Commentary

PBMs hamstringing community pharmacists, threaten patient care

By GARTH REYNOLDS

Illinois community pharmacists have been working tirelessly throughout the pandemic to deliver patient care to families across our communities. Whether at-risk and vulnerable or relatively healthy, we sprang into action, ensuring patients could get prescriptions and medical advice while maintaining social distancing and other COVID-19 protocols. We continue performing coronavirus tests, and some pharmacists are even administering vaccines — all on top of our daily responsibilities.


Reynolds

Pharmacists are always focused on patient care and outcomes. As many patients' most trusted and closest health care provider, both are at the core of what we do. And as lawmakers seek to improve health care and prescription medication access over the next several months, I hope they will protect and empower community pharmacists. Doing so will lead to the best, most affordable and accessible care for patients — just as we saw during the COVID-19 pandemic.

With competition and confusion mounting in the marketplace and network participation becoming more difficult than ever, small pharmacies are struggling to stay in business, which is a major detriment to patients. Even with partners, like pharmacy services administrative organizations (PSAOs), who help pharmacies navigate the complexities, administrative burdens, and communications with other supply chain entities, independent pharmacies are seeing profits squeezed and they are being boxed out of patient care by pharmacy benefit managers (PBMs).

By definition, PBMs represent insurers, large employers, and even the government to administer prescription drug benefits. PBMs and their proponents claim that these entities protect patients from the high price of prescription drugs, streamline the process for pharmacies, and save taxpayers millions of dollars annually. However, as a pharmacist who must coordinate with PBMs directly, I know that is not the case.

For far too long, PBMs have used their market influence within the prescription drug market to increase their power. Currently, PBMs control which drugs are covered under a health plan's formulary, which pharmacy locations are included in a plan's network, and how much a pharmacist will be paid for filling a prescription — yet, they have barely any government oversight. With all of this power and influence, pharmacies are forced into contractual agreements with PBMs, where PBMs completely control the terms.

PSOAs, on the other hand, have recognized the troubles that PBMs cause for pharmacies, and they have tried to help provide assistance.

For me, my PSAO partner does its best to represent our interests during PBM contract negotiations and it handles other administrative duties related to pharmacy operations, so I can focus on patient care instead of paperwork and compliance. Yet, PBMs are still too powerful for PSAOs to make a significant difference despite their efforts.

Senate Bill 2008, a bipartisan bill introduced by Senate Assistant Majority Leader David Koehler, D-Peoria, is designed to help correct the imbalance of PBMs' power and incorporates patient access and reimbursement regulations. I and other independent pharmacists testified in support of the bill last month. Small independent pharmacists across the state from Harrisburg and Marion to Naperville and Carol Stream have publicly pushed for the legislation.

The only way for community pharmacists to truly and wholly care for patients is for Springfield to not just rein in the powers of PBMs, but to understand them as well. There is no doubt PBMs will try and deflect, placing blame elsewhere to maintain their power. However, lawmakers should take it from the people who actually have a vested interest in patient care — not the multi-billion-dollar corporations looking to increase profits. Now is the time to stop PBMs.

Garth Reynolds is the executive director of the Illinois Pharmacists Association.

Small-business growing pains: some common financial challenges

By SUE DUCKETT

Starting a small business is fraught with challenges. Those challenges can be overwhelming in the early days of embarking on your business, especially when you consider the statistics put out by the Bureau of Labor Statistics that show on average, 20 percent of businesses don't make it past the first year, 32 percent of businesses don't make it past the second year, and 50 percent of businesses don't make it past the fifth year.


Duckett

While many small businesses experience growing pains for an array of challenges from your business plan to people and marketing, financial challenges can be the most daunting and can truly make or break your success. Here are six common financial challenges that small businesses face as they grow, plus a few options to overcome them.

Credit concerns: Many banks and traditional lenders will only lend to businesses with established credit histories and favorable credit ratings; plus, they will often consider the small business owner's personal credit history. For many growing companies, both business and personal credit concerns can be a challenge. Requirements usually include a business credit history of one year or more and personal credit history of three years. Additionally, they will look for good credit scores for both the owner and the business. A good personal credit score is typically considered a FICO score of 670 or higher.

Access to working capital: Having access to the working capital that is needed to start and grow your business can be one of the biggest challenges to making your dream a reality. When thinking about working capital options, many only know about the traditional options, such as bank lines of credit. As mentioned above, that can be difficult to obtain without the proper history, credit scores, and if you have had a bad year. It is essential to look beyond the traditional avenues to options geared directly towards new and growing small businesses, thus not including some of the same obstacles to obtain them, such as accounts receivable financing (also called factoring), purchase order financing, and equipment financing.

Accounts receivable financing companies will purchase your unpaid accounts receivables. Factoring improves your cash flow by allowing you to get paid quickly, eliminating the often 30 to 60-plus days wait for payment while looking at your customers' creditworthiness, not yours. In addition to getting you paid quickly, an A/R financing company often provides additional services for little to no additional cost, such as credit checks on your customers to ensure they are creditworthy. Furthermore, they will focus on the collections of your receivables, leaving you to focus on growing your business.

Purchase order financing allows your business to purchase inventory from your vendors without drawing on your line of credit. Additionally, it is off-balance sheet financing, replacing equity investment, and extending your working capital. Unlike banks, PO financing companies are repaid directly from the supplier's accounts receivable and they check the credit for the customer paying the final invoice, instead of yours. Furthermore, before the product ships, the PO financing company will arrange for the inspection of finished products anywhere in the world.

Machine and Equipment Financing enables a company to obtain financing or refinancing based on the value of their machinery and equipment. In addition, it allows you to conserve working capital that can be used to enhance your ability to grow.

Managing invoicing, processing, and collections: It is often the nature of small businesses to have people wearing several hats, but you went into business to produce your product or service, not to have to stare at finance sheets and invoicing programs all day. With that in mind, once your business starts to grow, you may be faced with the question of what to do with those tasks so you can focus on growing and investing in your business? The first thought of many small business owners is to hire someone to manage them. However, there can be many challenges that arise from expanding your staff, from determining if you need someone full-time or part-time, the cost associated with the new employee, and the possibility of employee turnover, to name a few.

If you decide you need to look for additional options, fortunately, there are several other ways to take these tasks off your plate. One option is to hire a company that specializes in back-office support for small businesses. You might even find options for ones that specialize in businesses like yours. Additionally, companies such as accounts receivable factoring companies might handle these tasks for you in addition to providing your business with working capital. As mentioned above, working capital can often be a challenge for small businesses when they are starting and/or growing, so this option could end up efficiently solving two of your challenges at once!

Chasing payments: Chasing payments for past due invoices can be among an entrepreneur's least favorite business activities. In addition to taking you away from other essential responsibilities to help grow your business when chasing payments, you have to worry about not hurting the relationship with your customers that you have worked hard to develop, which can often be a delicate line to walk. With that in mind, it could be beneficial to find an outside independent group with a proven track record of effectively collecting payments.

Accounts Receivable Financing helped a toy company get access to working capital, manage their invoicing, and effectively chase payments

Kaskey Kids was a relatively new toy company when Christy and her husband found themselves spread thin with not enough time in the day. They knew they needed help with cash flow and collecting on invoices. They considered hiring someone to manage it for them then they found Franklin Capital's accounts receivable factoring services.

"Working with Franklin Capital has allowed us to focus on running and growing our business instead of managing our invoicing, chasing payments and worrying about cash flow," said Christy F. Kaskey, founder & CEO of Kaskey Kids Inc.

Funding new large orders: Accepting new large orders can be a key to growing your business. Unfortunately, taking on those new large orders can be a challenge for small businesses due to a lack of funds to fulfill the orders while you wait to be paid. Traditional financing can often be difficult or take too much time to get when faced with an opportunity you don't want to turn down. Alternative financing such as Purchase Order Financing or Accounts Receivable Financing was created for situations just like this. They could be an excellent option to fill your cash flow gap relatively quickly.

Quick growth issues: Business growth can bring additional costs, and when that happens quickly, the expenses associated with the growth can quickly outpace your working capital. If your finances won't catch up quickly enough or there is uncertainty about when you will be paid, you may need to consider options to bridge the gap. Your plan for filling the gap could include traditional and non-traditional funding. For example, Accounts Receivable Financing will pay you immediately for your unpaid invoices eliminating the uncertainly of when payment will be received.

Armed with the knowledge of all of your financing options, from traditional to non-traditional, your small business will be in an excellent position to navigate the many financial growing pains it may experience.

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