Responses to Question for the Record Posed to Matthew Fiedler, Ph.D.
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Following a hearing before the United States House of Representatives
Committee on Energy and Commerce
Subcommittee on Health

"An Examination of How Reining in PBMs Will Drive
Competition and Lower Costs for Patients"

February 26, 2025

The Honorable Troy Balderson

Over the past few years, we have seen pharmacy benefit managers (PBMs) and their affiliated group purchasing organizations (GPOs) increase the use of service fees, for instance requiring manufacturers to pay for access to necessary information or data. The rapid rise in these so-called service fees is just an example of the onerous challenges PBMs and GPOs are inflicting on manufacturers. These fees are designed for profits, they are not designed to reduce costs for patients. How should we ensure that these fees are truly bona fide?

Thank you for your question, Congressman.

I see little rationale for directly regulating specific revenue streams flowing between PBMs (or their GPOs) and drug manufacturers. From an economic perspective, what matters is the total net revenue that manufacturers can collect for selling their products, not the precise composition of that revenue. Limiting a specific revenue stream is unlikely to have much effect on net revenue since it does not change the underlying bargaining position of either the PBM or manufacturer. Thus, if PBMs are barred from collecting service fees, they are likely to be able to limit manufacturer revenues in other ways (e.g., reducing net prices).

This is not to say that the current system is necessarily delivering appropriate amounts of revenue to manufacturers. The ultimate goal is to ensure that the revenue manufacturers receive is adequate to cover their costs of producing those drugs and, more importantly in most instances, appropriately balances the objectives of keeping drugs affordable for patients and encouraging manufacturers to make appropriate investments in research and development. Some would argue that current manufacturer revenues are too high in light of those objectives, while others would argue that they are too low. But this, I would argue, is the question policymakers should focus on, not specific revenue streams.

What do you predict PBMs and their affiliated GPOs will do next in their efforts to maximize profits at the expense of patients and taxpayers?

I have not conducted the analysis needed to predict how PBM conduct may change in the future. However, one important ongoing change in this market is efforts by insurers that do not have their own PBMs to build up their own in-house capabilities. This trend is moving us farther into a world where PBM-insurer integration is the norm and has a range of implications for how these markets function and how policymakers should approach them.