

“Pharmacy deserts” grow as Rite Aid closes most Michigan operations

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Pharmacy giant Rite Aid, in Chapter 11 bankruptcy since last October, has shut one-third of its drugstores nationally. Michigan is the hardest hit state, set to lose at least 165 of its 185 Rite Aid pharmacies and its Pontiac area distribution center.

The Waterford Township Distribution Center, employing 191 warehouse workers, will close on August 16. A conservative estimate of the number of pharmacy jobs being cut in Michigan is at least 2,100, although the corporation has refused to reveal the actual total.

The president of United Food and Commercial Workers (UFCW) Local 951 told news media outlet MLive that the union has negotiated severance payments for its 325 members in Western Michigan. However, neither the UFCW nor any other union has lifted a finger to fight this attack on workers’ jobs and healthcare. On the contrary, the unions act to stifle opposition and facilitate the shutdowns by allotting minuscule “severance” payments.

The nationwide Rite Aid chain, the seventh largest in the US, filled about 2.2 percent of US prescriptions last year. Since filing for bankruptcy, Rite Aid is on track to close 694 stores nationwide, including 74 percent of Ohio stores. CVS, the largest US drugstore chain, has closed 244 stores since 2019 and says it will shutter 900 more, about 300 per year over the next three years. Walgreens, the number two US chain by volume, has announced plans to close a “significant” number of its 8,600 stores, stating that a full 25 percent of its locations are not profitable.

The mass closure of pharmacies is another frontal attack on the US healthcare system, which is being disassembled piece by piece at the hands of Wall Street profiteers.

The effect of this drastic assault on patient access to pharmacists and medicines is incalculable. According to the National Institute of Health, “Nationally, 15.8 million (4.7 percent) of all people in the United States live in pharmacy deserts, spanning urban and rural settings in all 50 states.”

In the US, local pharmacies are the leading distributors of vaccines. Pharmacists check for drug interactions, educate patrons on medicines and healthcare, and routinely develop a relationship with their clientele, especially in sparsely populated rural areas or poor communities. These closures will impact pharmacy services at a systemic level by creating bottlenecks that will degrade the efficiency of remaining healthcare services nationwide.

Cora Petrosky, a Detroit-area resident with significant health problems, explained to WXYZ-TV why the closure of her local pharmacy is so upsetting.

This is the third time I’ve had to move all my [prescription] information. This one [local store] doesn’t have everything; I get my prescriptions filled at two stores.

I have to have the medications I have to have. I don’t know what I’m going to do. They’re sending me to Walgreens, and I don’t know if they’re going to have my medication or if I’m going to be starting over again and trying to find it.

As to receiving her medicine by mail, which increasingly many people are being forced to do, she said, “Sometimes it doesn’t come. What do you do if it doesn’t come? I can’t wait a week because they don’t have it.”

According to a study by University of Southern California Associate Professor Dima M. Qato, about one in four neighborhoods across the United States faces a pharmacy shortage. This includes 41 communities in already economically devastated Michigan.

The study defines a “pharmacy desert” as an area where the distance to a pharmacy is greater than 10 miles in a rural area, two miles in a suburban area, one mile in an urban area, and a half-mile in neighborhoods that are low-income and have low vehicle ownership. Qato noted, in a report on the University of Southern California’s USC Today, “The World Health Organization has considered geographic access to pharmacies as one of the key determinants of access to essential medicines for decades.”

Qato emphasized that pharmacy closures cause people to stop taking life-saving drugs. The study, published in the *Journal of American Medicine*, looked at the outcomes of more than 3.1 million people and found that older adults on statins, beta-blockers, or blood thinners, and whose pharmacy closed, experienced “an immediate statistically and clinically significant decline” in taking their medications. It further noted that these patients did not recover more than a year later.

In addition to this devastating outcome for thousands of at-risk patients, Qato noted that pharmacy closures deprive people of other critical services. She added:

For example, pharmacists in California and some other states can prescribe and dispense contraceptives and pre-exposure prophylaxis (PrEP) medications for HIV

prevention. Pharmacies in all states are also allowed to dispense buprenorphine for the treatment of opioid use disorder or naloxone, an opioid overdose antidote.

The demise of neighborhood drugstores has multiple causes, all of which lead back to the banks, pharmaceutical corporations, and other corporate parasites. Among the factors are the typically exorbitant payouts to those carrying out the layoffs, including Rite Aid CEO Jeffrey Stein, who was promised a \$20 million “success fee” should he bring the corporation out of bankruptcy. Meanwhile, he receives \$300,000 per month in salary.

As is always the case under capitalism, the large banks call the shots. The real bosses at Rite Aid are the big investors, who announce their presence at quarterly reviews, including JPMorgan Chase, BofA Securities, Evercore ISI Institutional Equities, and Deutsche Bank AG.

Debt-laden Rite Aid took on massive loans to the banks over the past two decades, both to expand market share and then to meet substantial fines for its criminal role in the opioid epidemic. Rite Aid and other pharmacy chains wittingly lined up to profit from the spike in demand for opioids, as over 1 million Americans died.

In 2022, Rite Aid agreed to a \$30 million settlement to resolve opioid lawsuits. This was followed, in March 2023, by a US Department of Justice complaint alleging Rite Aid knowingly filled “at least hundreds of thousands of unlawful prescriptions” from May 2014 through June 2019.

Other pharmacy chains have already agreed to settlements for their role in fueling the opioid crisis. CVS will pay up to \$4.9 billion over a decade, Walgreens agreed to \$5.52 billion over 15 years, Kroger will pay \$11.4 billion over 11 years and Walmart paid \$2.74 billion last year.

An additional factor in the closures is the upending of the “business model” of the local pharmacy, beginning with the skyrocketing cost of drugs. The “normal” profit-taking of the pharmaceutical industry is notorious. Prices are so exorbitant that millions of Americans ration their medications or choose between essential drugs and food on a regular basis.

The cost of these drugs is not driven by research, as the pharma giants lyingly claim, but by profit. A 2020 study published in JAMA Network reviewed drug profits over 18 years and showed “staggering” levels of gross profit, earnings and net income. They note that the massive profits garnered by 35 large pharmaceutical companies was \$11.5 trillion—76.5 percent higher than those of S&P 500 companies.

Compounding the crisis at the local level are the federal cuts to Medicare and Medicaid which have resulted in lowering drug reimbursements to providers. Independent pharmacies have begun cutting back on the medications they stock and some no longer accept Medicare plans.

This squeeze on pharmacies has been dramatically exacerbated by the proliferation of Pharmacy Benefit Managers (PBMs). PBMs are for-profit middlemen that set prices for drugs and co-payments. Three of these PBMs control 80 percent of the prescription drug market, bringing in tens of billions of dollars in revenue and

controlling the drug pipeline from manufacturers to the pharmacy counter. In other words, the PBMs take another large profit cut by raising prices for consumers, making generic drugs unavailable, and forcing pharmacies to dispense medications at a loss.

An independent pharmacist in Ohio, Steve Dolin, gave the *Toledo Blade* an example of the role of highly profitable PBMs:

Mr. Dolin had a customer with a prescription for Paxlovid, an antiviral medication used to treat coronavirus. Upon submitting the customer’s information to the pharmacy benefit manager, Mr. Dolin discovered that his cost to purchase the prescription would be \$1,348.30, of which the PBM would pay only \$1,229.32. Mr. Dolin is prohibited from charging the customer the difference and thus would be forced to swallow a \$118.98 loss. “I had to back that transaction out of the system and send the customer to one of the big chain drugstores,” Mr. Dolin said.

These are the material consequences of capitalism in decay. Every step of the way, the capitalist profit system prevents workers and young people from accessing healthcare and, more broadly, the scientific achievements to which they have a right. As Socialist Equality Party candidate for US vice president, Jerry White, recently told protesting Michigan Medicine workers:

That is why profit must be taken out of medicine. The Socialist Equality Party calls for the establishment of a socialist healthcare system to guarantee free, high-quality healthcare for all. This will only be accomplished through the development of a powerful and politically independent movement of the working class.



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