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Responses to Question for the Record for Sophia Tripoli, Senior Director of Policy, Families USA

Committee on Education and the Workforce Subcommittee on Health, Employment, Labor, and Pensions
"Competition and Transparency: The Pathway Forward for a Stronger Health Care Market" Wednesday, June 21, 2023 10:15 a.m.

Thank you to Chairman Good and Ranking Member DeSaulnier for the opportunity to testify before the Committee on the important topic of the rising cost of health care and the role of health industry consolidation and pricing abuses. After the hearing, members of the Committee submitted questions for the record, which I've answered below.

If any committee members or staff would like to discuss these issues further, please contact Jane Sheehan, Director of Federal Relations at Families USA (JSheehan@familiesusa.org). It is an honor to support the committee's critical work to expand and improve access to high quality, affordable health care. Please don't hesitate to be in touch if there is anything more we can do to be of service to that shared mission.

Rep. Rick Allen (R-GA)

1. ***Ms. Tripoli, your written testimony discusses the problems that employers and states have had with pharmacy benefit managers and the amount of hidden profit they receive from their services. Do you think increasing transparency for the rebate system, spread pricing, and renumeration would address these hidden profit issues? Why or why not?***

Yes, greater transparency would begin to address these hidden profit issues. As third-party administrators designed to serve as intermediaries between health insurance providers and drug manufacturers, the key function of a pharmacy benefit manager (PBM) is to negotiate drug price concessions from pharmacies and drug manufacturers to lower prescription drug costs for health plans and employers.[i] However, there is far too much opaqueness in the functioning of PBMs and certain business practices that are good for PBMs are bad for consumers. It's this lack of transparency that allows for PBMs to pocket high rebates and continue abusive practices like spread pricing, where PBMs charge a different amount of reimbursement than they pay to pharmacies for generic drugs, in order to fly under the radar.[ii]

PBMs should be required to report comprehensive and accurate data - including but not limited to revenue, price, and utilization data - resulting from their negotiations with drug manufacturers and contracts with insurers, as well as to participate in fully transparent contracting practices. Requiring that plans and employers (the clients of PBMs) receive key information including negotiated prices, gross PBM profits, cost-effectiveness of the PBM's drug lists, and spending patterns, would help to reduce drug benefit costs by increasing competition between PBMs, and would empower the clients of PBMs to negotiate better contract terms.[iii,iv] Greater transparency into the business practices that PBMs use in their contracts is a critical first step to ensuring PBMs' financial incentives are not driving up drug costs for America's families. However, to truly address this problem, there should also be increased oversight and regulation of vertical and horizontal PBM concentration, and requirements that 100% of rebates are passed through to the consumer. Additionally, Congress should pursue reforms that take on the systemic abuses from big drug companies who are ultimately responsible for skyrocketing drug prices and unaffordable prescription drugs.

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[i] *Pharmacy Benefit Managers,* The Center for Insurance and Policy Research, NAIC, April 2022, https://content.naic.org/cipr-topics/pharmacy-benefit-managers

[ii] *Pharmacy Benefit Managers and Their Role in Drug Spending,* The Commonwealth Fund, Apr. 2019, https://www.commonwealthfund.org/publications/explainer/2019/apr/pharmacy-benefit-managers-and-their-role-drug-spending

[iii] Miller, M., *Response to FTC RFI: Business Practices of Pharmacy Benefit Managers and Their Impact on Independent Pharmacies and Consumers,* Arnold Ventures, May 2022, https://craftmediabucket.s3.amazonaws.com/uploads/AV-FTC-PBM-Comment-Letter.pdf

[iv] Bai, G., Socal, M., et al, *Policy Options to Help Self-Insured Employers Improve PBM Contracting Efficiency, Health Affairs*, May 2019, https://www.healthaffairs.org/do/10.1377/forefront.20190529.43197/full/