

June 29, 2023

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The Honorable Kevin McCarthy
Speaker of the House
U.S. House of Representatives
2468 Rayburn House Office Building
Washington, DC 20515

The Honorable Hakeem Jeffries
Democratic Leader
U.S. House of Representatives
2433 Rayburn House Office Building
Washington, DC 20515

The Honorable Charles Schumer
Majority Leader
U.S. Senate
322 Hart Senate Office Building
Washington, DC 20510

The Honorable Mitch McConnell
Republican Leader
U.S. Senate
317 Russell Senate Office Bldg.
Washington, DC 20510

Dear Speaker McCarthy, Majority Leader Schumer, Democratic Leader Jeffries,
and Republican Leader McConnell:

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 address the issue of rising pharmaceutical prices and proposals to reform the Pharmacy Benefit Manager (PBM) industry.

The Roundtable is a non-profit, non-partisan coalition of public sector purchasers from across the United States, including states, counties, and municipalities. We are working together to bring a voice to the tens of millions of public sector employees, retirees, and their dependents. 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. These current and former public servants are the bedrock of their communities, performing vital roles such as teachers, firefighters, and law enforcement. They often receive modest incomes for their service, and the health benefits our public sector employers provide are an important component of their compensation structure. Roundtable members have a fiduciary duty to the public sector consumers that we serve to offer high-quality benefits at an affordable cost, and the rapidly increasing price of prescription drugs in the U.S. threatens our ability to accomplish this goal.

As Congress considers a range of reforms on the drug supply chain, especially related to the PBM industry, we urge you consider policy proposals which address all key players who contribute to rising drug prices, and to recognize the unique position and needs of public sector employees and retirees.

Specifically, we:

- Urge Congress to consider the unique needs of public sector employees and retirees when addressing the issue of rising pharmaceutical prices, including protecting the passage of rebate savings onto plan sponsors.
- Support reforms to the current rebate system to ensure formularies reflect clinical appropriateness rather than the best rebates. We support Congress'

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efforts to improve transparency across the pharmaceutical supply chain, including the PBM industry.

- Encourage Congress to examine the pharmaceutical industry's anti-competitive practices and build on the success of the Inflation Reduction Act (IRA) to rein in exorbitant drug prices. The proposed reforms are an important first step, but are alone insufficient because they fail to address the role of pharmaceutical manufacturers in high drug costs.

Protecting the Passage of Rebates onto Plan Sponsors

We ask that Congress examine the unintended consequences of PBM reforms, including increases in the total cost of drugs, and encourage consideration of incremental reforms to allow health plans and sponsors to evaluate budgetary impact and adjust to policy changes. Specifically, we urge Congress to consider the unique needs of public sector employees and retirees when addressing the issue of rising pharmaceutical prices, including protecting the passage of rebates onto plan sponsors. Most of our members work with PBMs and self-funded Medicare Part D Employer Group Waiver Plans (EGWPs) to cover the prescription drug benefits of public sector employees, retirees, and their dependents. As mostly self-funded plans, our members reinvest savings received from post-sale rebates to reduce their beneficiaries' premiums. If policy shifted post-sale rebates to point-of-sale, it is unclear what incentives pharmaceutical manufacturers would have to reduce their list prices once such a shift in rebate administration occurs. We believe that it is imperative that rebate savings be passed on to the plan sponsors as this results in greater affordability for our beneficiaries.

Ensure Formularies Reflect Clinical Appropriateness Rather Than the Best Rebates

Our members rely on the ability of PBMs to negotiate with multiple parties in the prescription drug supply chain. PBMs serve as important partners for our members, helping them contain costs and provide comprehensive benefits through widely accepted care management strategies. However, the current PBM rebate system has the potential to misalign incentives by preferring formulary placement of drugs based on rebates, rather than clinical appropriateness or cost-effectiveness. We support policies that encourage providing the most clinically sound and appropriate option for patients' needs. Our members also experience challenges in assessing the value provided by their PBM due to a lack of transparency in complicated PBM business practices. As such, we appreciate Congress' efforts to improve the transparency of information provided to public sector plans. We support policies that would increase PBM disclosure of specified costs, prices, and discounts to plans, at no administrative cost to plan sponsors, as this information would enable our members to be informed consumers and accurately evaluate the contracts and performance of their PBMs. Unfortunately, these efforts are insufficient because they fail to address all entities that play a role in high drug costs, namely the pharmaceutical manufacturers.

Addressing the Role of Pharmaceutical Manufacturers in High Drug Costs

The U.S. health care system has reimbursement structures and market dynamics which incentivize pharmaceutical manufacturers and drug wholesalers to

prioritize profit margins over patient value. We are concerned the proposed reforms will not sufficiently address rising drug prices and encourage you to enact a more comprehensive solution that targets pharmaceutical manufacturers to help bring down costs for public sector employees and retirees. The Roundtable believes a large contributor to the problem is the exorbitant market entry list prices charged by prescription drug manufacturers. We believe that the drug price negotiation program (DPNP) created by the IRA is the right first step in addressing the high cost of drugs. Much more needs to be done, however, to meaningfully reduce drug costs. The Roundtable urges Congress to consider policies that would improve transparency in the pharmaceutical industry to foster greater competition, including disclosure of research and development costs. We support efforts to reduce market entry list prices and to target anticompetitive practices, such as patent thickets and manipulating time to generic drug market entry, used by pharmaceutical manufacturers to retain greater market shares and increase list prices. Such anticompetitive practices play a central role in drug unaffordability for patients.

In conclusion, we encourage Congress to consider the complete picture of the pharmaceutical supply chain and recognize the unique position of public sector employees and retirees when targeting prescription drug prices.

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. Please do not hesitate to reach out to Roundtable Senior Policy Advisor, Andrew MacPherson (andrew@healthsperien.com), with questions.

Sincerely,



THOMAS R. LUSSIER
Administrator