MSHP MASSACHUSETTS SOCIETY OF HEALTH-SYSTEM PHARMACISTS

MSHP Statement on the Proposed MA Pharmacy Tax

Situation:

The Governor's office has released their FY2026 Budget recommendations, which include the proposal of Section 67B to Chapter 118E of general laws: a new tax for all prescriptions dispensed in Massachusetts. This tax would require all MA outpatient pharmacies (including retail pharmacies, hospital pharmacies, compounding pharmacies, specialty pharmacies and pharmacies located at federally-qualified health centers) to pay a fee per prescription dispensed in Massachusetts. The proposed tax is not to exceed $2 per prescription or 6% of the pharmacy's total revenue over each defined time period. It is the responsibility of the pharmacy to pay the tax to the state.

The Governor's office projects collecting $145M in this pharmacy tax per year. They anticipate then receiving a 1:1 match from the federal government of $145M, creating an additional $290M in revenue. The Governor's office is proposing that the $145M + $20M additional ($165M) will be returned back to pharmacies via higher Medicaid reimbursement rates at the point of sale, with the remaining revenue going towards the state's General Fund.

MSHP Stance:

The Massachusetts Society of Health System Pharmacists (MSHP) is strongly opposed to this proposed pharmacy tax.

- It would be the responsibility of the pharmacy to pay the tax to the state. This tax would not be passed on to patients, however our patients, particularly vulnerable patients in underserved communities, will still feel its negative impacts through pharmacy closures, increased workload for pharmacies that do remain open, increased wait times and delays in care.
    - A similar tax in Oregon led to the state's largest pharmacy chain (Bi-Mart) closing all pharmacy locations in Oregon. Patients are now facing wait-times of 5 days for new prescriptions in some parts of the state.
    - In other industries, when these types of fees are imposed upon businesses, the impact is shared between the business and the consumer. Pharmacies are not able to pass on the burden of this fee to patients or to any other party (i.e. PBM's/payers, suppliers, manufacturers, etc), despite these other parties typically having larger profit margins than pharmacies themselves.

- The proposed structure to "make pharmacies whole" via increased Medicaid reimbursement rates will impact individual pharmacies differently. Pharmacies with a higher-than-average proportion of patients on Medicaid will recoup more funds than pharmacies with a lower-than-average proportion of patients on Medicaid.

- Many MA pharmacies are already struggling to maintain operations due to ever-tightening profit margins caused by rapidly increasing drug costs and late or inadequate reimbursements from payers, as well as evolving regulatory requirements.

    - Pharmacies are anticipating additional financial strain due to impending tariffs on importation of raw materials used by drug manufacturers, which could lead to further increases in acquisition costs, as well as severe drug shortages.

    - In 2026, pharmacies will begin to see the impact of the Inflation Reduction Act (IRA), which will allow Medicare Part D to negotiate prices for select medications directly with manufacturers. This is estimated to cost the average pharmacy between $40-46,000 in 2026, with this figure expected to grow annually as Medicare negotiations cover more and more drugs each year.

- By eroding the already small profit margins of MA pharmacies, this new tax will directly worsen existing pharmacy deserts in Massachusetts, which will negatively impact the health and wellness of citizens throughout the Commonwealth.

    - Since 2017, Massachusetts has seen the closure of about 200 pharmacies, according to data from the Massachusetts Department of Public Health.

    - Just in the city of Boston, where many citizens of all ages do not own or regularly drive a car, a 2024 analysis found that almost 15,000 people live in a pharmacy desert (a neighborhood where the closest community pharmacy is at least half a mile away).

    - Currently, approximately 1/3 of all Massachusetts zip codes do not contain a community pharmacy.