

## **Prescription Pricing for the People Act**

Pharmacy Benefit Managers (PBMs) are companies that manage prescription drug benefits on behalf of health insurers, Medicare Part D drug plans, and large employers. PBMs are middlemen in the distribution of prescription drugs developing lists of covered medications, negotiating rebates from drug manufacturers, and contracting with pharmacies for reimbursement.

PBMs operate with little to no transparency, making it very difficult if not impossible to understand the flow of money in the prescription drug marketplace and how PBMs determine the prices for prescription drugs.

Recent consolidations between PBMs and insurance providers has resulted in vertical integration whereby a small number of companies now manage the vast majority of prescription drug benefits and often own other players in the health care industry.

The Prescription Pricing for the People Act will help to provide better transparency of the PBM industry by examining the effects of consolidation on pricing and other potentially abusive behavior. Specifically, the legislation directs the FTC to issue a report within one year addressing:

- Whether PBMs
  - Charge certain payers, including Medicare and Medicaid, a higher price than reimbursement rates for competing pharmacies while reimbursing pharmacies in which the PBMs have an ownership interest at the rate charged to payers;
  - Steer patients to pharmacies in which the PBM has an ownership stake;
  - Audit or review proprietary data of pharmacies not owned by the pharmacy benefit manager and use such data for competitive advantage; and
  - Use formulary designs to depress the market share of low-cost, lower-rebate prescription drugs.
- Trends or observations on the state of competition in the healthcare supply chain.
- Whether more information about the roles of intermediaries would benefit consumers.
- Legal or regulatory obstacles for the FTC to enforce antitrust and consumer protection laws in the pharmaceutical supply chain.

The FTC would also provide policy or legislative recommendations to Congress on improving transparency, preventing anticompetitive behavior, and ensuring consumers benefit from any cost savings.