STATEMENT

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Statement on House Bill 8579 (Spears)

May 28, 2026

Position: The Pharmaceutical Research and Manufacturers of America (PhRMA) appreciates the General Assembly's focus on the full range of market actors that influence what patients pay for medicines, including the role pharmacy benefit manager ("PBM") practices play in shaping patient access and affordability.

House Bill 8579 (Spears) takes meaningful steps to strengthen oversight of PBM practices and to improve transparency and accountability in the prescription drug supply chain. In particular, the bill would advance PBM reforms in Rhode Island, including by establishing licensure requirements, strengthening regulatory oversight, and expanding disclosure and reporting on PBM ownership, operations, and financial arrangements.

Today, a small number of large, vertically integrated corporations wield substantial influence over health care decisions.

For decades, competitive market dynamics have worked successfully to balance innovation, patient access to medicines, and cost containment. But that balance is increasingly threatened by the misaligned financial incentives and conflicts of interest that characterize the PBM market today. PhRMA is increasingly concerned that the substantial rebates and discounts paid by pharmaceutical manufacturers, approximately $416 billion in 2025,[i] do not make their way to offsetting patient costs at the pharmacy counter.

PBMs act as intermediaries on behalf of payers to control coverage and reimbursement arrangements for prescription medicines. Situated between the biopharmaceutical companies that research and develop innovative medicines and the patients likely to benefit from those treatments, PBMs play a central role in controlling prescription medicine access and affordability for more than 289 million publicly and privately insured Americans.[ii] Through horizontal and vertical integration, PBMs' role in the prescription drug supply chain has grown, as has their influence over which medicines patients have access to and whether they are affordable for patients. Moreover, the amount and proportion of value extracted out of the health care system by these vertically integrated intermediaries has risen dramatically.

After nearly two decades of horizontal consolidation, the PBM industry has become increasingly dominated by a small number of large companies: CVS Caremark, Express Scripts, and OptumRx.[iii] These same companies are vertically integrated with the three largest health insurance companies, Aetna, Cigna, and UnitedHealthcare. They each also own a specialty and mail order pharmacy, and some have and are acquiring provider groups at a rapid pace. The combined market share of the three largest PBMs has grown significantly, from 48 percent in 2010 to 80 percent in 2025.[iv, v] Today, just six companies control 96 percent of the PBM market.[vi]

As a result of this consolidation and vertical integration, PBMs now exercise significant power over Americans' access to prescription drugs and the prices they pay.

Today, the leading PBMs are each part of massive healthcare conglomerates that are often comprised of health insurers, pharmacies, and the PBM negotiator between health insurers and pharmacies – all rolled into one. The result is that the dominant PBMs can often exercise significant control over which drugs are available, at what prices, and which pharmacies patients can use to access their prescribed medications.

PBMs often bill their health plan clients more than they pay to the pharmacy for medicines and keep the difference, enriching themselves instead of their clients or the patients they claim to serve.[vii] This business practice, known as spread pricing, adds opacity to a supply chain that needs transparency to best serve the needs of patients. PBMs have attempted to rebrand the practice, calling it "risk mitigation pricing,"[viii] and contending that it provides predictability for plan sponsors and lowers drug costs, but a 2020 analysis by the Congressional Budget Office found that prohibiting the use of spread pricing contracts just in Medicaid alone would save approximately $929 million over 10 years.[ix]

Large PBMs – who create pharmacy networks for their clients – can also disadvantage independent pharmacies, creating an unsustainable market for these businesses and compelling them to accept unfavorable and unsustainable contracts in order to remain in-network. These large companies deploy multiple practices, such as unfavorable reimbursement terms where pharmacies are reimbursed below their acquisition cost[x] and high fees, to capture more market share from independent pharmacies. Pharmacies that reject low reimbursement rates or other PBM contract terms face exclusion from networks that cover a large share of patients. Currently, 94 percent of stand-alone Medicare Part D plans, 51 percent of Medicare Advantage (MA) PDPs, and 61 percent of large commercial plans have a preferred pharmacy network.[xi] As a result, independent pharmacies are increasingly closing, particularly in rural and low-income areas,[xii] leaving patients in those communities with fewer options to access their medicines.[xiii] Pharmacy closures are associated with an immediate and sustained reduction in medication adherence, leading to poorer health outcomes for patients in impacted communities.[xiv]

Given the current level of consolidation, health insurers, and drug manufacturers also often have little choice but to interact with the large, dominant PBMs when distributing certain drugs.[xv] PBMs hold themselves out as the only part of the supply chain devoted to lowering drug costs, supposedly negotiating "fair deals" for their health insurer and employer clients and for the patients enrolled in those plans, agnostic to how to achieve the lowest net cost. However, PBMs have a vested interest in benefit administration because the rebates and/or fees received are usually tied to the price of a medicine.

While PhRMA supports oversight of PBM practices, HB 8579's rebate contract reporting requirements should be narrowed to protect confidential commercial information while still advancing transparency.

HB 8579 takes important steps to strengthen oversight of PBMs, including by requiring PBMs to obtain a certificate of authority from the Office of The Health Insurance Commissioner ("Commissioner") and by establishing annual transparency reporting requirements. PhRMA supports efforts to improve understanding of PBM practices and how savings flow through our health care system and appreciates the intent of proposed R.I. Gen. Laws § 27-84-6 in HB 8579. At the same time, PhRMA recommends targeted refinements to ensure that these transparency measures improve understanding of rebate use and patient out-of-pocket impacts while appropriately protecting confidential commercial information.

Certain provisions call for disclosure of terms and conditions at the contract level, including rebate retention "under each rebate contract." While this approach may provide additional detail, it could also allow inferences about commercially sensitive arrangements, particularly where contracts are structured around individual products or therapeutic classes, without offering a complete picture of underlying cost drivers. To mitigate this risk while preserving the bill's transparency objectives, PhRMA respectfully encourages the Committee to

prioritize aggregate reporting, building on the framework already included in the bill, rather than requiring disclosure at the level of individual rebate contracts. Such an approach would provide regulators with meaningful insight into PBM incentives, retention practices, and the flow of savings, while avoiding unnecessary exposure of competitively sensitive information.

PhRMA supports continued examination of PBM practices and broader supply chain dynamics that can impact patients, employers, and state programs, and welcomes the General Assembly's attention to these issues in HB 8579. We look forward to opportunities to work with policymakers on solutions that promote transparency, strengthen competition, and improve affordability for Rhode Island patients.

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The Pharmaceutical Research and Manufacturers of America (PhRMA) represents the country's leading innovative biopharmaceutical research companies, which are laser focused on developing innovative medicines that transform lives and create a healthier world. Together, we are fighting for solutions to ensure patients can access and afford medicines that prevent, treat and cure disease. Over the last decade, PhRMA member companies have invested more than $850 billion in the search for new treatments and cures, and they support nearly five million jobs in the United States.

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