

**m“The Role of Pharmacy Benefit Managers in Prescription Drug Markets Part II:  
Not What the Doctor Ordered”  
Committee on Oversight and Accountability  
10:00 AM, Tuesday, September 19, 2023  
Statement for the Record  
Rep. Gerald E. Connolly (D-VA)**

Democrats have long been committed to lowering prescription drug prices and ensuring that patients can access affordable medications. In fact, some of Congress’ most important work to address the accessibility and affordability of prescription drugs began with Democrats in this Committee. Thanks to the leadership of the late Congressman and then-Chairman Elijah Cummings, Committee Democrats conducted oversight into pharmaceutical manufacturers’ sky-high drug prices and predatory practices. These investigations inevitably led to the creation of the critical and comprehensive drug reform legislation, known as the Elijah E. Cummings Lower Drug Costs Now Act (H.R.3), which passed the House during the 116th Congress.

Then in 2022, Democrats resurrected these provisions and worked with the Biden Administration to include them within the once in a generation reform bill known as the Inflation Reduction Act. This law empowered Medicare with the authority to negotiate prices for certain drugs, required drug manufacturers to pay rebates for price increases above inflation, capped out-of-pocket spending for Medicare enrollees, and limited cost sharing for insulin. It is the most significant action Congress has taken in history to address the pressing issues of prescription drug prices. The nonpartisan Congressional Budget Office expects that net prices for selected drugs will decrease by roughly 50 percent on average because of negotiation.

Last month, the Biden administration took a major step forward in achieving lower prices by announcing the first ten drugs selected for negotiation under Medicare Part D. In 2022, about 9 million Medicare enrollees prescribed these ten drugs, paid \$3.4 billion in out-of-pocket costs for these very prescriptions. Negotiations will begin this year and the negotiated maximum fair prices will go into effect within the next three years.

Medicare negotiation was passed without a single Republican vote and Committee Democrats found no Republican allies when we were investigating pharmaceutical manufacturers. Despite their confounding opposition to investigating drug prices then, I look forward to working with the Chairman to examine the drug supply chain and the critical role that Pharmacy Benefit Managers (PBMs) play in it, with the ultimate goal of ensuring that every American can afford the medications they need to live healthy lives.

It is essential to recognize the central role PBMs play in the complex and multifaceted pharmaceutical supply chain. PBMs are intermediaries who negotiate drug prices on behalf of health insurers and employers, ostensibly to lower costs. However, their practices and lack of transparency have come under increasing scrutiny. PBMs have evolved to wield substantial influence, impacting the entire healthcare ecosystem, from drug manufacturers to pharmacies to patients. The time has come for a comprehensive examination of their operations and practices.

For example, PBM rebate negotiations were initially intended to drive down costs but instead have often resulted in higher drug prices for patients by incentivizing pharmaceutical companies to maintain high list prices. Additionally, there is some evidence indicating that the fees PBMs charge pharmacies for Medicare prescriptions have exasperated the financial challenges for independent pharmacies. These fees, known as direct and indirect remuneration (DIR) fees, have increased 100,000 percent between 2010 and 2020.

The use of spread pricing by PBMs can increase prescription prices by 15-30 percent. Spread pricing occurs when PBMs charge health plans or employers more for a medication than they reimburse pharmacies for dispensing it. This discrepancy results in a profit margin or "spread" for the PBM, often undisclosed to the plan sponsors or patients.

Market consolidation among PBMs has resulted in three major companies dominating the landscape, thereby granting them outsized influence in our healthcare system. This concentration of power raises serious concerns about competition, transparency, and accountability. When only a handful of entities control the drug supply chain, it limits the ability of other stakeholders to negotiate fair prices and ensure patients' access to essential medications.

To make progress in this endeavor, we must engage in a constructive dialogue with stakeholders across the healthcare spectrum, from patients, drug manufacturers, and insurers, and pharmacists. By doing so, we can identify systemic problems and implement effective reforms that will benefit all Americans.

I look forward to continuing Committee Democrats' work to lower prescription drug prices, improve transparency, and ensure that patients have access to the affordable medications they need for their well-being. The time for action is now, and I look forward to collaborating with my colleagues to address these critical issues.