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February 23, 2025

The Honorable Buddy Carter  
2432 Rayburn House Office Building  
Washington, DC 20515

The Honorable Diana DeGette  
2111 Rayburn House Office Building  
Washington, DC 20515

**Re: Subcommittee on Health hearing to examine PBM reform policies**

Dear Representative Carter and Representative DeGette:

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 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. Time and time again, we've seen our patients switched between different medications when PBMs change their formularies to higher-priced drugs when they have more to gain from rebates and fees set at a percentage of the list price. These tactics benefit the PBMs financially, while our patients see none of the savings accrued to the PBMs.

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.<sup>1</sup> 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 or the government as it causes competition that only raises drug prices.

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.<sup>ii</sup> 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.<sup>iii</sup>

### **Break the Connection between PBM Compensation and Drug Prices**

CSRO supports measures that 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 or fee. 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.

### **Pass Manufacturer Rebates Directly onto Patients**

PBMs claim to negotiate aggressive rebates and discounts that supposedly benefit employers and help keep premiums down. However, as demonstrated in the Texas report, those “savings” rarely trickle down to the patient. List prices appear to be fictional for everyone *except* the patient, whose cost-sharing is often based on the full price. It’s time for rebates and other price concessions to benefit the patient – not the PBMs, especially as many patients are enrolled in health insurance plans that utilize high deductibles and/or significant cost sharing.

CSRO supports policies that require manufacturer rebates and other price concessions to be passed on to the patient as they are the ones bearing the brunt of skyrocketing drug costs. 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. Not only will reducing patients’ out-of-pocket costs improve adherence with better health outcomes, but it will also foster transparency and fairness in the healthcare system.

On behalf of CSRO and the patients we serve, we thank the Health Subcommittee for its bipartisan work to address PBM abuses. We urge Congress to protect patients by advancing measures that incorporate both delinking and rebate pass through. We appreciate your consideration, and we are happy to provide further details 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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<sup>i</sup> Federal Trade Commission. “[FTC Sues Prescription Drug Middlemen for Artificially Inflating Insulin Drug Prices.](#)” September 2024.

<sup>ii</sup> Drug Channels. “[Warped Incentives Update: The Gross-to-Net Bubble Exceeded \\$200 Billion in 2021 \(rerun\).](#)”

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July 2022.

<sup>iii</sup> Texas Department of Insurance. "[Prescription Drug Cost Transparency-Pharmacy Benefit Managers](#)". 2021.