



Pharmacy owners stand up to Cardinal

Medicine Shoppe, Medicap contracts unfair, lawsuit says

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Cardinal Health has been sued by franchisees of its Medicine Shoppe and Medicap retail pharmacies over what they view as unfavorable changes Cardinal made to their franchise agreements last year.

The class-action suit, filed yesterday in federal court in Columbus, alleges that Cardinal changed its contracts to include an upfront early termination fee that can be \$1 million or more, along with the condition that franchisees agree to purchase goods only from Cardinal for as long as 12 years with no competitive bidding.

Fifty-four percent of Medicine Shoppe and Medicap franchisees accepted the new contract.

The franchisees say they were defrauded when Cardinal accepted tens of millions of dollars in prepaid franchise fees and then reduced services such as purchasing, accounting and advertising support.

Owners who did not agree to the new contract were hurt by the "arbitrary reduction" of services, the suit alleges, while Cardinal undercut them by offering drastically lower fees to new franchisees.

"These folks are the friendly neighborhood pharmacists, not the big chains," said David Harris, a St. Louis lawyer representing the plaintiffs. "This is basically Cardinal saying, 'We don't want to support that system anymore. We just want to make drug sales.'"

Dublin-based Cardinal, the state's largest company by revenue, has owned Medicine Shoppe and Medicap pharmacies since 1995.

Cardinal says the suit has no merit, said Terry Burnside, general manager and senior vice president for the company's Medicine Shoppe and Medicap operations, in a statement.

"Medicine Shoppe is dedicated to serving the needs of retail pharmacies and to helping them succeed," the executive said. "We firmly believe that our franchise options are fair and equitable."

One Ohio Medicine Shoppe owner said service has declined in the past 10 years, even more so recently.

"We always had a good relationship with (Medicine Shoppe) before Cardinal bought them," said Phil Black, a pharmacist who has owned the Beavercreek Medicine Shoppe since 1981. "Now, when you ask them about changes they're making, they just come back and say, 'Read your contract.'"

Black said Cardinal has cut the selection of competitively priced, private-label Medicine Shoppe products they'd long offered. "That puts us at a competitive disadvantage," he said.

Black said he's confident he'll be able to continue successfully as an independent pharmacist when his Medicine Shoppe deal expires in three years, but he thought it was important to "stand up with other franchisees" against Cardinal.

Three Medicine Shoppe pharmacies are located in central Ohio: in Delaware, Lancaster and Urbana. Nationwide, there are about 850 Medicine Shoppe and Medicap pharmacies, according to the company's Web site. That number has fallen from more than 1,100 since Cardinal has owned the franchise.

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