

EXPERT TESTIMONY TO CONGRESS: PHARMACY BENEFITS HELP LOWER HEALTH CARE COSTS

Lawton Robert Burns, PhD, Professor of Health Care Management at the University of Pennsylvania Wharton School of Business, testified in a recent Senate Finance Committee hearing on the prescription drug supply chain. Based on his own research, teaching and first-hand experience, Burns dispelled myths about the drug supply chain, and explained how pharmacy benefits help employers and patients mitigate rising drug prices.

Key Finding 1: Drug Companies Increase Prices “Because They Can” – Pharmacy Benefits Lower Costs

- As big drug companies raise prices year after year, state health plans, unions, businesses and other employers rely on pharmacy benefits to keep health care costs down for their employees.
- Employers have the freedom to create a pharmacy benefit package that aligns with their goals and interests, offers flexibility to their workforce and allows patients to access the most effective drugs at the lowest possible cost.
- Despite claims that pharmacy benefit managers (PBMs) contribute to rising drug prices, only big drug companies decide how to set and raise their prices.
 - Pharmaceutical companies raise drug prices several times per year, whereas PBMs negotiate contracts and rebates only once every two to three years, with rebates remaining constant during the duration of each contract.
 - Manufacturers raise prices in anticipation of both losing market share – due to expiring patent protections or a new competitor entering the market – and gaining market share – like in the event of filing patent lawsuits against competitors or that an existing competitor pulls its product from the market.
 - There is no correlation between drug price growth and rebate growth.

“PBMs exist to negotiate price discounts on branded drugs, and every one of us benefits from that.”

- Prof. Burns, quoted in [Wharton Business Daily](#)

Key Finding 2: Drug Rebates Lower Health Care Costs for Employers and Patients

- PBMs negotiate rebates from big drug companies, generating savings for employers and patients. Rebates help curb rising prices and increase access to prescription drugs.
- New generic drugs and biosimilars entering the market increase competition among pharmaceutical products, which incentivizes manufacturers to offer higher rebates. Additionally, research shows that as the number of generics increases, the price of brand drugs decelerates.
- Most plan sponsors use these rebates to offset overall plan costs. A smaller percentage use the discounts to reduce employees’ premiums, split the savings with employees or reduce employee out-of-pocket costs at the point-of-sale.

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