



JAMES GELFAND
President and CEO

The Honorable Morgan Griffith
Chairman
U.S. House of Representatives
Committee on Energy and Commerce
Subcommittee on Health
2125 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Griffith,

Thank you for the invitation to testify before the Subcommittee on Health on Wednesday, February 11, 2026, at the hearing entitled *"Lowering Health Care Costs for All Americans: An Examination of the Prescription Drug Supply Chain."*

I appreciate the Subcommittee's leadership in examining the prescription drug supply chain and the practical impacts of market structure and contracting practices on patients, plan sponsors, and taxpayers. Employers that sponsor health benefits share the goal of ensuring that individuals can access needed medications at affordable and predictable costs, while also maintaining a sustainable system that supports competition and innovation.

The enclosed responses are intended to be constructive and to support the subcommittee's efforts to advance policies that promote transparency, accountability, and lower out-of-pocket costs for consumers.

Sincerely,

A handwritten signature in blue ink that reads 'James P. Gelfand'.

James P. Gelfand
President and CEO

The Honorable Earl L. “Buddy” Carter (R-GA)

- 1. PBMs have been a recent focus of various legislative and enforcement initiatives. Less explored are wholesalers, a space—like PBMs—characterized by three dominant players: McKesson, Cardinal, and Cencora. Does the U.S. market for wholesale drugs exhibit characteristics of healthy competition?**

The wholesale distribution market is dominated by a small group of firms, with the three you cited collectively controlling roughly 95 percent of the market,¹ making it challenging for other wholesalers to compete on a level playing field.

- a. Is this an area in need of additional scrutiny and, if so, why?**

Wholesalers have received little oversight and deserve more attention due to their role in driving higher drug prices and costs for patients. Manufacturers generally depend on wholesale distributors to store medications and deliver them to pharmacies. Wholesalers typically buy medications from manufacturers at the wholesale acquisition cost (WAC). In return for distribution services or meeting specific performance targets, drug manufacturers pay wholesalers service fees. These fees are often calculated as a percentage of WAC and effectively reduce the wholesaler’s actual purchase cost. Additional price reductions may come from manufacturer discounts for early payment or large purchase volumes, further decreasing the net price paid by wholesalers. Pharmacies then purchase the prescription drugs from the wholesalers. Because wholesalers compete to supply pharmacies, they often share part, but not likely all, of the discounts and fees. ERIC supports efforts to eliminate conflicts of interest and perverse incentives from the medical system – and it can be argued that any payment that is calculated as a percentage of a drug (or other treatment) list price creates an incentive to prefer higher cost drugs.

The Honorable Erin Houchin (R-IN)

- 1. If a major factor for PBMs winning contracts with large employers involves guaranteed pharmacy discounts, do large employers have a role to play in correcting the misaligned incentive of low reimbursements squeezing independent pharmacies out of business?**

Large employers are committed to ensuring affordable access to prescription drugs for their employees while maintaining a competitive and sustainable health care ecosystem. They rely on their pharmacy benefit managers to structure networks that balance cost, access, and quality. We continue to monitor market dynamics and support policies that promote transparency and long-term sustainability.

There is not a direct, proven, causal link between the rates charged to employer-sponsored group health plans and their enrollees, to the amounts paid to pharmacists. In fact, some smaller PBMs that charge employers less for a given drug, may pay a pharmacist more for dispensing that drug. As such, we do not believe that the way to save independent pharmacies is to raise costs on employers.

¹ [“3 Stocks to Watch in the Drug Distribution Industry”](#). Keonhee Kim. Morningstar, April 2024.

2. **Major PBMs have rolled out so-called “cost-plus” reimbursement models, where they contract with pharmacies to pay them their acquisition cost plus a dispensing fee, thereby eliminating the common issue where pharmacies lose money on certain scripts. However, PBMs report ERISA clients are overwhelmingly not interested in this contracting model. Why aren’t large employers moving to cost-plus?**

Employers evaluate a wide range of pharmacy contracting models, including cost-plus arrangements. While these models may offer benefits in certain contexts, employers must consider the total cost of care, administrative complexity, and the ability to deliver consistent value across diverse populations and states. Plan sponsors have a fiduciary duty under ERISA to run the plan solely in the interest of participants and beneficiaries and for the exclusive purpose of providing benefits and paying plan expenses. Employers offering ERISA self-funded health benefit plans are afforded a level of flexibility to design the benefit to meet needs specific to their workforce, which can vary from one employer to the next. Different tools, such as cost-plus arrangements, may be beneficial to meeting these needs, but there is no one-size-fits-all point solution.

- a. **What steps can ERIC members take to help ensure a more sustainable business model for independent pharmacies?**

Employers value the role of independent pharmacies in delivering community-based care and are focused on maintaining broad and accessible pharmacy networks. We support efforts to increase transparency, reduce inefficiencies, and encourage innovation across the supply chain to ensure patients have reliable access to medications.

The Honorable Debbie Dingell (D-MI)

1. **Do the high costs of prescription drugs hurt the ability of your members to increase wages?**

Rising health care costs, including prescription drugs, are one of many factors large employers must consider when managing total compensation and benefits. ERIC member companies remain committed to offering competitive wages and comprehensive benefits, and they continuously evaluate how best to allocate resources to support their workforce. Because health benefits are a part of an employee’s total compensation, the rate of increase of health care costs does have a direct and suppressive effect on employers’ ability to raise wages, increase benefits, or hire additional workers.

2. **What should we be doing to ensure some of the largest employers can continue to offer robust health coverage, including prescription drug coverage, but at the same time lowering costs?**

Ensuring access to high-quality, affordable health care coverage requires a collaborative approach across the entire health care system. Employers support policies that increase transparency, foster competition, promote innovation, and address inefficiencies in the pharmaceutical supply chain. By working with stakeholders and advancing the legislation highlighted below, we can create a more sustainable system that delivers value for patients and plan sponsors alike.

- *Biosimilar Red Tape Elimination Act* (H.R. 5526): The bill removes certain requirements for biosimilars to be designated as interchangeable.
- *Patients Deserve Price Tags Act* (H.R. 5582): The bill provides for improved price transparency, helping patients understand the actual cost of care, and extends reporting requirements across a range of health care providers, plans, and PBMs.
- *Healthy Competition for Better Care Act* (H.R. 6248): This bill improves fairness in contracting by banning anticompetitive terms in facility and insurance contracts that limit access to higher quality, lower cost care.
- *PBM Fiduciary Accountability, Integrity, and Reform (FAIR) Act* (H.R. 6837): This bill clarifies that fiduciary standards for ERISA employer health benefit plans apply in full to PBMs performing services on behalf of the plan.