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Wyden Hearing Statement at Finance Committee Hearing on Pharmacy Benefit Managers and the Prescription Drug Supply Chain *As Prepared for Delivery*

The Finance Committee meets this morning to continue our long-standing efforts to lower the cost of health care for taxpayers and patients. Today the committee focuses on pharmacy benefit managers – in particular the new strategies, like charging administrative fees tied to the price of a drug, that these multibillion dollar corporations have aggressively adopted in the last four years since the Finance Committee previously held a hearing about PBMs.

Pharmacy benefit managers had a strong case for themselves back in the 1980s and 1990s. The original goal was to use their access to limited data to negotiate lower drug prices on behalf of their clients - insurance companies and employers. When prescription drug coverage came to Medicare with Part D in the 2000s, PBMs shifted into overdrive with a larger market and more sophisticated drugs.

In recent years, it's increasingly apparent that PBMs are using their data, market power, and know-how to keep prices high and pad their profits instead of sharing the benefits of the prices they negotiate with consumers and the Medicare program. I believe this is an industry that is going in the wrong direction, and that's having a big impact on the prices Americans are paying at the pharmacy counter.

There are serious consequences for the federal health programs the Finance Committee is responsible for. Between Medicare, Medicaid, CHIP, and the individual health insurance marketplace, the committee oversees health coverage for more than half of all Americans, or roughly 180 million people. Prescription spending for these Americans constitutes a significant portion of the amount that the United States as a whole spends on pharmaceuticals each year - which totaled \$577 billion in 2021. That's why it's so critical for this committee to examine what needs to be done to modernize the rules of the road for PBMs.

I'm proud to say that this is a hearing with strong bipartisan interest, and Senator Crapo and I have agreed to take on this issue together. That means looking at pharmacy benefit manager practices with a thorough eye and taking any legislative steps necessary to ensure taxpayers and patients aren't getting a raw deal. The Finance Committee has a long history of tackling big league issues on a bipartisan basis, and the results speak for themselves.

Before I turn it over to Senator Crapo, I want to illustrate just one example of PBMs practices that result in high prices. In a competitive market, if two products have equal quality, a business should prefer the

lower cost option. However, oftentimes PBMs charge administrative fees to drug makers which are calculated as a percentage of a drug's list price. That means PBMs get a higher payment if they favor higher cost drugs. In my view that's a clear example of the perverse incentives PBMs have created that leave so many Americans fed up and outraged at the health care system in this country.

The consequences of this out-of-whack market are felt by taxpayers and American families every time they pick up a prescription at the pharmacy counter. Discounts negotiated by PBMs play an important role in driving down premiums for seniors. But the games PBMs play behind the scenes also appear to be driving up drug costs for many seniors, who are forced to pay top dollar for their prescriptions at the pharmacy counter while PBMs profit at their expense.

Today's hearing is an important opportunity for committee members to get up to speed on the latest practices being employed by pharmacy benefit managers and the impact these tactics are having on taxpayers and Americans who count on expensive medications for a decent quality of life.

Thank you to our witnesses for joining the committee this morning.

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