CSRO
Coalition of State Rheumatology Organizations

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House Health & Human Services Committee
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Re: Support HB 1094 – Delink PBM Compensation and Drug Prices

Chair Brown, Vice Chair Lieder and members of the House Health & Human Services Committee:

The Coalition of State Rheumatology Organizations (CSRO) supports HB 1094, which would sever the connection between pharmacy benefit manager compensation and prescription drug prices. 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 diseases, such as rheumatoid arthritis, psoriatic arthritis and lupus, are 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 pharmacy benefit manager (PBM) business practices because rheumatologic conditions regularly require complex, and often expensive, specialty medications. These PBM 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.

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.[i] This vertical integration allows the PBMs to control which 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 are leveraged to maximize PBM profits rather than provide 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 government costs.

Formulary design decisions are disastrous for patients who pay coinsurance because their out-of-pocket cost is based on list price of the medication – not what the PBM actually pays. An analysis by Drug Channels estimates that the spread between list and net price for insurers was over $200 billion in 2021.[ii] A 2021 report by the Texas

Department of Insurance demonstrated that patients see marginal benefit from the supposed PBM "savings." Of $5,709,118,113 in rebates generated by PBMs for Texas insurers, only 21% made it back to patients in the form of direct savings. Astoundingly, PBMs also retained 1,317% of these dollars towards their revenue.[iii]

Break the Connection between PBM Compensation and Drug Prices

CSRO supports HB 1094 as it would break the connection between the PBM's compensation and the list price of the drug. This legislation 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. We support legislation at the state and federal level that applies this model to all PBMs.

We appreciate your consideration and request that you support HB 1094. We thank you for your consideration and are happy to further detail our comments to the Committee upon request.

Respectfully,

Aaron Broadwell, MD, FACR
President
Board of Directors

Madelaine A. Feldman, MD, FACR
VP, Advocacy & Government Affairs
Board of Directors

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[i] Federal Trade Commission. FTC Sues Prescription Drug Middlemen for Artificially Inflating Insulin Drug Prices. September 2024.

[ii] Drug Channels. Warped Incentives Update: The Gross-to-Net Bubble Exceeded $200 Billion in 2021 (rerun). July 2022.

[iii] Texas Department of Insurance. Prescription Drug Cost Transparency-Pharmacy Benefit Managers. 2021.