

February 8, 2023

The White House  
1600 Pennsylvania Avenue NW  
Washington, DC 20500

The PBM Accountability Project shares the Biden Administration's commitment to affordable, high-quality healthcare for all Americans. We bring together stakeholders from the healthcare, labor, business, pharmacy and consumer/patient advocacy spheres to help ensure that patients are not overpaying for the medicines they need. It is our hope that President Biden can utilize the months following the State of the Union address to encourage support for measures that will have a positive effect on the costs consumers experience at the pharmacy counter.

Last year, Congress passed the Inflation Reduction Act (IRA), provisions of which were focused on reducing prescription drug costs. That legislation, though, only affects the future list prices of certain drugs and only for Medicare beneficiaries. Unfortunately, there isn't anything in the IRA that will have an impact on the dominant factor determining prescription drug prices and accessibility. Until solutions are enacted that address the business practices of pharmacy benefit managers (PBMs), working Americans, employers and taxpayers will be victimized by the profit-focused actions of three Fortune 25 middlemen corporations.

We have applauded President Biden's call for greater competitiveness within American industries, and that is certainly needed in the prescription drug supply chain and financial infrastructure. Just three PBM companies control more than 80% of drug purchasing for private health plans, employers and public health programs. These businesses are extraordinarily profitable, aided in large part by a lack of transparency that leaves them immune to oversight and scrutiny. PBMs work with multiple players in the prescription drug supply chain – negotiating discounts and rebates from drug manufacturers, charging fees to their public and private health plan clients, reimbursing pharmacies for dispensing the drugs – but none have a full picture of how the dollars flow or the true cost of the prescription drugs. What we do know is that PBMs are keeping the lion's share of negotiated savings rather than passing them on to consumers at the pharmacy counter.

Although PBMs were created to use their purchasing power leverage to achieve lower drug prices, the consolidation and vertical integration within the industry has transformed it into something entirely different. Today, PBM revenues are tied to the list price of drugs. Therefore, when the list price of a drug is higher, PBM profits increase. With the control PBMs exercise over formularies, they can and have excluded drugs with lower list prices, forcing patients to utilize higher-cost medicines. Even though PBMs negotiate discounted prices from manufacturers, insured patients with deductibles and coinsurance find their out-of-pocket costs based on the undiscounted list price of medicines. It is a fact that large PBMs have excluded insulin with lower list prices from standard formularies, essentially taking more money out of consumers' pockets.



The vertical integration within the drug purchasing-and-dispensing marketplace is also harming American communities. PBMs have major health insurers and affiliated pharmacies within their corporate sphere. They are using this economic power to steer consumers toward their own pharmacies, rather than independent community pharmacies, to have prescriptions filled. Many underserved communities in this country have lost their local pharmacies, removing a valuable healthcare resource.

In short, this is a system with precious little regulatory oversight, a lack of meaningful industry standards, and a void where strong financial reporting requirements should exist. They have used this lack of guardrails to reap enormous profits at consumer and taxpayer expense.

Bipartisan legislation has been introduced in Congress to address PBM business practices and the Federal Trade Commission has begun an inquiry on the subject, but there's a need for presidential engagement that is consistent with a longstanding agenda to reduce costs for patients. We believe President Biden can come to the aid of America's healthcare consumers and reaffirm his leadership on the issue of healthcare affordability by supporting a legislative framework that will create a vibrant and competitive new market for PBM services that have real value for patients.

We applaud the Administration's advocacy for prescription drug affordability. Should President Biden call for action to address the anti-consumer practices of prescription benefit managers, it would not only accelerate progress toward solutions, but also make an important statement that corporations should not place profits ahead of physician-patient decision-making and patient health and well-being.

Sincerely,



Doug Dority  
Chairman  
PBM Accountability Project