

Congress of the United States

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Statement for the Record

The Committee on Education and the Workforce

"Competition and Transparency: The Pathway Forward for a Stronger Health Care Market"

Subcommittee on Health, Employment, Labor, and Pensions

June 21, 2023

Chairman Good, Ranking Member DeSaulnier, and Members of the Committee,

Thank you for the invitation to offer this Statement for the Record and for holding this important hearing on health care competition and transparency and the misaligned incentives that distort the market and make it more difficult for patients to get lower cost medications.

As a pharmacist for over four decades, I have seen firsthand the rising costs of prescriptions drugs and the impact it has on patients and families. I was the one who was on the other side of the counter who had to tell the patient how much their insulin costs. I was the one who watched the senior citizens trying to decide whether they were going to buy insulin or buy groceries. I was the one who watched a mother cry because she couldn't afford the medication for her child. I was the one who watched all this happen, and I knew behind the curtain that Pharmacy Benefit Managers ("PBM") are the root cause of high prescription drug costs and inaccessible health care.

PBMs act as middlemen between pharmacies, drug manufacturing companies, and health insurance plans to administer prescription drug benefits. They have vertically integrated, creating health care conglomerates that control pricing with little competition. The three largest PBMs - CVS Caremark, Express Scripts, and OptumRx - control over 80% of the market. Using their size, leverage, and negotiating power, PBMs play a large role in determining which prescription drugs are covered by insurance plans and how much they cost, while keeping themselves mostly hidden from the American public.

PBMs have stated that their role in the marketplace is to control costs. However, over the past thirty years the cost of health care has steadily risen by almost 5% annually. Employers experienced a 1,553% increase in drug benefit costs over that same time for employer-sponsored insurance benefits offered to employees. Fast forward to 2021, health care costs eclipsed \$4 trillion annually, amounting to roughly \$13,000 per person. If PBMs argue they keep drug costs low, then the question naturally arises: why have drug costs gone up so much?

As many experts have noted, PBMs are not really just PBMs anymore. They have been allowed to consolidate and reach into almost every aspect of our health care system at the expense of patients. PBMs are mail-order pharmacies. PBMs own prescribers and physician practices. PBMs own specialty pharmacies. In the case of a company like CVS Caremark, they are a retail pharmacy.

The chart below from the Drug Channels Institute shows the extent of the vertical integration involved. Note that the integration includes mergers with health providers too, not just insurers and pharmacies. This integration presents opportunities for PBMs to lock competing pharmacies, insurers, or even providers out of the market. With less competition, PBMs can continue raising prices and stealing profits from other entities, again leading to increased drug costs.

Vertical Business Relationships Among Insurers, PBMs, Specialty Pharmacies, and Providers, 2023



PBMs have also merged with specialty pharmacies, which were established to manage the extreme growth of specialty medication use and the extra precautions required to dispense them. Specialty medications are complex drugs that treat chronic, difficult-to-treat, or rare conditions. These medications have driven large spikes in health spending in recent years. They often have high prices and usually require special handling, storage, additional training for pharmacists, and intensive patient monitoring.

PBMs that own specialty pharmacies participate in a little-known practice called “patient steering,” where the PBM forces patients, through their insurance network, to use a specialty pharmacy the PBM owns. The PBM unilaterally decides what medications will be covered as part of a patient’s drug formulary. This presents an opportunity for PBMs to spike costs because patients have limited options to access the medication elsewhere.

We’ve heard countless stories about how these middlemen drive up drug prices and steer patients to use their own pharmacies, forcing independent pharmacies out of business. Last year, my office rushed to action when we heard that Cigna/Express Scripts was planning to remove almost 15,000 local independent pharmacies out of the military’s TRICARE network, depriving our servicemembers and veterans of access to their trusted local health care provider. Plain and simple, PBMs’ market consolidation and integration has enabled these unfair and deceptive practices, resulting in decreased competition and higher prices.

The consolidation and vertical integration of our health care system is not limited to PBMs. Rather, our entire health care has become consolidated. Hospitals, physicians, and health insurer markets have become increasingly consolidated. There have been almost 1,800 hospital mergers between 1998 and 2021, leading to about 2,000 fewer hospitals throughout the country. Larger health systems are also buying physician practices at record rates. More than 80,000 physician practices were acquired in 2018, a marked increase over the more than 35,000 acquired in 2012.

Take UnitedHealth Group as an example. This conglomerate has a stronghold on every type of health care service. It is the single largest employer of physicians, while also one of the biggest insurance companies, meaning it gets to choose how much to pay the doctors who rival its own. It also controls its PBM, its own mail-order pharmacy, and recently acquired a hospice and home health service provider.

Undoubtedly, these companies will say their moves to acquire other businesses and grow are intended to save money. However, I recently asked the Director of the Congressional Budget Office, Phill Swagel, to name one example of a health care consolidation that has benefited patients and taxpayers. His response, "Sir, I cannot think of one example."

It's past time for Congress to examine how more competition can help lower health care costs.

I want to again thank Chairman Good, Ranking Member DeSaulnier, and the members of this Subcommittee for holding this hearing today. I believe this is a perfect opportunity to show the American people that we care about them and are working towards solutions that increase the accessibility, affordability, quality of health care.

Sincerely,



Earl L. "Buddy" Carter
Member of Congress