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**Wyden Statement at Finance Committee Hearing on Drug Prices and
Pharmacy Benefit Managers**
As Prepared for Delivery

This morning the Finance Committee continues our work on pharmaceutical price gouging, which does enormous harm to consumers and taxpayers. There's a lot of work to do in the days ahead, but this committee has already put points on the board. Just last week, Congress passed our bipartisan legislation that stopped a blatant scheme big pharmaceutical companies had used to rip off Medicaid and taxpayers.

This morning the committee is joined by executives from several Pharmacy Benefit Managers. I see this hearing as a chance to examine one of the most gnarled, confounding riddles in American health care today. Pharmacy Benefit Managers are among the most profitable companies in the nation. What PBMs do to earn all those profits is a mystery.

The deals they strike with drug makers and insurers are a mystery. How much they're pocketing out of the rebates they negotiate is a mystery. With Americans learning about schemes like "spread pricing" in Medicaid, whether PBMs bring any real value to taxpayers is a mystery.

PBMs are supposed to be negotiators who get better deals on prescription drugs for patients. What they are is middlemen who've raked in profits while drug prices have shot into the stratosphere. And as most people will tell you, there are already too many middlemen taking a cut in the American health care system.

Let's run through a little history and some basic facts with PBM 101. PBMs first showed up decades ago, back when prescription drugs were becoming more common. They told insurers, "We're the ones who know drug pricing, so we'll handle the negotiations for you." But there is scant evidence PBMs have held drug prices down in a meaningful way. In fact, most of the evidence shows the opposite.

Pharmacy benefit managers make more money when they pick a higher priced drug over a lower priced drug. The logic on this issue isn't exactly graduate-level. PBM profits are based on taking their slice of the prescription drug pie. More expensive drugs mean there's a bigger pie. When there's a bigger pie, there's a bigger slice for PBMs.

Pharmacy Benefit Managers guard their operations with greater secrecy than HBO is guarding the ending of Game of Thrones. There has never been more outrage in America over the rising costs of prescription drugs. If PBMs had clear, hard evidence proving that they're getting patients a better deal on prescription drugs, they'd be leafleting the countryside and shouting it from rooftops. Instead, they work overtime to keep patients and taxpayers in the dark.

Today the committee will be told a thousand different versions of the same talking point: "We're all about getting the best possible price for patients." But there won't be actual proof. Bottom line, PBMs are middlemen who strike deals with drug makers in secret. In my experience, that kind of negotiation rarely results in an act of charity for consumers.

Now, because of this committee's special jurisdiction, I want to look at a few specifics with respect to our federal health care programs.

First on Medicaid. A PBM scheme known as "spread pricing" to rip off taxpayers via Medicaid set off alarm bells in states nationwide. It's got nothing to do with the cost of cream cheese. Here's how it works. PBMs are paying one set price to pharmacies for a particular drug, but they're turning around and charging Medicaid and other health care payers far more for that same prescription.

Chairman Grassley and I are digging into this. We've asked the Health Department Inspector General to take a hard look. If there are changes that can be made to clamp down on this exploitation of Medicaid I hope the committee will consider it. In my view, it's as clear a middleman rip-off as you're going to find.

Now let's look at Medicare, where there are a few issues to examine. First, Part D is one of the few health benefits in America today that does not have an out-of-pocket cap. That means seniors with catastrophic illnesses could be facing costs of thousands and thousands of dollars. These are mostly people on fixed incomes, and growing old in America is already too expensive. This is a flaw that needs to be fixed, and I've proposed legislation to fix it.

Next, Medicare Part D encourages drug makers and PBMs to push seniors onto more expensive drugs. That's because, after a certain amount of spending on drugs, seniors and Medicare are on the hook for 85 percent of the costs.

After that point, PBMs pay only 15 percent, and drug makers are off the hook entirely. So it's good business for the drug industry when seniors cross that threshold as fast as possible.

Second, rebates are working against the seniors who need the benefit most. Drug rebates in Part D get sent straight to insurance companies. In theory, they use the rebates to lower premiums, which sounds good if you're healthy. It's not such a great deal for seniors who are battling illnesses. The amounts they pay for their prescriptions are based on list prices, not on the prices factoring in rebates.

That's why I introduced the C-THRU Act, so that patients can finally see whether these rebates are worth that trade-off. If they aren't, C-THRU makes sure that the benefit of the rebate goes directly to seniors at the pharmacy window.

The administration has also proposed new rule changes having to do with this issue. I'm concerned its solution could produce a windfall for drug makers and that the administration is unprepared to take the next steps that rein in drug makers and bring down list prices.

Very briefly in closing, I want to thank Chairman Grassley for bringing this hearing together. I already mentioned the work he and I are doing with respect to Medicaid and so-called spread pricing. He and I are also working together to investigate the role PBMs played in sending insulin prices through the roof. We sent detailed letters to several of the witnesses here this morning. We're looking forward to seeing their responses and the associated documents. And I'm also looking forward to Q&A today.

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