

Opening Statement  
Finance Committee Hearing  
April 9, 2019

Good morning. This hearing will come to order.

Today, the Committee continues its look at why prescription drug costs are so high and what can be done to bring them down.

I'd like to welcome our witnesses, who are top executives from major pharmacy benefit managers, or PBMs.

Medicare prescription drug plans hire PBMs to manage Part D benefits. In Medicaid, state and managed care organizations also employ PBMs.

We know that drug companies set the list price and our February hearing with CEOs of major manufacturers focused on those high prices.

We now turn our attention to PBMs.

PBMs negotiate with the drug companies, as well as pharmacies, to arrive at a price for a drug and its ultimate cost.

This system of private entities negotiating is what I envisioned as an author of the Part D program.

I still believe this is absolutely the right approach. I oppose any effort to undue the “non-interference clause” currently in statute.

However, it’s our duty to understand how the system is working today and what we can do to improve it.

In addition to negotiating prices, PBMs also determine what drugs are covered and what patients pay out-of-pocket.

Despite this vast influence over what often amounts to life and death, many consumers have very little insight into the workings of PBMs.

PBMs report rebates and other price concessions to the Centers for Medicare and Medicaid Services (CMS).

But, the statute severely restricts what can be done with that information.

More transparency is needed.

The current system is so opaque that it's easy to see why there are many questions about PBMs' motives and practices.

One question we must ask is whether PBMs prefer a high-cost drug with big rebates over a cheaper drug.

Some even argue that PBMs force drug companies to raise their list price.

Senator Wyden and I are investigating pricing and rebating practices related to insulin. This will help us more broadly determine whether PBMs and manufacturers today are focused on patients or their own bottom line.

Mergers and vertical integration is another area that has increasingly prompted concern. All of the PBMs here today are owned by or affiliated with a insurance plan. In many cases, the combined company also owns pharmacies and other players in the health industry.

It's important we look to see whether such integration actually helps patients and consumers, or whether it just opens the door for anti-competitive behavior.

Last year I sent the Federal Trade Commission a letter on this very issue and asked them to keep me apprised of their work.

I am putting my letter and the response into the record.

[with no objection]

I realize I've raised many issues. I look forward to hearing the witnesses providing insight and helping us find solutions.

Ranking Member Wyden and I are committed to working on a bipartisan basis to bring drug costs down. Our next step is to work with Committee members to develop policies to help Medicare and Medicaid patients and protect the taxpayers.

With that, I turn to Senator Wyden for his opening statement.