a lead advocate for a series of state-level industry changes via [Senate Bill 121](#), introduced at the end of March by state Sen. Cathy Giessel, an Anchorage Republican. The bill failed to get a hearing before the Legislature adjourned in mid-May, but Giessel and Ruffridge have both stated they expect the bill to receive serious consideration during the coming session.

Giessel, [in an Oct. 19 constituent newsletter](#), states SB121 will prohibit PBMs “from funneling patients to PBM-approved pharmacies, which are often owned by or affiliated with the PBM,” strengthen procedures for pharmacies to get full reimbursement from PBMs, and make PBMs subject to the Alaska Unfair Trade Practices and Consumer Protection Act.

At the federal level Congress is also considering PBM-related legislation in addition to actions already taken by the Biden administration and the Federal Trade Commission. But some analysts are questioning whether such actions will result in the policy changes or results sought.

A new rule for Medicare’s drug program [set to take effect Jan. 1](#) requires PBMs to take most of their “performance fees” at the time prescriptions are filled, according to a Nov. 16

article in Fortune magazine. However, the article also reports unintended consequences resulted for independent pharmacies.

“Pharmacist groups supported the Medicare rule change, but they didn’t anticipate the PBMs’ response, which has been to demand they accept new contracts with draconian cuts to their payments for dispensing medicines, said Ronna Hauser, vice president of the National Community Pharmacists Association, which represents independent drugstores,” the article states. “If pharmacies refuse the contracts, they risk losing Medicare customers — likely to the same giant PBM conglomerates, which have absorbed a growing share of the pharmacy business in recent years.”

An analysis published Sept. 7 by The Brookings Institution states the problems with prescription drug prices and independent operators are larger in scale than PBMs.

“An overarching message is that while there are problems in the market for PBM services, they likely have modest effects on the overall affordability of prescription drugs,” the Brookings analysis states. “Consistent with this, while some PBM reforms currently being considered are worthwhile, achieving large reductions in prescription drug costs will require approaches that look beyond PBMs per se.”

While the Bookings analysis finds the control of most of the market by three companies “almost certainly gives PBMs market power they can use to earn excessive profits,” more competition would likely have modest impacts.

“Even eliminating all PBM profits would only reduce total drug-related spending by several percentage points,” the analysis states. “Achieving larger spending reductions would likely require more fundamental market changes such as changing intellectual property protections for drugs or changing how drug prices are regulated.”

Ruffridge said the “several percentage points” referenced would still result in a significant price reduction and the Brookings analysis overlooks how during the past decade “we’ve seen an introduction of many novel drugs that soak up a huge amount of healthcare dollars.”

“It is a small subset of people that take these highly expensive, highly specialized drugs,” he said. “And those are the entities that soak up a huge amount of healthcare dollars.”

But for the larger population of consumers and retailers “one of the biggest issues is that the rising cost of just simple medications when in all actuality the cost of them is relatively cheap,” Ruffridge said.

“So there’s two different questions here,” he said. “The cost of medication for the bulk of people should be cheap and highly accessible. And then there’s this other sort of sub-specialty type drugs that are still very expensive and hard to get, and they do drive up the cost of health care. So yes, there is a complicated pathway. There’s two different conversations at play there. But PBMs do raise the cost of medication.”

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