

White House is told the big three PBMs are ‘everything wrong with this industry’

By [Ed Silverman](#) March 4, 2024



As part of its battle to blunt the growing cost of medicines, the White House on Monday held a so-called listening session in hopes of finding ways to rein in big pharmacy benefit managers, which occupy an opaque but crucial role in pharmaceutical pricing in the U.S.

The gathering resembled something of a fact-finding mission as a small group of policymakers and business people briefly shared their experiences dealing with the largest industry middlemen, who negotiate with drugmakers on behalf of insurers and employers and, in the process, create formularies or lists of medicines that are covered by insurance.

But critics say the three biggest pharmacy benefit managers — CVS Health, Optum Rx, and Express Scripts — run opaque businesses that drive up costs for patients and taxpayers by favoring their own pharmacies over independent drug stores and forcing drug companies to raise prices that cover the cost of rebates needed to win favorable formulary placement. These three companies control 80% of the U.S. market.

“The big three [pharmacy benefit managers] are everything wrong with this industry,” said Mark Cuban, who co-founded the Cost Plus Drug Company and is trying to cut out the middlemen with a website that sells mostly generic medicines directly to consumers. As part of the effort, his company is also working with smaller pharmacy benefit managers that do not rely on fees in hopes of appealing to employers.

[And PBMA](#) growing number of U.S. states, cities, and counties are suing insulin makers

Along with Cuban, the session also featured remarks from Kentucky Gov. Andy Beshear who, as the state’s attorney general, investigated pharmacy benefit managers; Federal Trade Commission Chair Lina Khan, who is currently probing these companies; and Sandra Clarke, executive vice president and chief operating officer at Blue Shield of California, which is pursuing a new pharmacy model.

The meeting, which was quarterbacked by National Economic Council chair Lael Brainard and also included comments by Secretary of Health and Human Services Xavier Becerra, comes as the Biden

administration is trying to convince the public that it is addressing rising health care costs and, in particular, the cost of prescription medicines.

In fact, Neera Tanden, who is Biden's domestic policy adviser, pointed to a law allowing Medicare to negotiate prices of certain medicines. The administration won a victory last week when a lawsuit filed by AstraZeneca, which sought to blunt the law, was dismissed by a federal judge. She also noted that all of the drug companies, whose medicines were tapped by Medicare for negotiations, agreed to participate.

Although the pharmaceutical industry has taken the brunt of criticism from federal and state policymakers over the years for the cost of prescription drugs, the focus on pharmacy benefit managers represents a new phase in a growing national effort to make medicines more affordable. The big three pharmacy benefit managers, however, were not invited to the White House event and bristled over being excluded.

In a terse statement, the Pharmaceutical Care Management Association, a trade group that lobbies on behalf of these companies, argued the White House was hosting a "biased and unproductive discussion" that promoted only one point of view, and that some of the invited guests were promoting "self-serving agendas."

The session also included remarks from two people who run community pharmacies and aired complaints that the big three pharmacy benefit managers engage in various unfair practices, such as questionable audits; uncertain methods used to determine reimbursement fees; and the extent to which pharmacy benefit managers steer patients toward their own pharmacies.

Dared Price, who runs pharmacies in Kansas and is also a member of the Kansas Pharmacists Association, complained that 40% of the reimbursement fees he receives are below his acquisition costs, and he pointed to a new survey by the National Community Pharmacists Association that found 32% of independent pharmacies are considering closing their doors this year due to a cash crunch.

"I can't stay in business if I get paid less than my costs," he said.