



california
pharmacists
association

California Life Sciences & CA Pharmacists Association Joint Letter on PBM Reform

Dear Members of the California Congressional Delegation,

As leaders representing the innovative life sciences sector and the pharmacy profession in all practice settings, we write to encourage you to pass **meaningful legislative pharmacy benefit manager (PBM) reforms** before the end of this year. These reforms, which should go beyond simple transparency measures to address financial practices that result in higher out-of-pocket costs, are critical to foster innovation in our health care system and ensure affordable access to the vital medications that our members create and administer.

We applaud the bipartisan, bicameral work that Congress and the California delegation have done to reform the misaligned incentives in the PBM marketplace thus far, with numerous bills having been acted upon by relevant committees of jurisdiction. These comprehensive reforms would put an end to practices by PBMs that put profits over the health of patients by:

- Prohibiting patient steering to affiliated pharmacies and allowing in-network pharmacies that best meet their needs;
- Prohibiting spread pricing, where PBMs charge a plan more for a drug than it pays a pharmacy;
- “De-linking” PBM revenue from the list price of prescription medications;
- Requiring PBMs to pass all negotiated drug rebates to payers or patients;
- Outlawing untrue, misleading, or deceptive statements;
- Prohibiting certain exclusive arrangements; and
- Requiring transparency around fees and limit how these fees may be charged.

California Life Sciences is proud to represent over 1,200 innovative life sciences organizations across the state, with membership spanning biotechnology, biopharmaceutical, medical device and technology companies, venture capital firms, and research hospitals and universities. California’s life sciences sector generates more than 1.1 million direct and indirect jobs and over \$472 million in annual economic output for our state, driving innovation that improves patient care and saves lives across the globe.

The California Pharmacists Association (CPhA) was founded in 1869 and is the largest state association representing pharmacists. CPhA represents pharmacists, technicians, and student pharmacists from all practice settings. These practice settings include community pharmacies (both independent owners and chain drug stores), hospitals & health systems, and specialty practices such as compounding, managed care, and long-term care. Together, our organizations work tirelessly to ensure that we create and administer medicines that treat and cure patients in California. However, these innovations are of no use to patients if the many practices employed by

PBMs increase patients' costs and limit patient access to these innovative treatments and cures. This is precisely why we believe that these reforms are needed now.

The need for immediate PBM reform has been recognized not only by our organizations, but also by leading patient groups, national trade associations, policymakers, and government agencies. Most recently, the Federal Trade Commission (FTC) released an interim staff report outlining the growing influence that PBMs have over patient access to critical treatments and cures. In the report, the FTC highlights that the **top three PBMs manage over 80% of prescriptions in the United States and are vertically integrated with health insurers**. The report also highlights that the top six PBMs control nearly 95% of all prescriptions filled in the U.S. This concentration has **allowed PBMs and insurers to profit at the expense of patients and independent pharmacists** by overcharging for critical medications like cancer treatments. These practices have led to increased healthcare costs and significant patient access challenges, which lead to worse patient outcomes.

Furthermore, a recent report finds that PBM contracting services are straining the finances of pharmacies, which is directly contributing to their closures. In 2023 there were over 300 independent pharmacy net closures – almost one less pharmacy open for patients a day – and overall, there were approximately 2,200 fewer retail pharmacies than there were four years ago leaving many communities, with few or no pharmacists to treat local residents.

We are at a crucial time in community pharmacy, the unfair business practices of PBMs are making it increasingly difficult for pharmacies that are not owned by a PBM to keep their doors open. Pharmacy closures can have devastating impacts on patients, especially for those without the means to travel to a pharmacy outside of their community, which can lead to interruptions in treatment.

It is essential to ensure patients receive the covered health benefits they are entitled to, and it is essential for community pharmacies to continue to be able to operate in this state. Considering the impact for our state and the entire nation, California Life Sciences and the California Pharmacists Association encourage Congress to prioritize final passage of PBM reforms by the end of this year. By addressing the misaligned incentives of PBMs and enacting meaningful reform, your constituents will have greater choice in the medicines they receive at a lower cost. Thank you for your continued support of California's innovative life science sector, pharmacy professionals, and most importantly the patients we serve.

Sincerely,



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