United States Senate
WASHINGTON, DC 20510

June 29, 2018

Mike Kaufmann
Chief Executive Officer
CardinalHealth
7000 Cardinal Place
Dublin, OH 43017

Dear Mr. Kaufmann:

We are writing to obtain additional information on troubling comments made by Health and Human Services Secretary Alex Azar at a hearing on President Trump's drug pricing proposals before the Senate Committee on Health, Education, Labor and Pensions on June 12, 2018.

Prior to that hearing, President Trump had promised that "We're going to have some of the big drug companies in in two weeks and they're going to announce — because of what we did — they're going to announce voluntary massive drops in prices, so that's great ... For the first time ever in this country, there will be a major drop in the cost of prescription drugs."[1]

Senator Elizabeth Warren sought clarity from Secretary Azar on these promises, asking, "Which drug companies will be voluntarily lowering their prices?"[2]

Secretary Azar indicated that multiple drug companies were considering doing so, but were running into opposition and roadblocks from pharmacy benefit managers (PBMs) and drug distributors. He said:

> There are actually several drug companies that are looking at substantial and material decreases of drug prices. …They're working right now with the pharmacy benefit managers and distributors. … What they're trying to do is work to ensure they're not discriminated against for lowering their prices. You should focus … on the PBMs and distributors who might say to these [drug companies] do not decrease your price.[3]

He clarified:

> We've had several drug companies come in who ... want to execute substantial material reductions in their drug prices. They're finding hurdles from pharmacy

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Later in the hearing, Secretary Azar suggested that

> [E]mployers and payer customers of PBMs ... should be asking their PBMs right now, have you received any commitments of lower list prices and what have you done … and are you pushing back on drug companies saying you would prefer higher list drug prices?"[5]

Secretary Azar repeated those allegations at a Senate Finance Committee hearing earlier this week

> We have had many major drug companies with major products who want to make substantial and material price decreases. This has shown just how broken our system of drug pricing and drug distribution is in the United States. Because the pharmacy benefit managers and the wholesalers are all dependent on getting a percent of list price and the reaction to some has been if you were to decrease your price you will actually be harmed in terms of formulary status, and patient access, versus your competitor who has a higher price. I would encourage the Senate and Congress to inquire of pharmacy benefit managers as to whether they have received suggestions or approaches from drug companies for lower list prices and what has their reaction been. . . .this is what is keeping the individual companies, so far, from moving.[6]

These are extremely disturbing allegations by Secretary Azar.

If they are true, these allegations suggest that PBMs and drug distributors are acting to maintain high list prices in order to maintain high profit margins, potentially raising antitrust concerns.[7]

In addition, if PBMs were acting to keep drug prices high, it would directly contradict the public statements that PBMs have made about their actions and their interest in securing lower list prices from drug companies. For example, following a hearing on drug pricing

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Thank you for your attention to this matter. Please contact Brian Cohen of Senator Warren's staff (202-224-4543) and Beth Wikler of Senator Smith's staff (202-224-5641) should you have any questions.

Sincerely,

Elizabeth Warren
United States Senator

Tina Smith
United States Senator

United States Senate
WASHINGTON, DC 20510

June 29, 2018

John H. Hammergren
Chief Executive Officer
McKesson
One Post Street
San Francisco, CA 94104

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United States Senate
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Steven H. Collis
President and Chief Executive Officer
AmerisourceBergen
1300 Morris Drive
Chesterbrook, PA 19087

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United States Senator

United States Senate
WASHINGTON, DC 20510

June 29, 2018

Frederick Howe
Found, Chairman, and Chief Executive Officer
Medimpact Healthcare Systems
10181 Scripps Gateway Court
San Diego, CA 92131

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Thank you for your attention to this matter. Please contact Brian Cohen of Senator Warren's staff (202-224-4543) and Beth Wikler of Senator Smith's staff (202-224-5641) should you have any questions.

Sincerely,

Elizabeth Warren
United States Senator

Tina Smith
United States Senator

United States Senate
WASHINGTON, DC 20510

June 29, 2018

John Prince
Chief Executive Officer
OptumRx
11000 Optum Circle
Eden Prairie, MN 55344

Dear Mr. Prince:

We are writing to obtain additional information on troubling comments made by Health and Human Services Secretary Alex Azar at a hearing on President Trump's drug pricing proposals before the Senate Committee on Health, Education, Labor and Pensions on June 12, 2018.

Prior to that hearing, President Trump had promised that "We're going to have some of the big drug companies in in two weeks and they're going to announce — because of what we did — they're going to announce voluntary massive drops in prices, so that's great ... For the first time ever in this country, there will be a major drop in the cost of prescription drugs."[1]

Senator Elizabeth Warren sought clarity from Secretary Azar on these promises, asking, "Which drug companies will be voluntarily lowering their prices?"[2]

Secretary Azar indicated that multiple drug companies were considering doing so, but were running into opposition and roadblocks from pharmacy benefit managers (PBMs) and drug distributors. He said:

> There are actually several drug companies that are looking at substantial and material decreases of drug prices. …They're working right now with the pharmacy benefit managers and distributors. … What they're trying to do is work to ensure they're not discriminated against for lowering their prices. You should focus … on the PBMs and distributors who might say to these [drug companies] do not decrease your price.[3]

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Later in the hearing, Secretary Azar suggested that

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Secretary Azar repeated those allegations at a Senate Finance Committee hearing earlier this week

> We have had many major drug companies with major products who want to make substantial and material price decreases. This has shown just how broken our system of drug pricing and drug distribution is in the United States. Because the pharmacy benefit managers and the wholesalers are all dependent on getting a percent of list price and the reaction to some has been if you were to decrease your price you will actually be harmed in terms of formulary status, and patient access, versus your competitor who has a higher price. I would encourage the Senate and Congress to inquire of pharmacy benefit managers as to whether they have received suggestions or approaches from drug companies for lower list prices and what has their reaction been. . . .this is what is keeping the individual companies, so far, from moving.[6]

These are extremely disturbing allegations by Secretary Azar.

If they are true, these allegations suggest that PBMs and drug distributors are acting to maintain high list prices in order to maintain high profit margins, potentially raising antitrust concerns.[7]

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Sincerely,

Elizabeth Warren
United States Senator

Tina Smith
United States Senator

United States Senate
WASHINGTON, DC 20510

June 29, 2018

Jim DuCharme
President and Chief Executive Officer
Prime Therapeutics
1305 Corporate Center Drive
Eagan, MN 55123

Dear Mr. DuCharme:

We are writing to obtain additional information on troubling comments made by Health and Human Services Secretary Alex Azar at a hearing on President Trump's drug pricing proposals before the Senate Committee on Health, Education, Labor and Pensions on June 12, 2018.

Prior to that hearing, President Trump had promised that "We're going to have some of the big drug companies in in two weeks and they're going to announce — because of what we did — they're going to announce voluntary massive drops in prices, so that's great ... For the first time ever in this country, there will be a major drop in the cost of prescription drugs."[1]

Senator Elizabeth Warren sought clarity from Secretary Azar on these promises, asking, "Which drug companies will be voluntarily lowering their prices?"[2]

Secretary Azar indicated that multiple drug companies were considering doing so, but were running into opposition and roadblocks from pharmacy benefit managers (PBMs) and drug distributors. He said:

> There are actually several drug companies that are looking at substantial and material decreases of drug prices. …They're working right now with the pharmacy benefit managers and distributors. … What they're trying to do is work to ensure they're not discriminated against for lowering their prices. You should focus … on the PBMs and distributors who might say to these [drug companies] do not decrease your price.[3]

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Later in the hearing, Secretary Azar suggested that

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Secretary Azar repeated those allegations at a Senate Finance Committee hearing earlier this week

> We have had many major drug companies with major products who want to make substantial and material price decreases. This has shown just how broken our system of drug pricing and drug distribution is in the United States. Because the pharmacy benefit managers and the wholesalers are all dependent on getting a percent of list price and the reaction to some has been if you were to decrease your price you will actually be harmed in terms of formulary status, and patient access, versus your competitor who has a higher price. I would encourage the Senate and Congress to inquire of pharmacy benefit managers as to whether they have received suggestions or approaches from drug companies for lower list prices and what has their reaction been. . . .this is what is keeping the individual companies, so far, from moving.[6]

These are extremely disturbing allegations by Secretary Azar.

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Sincerely,

Elizabeth Warren
United States Senator

Tina Smith
United States Senator

United States Senate
WASHINGTON, DC 20510

June 29, 2018

William Fleming, PharmD
Segment President, Healthcare Services
Humana
500 West Maine St.
Louisville, KY 40202

Dear Dr. Fleming:

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Thank you for your attention to this matter. Please contact Brian Cohen of Senator Warren's staff (202-224-4543) and Beth Wikler of Senator Smith's staff (202-224-5641) should you have any questions.

Sincerely,

Elizabeth Warren
United States Senator

Tina Smith
United States Senator

United States Senate
WASHINGTON, DC 20510

June 29, 2018

Larry J Merlo
President and Chief Executive Officer
CVS Health
One CVS Drive
Woonsocket, RI 02895

Dear Mr. Merlo:

We are writing to obtain additional information on troubling comments made by Health and Human Services Secretary Alex Azar at a hearing on President Trump's drug pricing proposals before the Senate Committee on Health, Education, Labor and Pensions on June 12, 2018.

Prior to that hearing, President Trump had promised that "We're going to have some of the big drug companies in in two weeks and they're going to announce — because of what we did — they're going to announce voluntary massive drops in prices, so that's great ... For the first time ever in this country, there will be a major drop in the cost of prescription drugs."[1]

Senator Elizabeth Warren sought clarity from Secretary Azar on these promises, asking, "Which drug companies will be voluntarily lowering their prices?"[2]

Secretary Azar indicated that multiple drug companies were considering doing so, but were running into opposition and roadblocks from pharmacy benefit managers (PBMs) and drug distributors. He said:

> There are actually several drug companies that are looking at substantial and material decreases of drug prices. …They're working right now with the pharmacy benefit managers and distributors. … What they're trying to do is work to ensure they're not discriminated against for lowering their prices. You should focus … on the PBMs and distributors who might say to these [drug companies] do not decrease your price.[3]

He clarified:

> We've had several drug companies come in who ... want to execute substantial material reductions in their drug prices. They're finding hurdles from pharmacy

[1] Politico, "Trump's Drug Price Comments Appear to Catch Industry Off Guard," May 30, 2018, https://www.politico.com/story/2018/05/30/trump-drug-prices-613931.

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> benefit managers and distributors … where they might say if you decrease your list price, I will take you off formulary compared to your competitor.[4]

Later in the hearing, Secretary Azar suggested that

> [E]mployers and payer customers of PBMs ... should be asking their PBMs right now, have you received any commitments of lower list prices and what have you done … and are you pushing back on drug companies saying you would prefer higher list drug prices?"[5]

Secretary Azar repeated those allegations at a Senate Finance Committee hearing earlier this week

> We have had many major drug companies with major products who want to make substantial and material price decreases. This has shown just how broken our system of drug pricing and drug distribution is in the United States. Because the pharmacy benefit managers and the wholesalers are all dependent on getting a percent of list price and the reaction to some has been if you were to decrease your price you will actually be harmed in terms of formulary status, and patient access, versus your competitor who has a higher price. I would encourage the Senate and Congress to inquire of pharmacy benefit managers as to whether they have received suggestions or approaches from drug companies for lower list prices and what has their reaction been. . . .this is what is keeping the individual companies, so far, from moving.[6]

These are extremely disturbing allegations by Secretary Azar.

If they are true, these allegations suggest that PBMs and drug distributors are acting to maintain high list prices in order to maintain high profit margins, potentially raising antitrust concerns.[7]

In addition, if PBMs were acting to keep drug prices high, it would directly contradict the public statements that PBMs have made about their actions and their interest in securing lower list prices from drug companies. For example, following a hearing on drug pricing

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[6] HHS Secretary Alex Azar, Prescription Drug Affordability and Innovation: Addressing Challenges in Today's Market, Committee on Finance, June 26, 2018, https://www.c-span.org/video/?447466-1/hhs-secretary-alex-azar-pressed-migrant-family-reunification-efforts.

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before the Senate HELP Committee in October 2017, Mark Merritt, President and CEO of the Pharmaceutical Care Management Association (PCMA) – the trade association representing PBMs – stated that "We'd be happy if manufacturers would just go to lowering the actual price as opposed to rebating" PBMs.[8]

Following Secretary Azar's comments before the HELP Committee, a top CVS executive stated that "We are not standing in the way of any efforts to lower prices, and welcome the opportunity to work with manufacturers and other stakeholders to do so;"[9] a spokesperson for ExpressScripts indicated that "Drug makers set prices and can lower them at any time … We've always been in favor of voluntary price decreases that would make medications more affordable for our plans and their members."[10] On June 26th, PCMA ran ads in Politico and The Hill reiterating this point, stating "America's Pharmacy Benefit Managers (PBMs) agree with the Administration and patients. The most direct way to reduce costs and improve access to prescription drugs is for drugmakers to cut their prices."[11]

On the other hand, if Secretary Azar's allegations are untrue, he owes the HELP Committee and the Finance Committee an explanation for why he publicly and repeatedly raised them in his testimony.

We are therefore writing to seek clarity on this issue. To do so, we ask that you provide answers to our questions no later than July 13, 2018.

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.
2) Have you received any commitments of lower list prices from drug manufacturers?
3) How did your company respond to these offers?
4) Have you "pushed back" against any of these offers by drug companies of lower 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?
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?
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

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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?

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Sincerely,

Elizabeth Warren
United States Senator

Tina Smith
United States Senator

United States Senate
WASHINGTON, DC 20510

June 29, 2018

Tim Wentworth
President and Chief Executive Officer
ExpressScripts Holding Company
One Express Way
St. Louis, MO 63121

Dear Mr. Wentworth:

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Prior to that hearing, President Trump had promised that "We're going to have some of the big drug companies in in two weeks and they're going to announce — because of what we did — they're going to announce voluntary massive drops in prices, so that's great ... For the first time ever in this country, there will be a major drop in the cost of prescription drugs."[1]

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> We have had many major drug companies with major products who want to make substantial and material price decreases. This has shown just how broken our system of drug pricing and drug distribution is in the United States. Because the pharmacy benefit managers and the wholesalers are all dependent on getting a percent of list price and the reaction to some has been if you were to decrease your price you will actually be harmed in terms of formulary status, and patient access, versus your competitor who has a higher price. I would encourage the Senate and Congress to inquire of pharmacy benefit managers as to whether they have received suggestions or approaches from drug companies for lower list prices and what has their reaction been. . . .this is what is keeping the individual companies, so far, from moving.[6]

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