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Health Care

## Rite Aid's departure from Michigan will lead to 'pharmacy deserts,' experts say

By Dustin Walsh



Credit: Angus Mordant/Bloomberg

Rite Aid filed for Chapter 11 bankruptcy protection last October amid increased competition, low reimbursement and ongoing legal battles over its role in the national opioid epidemic.

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June 25, 2024 05:46 AM

In the last 17 years, the state of Michigan has lost more than 500 retail pharmacies. In dozens of towns in the state, a pharmacy is more than 10 miles away – pushing them outside the nearly 90% of Americans who live within a five-mile commute to the nearest location to get medications.

The problem is about to be exacerbated when the 185 remaining Michigan Rite Aid pharmacies are [expected to close next month](#) as part of the Philadelphia-based pharmacy chain's restructuring under Chapter 11 bankruptcy.

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Pharmacy experts say Rite Aid's departure will surely lead to "pharmacy deserts" that will put patients at risk and is part of a decades-long trend of pharmacies buckling under the financial pressures amid the rise of pharmacy benefit managers.

"This is going to create access issues for patients," said Mark Glasper, CEO of the Lansing-based Michigan Pharmacists Association. "And in some cases is going to create pharmacy deserts in rural areas of the state and lead to a void of important health care services."

## A fallen behemoth

Rite Aid still hasn't commented on media reports that [it will likely be closing all of its stores in Michigan](#) and most of its stores in Ohio. But several news outlets have confirmed that message was delivered directly to employees last week, who are informing patients their scripts will eventually be transferred to the nearest Walgreen's store.

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Last week, news broke of [13 Rite Aid locations in Michigan](#) slated for closure in the latest wave of court filings in the Rite Aid bankruptcy case. At the Rite Aid store in Royal Oak — a store not on the list for closure — a pharmacy tech who answered the phone this week said the location would close within a month and all prescriptions would be transferred to the Walgreens at 12 Mile and Greenfield roads.

Last October, [19 Michigan Rite Aid locations](#) were already on the chopping block as the company filed for bankruptcy. Since then, the number of Michigan stores identified for closure in court filings has grown to 72 locations to date.

Rite Aid attributed its Chapter 11 filing to federal and state lawsuits alleging the country's seventh-largest pharmacy chain filled hundreds of thousands of "medically unnecessary" opioid prescriptions, contributing to a national epidemic.

Competitors Walmart, CVS and Walgreens had already agreed to multi-billion dollar settlements.

But, in reality, Rite Aid has struggled financially for years, losing nearly \$3 billion over the last six years.

To stop the bleeding, Rite Aid has committed to shrinking its footprint. The retailer has closed more than 200 stores and ended 168 leases across the country in the past two years, The Wall Street Journal reported.

The upcoming exit from Michigan means a mass of unemployed pharmacists and technicians and staff, as well.

It's unknown how many Rite Aid employs in the state — the company has refused to acknowledge or answer any questions in the past week since it became public it would likely close nearly all of its Michigan and Ohio stores.

Late last week, Rite Aid filed a Worker Adjustment and Retraining Notification Act of 1988 with the Michigan Department of Labor, notifying it planned to [lay off 191 employees at its distribution center in Waterford Township](#) when it permanently closes on Aug. 16. Included in the terminations are 99 warehouse workers, 29 forklift operators and several supervisors.

While those in the distribution center may be able to find employment quickly, the pharmacists and technicians may face a tougher road when the Rite Aid stores close, said Susan Davis, associate dean of pharmacy at Wayne State University — one of the state's three pharmacy education programs. She said while there are pharmacist shortages, they tend to exist in the retail space and closures like this sour those workers from returning, instead seeking work at hospitals or other more clinical settings.

“The impact on the pharmacy workforce can seem counterintuitive. We still see reports of pharmacist and technician shortages, but with each store closure, more people are put into the job market,” Davis said. “As experts in medication use and access, pharmacists can have many other opportunities in hospitals, clinics, pharmaceutical and regulatory industries. Not everyone would want to come back to community pharmacy unless conditions and practice change.”

### **Rising rural deserts**

Glasper said the long decline of pharmacies is a result of the rise of pharmacy benefit managers, or PBMs, which have historically been unfavorable to independent pharmacies, that is now affecting the larger chains.

PBMs, third-party administrators of prescription drug programs for commercial health plans, employers and Medicare Part D, came into fashion in the 1980s to control costs but rose in power to effectively rule all aspects of drug purchases in 2007 when CVS acquired PBM Caremark.

“The low reimbursement that PBMs give us has been an ongoing problem for decades,” Glasper said. “They control everything and pharmacies get pinched because PBMs are the middle men between

the pharmacy and insurance company. Often (the reimbursement) pharmacies get is under the price they paid for the drug from the manufacturer, which usually they negotiated.”

Rite Aid bought its own PBM, Elixir, in 2015 for \$2 billion. But Rite Aid may have failed to match its competitors, whose PBMs are often argued as steering insurance customers to their affiliated pharmacies. In February, Rite Aid [sold Elixir to a competing PBM, MedImpact Healthcare Systems](#), for \$576 million.

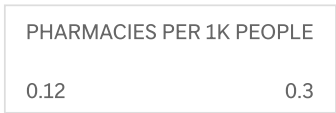
The low reimbursement model under PBMs, which was designed to save patients money, has led to mass closures, Glasper said. In the U.S., about 7,000 retail pharmacies have closed since 2019.

Michigan currently has 2,338 retail pharmacies, which could drop to 2,153 if all the Rite Aid stores close.

While Glasper and Davis are sure pharmacy deserts will be a result of the Rite Aid decision, pharmacy closures appear to be a bigger problem nationally. Michigan has 23.29 retail pharmacies per 100,000 people, ranking eighth in the nation, according to data gathered by the Associated Press.

### What does pharmacy access look like in your area?

Zoom or search to see the number of pharmacies per 1,000 people in a ZIP code. Use the buttons to explore patterns by race.



Ohio, for instance, only has 19.19 retail pharmacies per 100,000 people, ranking 27th in the nation. Illinois is worse at 16.47 retail pharmacies per 100,000 people.

[About this data](#)

And despite being the 10th largest state for population, Michigan ranks seventh in the nation for most retail pharmacies.

But it's likely less about how many pharmacies there are and more about where the pharmacies are located. There are plenty of communities, even in the densely populated Southeast Michigan with few retail pharmacies.

For instance, in the 48082 zip code of St. Clair Shores, there is only one pharmacy for the more than 16,000 residents in that zip code, or 6.2 retail pharmacies per 100,000 people.

That figure becomes even more stark as locales get more rural. In the 48130 zip code encompassing Dexter, Hudson Mills, Scio and Dover, there is one pharmacy for the more than 16,700 residents, or six retail pharmacies per 100,000.

Losing any pharmacy in those more rural communities presents a problem for the residents, Davis said.

“Pharmacies are trusted sources of health care and advice without an appointment. When pharmacies close, you lose that trust and access,” she said. “As a national trend, pharmacy closures have disproportionately impacted medically underserved areas where the effects of a closure can be felt more deeply. It is a trend we need to be paying attention to.”

By Dustin Walsh

Dustin Walsh is a senior reporter for Crain's Detroit Business, covering health care with a focus on industry change and operations, as well as the state's emerging cannabis industry. He is also a regular columnist on all things health, labor, economics and more.

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