



U.S. Senate Committee on Commerce, Science and Transportation
Testimony of Thomas R. Lussier
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Chairman Cantwell, Ranking Member Cruz, and Members of the Committee:

On behalf of the members of the Public Sector HealthCare Roundtable (the Roundtable) and the public sector employees, retirees, and their dependents they serve, we thank you for the opportunity to provide comments about the transparency and accountability of Pharmacy Benefit Managers (PBMs).

Introduction

The Roundtable is a non-profit, non-partisan coalition of public sector purchasers from across the United States including states, counties, and municipalities working together to bring a voice to the tens of millions of public sector employees, retirees, and their dependents they serve. Over 15 percent of the American workforce is employed by public sector entities, and collectively they spend \$43 billion annually on health care benefits, including prescription drug benefits, which serve as a critical component of state compensation programs.

Our members have a fiduciary duty to the public sector consumers that we serve to offer high-quality benefits at a cost that is affordable, and the rapidly increasing cost of prescription drugs in the U.S. threatens our ability to accomplish this goal. Currently, most of our members work with PBMs and self-funded Employer Group Waiver Plans (EGWPs) to cover the prescription drug benefits of public sector employees, retirees, and their dependents. It should be noted, that when the drug plan is self-funded, then the employer or retirement system makes the final decisions on who keeps rebates or who is incentivized to use mail order because we are the true payer of claims and not the PBM. PBMs play an important structural role in maintaining affordable drug costs for our members' retirees.

Summary

The Roundtable supports efforts to constrain health care cost growth and PBMs play an essential role in maintaining affordable drug costs for Roundtable members' active and retired populations. Our members rely on the ability of PBMs to negotiate with all parties in the prescription drug supply chain for the best possible price. The Roundtable is concerned about the potential impact that S. 127, if enacted, would have on our members' access to affordable prescription drug benefits.

Specifically:

- We urge the Committee to reconsider the contracting requirements for PBMs that are included in the legislation. The bill mandates specific forms of contracting, impacting the flexibility of our members to work with PBMs to design benefits that work best for the populations they serve.

- Our members rely on PBMs' ability to negotiate, which S. 127 could hamper. Roundtable members ensure that PBMs are accountable during negotiations and can consistently guarantee that our PBM partners are competing for the best benefits possible for members. Greater transparency in PBM negotiations does not guarantee lower costs.
- We remain focused on the issue of high drug costs and believe a large contributor is the exorbitant prices prescription drug manufacturers charge. We believe the scope of S. 127 is limited because it only targets one aspect of the pharmaceutical supply chain.

PBM Contracting Requirements

PBMs help public sector purchasers get the best possible price for public sector workers, retirees, and their families. S. 127 mandates specific forms of contracting with employers, impacting the flexibility of our members to work with PBMs to design the best benefits for their retirees. For our members, contracting directly with PBMs saves money and results in better benefits and prices for their retirees than embedding prescription drug benefits in their health plans. Contracting for volume pricing with manufacturers and pharmacies is not something our members, public sector retirement systems, and other public sector health plans, are able to achieve without PBM assistance. As a result, our members have access to a wide and diverse range of brand and generic drugs through a formulary established by the PBM, at an affordable copay. Providing our members with the flexibility to design their own PBM contractual compensation model can help our members decrease administrative costs and pass on savings to their retirees.

Ensuring Price Transparency & Accountability

PBMs maintain affordable drug prices for our members' retirees through their ability to negotiate with all parties in the supply chain. Roundtable members can consistently guarantee that our PBM partners are competing for the best benefits possible for members. Self-funded Medicare Part D EGWPs use all formulary rebates to reduce the premiums charged to retirees on a dollar-for-dollar basis. In practice, the rebates received feed directly into the premiums charged to our employees and retirees. The way our Medicare Part D EGWP plans manage this fast rise in cost is through rebates. Our members verify the rebates contribute to the value of plans by completing consistent Requests for Proposals every few years to ensure that market pressures are acting to keep PBM administrative fees at a competitive rate. As a result, our members can ensure our PBM partners are accountable and compete for the best benefits possible. In addition, when our members have utilized acquisition-based contracts that are more transparent and based on PMPM and administrative fees, our members have seen the costs for prescription drug benefit plans increase, reducing the savings shared with their retirees. Increased transparency does not guarantee lower costs. PBMs understand the complicated pharmaceutical supply chain and landscape and leverage their negotiating power to get the best benefits for our members.

Targeting Rising Drug Prices

The Roundtable is very concerned about the rising pharmaceutical costs, and S. 127 does not adequately address this problem because its scope is limited to only one aspect of the pharmaceutical supply chain. As a result, the bill is presenting an incomplete picture of the pharmaceutical supply chain and drug prices. PBMs help our members maintain affordable drug costs through formulary design and care management techniques. For our employees and retirees, drug manufacturer list prices have the largest impact on the cost because list prices have consistently risen at faster rates than inflation. To keep costs

low for our retirees enrolled in a Medicare Part D EGWP, our members use formulary designs that are 100% approved by Medicare with at least one drug available in the lower copayment tiers in every therapeutic category. These formularies, based on both clinical and economic value have allowed our members to maintain this drug benefit and ensure their retirees have access to a wide and diverse range of brand and generic drugs.

With fully self-funded plans, our members must balance the reality of covering the necessary drugs for their employees and retirees while also keeping premiums low. To counter the skyrocketing costs, our members rely on care management techniques provided by PBMs to lower the net annual price per member per month to the plan. Our members utilize widely accepted care management techniques like prior authorization and step therapy, allowing them to keep premiums low. With the exorbitant price of drugs, we encourage the Committee and the Federal Trade Commission (FTC) to examine the anti-competitive practices of drug manufacturers.

Conclusion

In conclusion, we urge the Committee to consider the potential impacts that S. 127, if enacted, would have on our members' access to affordable prescription drug benefits. The Roundtable is concerned that the legislation mandates specific forms of contracting with employers, impacting the flexibility of our members to work with PBMs to design the best benefits and, thereby, reduce costs. Our members rely on PBMs' ability to negotiate and secure the best prices for our members. We recognize concerns around accountability, but our members can consistently guarantee that our PBM partners are competing for the best benefits possible for members. We believe the scope of S. 127 is limited because it only targets one aspect of the pharmaceutical supply chain. For our employees and retirees and plans, drug manufacturer list prices have the largest impact on cost. We encourage the Committee and the FTC to investigate the role of drug manufacturers in high drug prices. Thank you again for the opportunity to present our perspective and we look forward to working with you to develop policies to address rising drug prices for our members and the employees and retirees they serve.