

May 11, 2023

Senate Health, Education, Labor and Pensions Committee Hearing on Affordable Insulin

On Wednesday (May 10), the Senate Health, Education, Labor and Pensions (HELP) Committee held a hearing entitled, “The Need to Make Insulin Affordable for All Americans.” During the hearing, committee members heard testimony from a panel of executives from the three major insulin makers and the three major pharmacy benefit managers (PBMs) in the US in advance of a May 11th markup of bills that include PBM reforms and proposals to increase access to generic drugs.

During the hearing, there was bipartisan frustration with the high cost of prescription drugs in the US compared with other developed nations, as well as bipartisan frustration about the role PBMs play in drug costs. However, several Republican committee members, including Sen. Rand Paul (R-KY), raised concerns about the unintended consequences of the legislation before the committee.

In their testimony and in response to questions, the drugmaker executives defended their approach to pricing and asked Congress to address misaligned financial incentives elsewhere in the health care industry that can prevent patients from accessing the lowest cost product. Meanwhile, PBM executives criticized drugmakers for setting high prices and urged Congress to pass bills to increase competition in the prescription drug market.

- For more information: <https://www.help.senate.gov/hearings/the-need-to-make-insulin-affordable-for-all-americans>

Opening statements

HELP Committee Chair Bernie Sanders (I-VT): In his opening statement, Sanders said the “bottom line” of the hearing is to help patients access affordable insulin products. Sanders read the names of three patients who have died in part due to rationing their insulin and recognized the “thousands of Americans” who seek emergency care as a result of insulin rationing. Beyond insulin, Sanders said the committee would work to improve affordability of all brand name prescription drugs in the US. He said while US patients pay “the highest prices in the world,” the “pharmaceutical industry and the PBMs make enormous profits every year.” He praised insulin manufacturers for their recent efforts to lower insulin prices and said the committee will hold a hearing next year to ensure those price decreases are implemented in ways that benefit patients.

HELP Committee Ranking Member Bill Cassidy (R-LA): In his opening statement, Cassidy said as a provider he has seen firsthand how insulin products have improved over time and help patients better manage their condition, but at the same time, that the drugs have become more expensive and unaffordable for many patients. He spoke about the complexity of the pharmaceutical industry and the role PBMs play. Cassidy said, “The goal of today’s hearing is to find answers and to find solutions... And to address why are prescription drug costs so high particularly for the role of insulin and what are the roles of each of the players.” Cassidy said the committee should examine ways to realign incentives to improve practices and behaviors to benefit patients.

Witness Testimony

David Ricks, Chair and Chief Executive Officer, Eli Lilly and Company: In his testimony, Mr. Ricks said that “innovation is at the heart of what we do.” He said that each year Lilly invests 25% of total revenue into R&D to drive innovation in treatments for diabetes, cancer, Alzheimer’s, and more. He said Eli Lilly is proud to have “led the industry in making insulin more affordable, but noted that those efforts have been years in the making. He spoke about industry practices that block access to Eli Lilly’s lower priced drug options. “Reforms are needed,” he said. “We need a system that supports both world-leading innovation and lower out-of-pocket costs for Americans; those reforms must help patients at the pharmacy counter while also incentivizing US companies to continue investing in world-leading amounts of R&D.”

Paul Hudson, Chief Executive Officer, Sanofi: In his testimony, Mr. Hudson said Sanofi is committed to affordability, but noted that each time Sanofi offers a lower priced medicine into the system, the medicine receives limited coverage. He said PBMs, health insurers, specialty pharmacies, and group purchasing organizations (GPOs) all play a role in keeping patients from benefiting from lower list prices, and said those vertically integrated companies benefit from favoring higher list prices. “We welcome changes that will make the system work better for patients, while protecting the innovation ecosystem,” Hudson said. He added, “It starts with a wholistic approach that addresses the misaligned incentives that drive the system’s preference for high list prices, specifically, delinking fees from the list price and requiring rebates to be used for lowering prescription drug costs for the patients at the pharmacy.”

Lars Fruergaard Jørgensen, President and Chief Executive Officer, Novo Nordisk: In his testimony, Mr. Jørgensen said, “We share the committee’s concern that too many people fall through the cracks of the US health care system.” He said, “Patients too often find themselves trapped by a health care system with a misaligned set of economic incentives. It is a system where more and more dollars flow to insurers and newly created subsidiaries, so-called group purchasing organizations, and the PBMs, but not to patients.” He said Novo has several affordability programs that aim to make their insulin prices affordable to Americans, such as providing a one-time supply of free insulin to any patient who faces rationing, providing a long-term supply at no-cost for Americans in need whose household make less than 400% FPL and more.

David Joyner, Executive Vice President and President of Pharmacy Services, CVS Health: In his testimony, Mr. Joyner said, “Our goal as the PBM is to remove as many drug pricing challenges for our clients and their members.” He cited data showing that while drug list prices have increased at a rate of 7.4% over five years, PBMs “helped clients hold increased spending to just 4.5% and kept member cost growth to just 1.4%.” He encouraged the committee to focus their attention on increasing competition in the brand name drug space, where prices are highest, and said CVS supports three bills addressing competition that the committee will consider in its markup. He spoke to concerns about rebates, saying CVS passes “more than 98% of the rebates back to our clients.” Speaking of insulin, Joyner said, “We have made tremendous progress on insulin affordability through negotiation, by inducing competition and encouraging clients to adopt plan designs that lower the out-of-pocket costs for their members.”

Adam Kautzner, President, Express Scripts: In his testimony, Dr. Kautzner spoke about his experience as a father, former pharmacist, and cancer survivor. He said, “For decades we have taken on one of the toughest challenges: negotiating with pharmaceutical manufacturers to lower costs for employers, health plans, federal and state governments and ... patients.” He said, “In 2022, savings negotiated by Express Scripts helped keep out-of-pocket average costs to less than \$15 in the commercial market, less than \$18 for patients using high deductible health plans, less than \$9 in Medicare, and less than \$1 in Medicaid.” However, he said the system can be further improved, voicing support for proposals that would accelerate the availability of generics and biosimilars to increase competition and “address the abuses of the patent system that work to delay competition.” He acknowledged concerns around PBM transparency and spoke about ways Express Scripts inserts transparency into its contract negotiations.

Heather Cianfrocco, Chief Executive Officer, OptumRx: In her testimony, Ms. Cianfrocco said OptumRx's clients "count on us to be a counterweight to the substantial market power of manufacturers, which have the sole discretion in setting and raising prices for their products." She said, OptumRX "delivers on average \$1600 in annual drug savings per person to our customers" and passes on 98% of negotiated discounts directly to customers. She encouraged Congress to extend the Inflation Reduction Act's provision capping insulin to \$35 per month for Medicare beneficiaries to the commercial market, but said PBMs must retain their ability to negotiate the lowest costs for their customers. Beyond insulin, she said broader reforms are needed to foster competition and make prescription drugs more affordable for Americans, including closing loopholes that enable pay-for-delay, product hopping, and other delay tactics. She also voiced support for a 10-year cap on a product's exclusivity and for value-based payment arrangements to support the best treatments for patients.

Q&A

Committee Chair Sanders (I-VT) spoke critically about corporate greed, the complexity of the pharmaceutical industry, and the high price of drugs coming to the market. When asked about insulin pricing, each pharmaceutical executive said they have programs in place to cap the costs of their insulin products for consumers. Chair Sanders also asked the PBM executives about drug placement on formularies and to commit to including drugs with the lowest list price. In response, each executive said they prioritize the product with the lowest net cost. Chair Sanders also listed the US price and an overseas price for a specific drug for each pharmaceutical company and asked whether they would commit to lowering the US price. Each executive said competition would be the main mechanism to bring the US prices down.

Ranking Member Cassidy (R-LA) shared data that suggest spread pricing could benefit the employer and asked each of the PBM executives about spread pricing. He also asked what the average cost would be for someone with a high deductible health plan (HDHP) who is paying full price. None of the executives were able to provide specific details. Ranking Member Cassidy also asked about ways to accelerate patient access to PBM programs to drive down costs and support independent pharmacies.

Sen. Rand Paul (R-KY) spoke critically of attempts to bully companies into lowering their prices. He asked about the role co-pays play in consumer drug choice and noted instances in which mandating a lower co-pay could drive patients to a more expensive drug. Sen. Paul also asked about PBM profit margins and the use of spread pricing and pass-through pricing in PBM contracts, noting the committee on May 11 would be considering a bill to ban spread pricing. Both Ms. Cianfrocco and Dr. Kautzner said they offer clients spread pricing and pass-through pricing contracts and that spread pricing offers clients more predictability in their pharmacy benefits and is either the same price or cheaper than pass-through contracts. Sen. Rand also went back-and-forth with Dr. Kautzner about the potential for rebates to cause a PBM to favor a higher priced drug. Overall, Sen. Paul said the committee needs to think critically about the unintended consequences of the bills being considered on May 11.

Sen. Tammy Baldwin (D-WI) said in the past when she has asked questions about how dollars flow through the pharmaceutical industry she is told "it's complicated" and said the US needs more transparency in the system. She spoke critically about pharmaceutical company and PBM practices that may prioritize profits over patients, asking specifically about each company's stock buybacks in 2022.

Sen. Tim Kaine (D-VA) spoke about CivicaRx and asked each of the PBM executives to commit to offering low-cost biosimilar insulin as tier one products with zero or low-dollar co-pays. Referencing Mr. Hudson's testimony, he asked about instances in which a lower-cost insulin product was denied by the system. Mr. Hudson said Sanofi offered a non-branded version of Lantus that was 60% of Lantus' list price and it was not listed on the health plans. He said the reason why is "complicated" because the details are negotiated between the PBM and the health plan, not the PBM and the drug manufacturer. Mr. Ricks and Mr. Jørgensen said they have had similar

experiences. Sen. Kaine also asked the PBM executives if their companies collect fees on the percentage of the list price of the drug or the negotiated actual price. Mr. Joyner and Dr. Kautzner said they offer a mixture.

Sen. Susan Collins (R-ME) spoke critically about rebates not reaching the consumer and asked each PBM about their ownership. Each executive confirmed they are owned or affiliated with a large health insurance company. Sen. Collins also spoke about the difficulty biosimilars face in getting on formularies.

Sen. John Hickenlooper (D-CO) spoke about the connection between high list prices and high rebates and formulary placement. When asked how much of the rebates PBMs retain, each executive said they pass on over 95% of rebates to customers who can use those savings in various ways, including passing them directly to the covered individual. In response to questioning, Mr. Hudson said Express Scripts is worried that lowering the prices of insulin products could hinder patients' access to them by causing them to be removed from formularies. He encouraged lawmakers to look back in a year and see if the lower prices correlated with increased access and lower out-of-pocket costs. Mr. Ricks and Mr. Jørgensen expressed similar concerns.

Sen. Mike Braun (R-IN) spoke about market failures and factors influencing the health care system that keep it from operating like a true free market. He asked the pharmaceutical companies why Americans pay more than other countries. Mr. Ricks acknowledged that in the US the prices are higher on a net average basis, but he said the US gets the earliest access to new medicines and since the industry is here it supports jobs and the economy. Sen. Braun said that is something the companies need to examine closer.

Sen. Tina Smith (D-MN) asked the pharmaceutical executives if uninsured patients can access insulin through patient assistance programs for no more than \$25-\$35. They all said yes and noted for many it would be free. When pushed on whether everyone at the table can agree to lower list prices and do away with rebates, Dr. Kautzner said the lower list prices are coming too late and are only occurring because of government intervention. She also asked the PBM executives about trends in which generics are being placed on higher tiers. Dr. Kautzner said Express Scripts is supportive of legislation to improve the availability of generic and biosimilar drugs through patent changes and removing pay-for-delay.

Sen. Roger Marshall (R-KS) focused his questioning on the rebates and asked each PBM executive how much is passed on to their vertically integrated insurer and the location of each PBMs' group purchasing organization, which he likened to a "shell game." Sen. Marshall also spoke about the innovation seen in insulin over the past 100 years and said, "We certainly think prescription drugs are too expensive but we don't want to get rid of the innovation."

Sen. Maggie Hassan (D-NH) asked the pharmaceutical executives about their patient assistance programs. Each executive described a similar process wherein a person can go to their website or call directly to get access to no-cost or low-cost insulin. Sen. Hassan then asked the PBM executives how they ensure that low-cost insulin products, including generics, are available to those with commercial insurance. Mr. Joyner said they rely on competition to negotiate to the lowest net cost and encourage customers to use those savings to benefit patients at the point of sale. Dr. Kautzner said having additional coverage options where medical and pharmacy are combined in the deductible would be a benefit for patients.

Sen. Ted Budd (R-NC) said he wanted to better understand PBMs' rationale for formulary placement, noting that the committee on May 11 would be considering a bill on the topic. Ms. Cianfrocco said drugs that appear on the formularies are meant to be the lowest cost option for customers, but it all starts with an independent committee that evaluates a drug's efficacy. Sen. Budd also asked the PBM executives how they ensure rural Americans have access to pharmacies to fill their prescriptions. Each executive spoke about the important role independent

pharmacies play, with Mr. Joyner saying independent pharmacies typically use a pharmacy services administrative organization, or a group purchasing organization, who contracts with the PBM on their behalf.

Sen. Bob Casey (D-PA) asked each executive to share the steps their companies are taking to lower the cost of prescription drugs beyond insulin. Mr. Ricks, Mr. Hudson, and Mr. Jørgensen all spoke about co-pay programs to cap costs for insured patients and programs to support uninsured individuals. Mr. Ricks and Mr. Hudson said going forward drugs may need to be introduced with two forms, a high price and a low price. Mr. Hudson called such a solution “disappointing,” and added that the US needs to examine why biosimilar penetration is lagging behind other countries. Mr. Jørgensen said the emphasis should be on what patients are paying at the point of sale. Sen. Casey similarly asked the PBM executives what they are doing to lower drug costs and each executive emphasized the importance of competition in driving down drug costs.

Sen. Markwayne Mullin (R-OK) spoke critically about PBMs and vertical integration and questioned whether PBMs are “serving their purpose” to bring down costs. In response to a question, Mr. Hudson discussed the nuances between the cost of drugs and the price of drugs. He said when Sanofi offers a comparable drug at a lower price he has no insight into why it is being left off of drug formularies.

Sen. Ben Ray Luján (D-NM) spoke favorably about out-of-pocket cost caps and asked about the percent of appeals for coverage for insulin prescribed and preferred by the patient’s doctor. Dr. Kautzner and Ms. Cianfrocco said they could follow up with the numbers. He asked the pharmaceutical executives to commit to keeping insulin prices affordable. They all said yes.

Sen. Ed Markey (D-MA) said patients need access to lifesaving drugs and asked if Congress has a role to play in bringing down drug costs. Mr. Ricks, Mr. Hudson said everyone has a role to play. Mr. Hudson said he is watching to see if the lower prices actually have an impact on patient access and drug spending. Mr. Jørgensen said the complexity of the system is harming the patient and solutions should be focused on helping the patient at the pharmacy counter. He also asked if drugmakers would commit to offering Alzheimer’s drugs at lower prices. Mr. Ricks said the first step is to improve access to the drug for Medicare beneficiaries.

If you have questions, please contact [Heather Meade](#) or [Heather Bell](#).

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