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Coalition of State Rheumatology Organizations

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555 E. Wells Street, Suite 1100
Milwaukee, WI 53202-3823
Phone: 414-918-9825
Email: info@csro.info
Website: www.csro.info

November 22, 2024

The Honorable Mike Johnson
Speaker
U.S. House of Representatives
Washington, DC 20515

The Honorable Chuck Schumer
Majority Leader
United States Senate
Washington, DC 20510

The Honorable Hakeem Jeffries
Minority Leader
U.S. House of Representatives
Washington, DC 20515

The Honorable Mitch McConnell
Republican Leader
United States Senate
Washington, DC 20510

Re: Advance PBM Reform

Dear Majority Leader Schumer, Speaker Johnson, Republican Leader McConnell, and Minority Leader Jeffries:

The Coalition of State Rheumatology Organizations (CSRO) supports policies that curb the abusive practices of pharmacy benefit managers (PBMs) and urges Congress to include bipartisan policies that delink drug prices from PBM income and pass through all rebates and discounts directly to the patient within any end-of-year package. CSRO serves the practicing rheumatologist and is comprised of over 40 state rheumatology societies nationwide with a mission of advocating for excellence in the field of rheumatology and ensuring access to the highest quality of care for the management of rheumatologic and musculoskeletal disease.

Rheumatologic disease is systemic and incurable, but innovations in medicine over the last several decades have enabled rheumatologists to better manage these conditions. With access to the right treatment early in the disease, patients can generally delay or even avoid damage to their bones and joints, as well as reduce reliance on pain medications and other ancillary services, thus improving their quality of life.

PBM Practices Harm Patients

Rheumatology patients were among the first to experience the harmful repercussions of PBM business practices because these conditions regularly require expensive specialty medications. These business practices were built on a system of perverse incentives, where the higher a drug's list price, the greater the income potential for the PBM. As a result, prescription drug formularies are designed to maximize PBM revenues, which explains how a $10,000 brand drug can gain formulary access while its $450 generic is not covered.[i] In 2024, over 98% of Medicare Part D prescription drug plans covered brand-name Humira, while less than 54% cover just one biosimilar adalimumab product.[ii] These formulary design decisions are disastrous for patients who pay coinsurances based on list prices.

The three largest PBMs —Caremark Rx, Express Scripts (ESI), and OptumRx— control 80% of the prescriptions filled in the United States, according to the Federal Trade Commission.[iii] This vertical integration allows the PBM to control what medication patients can take (through formulary construction), when they can take these medications (through utilization management), where they can purchase their medications (through pharmacy networks), and how much they must pay for their drugs (through cost-sharing). Currently, all of these decision points (what, when, where, and how) are leveraged to maximize PBM profits rather than providing the patient with the best care at the greatest savings. This consolidated

healthcare system is not good for patients, and it ultimately decreases competition and increases costs for the federal government.

Delink PBM Compensation from Drug Prices
CSRO thanks Congress for including delinking provisions within several bills advanced by committees this Congress, including: the *Modernizing and Ensuring PBM Accountability Act* (S.2973, Section 2), as reported out of Senate Finance; the *Accelerating Kids' Access to Care Act* (H.R.4758, Section 3), as passed by the House; the *Protecting Patients Against PBM Abuses Act* (H.R.2880, Section 2), as marked up in House Energy & Commerce; and the *Delinking Revenue from Unfair Gouging (DRUG) Act* (S.1542/H.R.6283), as reported out of House Oversight and Accountability Committee.

CSRO supports these "delinking" provisions as they break the connection between the PBM's compensation and the list price of the drug. Such policies would disincentivize PBMs from preferring higher priced medications because they would no longer benefit from the size of the rebate. Instead, PBMs would be reimbursed on a flat compensation fee – a model currently used by several more transparent PBMs. This approach would improve program stewardship and beneficiary access to affordable, clinically driven coverage. In the employer market, innovative PBMs are successfully using this model and provide fully transparent compensation models that offer savings to employers and patients

Pass Manufacturer Rebates Directly onto Patients
PBMs claim to negotiate aggressive rebates and discounts that supposedly benefit employers and help keep premiums down. However, patients rarely see the direct benefit of those "savings." In reality, list prices seem to be fictional for everyone *except* the patient, whose cost-sharing is often based on the full price. It's time for rebates and discounts to benefit the patient – not the PBMs, especially as many patients are enrolled in health insurance plans that utilize high deductibles or significant cost sharing.

CSRO thanks Congress for including rebate pass through provisions with the *Better Mental Health Care, Lower-Cost Drugs, and Extenders Act* (S.3430, Section 203), as reported out of Senate Finance, and within the *Share the Savings with Seniors Act* (S.2474/H.R.5376). CSRO supports policies that require manufacturer rebates to bypass the PBM and require the rebates to go directly to the patient. Given the immense vertical integration of PBMs and health insurance companies, policies that allow rebates to go directly to the health plan may have little impact in reducing patient expenses. Instead, rebates that go directly to the patient allow patients to see *immediate* savings at the point of sale. By reducing the patient's out-of-pocket cost, patients can continue to take their prescribed medications and improve adherence and health outcomes.

On behalf of CSRO and the patients we serve, we thank Congress for its bipartisan work to address PBM abuses. We urge Congress to protect patients and incorporate both delinking and rebate pass through provisions within any end-of-year package. We appreciate your consideration, and we are happy to provide further details upon request.

Respectfully,

Gary Feldman, MD, FACR
President
Board of Directors

Madelaine A. Feldman, MD, FACR
VP, Advocacy & Government Affairs
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[i] Endpoints News. "When the $10K brand name drug is more affordable than its $450 generic: How PBMs control the system." February 2022.
[ii] Journal of the American Medical Association. "Formulary Coverage of Brand-Name Adalimumab and Biosimilars Across Medicare Part D Plans." June 2024.
[iii] Federal Trade Commission. "FTC Sues Prescription Drug Middlemen for Artificially Inflating Insulin Drug Prices." September 2024.