



# The DRUG Act Would Not Lower Drug Prices But Would Increase Costs for Taxpayers, Employers, and Patients

Lowering drug prices is a priority for members of Congress and their constituents, but most of the active proposals to address high drug prices are misdirected. Drug companies are solely responsible for high drug prices. They set and raise prices and they can also lower them. **As an expert witness recently noted during a recent House Oversight Committee hearing, “Drug prices are set high in the United States because simply, drug manufacturers can charge them, and we will pay them.”**

## “Delinking” would not lower drug prices or save patients any money.

- » “Delinking” would significantly increase drug prices, reduce drug utilization, and redistribute billions of dollars annually from patients and taxpayers to pharmacy companies and drug manufacturers.
- » “Delinking” in Part D would result in a financial windfall for big drug companies, with an additional \$10 billion every year for them, while costing patients and payers up to \$18 billion.<sup>1</sup>
- » “Delinking” in the commercial market would give big drug companies an even greater windfall—to the tune of \$22 billion—from the pockets of consumers and increase premiums up to \$26.6 billion.<sup>2</sup>
- » “Delinking” would make drug coverage more expensive by reducing the negotiated rebates and discounts PBMs pass to health plans to lower drug costs for patients and health plans, which could lead plans to raise premiums to finance drug benefits.

## Banning spread contracts reduces employers’ options to pay for PBM services.

- » Plan sponsors should have the option of determining how they pay for PBM services.
- » Today, 34% of employers choose “spread pricing,” which is a risk-based contracting model in which employers choose to let the pharmacy benefit company hold the risk that plan participants may use more expensive pharmacies to fill their prescriptions. In exchange, the pharmacy benefit company may benefit when a patient uses a less expensive pharmacy and takes a loss when they use costlier pharmacies.
- » Spread pricing arrangements provide cost predictability to plan sponsors while the PBM bears the risk of pricing variability for prescription drugs.
- » Larger employers may prefer to pay what the pharmacy charges, as they have the scale to deal with the variability among pharmacies, while smaller employers may choose spread contracts because of the pricing predictability and savings.
- » Spread pricing is not, as some other stakeholders have described, simply charging the pharmacy one rate and then marking up the price and charging the plan sponsor a higher rate for profit.

**Plan sponsors should have the option of directing plan participants to use less expensive pharmacies.**

- » Plan sponsors should have the ability to select the most affordable dispensing options for their plan participants, which often includes home delivery pharmacy—that's both mail order and specialty pharmacy.
- » Over the next 10 years, the use of home delivery pharmacy is expected to save patients and plan sponsors over \$274 billion.<sup>3</sup>
- » There is pervasive use of mail order pharmacy across Medicare Part D and commercial plans with 14 million enrollees in Medicare Part D and large employer plans using mail-order pharmacies for at least one prescription in 2018, and a total of over 170 million prescriptions fulfilled that same year.<sup>4</sup>



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*Don't add confusion by forcing unnecessary changes to plan design.*

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1 Mulligan. 2023. <https://www.nber.org/papers/w31667>.

2 Brill. 2023. <https://getmga.com/the-economics-of-delinking-pbm-compensation/>.

3 PCMA. 2023. [https://www.pcmanet.org/wp-content/uploads/2023/11/Mail-Order-and-Specialty-Savings\\_.pdf](https://www.pcmanet.org/wp-content/uploads/2023/11/Mail-Order-and-Specialty-Savings_.pdf).

4 KFF. 2020. <https://www.kff.org/coronavirus-covid-19/issue-brief/mail-delays-could-affect-mail-order-prescriptions-for-millions-of-medicare-part-d-and-large-employer-plan-enrollees/>.

**ABOUT PCMA**

PCMA is the national association representing America's pharmacy benefit companies. Pharmacy benefit companies are working every day to secure savings, enable better health outcomes, and support access to quality prescription drug coverage for more than 275 million patients. Learn more at [www.pcmanet.org](http://www.pcmanet.org).