May 31, 2023

The Honorable Brett Guthrie
Chairman
Subcommittee on Health
U.S. House Committee on Energy and Commerce
2125 Rayburn House Office Building
Washington, DC, 20515

Dear Chairman Guthrie:

Thank you for the opportunity to testify before the House Committee on Energy and Commerce Subcommittee on Health at your April 26 hearing on behalf of the Pharmaceutical Care Management Association (PCMA). Our responses to Representative Bilirakis's questions for the record are below.

1. **What is the PBM industry doing to stop the use of Alternative Funding Venders, also known as, Alternative Funding Programs from taking advantage of compassionate care programs and funding that is intended to provide access and relief for economically challenged patients?**

As the industry's trade association, we are not privy to the details of member companies' actions with respect to alternative funding vendors; however, the use of these vendors bypasses formularies and incentives intended to encourage patients to use the most cost-effective and clinically appropriate drugs to treat their condition. PBMs administer formularies on behalf of their health plan sponsor clients to help lower drug costs. Further, PBMs have tools in place to monitor utilization to avoid negative drug interactions and encourage adherence, and alternative funding programs interfere with pharmacy benefit companies' ability to do those things in support of better patient outcomes.

In the United States, pharmacy benefit companies provide affordable access to prescription drugs for 275 million people, who fill more than 3.6 billion prescriptions annually. PBMs support efforts to address high out-of-pocket costs for patients and offer health plan sponsors a variety of programs in the commercial market to lower patient cost sharing. These include benefit design options that allow up to full rebate pass-through at the point of sale and programs for zero or low cost sharing for preventive and chronic medications ahead of meeting a deductible. Through advocacy, pharmacy benefit companies encouraged the U.S. Department of Treasury to expand the list of preventive care for health savings account (HSA) participants to include a wider range of drugs used to treat chronic conditions, such as diabetes, asthma, and heart disease. The U.S. Department of Treasury now allows certain chronic and preventive care

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prescriptions, including insulin, to be covered at no or low cost sharing ahead of an enrollee meeting the deductible in high deductible health plans.

In addition to offering programs to lower out-of-pocket costs, PBMs work with those providing insurance to encourage patients through formulary design and cost-sharing incentives to use the most affordable drugs, which are usually generics. Generic dispensing has grown over the past decade as more generics have entered the market and patients have responded to health plan designs encouraging their use.[i] PBMs also employ other tools designed to deliver high-quality drug benefits while bringing down costs.[ii] For many brand drugs, PBMs negotiate directly with drug manufacturers who compete for formulary placement by offering rebates.[iii] For drugs on a preferred tier of a plan's formulary, patients typically have lower cost sharing.[iv] As competing products enter the market, PBMs gain the flexibility to leverage competitor products to negotiate deeper drug discounts for patients, plans and employers.[v]

PBMs have also led the industry in creating arrangements that account for the value of specialty and high-cost medications.[vi] Value-based arrangements will be critical to managing the costs of next-generation therapies such as cell and gene therapies, orphan drugs, and ultra-expensive specialty drugs. Value-based contracts will better allow plans to manage these high costs, and plan sponsors will need broad flexibility to craft and employ value-based contracts.

2. **We've heard concerning stories about patients not gaining access to treatments due to PBM narrow networks with plans. What is the industry doing to ensure patients are not denied access to important medications for serious chronic diseases because of Exclusion Lists?**

A formulary is a continually updated list of prescription drugs approved for reimbursement by the pharmacy benefit company's plan sponsor clients. In coordination with independent clinical experts on a pharmacy and therapeutics (P&T) committee, pharmacy benefit companies typically develop a recommended formulary for plan sponsors, who may customize it. Prescription drug formularies give patients financial incentives to use the most clinically effective and cost-effective generic and brand drugs. When there are multiple drug options that are equally effective at treating a medical condition, pharmacy benefit companies encourage drug companies to compete for formulary placement by offering price concessions. In turn, plan enrollees typically have lower cost sharing for the less expensive drug to encourage its use over costlier drugs that provide no meaningful additional clinical benefit.

With regard to an exclusion list, plan sponsors provide an appeals process for members to utilize for prescription drugs that may be excluded from coverage for a given plan. Additionally, plan sponsors design pharmacy networks to ensure that patients have access to the medications they need and often must meet network adequacy standards set by federal and/or state law. They also include pharmacies that are high quality, ensure patient safety, and are often lower cost for their members. These preferred pharmacies provide a higher standard

of care, and some specialize in handling patients who have serious illnesses. Plan sponsors select these specially qualified pharmacies to help manage a member's serious chronic disease, ensure adherence, and lower overall costs.

Again, I appreciate the opportunity to testify and submit answers to the questions for the record. If you have any questions, please do not hesitate to contact me directly at kbass@pcmanet.org.

Sincerely,

Kristin Bass
Chief Policy and External Affairs Officer

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[ii] Pharmacy Benefit Management Institute (PBMI). Solving America's High Drug Cost Problem: Prevent Drug Company Tactics that Increase Costs and Undermine Clinical Quality. 2020. Available at https://www.pcmanet.org/wp-content/uploads/2021/01/Solving-America%E2%80%99s-High-Drug-Cost-Problem_whitepaper_FINAL2.pdf. Pharmacy Benefit Management Institute (PBMI). Trends in Specialty Drug Benefits. 2017. Available at www.pbmi.com/research. Pharmacy Benefit Management Institute (PBMI). 2016 Trends in Drug Benefit Design. 2016. Available at www.pbmi.com/research.

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[iv] Congressional Budget Office (CBO). Prescription Drugs: Spending, Use, and Prices. January 17, 2020. Available at https://www.cbo.gov/system/files/2022-01/57050-Rx-Spending.pdf.

[v] Congressional Budget Office (CBO). Prescription Drugs: Spending, Use, and Prices. January 17, 2020. Available at https://www.cbo.gov/system/files/2022-01/57050-Rx-Spending.pdf.

[vi] Pharmacy Benefit Management Institute. Solving America's High Drug Cost Problem: Prevent Drug Company Tactics that Increase Costs and Undermine Clinical Quality. January 2021. Available https://www.pcmanet.org/wp-content/uploads/2021/01/Solving-America%E2%80%99s-High-Drug-Cost-Problem_whitepaper_FINAL2.pdf.