AmerisourceBergen®

227 Washington Street
Conshohocken, PA 19428
www.amerisourcebergen.com

July 20, 2018

The Honorable Elizabeth Warren
United States Senate
317 Hart Senate Office Building
Washington, DC 20510

The Honorable Tina Smith
United States Senate
309 Hart Senate Office Building
Washington, DC 20510

Dear Senators Warren and Smith:

We are writing in response to your letter dated June 29, 2018 to help clarify the role of wholesale distributors like AmerisourceBergen in the nation's pharmaceutical supply chain.

Pharmaceutical wholesale distributors do not set the prices of the branded pharmaceuticals we purchase from manufacturers and we do not influence, or have any ability to influence, how branded pharmaceutical prices are set. Manufacturers increase and decrease the prices of their products without input from or involvement of their distributors. In fact, many of our contracts with manufacturers are agreed upon well before product pricing is known or established, and we negotiate fees for the services we provide our manufacturer partners agnostic of their product pricing.

Distributors are committed to supporting secure and efficient access to medicines. Our efficiency is supported by facts. As with most wholesale businesses, pharmaceutical distributors have very low profit margins. Moreover, research driven by pharmaceutical manufacturers shows that distributors account for a tiny fraction of the nation's overall expenditures on pharmaceutical products.[1] Simply stated, we create significant efficiency in the pharmaceutical supply chain at very low costs.

Distributors strive to achieve greater access by creating significant efficiency in the pharmaceutical supply chain via an array of logistics-oriented services. At the highest level we help manufacturers get products to pharmacies and physician offices so patients can obtain medicines when and where they need them. We do this not only by physically moving millions of products through distribution centers each day, but also through services like inventory and accounts receivable management.

While distributors put enormous focus on creating efficient access, we do not decide what medicines patients should have access to. Pharmaceutical distributors make branded pharmaceuticals available to pharmacies, physician clinics and other dispensers without regard to formularies.

Affordable access to needed medications is an issue that deserves our attention and distributors will always strive to be part of the solution.

Sincerely,

John Chou
Executive Vice President and Chief Legal & Business Officer

---

[1] *The Pharmaceutical Supply Chain: Gross Drug Expenditures Realized by Stakeholders*, Berkeley Research Group, 2017.

Cardinal Health
7000 Cardinal Place
Dublin, OH 43017
614-757-5000 tel
cardinalhealth.com

CardinalHealth

July 23, 2018

The Honorable Tina Smith
United States Senate
309 Hart Senate Office Building
Washington, DC 20510

The Honorable Elizabeth Warren
United States Senate
317 Hart Senate Office Building
Washington, DC 20510

Dear Senators Smith and Warren:

I am writing on behalf of Cardinal Health in response to your June 29, 2018, letter to Mike Kaufmann. For Cardinal Health's nearly 50,000 employees, our objective is simple: to enable the healthcare providers we serve to bring health and healing to their patients. That commitment is at the heart of everything we do and all the decisions we make, and we are supportive of efforts to reduce the cost of prescription drugs to patients.

Prescription pharmaceutical manufacturers set the wholesale acquisition cost (WAC) for their products. Pharmaceutical wholesale distributors do not play a role in that process. The fundamental role of a pharmaceutical wholesale distributor is to securely and efficiently deliver pharmaceutical products to dispensing healthcare providers. To that end, on a daily basis, Cardinal Health's pharmaceutical wholesale distribution business delivers thousands of products from hundreds of manufacturers and suppliers to thousands of pharmacies and other healthcare providers throughout the United States. The supply chain for pharmaceuticals in the United States is as safe, secure, effective, and efficient as anywhere in the world.

Sincerely,

Sean Callinicos

Sean Callinicos
Senior Vice President
Global Government Relations and Public Policy

CVSHealth

1275 Pennsylvania Avenue, NW
Suite 700
Washington, DC 20004

July 17, 2018

The Honorable Elizabeth Warren
United States Senate
317 Senate Hart Office Building
Washington, DC 20510

Dear Senator Warren:

I am writing in response to your June 29th letter to Larry J. Merlo, regarding Secretary of Health and Human Services (HHS) Alex Azar's recent comments before the Senate Health, Education, Labor and Pensions (HELP) Committee.

Today the high cost of prescription drugs is one of the nation's most pressing issues. At CVS Health, we are addressing this challenge comprehensively by negotiating lower drug prices and reducing out-of-pocket costs. In fact, for our PBM clients, including employers, unions, health plans and government programs we serve, we have kept drug price growth at a minimal of 0.2 percent in 2017, the lowest in five years, despite manufacturer brand list price increases on drugs near 10 percent. Further, over 30 percent of our clients spent less in 2017 than they did in 2016 on prescription drug costs.

Our concern with consumer drug costs motivated us to launch the most comprehensive program in the industry to help patients save money on their medications through pricing transparency at the pharmacy counter and at the point of prescribing available in the physician's office, so patients, pharmacists and doctors can work together to find the most affordable prescription. For prescriptions written by physicians using these real time benefits and filled by a Caremark member, when a lower-cost preferred alternative is presented, physicians are switching to the lower cost alternative 40 percent of the time. In these cases, the member cost was $130 lower per fill, compared to the original non-preferred drug selected. Under our real time benefits initiative, physicians are switching to a covered drug 75 percent of the time when the original drug is not covered.

We also encourage the use of preventive drug lists especially in high deductible health plans that make medications for many common chronic conditions available at zero dollar copay. And in fact, we provide this benefit to our own employees. As a result, we have seen our generic dispensing rate increase, reducing costs for both CVS Health and our employees. Our employees' medication adherence to their preventive drug regimens for many chronic conditions has improved, and our research shows that health care costs for patients with these conditions are reduced when they take their medications as prescribed.

Additionally, many of our clients provide rebates at the point-of-sale, which we offer to all clients, and can help reduce patients' out of pocket costs. This program began five years ago and today negotiated rebates are passed directly to approximately 10 million CVS Caremark members.

With more Americans now covered through a high deductible health plans (HDHPs) with an associated health savings account (HSA), millions of consumers are seeing higher-out-of-pocket costs on the part of the benefit they use most—their prescription drug coverage, because they may not have full prescription coverage until they have met their deductible. Under current Internal Revenue Service guidance for HSAs, only certain preventive products and services may be covered by a high deductible health plan prior to satisfaction of the minimum deductible. We have proposed that the IRS should expand the definition of coverage of preventive products and services to include products for managing chronic conditions, or to allow a high deductible health plan to cover drugs prior to satisfaction of the deductible, which would help these plans provide more first dollar coverage at the pharmacy counter, improve medication adherence, and health outcomes.

Regarding Secretary Azar's comments that drug companies would like to lower prices but the pharmacy benefit managers have not been cooperating, I want to assure you that this is not the case for CVS Health. Please see below for answers to the questions in your letter to Mr. Merlo.

1. Has your company, since May 11, 2018 (or prior to that date, if it was related to the Trump Administration drug pricing initiative) engaged in any discussions with drug companies seeking to reduce their prices? If so, please provide additional detail on these discussions, including information on the company, the drug, and the extent and nature of proposed price reductions.

   As a pharmacy benefit manager through CVS Caremark, CVS Health negotiates regularly with drug manufacturers for the lowest possible net cost. We have had very limited discussions with drug companies related to the Administration's drug pricing initiative. Where we have had discussions, we have emphasized our advocacy for our clients and individual patients in the context of our interactions and our negotiations, and we have reiterated that we do not instruct manufacturers on price setting.

   We do not tell manufacturers they should raise or lower prices or how to set prices for new products, but we have expressed our willingness to work together on solutions to lower drug prices, as we have done in the past.

2. Have you received any commitments of lower list prices from drug manufacturers?

   Yes. We were notified that Pfizer was increasing prices on many of their products effective July 1, 2018. After adjusting our systems to reflect the new Pfizer prices, Pfizer indicated on July 12, 2018 that they were reducing prices back to the level prior to the July 1, 2018 increase effective July 16, 2018.

3. How did your company respond to these efforts?

   When notified of the Pfizer price increases and subsequently the price decreases we adjusted our systems accordingly to reflect Pfizer's established prices.

4. Have you "pushed back" against any of these offers by drug companies of lower list prices?

   No. We do not instruct manufacturers on how they price their products. Consistent with that practice, we have not as part of the current dialogue or in any other circumstances, instructed manufacturers not to lower their prices. We have expressed our willingness to work together on solutions to lower drug prices, as we have done in the past.

5. Have you stated or implied in any way that you prefer that drug companies not reduce prices or prefer that they would charge higher prices?

   No.

6. Have you stated or implied in response to any offers of price reductions for a drug that you would remove this drug from your formulary?

   No. The use of formularies helps reduce drug costs and improve medication adherence. Our formulary is approved by an external panel of experts, known as the Pharmacy and Therapeutics Committee. Formulary decisions are based on medical evidence, including guidelines from leading medical specialty societies. The net cost of clinically appropriate alternative products are reviewed to make formulary placement recommendations. We have not told manufacturers that we would remove drugs from the formulary in response to price reductions. Any such decisions would be made in the course of our review of the relevant class of drug products. We have and will continue to communicate to manufacturers that we will continue to work as advocates for our clients in order to negotiate the lowest price possible.

7. Have you received "suggestions or approaches from drug companies for lower list prices?" If so, what has your reaction been? Have you stated or implied that if any drug manufacturer were to decrease their price they would "actually be harmed in terms of formulary status, and patient access, versus [their] competitor who has a higher price?"

   No. Our formulary review process is described above. We do not instruct manufacturers on how they price their products. Consistent with that practice, we have not as part of the current dialogue or in any other circumstances, instructed manufacturers not to lower their prices.

8. If a manufacturer were to indicate that they intended to reduce their list price, what would your reaction be? Would you welcome and implement this offer in a way that reduces costs for consumers?

   We have and will continue to work tirelessly on behalf of our clients and individual patients to lower overall drug costs. We have expressed our willingness to work together on solutions to lower drug prices, as we have done in the past.

Please do not hesitate to contact me if you have any further questions.

Sincerely,

Melissa A. Schulman
Senior Vice President
Government and Public Affairs

EXPRESS SCRIPTS®

July 11, 2018

The Honorable Elizabeth Warren
United States Senate
317 Hart Senate Office Building
Washington, DC 20510

The Honorable Tina Smith
United States Senate
309 Hart Senate Office Building
Washington, DC 20510

Senator Warren and Senator Smith,

I received your June 29, 2018, inquiry about Express Scripts' discussions with drug makers and the Trump Administration's efforts to lower prescription drug prices. Since the Administration released its Blueprint, America's Patient's First, and the subsequent Request for Information, we've participated in several conversations with drug makers with the goal of meaningful public policy ideas to lower prescription drug costs for Americans.

Your letter included eight questions, which I include responses to below. Please do not hesitate to reach out with any follow up inquiries.

Sincerely,

Jonah C. Houts
Vice President – Corporate Government Affairs
Express Scripts
jhouts@express-scripts.com
202.383.7983

***

1) Has your company, since May 11, 2018 (or prior to that date, if it was related to the Trump Administration drug pricing initiative) engaged in any discussions with drug companies seeking to reduce their prices? If so, please provide additional detail on these discussions, including information on the company, the drug, and the extent and nature of proposed price reductions.

Express Scripts Response: We meet with drug makers regularly in the normal course of business and since May 11, 2018, the Administration's Blueprint and Request for Information has been discussed with several of those firms. Consistent with the Administration's focus on lowering high list prices, we have explored ways for a brand drug maker to introduce products with lower list prices for products that currently have high list prices and high rebates. We believe this would allow uninsured patients, and those who find themselves in coverage gaps or deductibles, to use lower priced products. This would also allow plan sponsors, pharmacies, distributors and others in the supply chain to transition to lower list price products without an immediate destabilization of plans or the supply chain.

2) Have you received any commitments of lower list prices from drug manufacturers?

Express Scripts Response: We have not received any commitments of lower list prices from drug manufacturers.

3) How did your company respond to these offers?

Express Scripts Response: Despite not receiving commitments of lower list prices, we continue to encourage drug makers to lower their prices.

4) Have you "pushed back" against any of these offers by drug companies of lower list prices?

Express Scripts Response: We have not discouraged or "pushed back" against any drug maker efforts to lower list prices. We have, however, "pushed back" against the characterization that pharmacy benefit managers, like Express Scripts, are responsible for drug price increases. Drug makers set their list prices. Drug makers increase list prices without input or consent from pharmacy benefit managers, and frequently do so on drugs where they offer no rebates or discounts. We have also "pushed back" against the notion that not raising prices is equivalent to lowering list prices. We prefer drugs with lower list prices. We reject the notion that drug makers are to be applauded for converting negotiated discounts for some into lower list prices for others, thus ensuring the plan sponsor's underwriting is erroneous and a drug maker's revenue is neutral.

5) Have you stated or implied in any way that you prefer that drug companies not reduce prices or prefer that they would charge higher prices?

Express Scripts Response: We have neither stated nor implied that we would prefer that drug companies not reduce their prices. Higher prices are not in the best interest of our plans sponsor clients, the members and patients in those plans, or pharmacy benefit managers.

6) Have you stated or implied in response to any offers of price reductions for a drug that you would remove this drug from your formulary?

Express Scripts Response: We have not stated or implied that we would remove products from a formulary for lower drug prices. In fact, the opposite is true. Lower net price products receive favorable formulary consideration.

7) Have you received "suggestions or approaches from drug companies for lower list prices"? If so, what has your reaction been? Have you stated or implied that if any drug manufacturer were to decrease their price they would "actually be harmed in terms of formulary status, and patient access, versus [their] competitor who has a higher price?"

Express Scripts Response: Our reaction to drug makers has consistently been that we welcome lower list prices and lower list prices would not harm formulary status or patient access.

8) If a manufacturer were to indicate that they intended to reduce their list price, what would your reaction be? Would you welcome and implement this offer in a way that reduces costs for consumers?

Express Scripts Response: Indeed, we welcome lower list prices. For patients in plans with flat dollar copayment benefits, their costs would likely remain unchanged. For patients in plans with coinsurance benefits (where out of pocket costs are a percentage of the drug's costs), the patient would experience immediate cost reductions.

Humana Inc.
500 W. Main St.
Louisville, KY 40202-2946
www.humana.com

Humana

July 13, 2018

The Honorable Elizabeth Warren
United States Senate
317 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Warren:

Thank you for your recent letter regarding prescription drug pricing and marketplace behavior. As you are aware, the only entity responsible for setting the price of a drug is the manufacturer itself.

Humana Inc., headquartered in Louisville, Kentucky, is a leading health care company that offers a wide range of insurance products and health and wellness services that incorporate an integrated approach to lifelong well-being. As one of the nation's top contractors for Medicare Advantage (MA) with more than 3.5 million members, and Medicare Prescription Drug Plans (PDPs) with approximately 5.1 million members, we are distinguished by our near 30+ year, long-standing, comprehensive commitment to Medicare beneficiaries across the United States.

Below, please find our responses to the information requests cited in your letter.

1. Has your company, since May 11, 2018 (or prior to that date, if it was related to the Trump Administration drug pricing initiative) engaged in any discussions with drug companies seeking to reduce their prices? If so, please provide additional detail on these discussions, including information on the company, the drug, and the extent and nature of proposed price reductions.

Yes. Because of the proprietary and confidential nature of those discussions, we cannot provide additional details. We welcome continued dialogue with manufacturers to lower list prices.

2. Have you received any commitments of lower list prices from drug manufacturers?

No.

3) How did your company respond to these offers?

N/A

4. Have you "pushed back" against any of these offers by drug companies of lower list prices?

No.

5. Have you stated or implied in any way that you prefer that drug companies not reduce prices or prefer that they would charge higher prices?

No.

6. Have you stated or implied in response to any offers of price reductions for a drug that you would remove this drug from your formulary?

No.

7a. Have you received "suggestions or approaches from drug companies for lower list prices"? If so, what has your reaction been?

Yes. We welcome and support discussions with manufacturers that are willing to lower list prices.

7b. Have you stated or implied that if any drug manufacturer were to decrease their price they would "actually be harmed in terms of formulary status, and patient access, versus [their] competitor who has a higher price?"

No.

8. If a manufacturer were to indicate that they intended to reduce their list price, what would your reaction be? Would you welcome and implement this offer in a way that reduces costs for consumers?

We welcome and support discussions with manufacturers that are willing to lower list prices.

Thank you for your interest on this important topic. Please do not hesitate to contact Rachel Magnuson, Director of Federal Affairs (RMagnuson1@Humana.com/202-467.8686) if you have any additional questions.

Sincerely,

[redacted]

Douglas Stoss
Vice President, Federal Affairs
Humana, Inc.

cc: The Honorable Tina Smith

McKESSON

July 25, 2018

The Honorable Elizabeth Warren
United States Senate
Attention: Brian Cohen
317 Hart Senate Office Building
Washington, DC 20510

Dear Senators Warren and Smith,

McKesson Corporation is in receipt of your letter of June 29, and we appreciate the opportunity to provide our perspective as a wholesale distributor of pharmaceutical products.

We can confirm that our wholesale distribution business routinely seeks low acquisition prices (price reductions) from manufacturers for the products we source into our distribution network. Regarding your questions about "list price," we assume this is a reference to Wholesale Acquisition Cost (WAC). WAC is unilaterally determined and published by drug manufacturers. Said differently, manufacturers change the list prices of their products without involvement from, or influence by, wholesalers.

I understand that our trade association, the Healthcare Distribution Alliance, is briefing your staff on our role in protecting the safety and security of the supply chain, as well as the value and system savings we generate as a wholesaler. If there are outstanding questions, please feel free to have your staff reach out to our Senior Vice President Public Affairs, Pete Slone, in Washington at pete.slone@mckesson.com and 202-469-6276.

Finally, as I think you will see from our attached responses to the request for information on the President's drug pricing blueprint, we are very much aligned on the broad objectives to better inform patient-driven decision-making and ensure access to affordable prescription drugs.

Thank you for the opportunity to respond.

Respectfully,

Nick Loporcaro, President
McKesson US Pharma and Specialty Health

cc: The Honorable Tina Smith

McKesson Corporation
One Post Street
San Francisco, CA 94104

www.mckesson.com

Pete Slone
Senior Vice President, Public Affairs

MCKESSON

July 16, 2018

The Honorable Alex M. Azar II
Secretary of Health and Human Services (HHS)
200 Independence Avenue, SW
Washington, DC 20201

Re: HHS Blueprint to Lower Drug Prices and Reduce Out-of-Pocket Costs RFI (RIN 0991-ZA49)

Dear Secretary Azar:

McKesson shares the Administration's commitment to foster an affordable, accessible healthcare system that puts patients first. We are pleased to submit comments on this Request for Information (RFI) and to share the public policy principles that drive our advocacy efforts.

About McKesson

We're experiencing an era of unprecedented change in healthcare. New technologies and bold, new solutions aimed at efficiency enhancements and more integrated approaches to care will be needed to deliver improved outcomes for businesses and patients. McKesson is at the forefront of that transformation. We work with healthcare organizations to strengthen the health of their business, help them control costs, develop efficiencies and improve quality. We build essential connections that make healthcare smarter, creating intelligent networks that expand access, reduce waste, and bring people and information closer together. We supply the healthcare industry with the resources, support and technologies to create new standards and a world of better health.

Our diverse business portfolio provides a unique lens on the healthcare ecosystem. One-third of all pharmaceuticals in North America are delivered by McKesson. More than 4,900 independent pharmacies participate in our Health Mart franchise, making it the fourth largest pharmacy network in the United States. Through our Medical-Surgical division, we deliver a comprehensive offering of healthcare products, technology, equipment and related services to the non-hospital market — including physician offices, surgery centers, long-term care facilities and home healthcare businesses. Physician practices affiliated with our US Oncology Network serve more than 900,000 patients and 160,000 new cancer patients annually across 400 sites of service and 25 states. Our McKesson Specialty Health (MSH) business supports more than 1,800 physicians that participate in the Quality Payment Program, including almost half that participate in the Oncology Care Model (OCM). MSH also develops and administers custom patient assistance programs to help patients overcome barriers to medication adherence.

McKesson operates RelayHealth Pharmacy Solutions, which manages the nation's most reliable pharmacy connectivity network, with more than 18 billion pharmacy transactions annually and connecting more than 50,000 U.S. retail pharmacies with key healthcare stakeholders. In addition, CoverMyMeds is a leader in electronic prior authorization (ePA) solutions that automate the prior authorization process for more than 500 electronic health records systems, 49,000 pharmacies, 700,000 providers and most health plans and pharmacy benefit managers (PBMs). Finally, McKesson leads the industry in designing and implementing Risk Evaluation and Mitigation Strategies (REMS) programs. Together with our customers and partners, we are creating a sustainable future for healthcare and charting a course to better health.

American Patients First Blueprint

McKesson applauds the Administration's focus on and commitment to addressing rising healthcare costs for Americans. We appreciate the Administration's desire to promote efficiencies across federal programs. However, we caution the Administration to carefully examine the direct and indirect impact that proposals would have on patients and patient care delivery to avoid unintended consequences. Below we outline our perspectives on how to best address the four goals outlined in the blueprint.

1. *Increased Competition:* McKesson believes that competition spurs healthcare innovation, drives lower costs, and promotes lower cost settings of care. We commend the Administration for its efforts to promote generic competition, foster the biosimilars market, and reduce market entry barriers, such as misuse of REMS. We encourage the Administration to continue to focus on competition – not government imposed price controls – to drive innovation, accelerate patient access to medicines, and reduce costs for patients.

2. *Better Negotiation:* McKesson supports efforts to ensure that patients and government insurance programs benefit from better negotiation of drug discounts. While we support increasing Part D plan formulary flexibility, we believe that safeguards are necessary to ensure that changes do not limit access to critically needed medications. This is particularly concerning for oncology drugs currently covered under the six protected class provisions. Additionally, we are concerned that shifting drugs from Part B to Part D may result in further provider consolidation. This would drive patients away from community providers to more costly settings of care, reduce patient access to care, and ultimately increase Medicare program costs. We urge HHS to carefully examine the impact of increasing plan and PBM controls over additional drugs, the complexities created for providers who need to administer these products, and most importantly, patients who are likely to see increased out-of-pocket costs.

3. *Lowering Out-of-Pocket Costs:* McKesson supports efforts to make healthcare more affordable, and we are committed to identifying new ways to reduce costs for patients. We applaud HHS for its efforts to address the impact that direct and indirect remuneration (DIR) fees have on patient costs at the pharmacy, most especially those served by independent pharmacies in rural areas. We recommend the Administration carefully examine how manufacturer rebates can reduce patient out-of-pocket costs, while still driving competition for drugs on and off formulary. We urge the Administration to allow the use of patient support programs within federal programs. Copay discount cards may help offset patient costs and drive further competition for drugs that are not in a patient's formulary. However, we are concerned that inclusion of these valuable discounts in best price and average manufacturer price calculations may discourage manufacturers from offering these critical programs.

4. *Incentives for Lower List Prices:* Manufacturers set the list price for drugs based on the mechanisms of the free market. As a wholesale distributor, McKesson is a conduit for moving products safely and efficiently across the supply chain. We receive a fair market price for our services and based on independent studies, reflect the narrowest margins across the supply chain[1]. The just-in-time distribution services that we provide to pharmacies and hospitals allow our customers, including manufacturers, to save millions of dollars annually by not having to carry extensive inventories or have large storage facilities – both of which would add significant cost to the healthcare system. McKesson believes that due to a lack of transparency, PBMs are currently incentivized to charge a plan more than a pharmacy is reimbursed for a prescription medication. McKesson supports policies that encourage greater transparency in PBM practices, including fiduciary duty for PBMs to prioritize patients' financial interest above all else.

McKesson's Public Policy Principles: The Patient Comes First

Our company strives to ensure that our views on better healthcare prioritize what's best for the patient. Our public policy platform is driven by the core belief that the **Patient Comes First.** The first step towards better health is access to high quality and affordable care. We must ensure that patients have the right information to be effective managers of their own health and make informed choices about their care. Our responses to the RFI are rooted in the following principles:

Patients Must Have Access to Affordable Medicines and Care

McKesson supports programs that enhance affordable patient access to high quality healthcare where and when they need it. Patients should have access to the medicines and treatments they need to make better health possible for themselves, their families and loved ones. We believe that:

- *Patients should benefit more directly from negotiated rates in the form of lower out-of-pocket costs at the pharmacy.* As such, patients should most substantially benefit from any pharmacy DIR fees, that reduce the cost that plans pay for drugs. Providing more direct savings to the patient could have a considerable impact on the out-of-pocket costs for higher cost specialty medications, particularly if the DIR fees are percentage based. We urge HHS to propose and finalize rulemaking in the forthcoming Medicare Part D rule that would: (1) require all pharmacy DIR fees to be applied at the point of sale; (2) prohibit retroactive penalties to pharmacies based on performance; and (3) preserve and enhance fully transparent performance-based programs that allow pharmacies to receive bonus payments for high performance on activities they are reasonably able to influence, as well as appeal adverse determinations.

- *Patients should be able to use patient assistance programs thereby making medications more affordable.* Physicians should determine the best course of treatment for a patient based on their clinical judgment, not a plan's formulary structure. Copay discount cards and other support programs can help patients afford their medicines, improve adherence and further drive competition for drugs on and off formulary. Patients covered under federal programs should be able to benefit from these programs in the same way as those insured by commercial plans. Further, patient support programs increase competition between drugs not on a patient's formulary, resulting in reduced patient out-of-pocket costs.

- *Patient access and cost-sharing should not be compromised when exploring system-wide health reforms.* Policymakers should be thoughtful when considering additional tools for competition or negotiation, as misguided attempts to restructure programs may inadvertently result in reduced patient access should providers no longer be able to furnish care effectively, or should patient cost-sharing increase. For example, shifting physician-administered drugs to a pharmacy benefit such as Part D may increase the opportunity for PBMs and payers to negotiate access to drugs, while increasing patient cost-sharing should these products be driven to specialty tiers. Medicare beneficiaries generally do not have Medigap or other wrap around coverage to help offset Part D out-of-pocket costs.

Patients Should be Empowered to Make Informed Decisions about Their Health

McKesson supports programs that improve patient engagement to ensure patients play an active role in managing their health and making informed clinical decisions. We believe that:

- *Patients need to understand the cost of medicines, their cost-sharing burden and if there are lower-cost alternatives.* Physicians often prescribe medications without fully understanding a patient's insurance coverage and out-of-pocket cost burden. This may lead to drug abandonment and patient disengagement. Physicians should share cost information and treatment alternatives for drugs on and off a patient's formulary to drive fact-based shared decision making.

- *Patients should have access to technology that gives them a complete picture of their healthcare choices.* It is critical patients have the right information, knowledge and skills to be active managers of their health. We support broader adoption of patient-centric decision support technology that provide precise prescription benefit and prior authorization information across all payers, as well as, non-formulary or cash pay options at the point of prescribing. This way, patients can arrive at the pharmacy knowing what to expect, increasing the likelihood of them picking up their prescriptions.

- *Patients need education about lower cost and clinically-appropriate settings of care to determine when and how they seek to receive treatment.* Patients must have the knowledge to make informed decisions about their health. This is challenging, for example, when every outpatient setting of care looks and feels the same, but may come with differential patient cost sharing. McKesson supports the vital role community providers play in our ecosystem, particularly as these settings are often the lower cost and more accessible option for patients. Cost transparency when delivered in a patient-centric manner can help inform patients of their choices and encourage use of settings that are clinically appropriate and may save money, not only for the patient but also for the healthcare system.

- *Patients need to understand the full breadth of treatment options, including lower cost alternatives not favored by the patient's health plan.* Formulary development is a complex process and may not align with a physician's clinical judgement and prescribing preference for a specific patient. Further, any restrictions – such as pharmacy gag clause laws – that prevent providers, including pharmacists, from discussing lower cost options with patients should be eliminated. Patients should fully understand their treatment options for drugs on and off formulary.

- *Patients can only benefit from medicines when they understand how to use them safely and effectively.* Therefore, pharmacists – who are clinically trained medication experts – must be fully harnessed as part of the overall healthcare team. We believe that Medicare should recognize and reimburse pharmacists in the same manner as other non-physician providers, such as physician assistants and nurse practitioners.

Patients Benefit from a Value-Driven Payment System and a Diverse Healthcare Ecosystem
McKesson supports efforts to foster a value-driven payment system that also recognizes the critical role community-based providers play in healthcare. We believe that:

- *Patients benefit from value-driven payments, such as outcomes-based contracts and indication-based pricing only if these efforts reflect values of greatest import to the patient.* While clinical and cost data is critical, we must utilize value metrics that account for the patient experience and outcomes that incorporate those most meaningful to patients. Use of purely academic tools focused on clinical and cost effectiveness factors alone will not improve quality or reduce costs if patients do not take their medications due to high costs, undesirable side effects or ineffective care delivery. Furthermore, should HHS continue to explore indication-based payments, we strongly recommend that the Department ensure that prescribers and plans be held responsible for determining and reporting the indication – not the pharmacy – as pharmacists do not always have insight into a patient's diagnosis or the indication for which a drug is prescribed.

- *Patients derive significant value from care delivered by community-based providers.* Community-based providers offer a unique value to the patients and communities they serve. They not only tailor care based on the specific needs of their patient populations, but they are also often the lower-cost and more accessible setting of care. McKesson supports efforts to bolster and preserve all community-based providers. Ongoing consolidation of community-based providers reduces the variation in care

options for patients who may be limited to seeing physicians in certain networks or have system driven care protocols. Proposals must consider the unique impact on community-based providers, and ensure they do not inadvertently disadvantage these providers.

Patients Deserve Transparency and Program Integrity within Federal Programs
McKesson supports efforts to ensure that federal programs meet their intended purpose and have the transparency that is needed to ensure accountability and sustainability. We believe that:

- *Patients should be informed of any program incentives that may impact their access to drugs and treatments.* Part D plans utilizing indication-based pricing or other value-based payment arrangements should disclose this information to patients to ensure they understand what is driving care decisions. Additionally, major changes such as these should be done in a transparent manner and allow for public input prior to implementation. For example, the Centers for Medicare & Medicaid Services (CMS) should identify through public input the types of data or evidence that must be used by Part D plans when implementing an indication-based formulary.

- *Patients benefit from public health programs that increase funding avenues for vulnerable patients.* McKesson recognizes the vital role the 340B drug discount program plays in helping covered entities stretch scarce federal resource to serve vulnerable patient populations. McKesson recommends a thoughtful and inclusive approach to 340B program reforms to ensure that changes do not disrupt care and services for vulnerable patient populations and preserve the initial intent of the program.

- *Patients gain value from increased transparency in federal programs such as the 340B program.* McKesson recognizes the need for increased transparency and accountability to ensure the 340B program benefits patients, improves intended patient care and ensures program integrity. Thoughtful reporting requirements are necessary to ensure the right data is captured and assessed to address 340B program concerns. Additionally, current mechanisms for preventing statutorily-prohibited duplicate discounts are not as effective as they could be. Because Medicare payer codes are often not publicly available, preventing duplicate discounts can be challenging for covered entities. The Health Resources and Services Administration (HRSA) must be given the appropriate authority and resources to effectively oversee the 340B program. We recommend addressing these gaps and generating critically-needed data prior to implementing reforms that may disrupt patient care and reduce resources necessary for covered entities to meet program intent.

Patients Benefit from Innovation and Accelerated Drug Approvals
McKesson supports efforts to bolster drug innovation as a means of driving competition for generic, brand, specialty and biosimilar products. We believe that:

- *Patients enjoy the full advantage of increased competition when physicians and patients understand the clinical benefits of non-innovator products.* McKesson applauds the Food and Drug Administration (FDA) for accelerating generic and brand drug approvals. Physician and provider education is critical to ensure adoption of biosimilar products and spur additional manufacturer investment in this market. McKesson supports policies that will facilitate timely access to biosimilar products and promote the development of a robust biosimilars market.

- *Patient safety, clinical outcomes and access are enhanced through effective REMS programs.* McKesson appreciates HHS' efforts to ensure appropriate patient access to all FDA approved drugs. Continued standardization of REMS program requirements will promote manufacturer alignment, while a streamlined submission process will expedite REMS program approvals. These can be further facilitated through use of electronic prescribing (eRx) and ePA to ensure effective transmission of

prescription data and prior authorization requirements to reduce physician, pharmacy and patient burden. Lastly, sharing of brand drug samples with generic manufacturers could also be facilitated through a REMS program via implementation of an adjunct controlled distribution mechanism that would allow generic manufacturers to register in the REMS program and receive an adequate quantity of the product for bioequivalence testing only.

- *Patients see value in an adequately resourced, staffed and patient-centric FDA.* Sustaining the current momentum of drug approvals requires continued funding and resources. McKesson supports policies such as the timely reauthorization of the Prescription Drug User Fee Act (PDUFA) and full congressional matching appropriations to ensure that American patients are the first to have access to newly available safe and effective medicines and treatments.

Conclusion

McKesson appreciates the opportunity to comment on the blueprint and RFI, and we look forward to working with HHS and the Administration to foster an affordable, accessible healthcare system that puts patients first. We have shared our high-level thoughts on areas of interest expressed by the Administration and would be happy to provide additional context to further our common goals. Should you have any questions, please contact Fauzea Hussain, Vice President of Public Policy, at Fauzea.Hussain@McKesson.com or (202) 469-6278.

Sincerely,

Pete Slone

[1] 87th Edition HDA Factbook (2016-2017), Table 1, p.32 Understanding Pharmaceutical Distribution Presentation 2017

MedImpact

July 12, 2018

United States Senator Elizabeth Warren
Hart Senate Office Building
Suite SH-317
Washington, DC 20510

United States Senator Tina Smith
Hart Senate Office Building
Suite SH-309
Washington, DC 20510

Dear Senator Warren and Senator Smith:

We are writing in response to your letter dated June 29, 2018, received July 3, 2018 regarding drug prices. Thank you for providing the opportunity to share our commitment to cost containment for our clients and their members.

MedImpact, an independent, trend-focused pharmacy benefit manager (PBM), is the nation's largest privately held PBM, serving health plans, self-funded employers and government entities. We promote the prescribing and fulfillment of low-cost, medically appropriate drugs at the most appropriate pharmacy.

Please find our responses to your questions below.

1. Has your company, since May 11, 2018 (or prior to that date if it was related to the Trump Administration drug pricing initiative) engaged in any discussions with drug companies seeking to reduce their prices? If so, please provide additional detail on these discussions, including information on the company, the drug, and the extent and nature of proposed price reductions.

   MedImpact has not engaged in any discussions with any drug company seeking to reduce their prices.

2. Have you received any commitments of lower list prices from drug manufacturers?

   MedImpact has not received any commitment of lower list prices from any drug manufacturer.

3. How did your company respond to these offers?

   Not applicable

4. Have you "pushed back" against any of these offers by drug companies of lower list prices?

   MedImpact has not had any offers from drug manufacturers with respect to lowering their list prices.

5. Have you stated or implied in any way that you prefer that drug companies not reduce prices or prefer that they would charge higher prices?

   MedImpact has not stated nor implied that we prefer that drug companies not reduce prices nor that we prefer that they would charge higher prices.

6. Have you stated or implied in response to any others of price reductions for a drug that you would remove this drug from your formulary?

   MedImpact has not stated nor implied in response to any offers of price reductions for a drug that we would remove this drug from our formulary.

7. Have you received "suggestions or approaches from drug companies for lower list prices"? If so, what has your reaction been? Have you stated or implied that if any drug manufacturer were to decrease their price they would "actually be harmed in terms of formulary status, and patient access, versus [their] competitor who has a higher price?"

   MedImpact has not received any suggestions or approaches from drug companies for lower list prices, and MedImpact has not stated nor implied that if any drug manufacturer were to decrease their price that they would "actually be harmed in terms of formulary status, and patient access, versus [their] competitor who has a higher price".

8. If a manufacturer were to indicate that they intended to reduce their list price, what would your reaction be? Would you welcome and implement this offer in a way that reduces costs for consumers?

   MedImpact would welcome reduced list prices, as we believe in the sustainability of healthcare, driven by access to lowest priced drugs to effectively manage conditions for the health and wellbeing of the members of our clients.

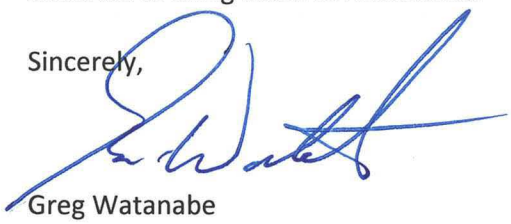
   MedImpact already focuses on the lowest cost, medically appropriate drugs, we would welcome and implement lower prices in a way that would reduce costs for both payers and consumers.

   MedImpact prides itself on its alignment with payer financial and clinical goals to provide access to low-net cost, medically appropriate drugs. Our unparalleled focus on cost containment and rigorous oversight is at the core of how we deliver services. We tackle cost containment by remaining true to clinical rationale, focusing on waste reduction and driving low-net cost solutions through rigorous formulary control and utilization management.

   Our formulary recommendations are grounded in evidence-based guidelines and are focused on clinical efficacy and quality. MedImpact provides medically appropriate drugs to its clients and their members based on our longstanding low-net-cost model.

Again, thank you for the opportunity to respond. We look forward to working with all of the stakeholders to continue to bring value to healthcare.

Sincerely,



Greg Watanabe
President and Chief Operating Officer
MedImpact Healthcare Systems

Office of John Prince
CEO, OptumRx
11000 Optum Circle
MN101-E015
Eden Prairie, MN 55344

July 13, 2018

The Honorable Tina Smith
U.S. Senate
309 Hart Senate Office Building
Washington, D.C. 20510

The Honorable Elizabeth Warren
U.S. Senate
317 Hart Senate Office Building
Washington, D.C. 20510

Dear Senators Smith and Warren:

Thank you for your letter of June 29, 2018. OptumRx shares your concern regarding the high list prices set by drug manufacturers. High drug prices negatively impact not only consumers, but also OptumRx's employer, health plan, union, and Federal and State government customers.

Comments made at recent Committee hearings in the U.S. Senate have sparked a discussion over whether pharmacy benefit managers are standing in the way of drug companies lowering their list prices.

This is simply not the case with OptumRx. Drug manufacturers independently set the prices for the drugs they manufacture. We have not discouraged them from lowering their prices, nor have we excluded drugs with lower list prices from the formulary. To the contrary, as a pharmacy benefit manager, OptumRx is deploying solutions to achieve greater value, help improve affordability, and protect both consumers and our customers from rising drug prices and high out-of-pocket costs. We are committed to continuing to advance meaningful solutions that reduce drug prices for the consumers and customers we serve.

OptumRx's differentiated Pharmacy Care Services approach is focused on creating value for both consumers and payers by driving to the lowest net cost for drugs, reducing total health care costs, and improving health – all through a consumer friendly, easy-to-navigate pharmacy experience. OptumRx provides solutions that empower consumers to have convenient access to affordable prescription medications, while helping them make better health decisions, including:

- Direct-to-Consumer Pharmacy Discounts: UnitedHealthcare, powered by OptumRx, was the first health insurer to implement a point-of-sale (POS) rebate solution for all fully-insured commercial group benefit plans when plan participants fill prescriptions through retail pharmacies or home delivery. The program, announced on March 6, 2018, will enable seven million people to lower their out-of-pocket costs by directly providing consumers with savings from pharmacy manufacturer rebates at the time of purchase. This important step helps protect consumers from the rising costs of brand drugs, and has served as a catalyst for other health plans to follow suit. In addition, OptumRx's stand-alone POS solution, first launched in 2016, is available to consumers who do not receive their pharmacy benefits through UnitedHealthcare, and delivers on the commitment to make prescription drugs more affordable and reduce out-of-pocket costs.

- PreCheck MyScript: To improve real-time provider visibility to lower-cost, clinically equivalent alternatives at the point-of-prescribing, in 2017 OptumRx launched PreCheck

MyScript. This program is a digital platform that simplifies the drug prescribing experience and helps lower prescription drug costs. This solution is available to more than 100,000 physicians through their electronic medical record (EMR) and has led to more than five million provider and beneficiary engagements since its launch, resulting in lower costs, better adherence, and more-satisfied patients. Early results show this tool is impacting drug costs with physicians prescribing a lower-cost alternative in one out of every five instances when a lower cost, clinically appropriate option is available.

- Independent Pharmacy & Therapeutic Committee: To help promote high quality, cost-effective formulary design and management, OptumRx's transparent Pharmacy and Therapeutics (P&T) Committee provides unbiased, evidence-based review and appraisal of new drugs, existing drugs and their place in therapy. The P&T Committee, comprised of independent practicing physicians and pharmacists, evaluates drugs based on scientific evidence, including peer-reviewed medical literature, well-established clinical practice guidelines and pharmacoeconomic studies. This rigorous, clinical, evidence-based process, open to customers to observe with full transparency, ensures the development of clinically appropriate, cost-effective drug formularies benefiting consumers and customers.

While drug manufacturers alone set the list price of drugs, OptumRx pursues drug negotiating and contracting strategies to ensure it can deliver lowest net costs for prescription drugs. OptumRx has worked actively to encourage lower list prices on new drugs coming to market, and included those drugs on the preferred formulary. Examples of new drugs coming to market with disruptive, lower list prices that were added to OptumRx's preferred formulary offering include:

- Tymlos (Radius Pharma): a drug for Osteoporosis launched with a list price at a 40% discount to brand leader Forteo;
- Zepatier (Merck): a drug for Hepatitis C launched with a list price at a 50% discount to Gilead's brand leading product Harvoni; and,
- Mavyret (Abbvie): a drug for Hepatitis C launched with a list price at a 70% discount to Gilead's newest leading product Epclusa.

We added these products to our formulary over higher-cost competing products because they meaningfully lowered the net cost for our payer customers. Consistent with these examples, OptumRx will continue to assess and support proposals that offer meaningful reductions in out-of-pocket costs for consumers, and lower net costs for the payer customers we serve.

We will continue to work with stakeholders across the health care system to develop and implement solutions to lower drug prices and out-of-pocket costs for consumers, employers, health plans, unions, and the government customers we serve.

We hope you find this information to be helpful. Please contact Bill Otteson at (952) 936-3116 or John Prible at (202) 654-8844 with any questions.

Regards,

John M. Prince
Chief Executive Officer, OptumRx

ADDENDUM TO JULY 13, 2018 LETTER TO SENATORS WARREN AND SMITH

As requested by members of your staff, we are supplying the following addendum to our letter of July 13, 2018, corresponding to the questions posed in your June 29, 2018 letter.

1. Drug manufacturers independently set the prices for the drugs they manufacture. OptumRx's role is to deliver lower drug costs for customers and consumers, and we are constantly engaged with drug manufacturers to try to restrain their prices. Our reason for being is to explore ways to achieve greater value, help improve affordability, and protect both consumers and our health plan customers from rising drug prices and high out-of-pocket costs. These discussions have occurred both before and after the Trump Administration's announced drug pricing initiative. OptumRx has pursued and will continue to pursue drug negotiating and contracting strategies to ensure it can deliver the lowest net cost for prescription drugs.

2. Since May 11, we have not received any commitments from drug manufacturers to lower their list prices.

3. It is unclear what your letter means by "these offers," but as noted above, OptumRx is constantly engaged with drug manufacturers to restrain their rising drug prices. We work every day to drive lower costs for prescription drugs and we have not discouraged any drug manufacturers from lowering their prices, nor have we excluded drugs with lower list prices from our formularies.

4. No.

5. Drug manufacturers independently set the prices for the drugs they manufacture. One of our primary roles is to aggressively negotiate with pharmaceutical companies to secure the lowest net cost of prescription drugs in the best interests of the consumers and customers we serve. We have not discouraged any drug manufacturers from lowering their prices.

6. No.

7. As noted above, OptumRx's role is to deliver lower drug costs for customers and consumers, and we are constantly engaged with drug manufacturers to try to restrain their prices. Our reason for being is to explore ways to achieve greater value, help improve affordability, and protect both consumers and our health plan customers from rising drug prices and high out-of-pocket costs. In these discussions, we have not stated or implied that manufacturers that chose to decrease their prices would be harmed versus competitors with higher prices.

8. Drug manufacturers independently set the prices for the drugs they manufacture. We welcome any opportunity to achieve greater value, help improve affordability, and protect both consumers and our health plan customers from drug manufacturers' rising drug prices and high out-of-pocket costs. We are committed to continuing to advance meaningful solutions that reduce drug prices for the consumers and customers we serve. As noted in our July 13 letter, our differentiated approach is focused on creating value for both consumers and payers by driving to the lowest net cost for drugs, reducing total health care costs, and improving health – all through a consumer friendly, easy-to-navigate pharmacy experience. OptumRx has pursued and will continue to pursue drug negotiating and contracting strategies to ensure it can deliver the lowest net cost for prescription drugs. OptumRx has worked actively to encourage lower list prices on new drugs coming to market, and included those drugs on the preferred formulary. Our July 13 letter provided several specific examples of such drugs.

PRIME THERAPEUTICS®

July 13, 2018

The Honorable Elizabeth Warren
317 Hart Senate Office Building
Washington, D.C. 20510

The Honorable Tina Smith
309 Hart Senate Office Building
Washington, D.C. 20510

Dear Senators Smith and Warren,

I am writing in response to your letter dated June 29, 2018. On behalf of Prime Therapeutics (Prime), I am pleased to provide you with insights on our unique business model and to answer your questions on any communications we may have had with others in the supply chain on drug pricing. We appreciate the interest both you and the Trump Administration have in addressing the issue of high prescription drug prices. We are committed to working shoulder-to-shoulder with our health plan clients, other stakeholders in the supply chain and policymakers to help make prescription drugs more affordable so our members get the medicines they need to live well.

Prime is a unique pharmacy benefit manager (PBM) because we are owned by not-for-profit Blue Plans. As a result, we are not beholden to Wall Street shareholders to deliver a profit. Rather, our focus is on delivering the lowest net cost on prescription medicines and driving lowest overall cost of care for our clients and members. We do not need to skim transactions (e.g., drug purchases and rebates) to generate a margin for Prime. In fact, Prime will often forego a significant rebate program on a brand-name drug to move patients to a more affordable generic or lower cost brand equivalent.

We believe our approach to PBM services is exceptionally effective. In 2017, our clients actually realized overall expenditure reductions for prescription drugs compared to 2016, despite ongoing price increases in multiple drug categories, including ultra-expensive specialty medications. These reductions were hard won through diligent use of PBM tools such as formularies, clinical programs, and utilization management. These tools—combined with our lowest net cost philosophy that aligns our goals with those of our clients'—fuel our ability to deliver value.

We understand that prescription drug affordability is a key issue not only for our clients, but also for our members. For this reason, we will be offering our commercial health plan clients the option to adjust the prices of drugs in their benefit plans to incorporate rebate savings. This will allow members with deductibles and coinsurance to benefit from rebates at the point of sale.

Thank you for the opportunity to introduce you to our philosophy and history, which also shapes our responses to your specific queries.

ANSWERS TO QUESTIONS

1) Has your company, since May 11, 2018 (or prior to that date, if it was related to the Trump Administration drug pricing initiative) engaged in any discussions with drug companies seeking to reduce their prices? If so, please provide additional detail on these discussions, including information on the company, the drug, and the extent and nature of proposed price reductions.

ANSWER: Prior to May 11, but after the Trump Administration announced their drug pricing Blueprint, Prime received one call from a drug company which was conducting very preliminary market research to understand the supply chain implications of any change in their pricing strategy. This is the only call we have received that is even tangentially related to the Trump Administration drug pricing initiative.

2) Have you received any commitments of lower list prices from drug manufacturers?

ANSWER: No.

3) How did your company respond to these offers?

ANSWER: N/A

4) Have you “pushed back" against any of these offers by drug companies of lower list prices?

ANSWER: N/A

5) Have you stated or implied in any way that you prefer that drug companies not reduce prices or prefer that they would charge higher prices?

ANSWER: No.

6) Have you stated or implied in response to any offers of price reductions for a drug that you would remove this drug from your formulary?

ANSWER: N/A

7) Have you received “suggestions or approaches from drug companies for lower list prices"? If so, what has your reaction been? Have you stated or implied that if any drug manufacturer were to decrease their price they would "actually be harmed in terms of formulary status, and patient access, versus [their] competitor who has a higher price?"

ANSWER: No, we have not received any suggestions or approaches from drug companies for lower list prices.

8) If a manufacturer were to indicate that they intended to reduce their list price, what would your reaction be? Would you welcome and implement this offer in a way that reduces costs for consumers?

ANSWER: We would welcome offers to reduce list prices. Our focus, as indicated previously, is on lowest net cost and how that can be achieved after rebates are applied. Our savings for our clients

accrue to the benefit of the consumer through premium reductions if not passed on at point-of-sale, but we are rapidly developing capabilities to share rebates at the point-of-sale and support clients who wish to pass through rebates at the point-of-sale as part of their benefit design.

We note that in market segments where consumers select their own plans from a range of offerings, there may be risk selection effects that would have to be addressed in any program where rebates savings are shared at point-of-sale. Even in these cases, consumers benefit from rebates or lower list prices through lower premiums. Nonetheless, sharing rebates on $500 to $10,000 drugs with list prices rising at 10 to 15 percent twice a year are still unaffordable for most consumers. Rebates at point-of-sale are a Band-Aid on unsustainably high drug prices.

We appreciate your leadership on drug pricing issues and desire to better understand the prescription drug supply chain. Should you require clarification on this response, please do not hesitate to contact me or Julie Cantor-Weinberg in Prime's office of Government Affairs at Julie.Cantor-Weinberg@PrimeTherapeutics.com.

Best regards,

James DuCharme

President and Chief Executive Officer

Prime Therapeutics