

# Minnesota's independent, family pharmacies struggle to survive

Minnesota has more pharmacies that have closed in the last decade than any state.

By John Ewoldt (<https://www.startribune.com/john-ewoldt/6370594/>) Star Tribune |

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When Bob Sample closed his pharmacy in Grand Marais in September, it left a big hole in the northern Minnesota's town health care system. The nearest pharmacy was 50 miles away in Silver Bay.

Sample's was the second pharmacy to close in Grand Marais in the past decade. Neither could make the economics work.

"You bite the bullet until you can't take it anymore," Sample said. "I borrowed \$200,000 on my house, and it's gone. At age 72, I had to ask myself do I keep losing money or go work for CVS, Walgreens, a hospital or leave it all together?"

The same story is playing out all over Minnesota. The state has lost 30% of its small, independently owned pharmacies, more than any other state from 2010 to 2019, according to a survey by Pharmaceutical Care Management Association.

The loss of independent, full-service pharmacies spans from some low-income areas of Minneapolis and St. Paul to towns including Clara City, Ulen, Harmony, Fertile, Adrian, Dassel, Howard Lake, Pine Island, Rockford and Maple Plain.

The loss is another hit to rural health care in Minnesota.

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"We have one of the oldest demographics in the state," said Jay Arrowsmith DeCoux, mayor of Grand Marais. "People are holding their breath on this. They are definitely concerned."

Grand Marais worked with Sawtooth Mountain Clinic — which declined to buy Sample's pharmacy — to put in place a courier service from Silver Bay that started in September.

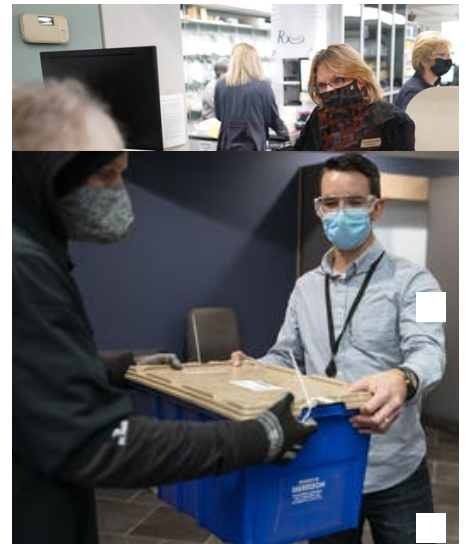
"Until we got the courier service in place on Sept. 1, there was a lot of anxiety from Cook County residents based on the number of phone calls received," said Kate Surbaugh, the CEO of Sawtooth Mountain Clinic.

An in-house pharmacy is expected to open in January in the clinic, but Sample worries that it too will find a small market unsustainable.

Residents in other small cities drive to another community to a chain pharmacy or have access to a telepharmacy in which they speak to an off-site pharmacist by video.

## Complicated problem

The reasons behind the dwindling number of independent pharmacies are complicated. Large chains such as CVS, Walgreens or Walmart have consolidated a lot of business. And pharmacy benefit managers (PBMs), which many insurance plans use, make it cheaper to buy from certain retailers or through the mail. The latest competition is coming from online pharmacies.



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Teague Alexy, left, a courier for Dash Express, handed off cases of medication to Mike Krussow, a medication access representative for

Minnesota's long history with HMOs such as HealthPartners and Medica also pushed out a lot of independents, said Stephen Schondelmeyer, professor of pharmaceutical economics at the University of Minnesota.

"When health systems like HealthEast and Essentia got into retail pharmacy, it looked like they were community pharmacies but they were not independently owned," he said. "These health systems and PBMs push their patients to their own pharmacies."

Many experts expect the loss will worsen.

"I worry that 10 years from now we won't have independent, local pharmacies anymore," said state Sen. John Marty, DFL-Roseville.

Marty has long tried to bring down pharmaceutical costs in the state.

He partnered with the Minnesota Senior Federation to take bus trips to Canada 20 years ago. More recently, he tried unsuccessfully to pass a bill that protected pharmacists from being forced to fill orders for less than they pay to acquire the drugs.

### **Small town commitment**

Deborah Keaveny, who co-owns Keaveny Drug in Winsted, about an hour west of Minneapolis, said she receives letters from CVS Health or Walgreens to buy her pharmacy twice a year.

"They're not interested in taking over a pharmacy in a town the size of Winsted," she said. "They'd buy my patient files and refer my patients to the nearest CVS, Walgreens or mail order."

So she's stubbornly staying put. She said she will work with patients on pricing, including discounts for cash payment, which is sometimes less than an insurance copay. Her pharmacy also offers home delivery five days a week.

Keaveny believes she has lost some business because of PBMs encouraging patients to have their prescriptions sent by mail and suggesting that it might be safer in the age of COVID-19.

Net prices for drugs — which account for rising manufacturer discounts, including rebates, coupon cards and 340B discounts — increased by 60% from 2007 to 2018, according to a study by the Journal of American Medical Association.

Keaveny and other independent pharmacists are trying to fight the perception that large chain stores offer more competitive prices on prescriptions.

Multiple surveys, including those by Consumer Reports and the [National Prescription Coverage Coalition \(https://nationalprescriptioncoveragecoalition.com/does-your-health-plan-actually-need-the-large-chain-pharmacies-in-your-retail-pharmacy-network-the-short-answer-is-no/\)](https://nationalprescriptioncoveragecoalition.com/does-your-health-plan-actually-need-the-large-chain-pharmacies-in-your-retail-pharmacy-network-the-short-answer-is-no/), found that drugs, particularly generic ones, are about 50% more expensive at CVS and Walgreens than at Walmart, Costco, supermarkets and independent pharmacies.

Bringing down the cost of drugs for consumers is a main mission of PBMs — and Minnesota pharmacists said the organizations have squeezed profit margins for pharmacies as a result.

Mike Underwood, who owned Capitol Pharmacy in St. Paul from 1999 until he closed it in 2018, said reimbursements have gone down drastically in recent years, resulting in the inability for some to make a profit.

"I was losing about \$10,000 a month," he said. "I was in denial at first. We were so busy. How could we be making less money?"

The PBMs also had requirements for patient management and would charge pharmacies when patients were out of compliance, for example, not refilling preventive prescriptions.

Although there are more than 100 PBMs, three of the largest control 80% of the market — Eden Prairie-based OptumRx, owned by UnitedHealth Group; Express Scripts by Cigna; and Caremark owned by CVS Health and Aetna. Minnesota's PBMs also include Prime Therapeutics in Eagan.

“Our job is to drive prices lower and align with the consumer,” said Jarrod Henshaw, industry relations officer at Prime Therapeutics in Eagan. “There's a competitive tension for [pharmacies] in managing drug costs. We've been very effective in that.”

But the system is not necessarily cheaper for the consumer, said Schondelmeyer, the U professor.

“Sometimes PBMs pay themselves or their own pharmacies more than they pay the independents and essentially drive them out of business,” he said.

The PBM Caremark, owned by CVS Health, pushes customers to CVS and specialty mail order. Prime Therapeutics points patients to Walgreens.

PBM representatives said that despite hand wringing in Minnesota, the number of independent pharmacies is growing in most states, according to their [survey \(https://www.pcmnet.org/independent-pharmacies-in-the-u-s-are-more-on-the-rise-than-on-the-decline/\)](https://www.pcmnet.org/independent-pharmacies-in-the-u-s-are-more-on-the-rise-than-on-the-decline/).

The Pharmaceutical Care Management Association's survey found the number of independent pharmacies across the country grew by more than 2,600 stores between 2010 and 2019.

### **Broken model**

Yet Minnesota pharmacists who in years past would sell their businesses to younger colleagues are realizing that model seems to be as outdated as a pharmacy soda fountain.

“How could I sell to someone who would look at the books and quickly realize I was losing money?” said Underwood, who ended up selling his patient list to Walgreens.

Cheng Lo, who owns Phalen Family Pharmacy in St. Paul's Hmong Village, looked forward to his children also becoming pharmacists. Not anymore.

“When I started in the business 20 years ago there was a shortage of pharmacists,” he said. “Now chains are cutting the number of pharmacy graduates they hire and many students are struggling to find work. I told my kids absolutely not.”

Clara City, about two hours west of Minneapolis, hasn't had a pharmacist in seven years. Residents must either use mail order or drive 20 to 30 minutes to Montevideo or Willmar.

“We already have a store with room for a pharmacy, and we're actively looking,” said Mayor Gary Nelson. “We have an older community and they would love a pharmacy, but no takers yet.”

### **Short-term solutions**

Towns such as Harmony and Baudette have adopted telepharmacies where pharmacy technicians prepare prescriptions and send them to be filled off-site.

Patient counseling by the pharmacist is done via videoconferencing.

Keaveny, the Winsted pharmacist, is determined to stick it out for her patients.

She serves on the board of directors for Pharmacists United for Truth and Transparency, which recently sent a letter of recommendation to the White House in hopes of leveling the playing field for independent pharmacies.

“There are times I'm disheartened and down about how the industry is treating us, but I'm not giving up the fight and I'm not ready to close or sell,” she said.

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