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## Uninsured throng drugstore when it offered drugs at cost, historic shop went high-volume

By: PAUL MEYER, Staff Writer

McKINNEY - Six months ago, one of Texas' oldest drugstores operated much as it had for 146 years, drawing a small but loyal base of customers with perks like free home delivery, credit accounts based on trust and an old-fashioned cosmetics counter.

Then, owners Kaylei and Michael Mosier made a decision that would change their lives and business: They weren't going to profit on the uninsured.

In a day, 100 calls turned into 1,000 at Smith Drug Co. after The Dallas Morning News and newspapers across the state carried the store's story with anecdotes from customers saving hundreds of dollars a month because of lower prices on many generic drugs.

"It changed our lives, obviously," Mr. Mosier

said Wednesday from the store in downtown McKinney.

"We thought it would end, but it didn't. It's a good thing, but it's just overwhelming."

The small independent pharmacy now competes in the world of high-volume discount drugs in the aftermath of the customer and media barrage.

The Mosiers added a computer and a second phone line, doubled their staff, started a Web site and changed their business model. The customers, meanwhile, just keep coming from across the country.

"What we've become really is a discount pharmacy," Mr. Mosier said, recalling a recent call from a prospective customer asking if the store delivered to Ireland.

"But we're still a place where the wait usually doesn't take more than 15 minutes."

In September, U.S. News & World Report featured Smith Drug for its role in highlighting the price variability of generic drugs from store to store across the country.

It's a lesson some industry observers have long made known: Drug companies make much of their money on the brand names, pharmacies on marking up generics.

For customers with insurance, the amount pharmacies get is largely fixed. But they have wide discretion when it comes to what to charge uninsured customers, observers say.

**Some aggressive pricing**

**"What I'm noticing is on one hand, a lot of pharmacies are still trying to make a lot of money on generics. On the other hand, you're getting a lot of competitive pharmacies, especially online, that are aggressively pricing their generics," said Devon Herrick, a senior fellow at the National Center for Policy Analysis, a conservative Dallas think tank.**

Adding to price differences are varying wholesale prices of drugs, market competition in different regions and overhead costs, observers say.

Mr. Herrick's study last year on shopping for prescription drugs found 1,000 percent markups on generic drugs in some cases, with some of the best prices at smaller independent stores.

"Where the markup is and where most pharmacies make their money is generics. We thought the system wasn't fair in that way," Ms. Mosier said.

In June, Smith Drug Co. sent a simple one-page fax to local doctors announcing the decision to sell drugs to

customers without insurance at what it cost the pharmacy to provide them without a built-in profit.

Others, however, caution against reading too much into perceived markups on generic drugs.

"Markups on generics can at times be misleading. It might cost the pharmacy \$5 to buy a drug as an example. Maybe they sell it for \$10. That's a 100 percent markup, but it's \$5. It's not very much money," said Douglas Hoey, a senior vice president with the National Community Pharmacists Association.

For the Mosiers, the transition from community pharmacy to national drug-seller hasn't been painless.

At the store, the sole phone line was jammed for weeks, and Mr. Mosier's niece and nephew were enlisted to help service customers spilling out the door. Pricing mistakes cost the store thousands, the couple says.

#### **Some changes**

Smith Drug Co. has stopped opening new accounts on credit after the Mosiers say they

weren't paid in several instances. The store also now charges for mailing medication and has had to raise prices slightly to cover their increased staff and overhead.

Then there have been a few unhappy patrons who found prices on their brand-name drugs weren't an improvement from other stores they had been using.

"Sometimes, I feel like we've made more enemies than friends," Ms. Mosier said, also recalling heated conversations with pharmacists unhappy with the store's policy.

But for new uninsured customers like 68-year-old Velma Bicker in Jackson, Miss., and Christa Lynn Rook in Ladonia, Texas, the store has brought hope.

Ms. Rook, who is battling muscular dystrophy and chronic lyme disease, found the McKinney store through the news and estimates it has saved her about \$500 a month on her array of medications.

"To me, it's the kind of pharmacy that just rarely appears anymore."