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United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry of the United States and Canada

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General Office File Reference: GP

July 10, 2023

The Honorable Ron Wyden, Chair
The Honorable Mike Crapo, Ranking Member
United States Senate Committee on Finance

*Re: Response to the Bipartisan Framework for Reducing Prescription Drug Costs by
Modernizing the Supply Chain and Ensuring Meaningful Relief at the Pharmacy Counter*

Dear Chairman Wyden and Ranking Member Crapo:

The Pharmaceutical Industry Labor-Management Association (PILMA) is writing to express support for ongoing efforts of the Senate Committee on Finance to address conflicts of interest and an overarching lack of transparency now prevalent among leading pharmacy benefit managers (PBMs). Our organization represents a coalition of trade unions and biopharmaceutical companies dedicated to supporting abundant, well-paying union jobs within the biopharmaceutical sector across the full range of trades, skilled and manpower-in-training, from lab technicians to construction workers. PILMA's members are also dedicated to ensuring comprehensive and cost-effective health care benefits, including coverage for prescription medicines, remain available and affordable for union members and their families. Accordingly, PILMA members have a major stake in legislative reforms aimed at managing costs of the biopharmaceutical supply chain.

Like other large purchasers of health care coverage, our members have relied on PBMs for years to negotiate discounts on prescription medicines and help administer prescription benefits. When it became clear several years ago that consolidation, abusive practices, and a lack of transparency by PBMs were potentially raising costs and jeopardizing appropriate access to medicines for patients, PILMA issued a comprehensive assessment of cost drivers in the prescription drug supply chain.¹ Subsequently, PILMA adopted a resolution concerning patients' out-of-pocket costs and the biopharmaceutical supply chain (April 2019).² We share many of the concerns outlined by the Committee in its April 2023 "Bipartisan Framework for Reducing Prescription Drug Costs by Modernizing the Supply Chain and Ensuring Meaningful Relief at the Pharmacy Counter" (framework)³ and urge you to move forward with legislation to enact meaningful solutions this year.

¹ Pharmaceutical Industry Labor-Management Association. "An Understanding and Implications of the Cost Drivers in the Drug Supply Chain." March 9, 2019. <https://pilma.org/blog/2019/03/09/an-understanding-and-implications-of-the-cost-drivers-in-the-drug-supply-chain/>.

² <https://pilma.org/wp-content/uploads/2019/04/PILMA-Supply-Chain-Resolution-FINAL-V2.pdf>

³ United States Senate Committee on Finance. "A Bipartisan Framework for Reducing Prescription Drug Costs by Modernizing the Supply Chain and Ensuring Meaningful Relief at the Pharmacy Counter." April 20, 2023. https://www.finance.senate.gov/imo/media/doc/pbm_framework.pdf.





The framework suggests that misaligned incentives and insufficient transparency in the pharmaceutical supply chain may be resulting in higher costs and access barriers for patients and plan sponsors. We agree. As the Committee moves forward with drafting legislation to address these problems, PILMA urges you to prioritize the following solutions, working in tandem with sister committees to ensure the entire market will benefit from reforms.

1. **Require PBMs to pass on rebates, discounts, and any other price-lowering concessions so they can inure directly to the benefit of patients.** This is a critical step for addressing both growing cost trends and the obstacles to care presented by current practices that allow middlemen to retain portions of discounts and rebates rather than passing them through fully to patients and plan sponsors. PBMs provide important services for plan sponsors, but failure to fully pass on negotiated savings creates an opportunity for PBMs to game the system in troubling ways, leading to higher costs for others over time, as this Committee previously has found.
2. **Prohibit PBM compensation that is linked to the price of medicines.** When PBMs are compensated based on a percentage of a medicine's price, it dilutes their incentive to favor the lowest cost product among alternatives. Legislation such as the Patients Before Middlemen (PBM) Act, recently introduced, requires PBM compensation in Medicare Part D to be flat-dollar *bona fide* service fees that are "delinked" from medicine prices or any rebates or discounts.
3. **Establish strong transparency requirements that ensure plan sponsors have access to the information necessary to evaluate whether PBMs are providing the value they promise.** Specific elements for disclosure to the plan sponsor – which in Medicare should include not just the government but also employer / union group waiver plan sponsors – must report any difference between amounts paid for covered prescription drugs to a pharmacy by the PBM versus the amount charged by the PBM to the plan sponsor. To the extent a PBM owns, controls, or is affiliated with a pharmacy, the PBM should be required to disclose to plan sponsors any difference in reimbursement rates or practices for a pharmacy owned, controlled, or affiliated with the PBM and any other pharmacy.

Thank you for your leadership to drive comprehensive reform of PBM practices. We look forward to continued opportunities for engagement as the legislative process continues.

Sincerely,

Mark McManus
General President, United Association