



Written Testimony of
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President, Express Scripts
Before the House Committee on Oversight and Accountability
U.S. House of Representatives
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Chairman Comer, Ranking Member Raskin, and members of the House Committee on Oversight and Accountability, thank you for inviting me to testify at this important hearing.

I am Adam Kautzner, President of Express Scripts. I grew up in rural Missouri and began my career as a pharmacist for a regional hospital before joining Express Scripts more than fifteen years ago.

For decades, Express Scripts' mission has remained the same: help employers, labor unions, government agencies, and health plans provide more affordable, higher quality prescription benefits to their members. These sophisticated purchasers demand value and innovation from us every single day. Our supply chain negotiators and specialized clinical experts are focused on making sure patients get, and stay on, the medications they need at prices they can afford.

That mission is also very personal to me. In my early thirties, I was diagnosed with stage 3 melanoma which then progressed to stage 4. I'm alive today because of pharmaceutical innovation, and it's why I work so hard to make prescription drugs more affordable for the patients we have the privilege to serve. Our role has never been more important, as the promise of additional, life-changing breakthrough therapies become a reality for patients today and in the future.

Overall, our mission and our business model are geared toward: (1) providing innovative solutions that enable access to medications at affordable costs and with improved health outcomes; (2) ensuring clients have choices that enable them to deliver accessible, affordable pharmacy benefits; and (3) sharing additional levels of transparency about the value we create.

The Role of Pharmacy Benefit Managers

Prescription drug coverage is the most frequently used health care benefit. On average, it is used about 15 times a year.¹

Express Scripts, and other PBMs, are essential partners across the drug supply chain – helping clients drive down drug spend, lower patient out-of-pocket costs, and improve health outcomes. For patients, PBMs play a vital role in improving medication adherence, preventing disease progression, and developing clinically driven formularies that help patients access effective medicines at lower costs. Our clinical-first formulary composition is driven by the work of independent, actively practicing physicians and pharmacists who are kept blind to financial considerations. When a prescription is filled, more than 18,000 safety, quality, and benefit checks are performed in less than one second, resulting in millions of interventions to improve the health of patients.

Over the past five years, Express Scripts' year-over-year change in patient cost-sharing has remained relatively flat despite inflation increasing tenfold over that period. **On average, Express Scripts patients with employer-sponsored drug coverage paid \$15.10 out-of-pocket for a 30-day prescription in 2023.**² Patients spent less out-of-pocket in 2023 than in 2022 because of our work.³

¹ Express Scripts, 2023 data

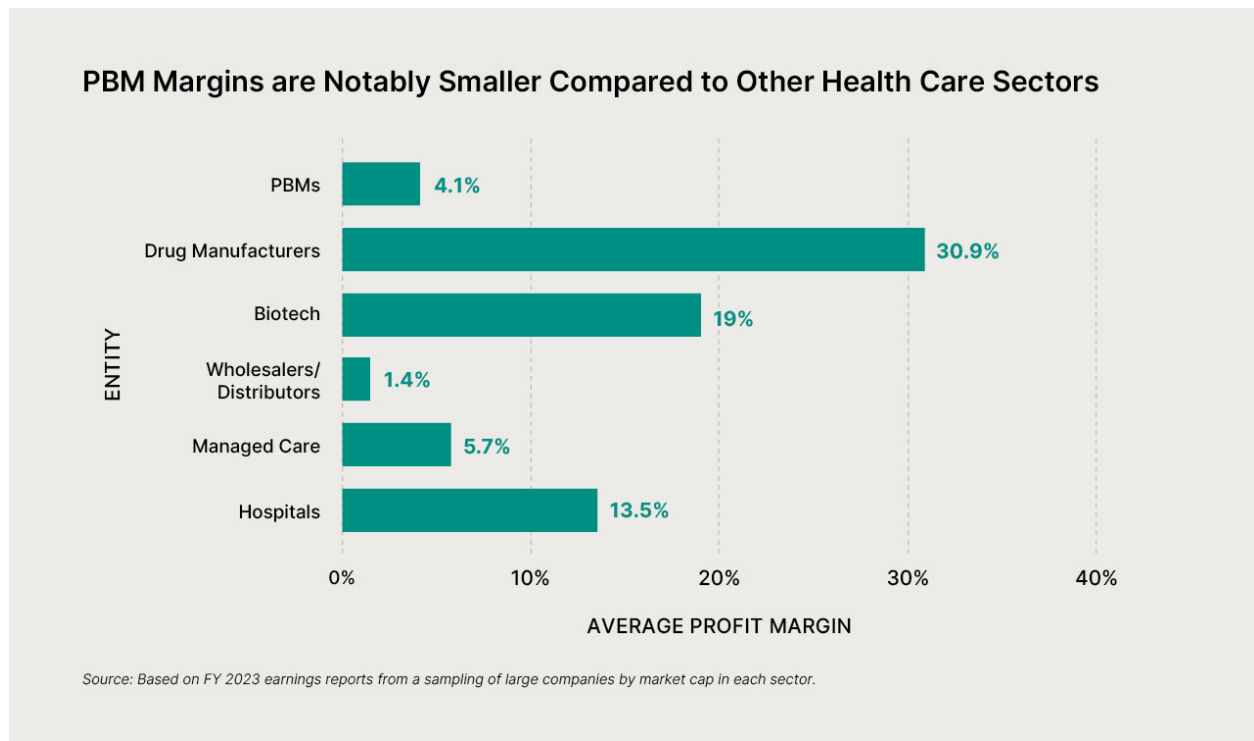
² Evernorth, *Express Scripts by Evernorth Members Paid Less for Prescriptions in 2023 Despite Drug Price Increases* (Jun. 19, 2024).

³ Ibid.



Express Scripts is constantly evolving our model and deploying solutions for our clients and patients to improve health and lower the cost of drugs. Our flexible, transparent contracting options limit our clients' exposure to crippling drug costs. While drug manufacturers raised prices for more than 60% of drugs in the last year, our clients' costs have only increased 4%, excluding glucagon-like-peptide-1 (GLP-1) agonists.⁴ With regard to GLP-1 treatments, Express Scripts introduced an industry-first program earlier this year – EncircleRx – to sustainably support access for patients who need them most, while guaranteeing clinical outcomes and financial predictability for our clients.⁵

PBMs operate in a competitive environment. We compete with established pharmacy benefit management companies and startups to deliver cost savings to a diverse set of employers, labor unions, health plans, and public sector entities.⁶ PBMs are under pressure to consistently deliver, or employers, labor unions, and health plans can and will look elsewhere for pharmacy benefits at lower costs and/or improved service offerings. These sophisticated entities *choose* to partner with PBMs because of the significant value created, and without PBMs, pharmacy costs would be notably higher. PBMs provide these benefits at a fraction of the cost of other actors in the supply chain, with operating profit margins of just 4% compared to over 30% for drug manufacturers.⁷



We support expanding pharmacists' role in the health care system, to ensure greater access for patients and additional reimbursement opportunities for pharmacies.

In the spring of 2023, Express Scripts launched the IndependentRx Initiative to strengthen independent pharmacies' essential role in delivering care.⁸ The initiative has increased reimbursement to more than 700 independent rural pharmacies in the U.S. and helped expand the services provided by pharmacists, within scope of practice laws. As a part of this initiative, Express Scripts also created the Independent Pharmacy Advisory Committee, led by a former independent pharmacy owner, to meet regularly to discuss

⁴ Express Scripts, 2024 data.

⁵ Evernorth, *Evernorth EncircleRx*.

⁶ *The PBM Marketplace Continues to Evolve*, Pharmaceutical Care Management Association (Apr. 2023).

⁷ Based on FY 2023 earnings report from a sampling for large companies by market cap in each sector.

⁸ Evernorth, *Express Scripts to Expand Rural Health Care Access Through Partnerships with Independent Pharmacies* (Apr. 19, 2023).



how Express Scripts can work to enable an expanded role for pharmacists.⁹ **Between 2019 and 2024, the number of independent pharmacies in Express Scripts' commercial network of 64,000 pharmacies increased by 20%.¹⁰**

None of this means the system cannot be improved. All who play a role in the health care system have a responsibility to protect patients from high costs. New drugs are coming to market with unsustainable prices and upwards of \$70 billion is wasted every year on low-value health care services.¹¹ The median annual list price of a new-to-market medication in 2023 was \$300,000, up 35% from the year prior.¹² In 2023, 1% of patients in the U.S. experienced out-of-pocket costs above \$2,000 for the year.¹³ That's too many.

Pharmaceutical companies set drug prices. Pharmacy benefit managers fight to lower them for clients and patients. In 2023, manufacturers increased prices for 60% of all branded drugs and scored \$1.6 trillion in revenue.¹⁴ They can afford to attack PBMs for threatening their bottom lines by blaming PBMs for high drug prices – but they can also lower the costs themselves. They choose not to.

Express Scripts has for years publicly supported and welcomed all manufacturers to lower list prices so that patients can have access to safe, effective, and affordable medications. Restricting PBMs' ability to negotiate with manufacturers will not achieve this. Our ability to drive competition between therapeutic alternatives is a significant part of what ultimately results in lower prices and lower costs for our clients and for patients.

When prices are not meaningfully constrained by competing therapeutic alternatives, drug companies can and do charge very high list prices and offer no discounts to lower the effective price.¹⁵ In recognition of this, many manufacturers manipulate patent law to actively block competition and maintain monopoly status for their products for years beyond the date Congress intended for patent protection to expire and generics and biosimilars to enter the market.^{16,17} Nearly 80% of the 100 top-selling drugs extended their monopoly period by delaying competition between 2005 and 2015.¹⁸

Take Humira, for example, one of the best-selling drugs in the world. Its manufacturer, AbbVie, and its affiliates, filed 311 patent applications in the U.S., 90% of them following the drug's approval in 2002.¹⁹ 130 of them were accepted.²⁰ By comparison, only 6 patents were accepted in the E.U.²¹ Over that time, with little competition, AbbVie increased the list price by 470%.²²

⁹ Evernorth, *Express Scripts kicks off meetings with independent pharmacists to close gaps in care* (Nov. 15, 2023).

¹⁰ Express Scripts, 2024 data.

¹¹ William H. Shrank, et al., *Waste in the US Health Care System, Estimated Costs and Potential for Savings*, JAMA (Oct. 7, 2019).

¹² Deena Beasley, *Prices for new US drugs rose 35% in 2023, more than the previous year*, REUTERS (Feb. 23, 2024).

¹³ *The Use of Medicines in the U.S. 2024: Usage and Spending Trends and Outlook to 2028*, IQVIA Institute (April 2024).

¹⁴ *Revenue of the worldwide pharmaceutical market from 2001 to 2023*, Statista (2024)

¹⁵ *Competition in Prescription Drug Markets, 2017-2022*, Off. of the Ass't Sec. for Planning and Eval., Dep't of Health and Human Services (Dec. 2023).

¹⁶ Fed. Trade Comm'n, *FTC Expands Patent Listing Challenges, Targeting More Than 300 Junk Listings for Diabetes, Weight Loss, Asthma and COPD Drugs* (Apr. 30, 2024).

¹⁷ Andrew W. Torrance, et al., *Characteristics Of Key Patents Covering Recent FDA-Approved Drugs*, Health Aff (Millwood) (2022).

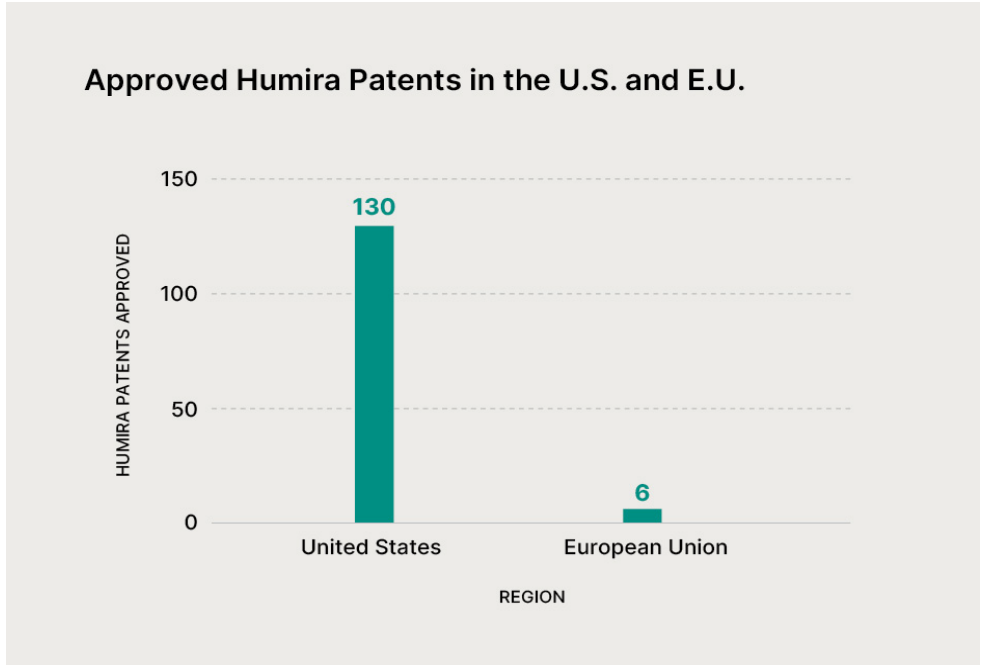
¹⁸ Robin Feldman, *May your drug price be evergreen*, 5 JOURNAL OF LAW AND THE BIOSCIENCES 590 (2018).

¹⁹ Rebecca Robbins, *How a Drug Company Made \$114 Billion by Gaming the U.S. Patent System*, N.Y. TIMES (Jan. 28, 2023).

²⁰ Institute for Medicines, Access, and Knowledge (I-MAK). (November 2020). *Humira Fact Sheet*.

²¹ Ibid.

²² Staff Report, H. Comm. on Oversight and Reform, *Drug Pricing Investigation: AbbVie – Humira and Imbruvica*, (2021).



Humira’s primary patent expired in 2016.²³ But, because of the patent thicket developed by its manufacturer, biosimilars were delayed in coming to market until 2023. Because of product hopping by the manufacturer, the citrate-free, high-concentration formulation of Humira that most patients were taking did not receive interchangeable biosimilar competition until 2024.²⁴ When competition finally entered the market in 2023, Humira’s effective price decreased by an estimated 38%.²⁵ 2024 was the first year that Humira didn’t come with a list price increase.²⁶

Legislation targeting patent thickets was unanimously approved by the U.S. Senate on July 11, 2024, and is estimated to provide nearly \$2 billion in savings to taxpayers over ten years.²⁷ The original Senate bill included provisions to address product hopping that would have saved taxpayers more than \$3 billion.²⁸ This is in addition to the billions in savings for employers, labor unions, health plans, and patients by limiting manufacturers’ ability to monopolize brand drugs for years – patent expirations in 2023 led to a \$17 billion decrease in spending for payers.²⁹

Added to this, drug manufacturers spent an estimated \$8 billion in tax deductible advertising spending promoting branded products directly to U.S. patients in 2022 and millions more in advertising directly

²³ Ibid.
²⁴ *FDA Approves First Interchangeable High-Concentration, Citrate-Free Biosimilar to Humira*, CONTRACT PHARMA (Feb. 26, 2024).
²⁵ Ed Silverman, *Net drug prices fell markedly in 2023’s last quarter, thanks to Humira biosimilars*, STAT NEWS (Apr. 1, 2024).
²⁶ Xevant, *2024 Drug Price Inflation* (Feb. 5, 2024).
²⁷ Peter Sullivan, *Senate passes drug patent bill with little debate*, AXIOS (July 11, 2024).
²⁸ *Cost Estimate for S. 150. Affordable Prescriptions for Patients Act of 2023*, CONG. BUDGET OFF. (2024).
²⁹ *The Use of Medicines in the U.S. 2024: Usage and Spending Trends and Outlook to 2028*, IQVIA Institute (April 2024).



to physicians.^{30,31} This puts pressure on the U.S. health system to absorb this increased demand in ways that are not applicable in other countries that ban direct advertising to patients.³²

This Committee and other Committees have recently explored reforms to PBMs, including legislation to limit the choice of employers and unions in how they choose to compensate PBMs for services and eliminating employers' ability to design pharmacy network options that best serve the needs of patients. Express Scripts supports any efforts that would achieve lower prescription drug costs for clients and patients but has concerns that the intent behind several of these proposals is based on inaccurate conclusions and purposeful mischaracterizations by others about how PBMs operate in the market. We fear the result of these policies would be an increase in costs to our clients and to patients. We urge the Committee to consider how restricting PBM contracting may unilaterally benefit other actors in the supply chain – namely drug manufacturers – to the detriment of patients, employers, labor unions, and taxpayers.

As the pharmaceutical marketplace evolves, Express Scripts will continue to innovate across the supply chain to address drug pricing challenges. This includes working with policymakers on advancing drugmaker competition and protecting the use of proven private sector tools that are lowering drug costs and improving access.

With that context as background, our statement today focuses on the following topics:

- Delivering Lower Costs and Improved Health Care to Patients
- Delivering Clear Contracting Options and Innovative Benefit Designs for Express Scripts Clients
- Driving Higher Clinical Standards and Drug Savings Through Formulary Development
- Building Purposeful Pharmacy Networks
- Public Policy Solutions for Greater Affordability, Access, and Predictability

* * *

Delivering Lower Costs and Improved Health Care to Patients

Express Scripts has been at the forefront of deploying solutions that deliver greater affordability, access, and support to American patients. This includes pioneering programs to shield patients from high list prices; supporting access to lower-cost generics and biosimilars; and providing customers with convenient access to personalized information about the cost of their care to help them make more informed decisions.

Over the past five years, Express Scripts' year-over-year change in patient cost-sharing has remained relatively flat despite inflation increasing tenfold over that period. On average, Express Scripts patients with employer-sponsored drug coverage paid \$15.10 out-of-pocket for a 30-day prescription in 2023.³³

Patient Assurance Program: Capping Insulin Costs for Millions of Patients

The Patient Assurance Program (PAP) launched in 2019 to provide more affordability to patients with chronic conditions by capping patient out-of-pocket costs at \$25 for up to a 34-day supply or \$75 for a 90-day supply, including insulin and oral medications for diabetes. Customers do not have to first satisfy their deductible to receive this discount, which is automatically applied at the pharmacy counter.

³⁰ Ben Adams, *The top 10 pharma drug ad spenders for 2022*, Fierce Healthcare (May 1, 2022).

³¹ Hannah Fresques, *Doctors Prescribe More of a Drug If They Receive Money from a Pharma Company Tied to It*, ProPublica (Dec. 20, 2019).

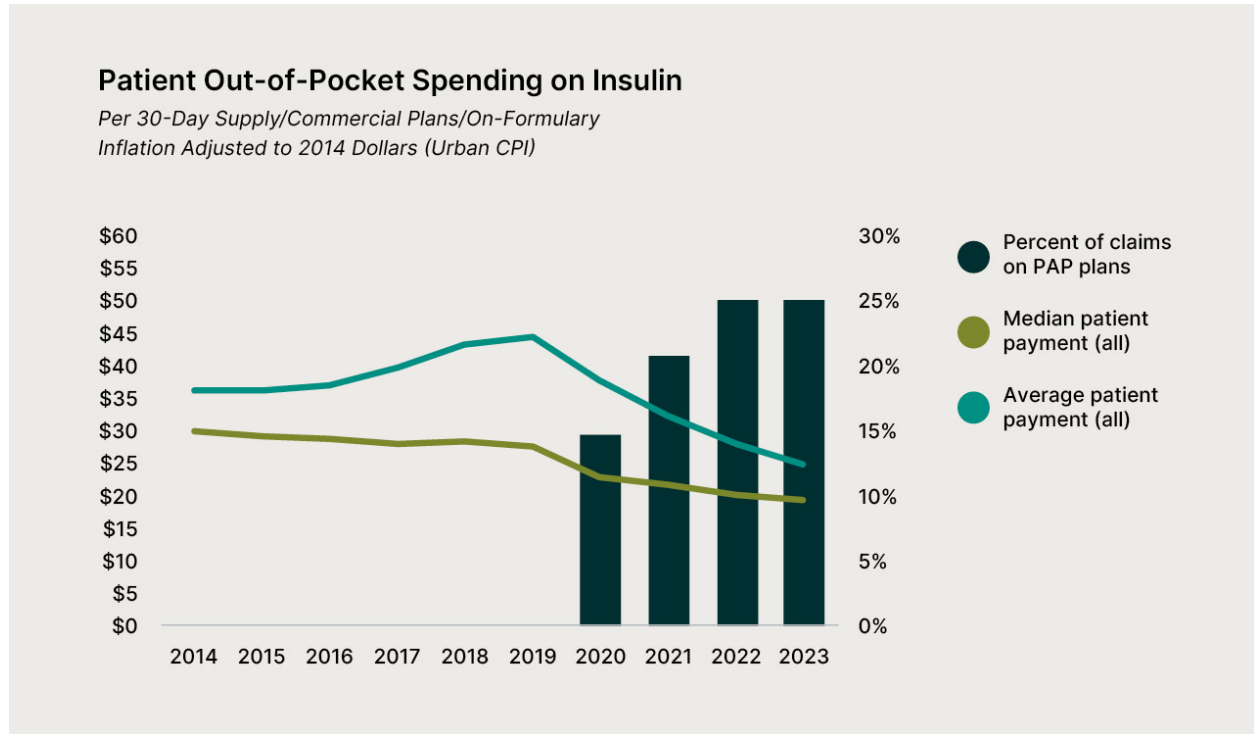
³² Government Accountability Office, *Prescription Drugs: Medicare Spending on Drugs with Direct-to-Consumer Advertising* (May 2021).

³³ Ibid.



Patients saved more than \$18 million in 2022 alone and more than \$45 million in total since 2020 in the program.³⁴ PAP enrollees were also 30% more likely to continue insulin treatment compared with non-PAP enrollees – resulting in a significant reduction in total medical cost (15.9%-16.3% change) to the benefit of plan sponsors and patients.³⁵

The company has steadily increased PAP enrollment over time, reaching 11 million covered lives in 2022.³⁶ PAP adoption coincides with decreasing member out-of-pocket payments for insulin that cannot be attributed to other factors, such as state laws capping insulin costs.



Because diabetes management does not always require insulin, PAP was expanded to include non-insulin diabetes treatments, including DPP-4 inhibitors, GLP-1 agonists, SGLT2 inhibitors, and cardiovascular therapies. Overall, PAP has delivered more than \$225 million in patient savings for insulin and other diabetes medications since its launch.³⁷

Driving Access to Lower Cost Biosimilars

Biosimilars, lower-cost, clinically equivalent alternatives to high-cost biologic drugs, have the potential to save \$225 billion to \$375 billion in pharmacy spending by 2031, significantly lowering costs through competition and improving patient access.³⁸ Express Scripts has advocated for years for a safe, effective way to bring biosimilars to market because they enable us to drive competition between therapeutic alternatives that ultimately results in lower prices and lower costs for our clients and for patients.

³⁴ Evernorth, *Close management of diabetes medications lowers medical costs* (Jun. 15, 2022).

³⁵ Evernorth, *4 Truths About PBMs: Driving Prescription Drug Affordability and Access* (Apr. 18, 2023).

³⁶ Evernorth, *Programs to lower patient out-of-pocket costs work – but only if manufacturers remain at the table* (Nov. 8, 2023).

³⁷ Ibid.

³⁸ Evernorth, *Boosting Biosimilars Competition and Savings* (Aug. 22, 2023).



Despite criticisms of PBMs being slow to adopt biosimilars, uptake for biosimilars averages more than 50% market share within the first year.³⁹ A 2023 analysis demonstrated biosimilar coverage policies are facilitating a more competitive market, as reflected by the growing number of biosimilars and rise in biosimilar market shares.⁴⁰ The results found coverage of sole biologics decreased from 56% in 2017 to 8% in 2022.⁴¹

Express Scripts actively supports and promotes the adoption of biosimilars to drive savings for patients and clients:

- 2024: We announced access to an interchangeable Humira biosimilar for \$0 to patients and an 85% lower list price to clients.⁴² Available in high and low concentrations, the program is estimated to save individual patients an average of \$3,500 per year and \$60 million in total.
- 2023: Two weeks after the first Humira biosimilar, Amjevita, launched in the U.S. in February 2023, it was added to Express Scripts' standard formularies. In July 2023, three biosimilars were added: Cyltezo, Hyrimoz, and the low list price unbranded adalimumab-adaz.⁴³ **The effective cost of Humira was estimated to decrease by 38% in 2023 as a result of increased competition from the entrance of biosimilars.**⁴⁴
- 2022: Express Scripts added Semglee, the first interchangeable insulin biosimilar, to its largest formulary.⁴⁵ **As a result, clients saved an estimated \$20 million in 2022 alone.**
- 2020: Express Scripts added Zirabev, a biosimilar for Avastin, a biologic used in the treatment of five types of cancer, to its largest formulary and excluded Avastin.

Roadblocks remain to broad access to biosimilars in the U.S. market compared to other countries that policymakers should seek to address:

- Manufacturers of brand biologics use patent schemes to delay biosimilar entry to market.
- When biosimilars do enter the market, they are not as easily interchangeable with brands at the pharmacy counter as generics, which further limits patient access.
- **Unlike most generics, biosimilars are not automatically designated as interchangeable upon FDA approval.**
 - If a patient is prescribed a brand-name drug which has a generic alternative, pharmacists can generally automatically substitute the lower-cost generic at the pharmacy counter.
 - However, for biosimilars, the pharmacist is unable to switch the patient from the brand biologic to the lower-cost biosimilar unless that biosimilar alternative is designated as interchangeable.

³⁹ *The Use of Medicines in the U.S. 2024: Usage and Spending Trends and Outlook to 2028*, IQVIA INST. (Apr. 2024).

⁴⁰ Skylar Jeremias, *Payer Coverage of Biosimilars Varies by Preference*, MANAGED HEALTHCARE EXECUTIVE: FORMULARY WATCH (Oct. 31, 2023).

⁴¹ Ibid.

⁴² Evernorth, *Evernorth Announces Humira Biosimilar Available at \$0 Out of Pocket for Accredo Patients in June* (Apr. 25, 2024).

⁴³ *Express Scripts Adds Three Biosimilars to Largest Formulary to Promote Competition and Advance Affordability, Choices for Patients*, Express Scripts (Jul. 10, 2023).

⁴⁴ Ed Silverman, *Net drug prices fell markedly in 2023's last quarter, thanks to Humira biosimilars*, STAT NEWS (Apr. 1, 2024).

⁴⁵ Evernorth, *Express Scripts Will Unlock \$20 Million in Savings for Clients in 2022 by Preferring the First Interchangeable Insulin Biosimilar* (Oct. 20, 2021).



- This underscores the importance of policymaker support for not just biosimilars, but interchangeable biosimilars.

Meaningfully Improving Patient Outcomes

Chronic conditions, such as cancer, diabetes, and heart disease, have been on the rise for more than two decades – and today, 60% of U.S. adults have at least one chronic condition.⁴⁶ This takes a serious toll on patient health and health care costs. Express Scripts offers condition-specific patient engagement tools to help manage chronic conditions and improve patient outcomes. SafeGuardRx focuses on eleven complex and costly disease states, including diabetes, oncology, inflammatory conditions, multiple sclerosis, HIV, obesity, and other chronic and rare conditions. By helping members navigate complex care journeys, we help fill costly gaps in care, improve medication adherence, and prevent disease progression and comorbidities. SafeGuardRx has created meaningful improvements in health outcomes for enrolled patients while lowering costs in 2023⁴⁷:

- 27.38% higher adherence for patients with pulmonary hypertension.⁴⁸
- An additional 17.4% of patients with diabetes who were at risk for heart attack or stroke started a statin therapy.⁴⁹
- 63% of patients with neurological conditions who received an adherence outreach filled their prescription within 30 days.⁵⁰
- Over 60% of new and existing GLP-1 users lost weight after enrolling in our digital solutions.⁵¹
- \$35 million in savings for clients and patients by preventing escalation to Type 2 diabetes for patients who are prediabetic and/or obese through our digital solutions.⁵²

Price Transparency for Patients and their Providers

Express Scripts offers industry-leading tools to help patients make informed health care decisions, including the ability to access real-time cost-sharing information for prescription drugs with individualized prices for specific prescriptions based on a person’s benefit at the pharmacy counter of their choice. More than 22 million patients have used these tools.⁵³ Example of our tools:

⁴⁶ Timothy Jay Carney, et al., *Advancing Chronic Disease Practice Through the CDC Data Modernization Initiative*, PREV. CHRONIC DIS. (Nov. 30, 2023).

⁴⁷ Evernorth, *Keeping Member Health on Track: A Snapshot of the PBM’s Clinical Expertise*, (Apr. 19, 2024).

⁴⁸ Ibid.

⁴⁹ Ibid.


⁵⁰ Ibid.

⁵¹ Ibid.

⁵² Ibid.

⁵³ Express Scripts, 2024 data.



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To enable more constructive conversations between patients and their health care providers, we also make this information available to health care providers *at the point of prescribing*. Our Real Time Prescription Benefit capabilities have been adopted by more than 960,000 health care providers in 2023 and we’ve committed to making it accessible to as many physicians within the marketplace as possible.⁵⁴

Express Scripts has also developed solutions to ensure automatic selection of the lowest-cost option for patients at the pharmacy counter – whether using a cash card or the discounted price under a patient’s pharmacy coverage. In the event an insured patient chooses to pay out-of-pocket for a medication, we provide an additional layer of protection from high list prices and ensure clinical safety. Any out-of-pocket costs contribute to the patient’s deductible, which doesn’t happen when an individual uses third-party discount programs. Because the prescription is processed within the benefit, it undergoes thousands of health and safety checks for drug interactions and allergic reactions to ensure each patient gets the right medication at the right time. More than 10 million patients are enrolled in this program, provided at no cost to Express Scripts’ clients.⁵⁵

Delivering Clear Contracting Options and Innovative Benefit Designs for Express Scripts Clients

Client Choice in Contracting with Express Scripts

A key principle underlying Express Scripts’ services is client choice. Express Scripts offers employers, unions, health plans, and public sector entities multiple transparent contracting options to support the unique needs of their populations. Whether through spread pricing that guarantees discounts through predictable fixed prices or pass-through prices that ensure clients pay the prices we

⁵⁴ Express Scripts, 2024 data.

⁵⁵ Express Scripts, 2024 data.



pay, we give our clients the option to pick the approach that matches their needs and holds us accountable to deliver.

Clients have options to finance Express Scripts' services using (1) administrative fees, (2) value sharing arrangements on rebate discounts, (3) value sharing arrangements on discounts negotiated with retail pharmacies, or (4) a combination of the options. To demonstrate our value, clients receive detailed financial disclosures, including Express Scripts' principal revenue sources and information on rebate arrangements, administrative fees, and pharmacy claims, provided at no additional charge. Further, all Express Scripts' clients have an annual right to audit our performance and adherence to contract terms using an independent, third-party auditor.

To support client choice in how they structure their pharmacy benefit, Express Scripts recently introduced a transparent contracting suite that enables clients to more easily view the range of benefit options available and select the pharmacy benefit model that best meets their needs.

EncircleRx: Providing Cost Predictability and Access for GLP-1 Therapies

The exploding demand for GLP-1 agonists (e.g., Ozempic, Mounjaro, Wegovy, Zepbound), combined with the high costs of these treatments is straining the U.S. health care system. Between early 2020 and the end of 2022, GLP-1 prescriptions increased 300% and new prescriptions for GLP-1s in 2024 are up 181% compared to 2022.^{56,57} Some of this is driven by billions in direct-to-consumer and direct-to-physician advertising spending by manufacturers.

While these medications have the potential to reduce long-term chronic illness for patients and support healthier lifestyles, they come with an unsustainably high cost and questions remain about how long patients need to be on them to retain their benefits. The Congressional Budget Office (CBO) indicated earlier this year that at current prices, coverage of GLP-1s for weight loss in Medicare would cost the federal government more than it would save from reducing spending elsewhere.⁵⁸ One analysis indicated that if half of adults with obesity took GLP-1s, it would cost over \$400 billion per year, more than what the country spent on all prescription drugs in 2022.⁵⁹

To help clients manage appropriate access and balance cost for GLP-1 therapies, we introduced an industry-first program earlier this year – EncircleRx – to sustainably support access for patients who need them most, while guaranteeing clinical outcomes and financial predictability for our clients. EncircleRx targets GLP-1 access to patients who will benefit the most from a combination of medication and a clinically-proven lifestyle modification program to help them achieve the best outcomes – whether that is controlled A1C, weight loss, or reducing cardiovascular comorbidities – while providing clients financial predictability. It is designed to support the overall health and wellness of patients, while providing greater predictability and control for Express Scripts' clients.

We have also taken strides to make access and affordability easier for all our clients and patients. Take for example Eli Lilly's Zepbound, which is 30% less expensive than Wegovy, Novo Nordisk's GLP-1 medication for weight loss. Given Zepbound's potential savings to our clients and to patients, it was expedited through our formulary development process after its approval in November 2023 and added to our standard formularies within two weeks of being available. Across Express Scripts' and our clients' efforts to lower the cost of GLP-1s for diabetes and weight loss for patients, 93% of Express Scripts' patients using GLP-1s paid less than \$100 per prescription, with 77% paying less than \$50 per prescription for GLP-1s for diabetes treatment.⁶⁰

⁵⁶ *2023 Trends Shaping the Health Economy*, TRILLIANT HEALTH (2023).

⁵⁷ *The Use of Medicines in the U.S. 2024: Usage and Spending Trends and Outlook to 2028*, IQVIA INST. (Apr. 2024).

⁵⁸ Noelia Duchovny, Health Analysis Div., Cong. Budget Off., *The Federal Perspective on Coverage of Medications to Treat Obesity: Considerations From the Congressional Budget Office* (2024).

⁵⁹ Majority Staff of S. Comm. on Health, Edu., Labor and Pensions, 118th Cong., *How Weight Loss Drugs Could Bankrupt American Health Care* (2024).

⁶⁰ Express Scripts, 2024 data.



Ironically, payer efforts to responsibly expand access while managing costs has resulted in manufacturers restricting discounts on their products. For one state health plan, Novo Nordisk threatened to remove the discounts on GLP-1s if the state decided to impose reasonable limits on coverage.⁶¹ The plan had no choice but to discontinue coverage of the medication in 2024 due to the cost.

Added to this, medications like GLP-1s and inhalers that include delivery devices, called drug-device combinations, are often easier for manufacturers to amass patent thickets because components of the delivery system often have a number of patents attached.⁶² Recent Senate testimony indicated **57% of the patents on GLP-1s are for the delivery devices of the drug, not the active drug ingredients.**⁶³ Drug manufacturers can and should do more to lower the cost for the U.S. health care system and Express Scripts welcomes manufacturers lowering their list price and maintaining discounts for payers trying to reasonably expand coverage to better serve patients.

Embarc Benefit Protection

In 2020, we launched Embarc Benefit Protection, an integrated, first-in-industry private sector solution that ensures access to breakthrough cell and gene therapy treatments (CGTs) while offering protection from their high costs to take volatility out of the system. Embarc brings together health services, medical management, and specialty pharmacy expertise, providing access to covered, medically necessary CGTs with no out-of-pocket charges to the patient and no additional expenses to the plan sponsor outside of a predictable, per member per month (PMPM) charge.

Patients receive personalized, expert care to assist them in their health care journey and payers can offer coverage to thousands of members at a fraction of the cost for just one patient. Embarc offers value beyond stop loss products, functioning as a network solution. Importantly, Embarc Benefit Protection includes the new cell treatments for sickle cell disease, Casgevy and Lyfgenia. List prices for these one-time treatments range from \$2.2 million to \$3.1 million.⁶⁴

Driving Higher Clinical Standards and Drug Savings Through Formulary Development

With thousands of approved prescription drugs available in the U.S., a drug formulary, or preferred drug list, is a continually updated list of medications and related products supported by current evidence-based medicine and the independent judgment of physicians, pharmacists, and other experts in the diagnosis and treatment of disease and preservation of health. Formularies help ensure access to the most effective medications, drive competition among pharmaceutical companies, and help combat billions wasted every year on low-value medications.⁶⁵

Client Formulary Selection

Express Scripts' clients have complete control and flexibility to choose and customize their specific formulary structure, benefit design, network, and pricing structure to best balance cost, coverage, and the needs of their employees and populations. Express Scripts offers clients a variety of standard formulary options, including Express Scripts' largest standard formulary, the National Preferred Formulary (NPF), which includes roughly 600 brand-name drugs and 99% of all generics.⁶⁶ The National Preferred Flex Formulary gives clients the ability to take advantage of authorized alternatives introduced by brand manufacturers with lower list prices.

Formulary Development at Express Scripts

⁶¹ Laura Leslie, [Cutting weight-loss drug costs comes at high price for NC health plan](#), WRAL NEWS (Jan. 12, 2024).

⁶² Ensuring Affordable & Accessible Medications: Examining Competition in the Prescription Drug Market, Hearing before the S. Comm. on Jud., 118th Cong. (2024) ([Patent Thickets and Product Hops: How Congress Could Reward Legitimate Innovation While Facilitating More Timely Generic Competition](#), Testimony of William B. Feldman, M.D., D. Phil, M.P.H., Harvard Medical School).

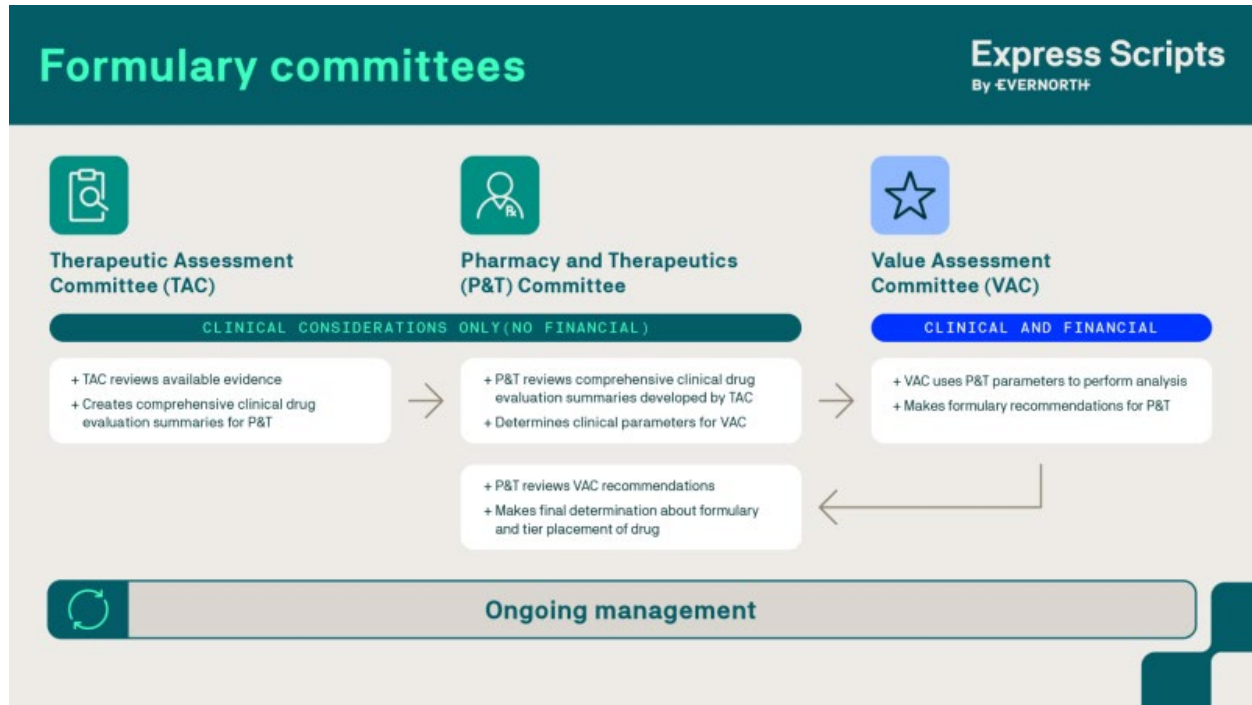
⁶³ Ibid.

⁶⁴ Ned Pagliarulo, [Pricey new gene therapies for sickle cell pose access test](#), BioPharmaDive (Dec. 8, 2023).

⁶⁵ Ibid.

⁶⁶ Evernorth, [Driving Drug Savings Through Formularies](#).

Express Scripts develops formularies through a four-step process involving the work of three distinct committees:



At the outset, Express Scripts’ Therapeutic Assessment Committee (TAC) and National Pharmacy and Therapeutics (P&T) Committee undertake a clinical analysis. Final formulary determinations are ultimately made by the P&T Committee, a group of independent, actively practicing physicians and pharmacists who are not employed by Express Scripts. **The TAC and P&T committees do not have access to, nor do they consider, any information regarding Express Scripts' rebates/negotiated discounts, or the net cost of the drug after application of all discounts. The P&T committee does not in any way use price to make formulary placement decisions.** The P&T can establish one of the following four formulary placement designations: include, access, optional, or exclude from a formulary.

The Value Assessment Committee (VAC) considers the value of drugs by evaluating the net cost, market share, and drug utilization trends of clinically similar medications. VAC is required to add medications with an “include” designation to the formulary, while drugs with an “exclude” designation may not be preferred on the formulary. **The VAC is the only step in the formulary development process where financial value is considered. But even here, the assessment of value is limited to financial value that passes through to the Company’s clients.** VAC members are prohibited from considering value that does not serve to lower the net cost of drugs for the Company’s clients.

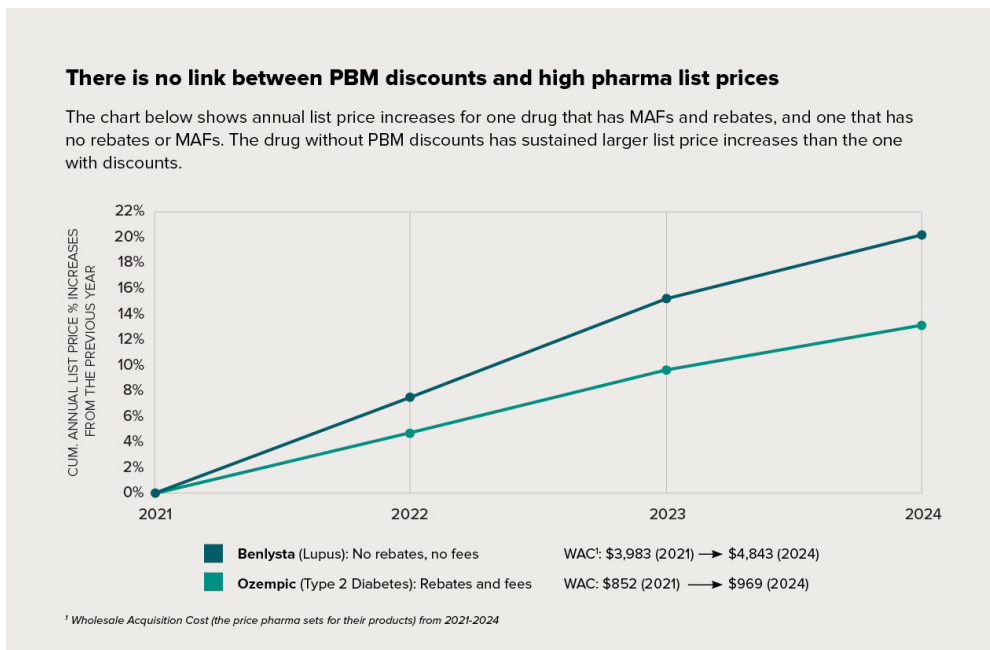
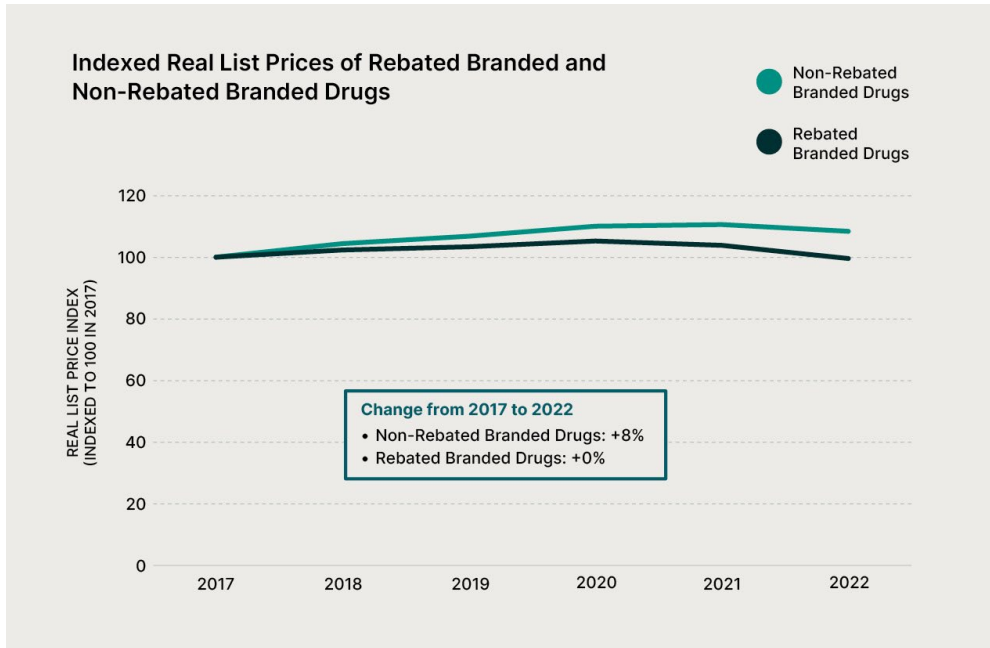
On an annual basis, the P&T Committee will review the final formulary recommendations to ensure adherence to previously established formulary placement recommendations and to validate continued alignment with best medical practices. The committee also ensures all Express Scripts national formularies cover a broad distribution of therapeutic classes and categories and the formularies provide all enrollees and patient populations a comprehensive, clinically sound formulary.

The goal of Express Scripts’ standard formularies is to ensure access to the most clinically effective and cost-effective medications, within the confines of the clinical guidance approved by the P&T Committee. The clinical analysis and safety checks performed by these committees protect both patients and payers. This is particularly important when products are approved by the FDA with a limited amount of data regarding their clinical efficacy with high price tags.



The Role of Rebates and Manufacturer List Prices

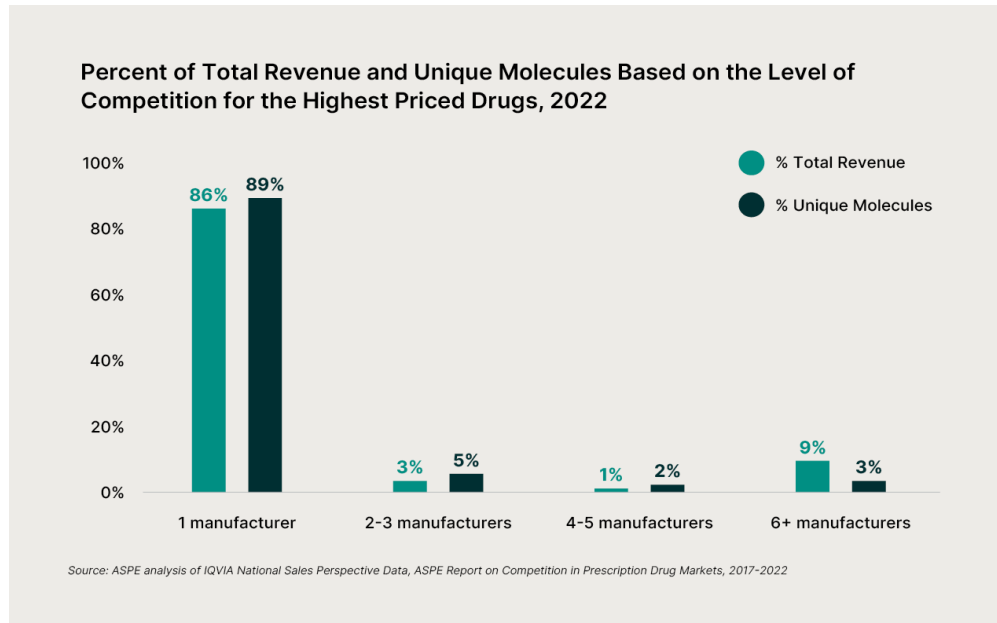
Pharmaceutical manufacturers—not PBMs—unilaterally determine the list prices for the drugs they sell, and what—if any—rebates, discounts, or other reductions they are willing to provide. Manufacturers of products without competition will typically not negotiate rebate agreements or other discounts with PBMs and are able to set strikingly high list prices. **List prices for these medications increase at a higher rate than drugs with competition and negotiated savings.**⁶⁷



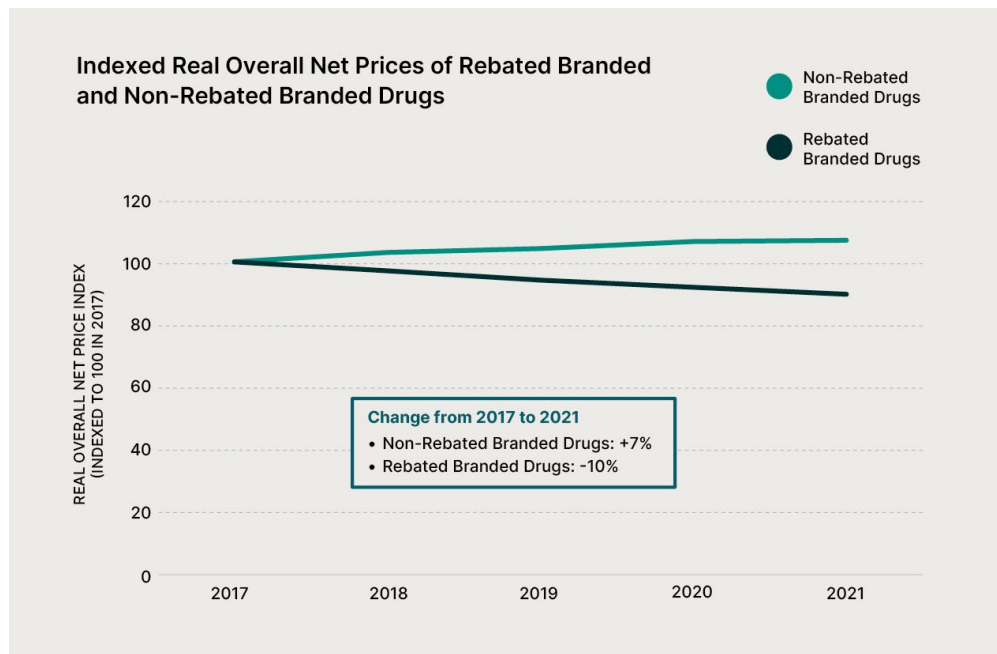
⁶⁷ Express Scripts, 2024 data.



Express Scripts has for years publicly supported and welcomed all manufacturers to lower list prices so that patients can have access to safe, effective, and affordable medications. Restricting PBMs' ability to negotiate with manufacturers will not achieve this. Manufacturers are not independently incentivized to lower list prices or effective prices until competition enters the market.



Where competitive alternatives are available, negotiated savings from drug manufacturers off a list price can be used to significantly lower the effective prices paid by employers, labor unions, and government entities – savings which are passed on to patients. Rebate agreements serve as a significant, *but not the only*, component of valuable cost savings negotiated by Express Scripts. Other savings negotiated by PBMs that are passed on to PBM clients to lower drug spending include manufacturer administrative fees (MAFs) and inflation protection measures.





Tying negotiated savings to manufacturer list prices penalizes manufacturers for raising list prices. Removing PBMs’ ability to negotiate based on a drug’s list price will only enrich manufacturers and result in lost savings currently provided to PBM clients and patients. Express Scripts clients have full control in deciding how negotiated savings are used. All Express Scripts’ clients can choose to receive 100% of the discounts and fees Express Scripts’ negotiates with manufacturers and many do so. Some use the savings to lower premiums and/or cost-sharing for members, others choose to expand access, fund wellness programs, and/or provide discounts to their members at the point-of-sale.

Without the ability to use rebates to drive competition and achieve lower net costs, health care spending would be much higher. CBO estimated a proposal to eliminate the use of rebates in the Part D program would have cost taxpayers \$170 billion in higher drug spending.⁶⁸ The delay of this regulation was a principal revenue source for passage of the Inflation Reduction Act.⁶⁹ This reflects the value PBMs deliver to taxpayers to lower net drug costs in the Medicare program.

Case Study of Formulary Development in Practice – Humira Biosimilars

Humira is a tumor necrosis factor (TNF) inhibitor that was first approved by the FDA in December 2002 for treating rheumatoid arthritis (RA). Humira is a biologic, which is a distinct class of drugs created from living cells via a complex process. Since 2002, the product has gained many other indications, including in psoriasis, Crohn’s disease, and ankylosing spondylitis. Treatments for inflammatory conditions, like Humira, are one of the most expensive class of drugs in the U.S. and one of the highest categories of spending for many of Express Scripts’ clients.

*As discussed above, Humira’s manufacturer, AbbVie, amassed a large patent thicket that prevented biosimilar availability until 2023, despite the drug’s FDA approval in 2002.⁷⁰ Further, in January 2018, AbbVie launched a new, higher concentration, citrate-free version of Humira.⁷¹ AbbVie was successful in shifting more than 80% of patient market share to the updated formulation, **which did not face interchangeable biosimilar competition until 2024.**⁷²*

*Despite the excitement for the limited launch of Humira biosimilars in 2023 and Express Scripts’ ability to finally drive competition to reduce Humira spending for Express Scripts’ clients, it is not as simple as removing Humira from the formulary and preferring a biosimilar. With multiple Humira biosimilar versions coming to market over 2023-2024, **each biosimilar went through an individual clinical review to ensure formulary placement decisions are guided by clinical effectiveness first and foremost, while also considering prescriber perspectives and the needs and continuity of care for patients, in addition to cost savings.***

There were evaluations regarding the timing of product launches based on patent settlements between the biosimilar manufacturers and AbbVie; the differences in the specific biosimilars coming to market (e.g., differences in

⁶⁸ Cong. Budget Off., *Incorporating the Effects of the Proposed Rule on Safe Harbors for Pharmaceutical Rebates in CBO’s Budget Projections – Supplemental Material for Updated Budget Projections: 2019 to 2029* (2019).

⁶⁹ Cong. Budget Off., *Estimated Budgetary Effects of Public Law 117-169, to Provide for Reconciliation Pursuant to Title II of S. Con. Res. 14*, (Sept. 7, 2022).

⁷⁰ Rebecca Robbins, *How a Drug Company Made \$114 Billion by Gaming the U.S. Patent System*, N.Y. TIMES (Jan. 28, 2023).

⁷¹ Staff Report, H. Comm. on Oversight and Reform, *Drug Pricing Investigation: AbbVie – Humira and Imbruvica*, (2021).

⁷² *FDA Approves First Interchangeable High-Concentration, Citrate-Free Biosimilar to Humira*, CONTRACT PHARMA (Feb. 26, 2024).



approved indications, dosage strengths, and formulations between citrate-free or not citrate-free, interchangeable or not interchangeable); physician and patient choice; patient experience; supply and prescription volume considerations; the available clinical studies and real-world evidence comparing Humira with the biosimilars; and finally, affordability and lowest effective cost. For example, the first Humira biosimilar launched in February 2023, Amjevita, **was not an interchangeable biosimilar**, making it harder for patients to access, and it was not in the higher concentration formulation that most patients were taking. Another manufacturer of an interchangeable biosimilar was beset by manufacturing deficiencies that delayed FDA approval until 2024.⁷³

To continue to advance affordability while protecting patient access and choice, on February 14, 2023, Amjevita was added to all Express Scripts' commercial formularies' list of preferred products at the same formulary position as Humira. This addition gave patients and prescribers an option to gain more familiarity with prescribing biosimilars ahead of the anticipated approval of additional biosimilars later in 2023 and in 2024.

Later in 2023, Express Scripts added three newly approved biosimilars to Humira, including Cyltezo (adalimumab-adbm), the first citrate-free, low concentration interchangeable Humira biosimilar with a 5% lower list price than Humira, and the non-interchangeable, unbranded, high concentration adalimumab-adaz with an 81% lower list price than Humira. This approach created both market competition to lower drug spending across the entire inflammatory conditions class and flexibility as Express Scripts educated patients, providers, pharmacists, and clients regarding the new biosimilar options available. One analysis estimated Humira's effective price fell 38% because of biosimilar market entry in 2023.⁷⁴

Currently, Express Scripts has seven Humira biosimilars co-preferred on its largest formulary. This includes, Simlandi (adalimumab-ryvk), the first interchangeable biosimilar that is both citrate-free and available in the higher concentration 40mg/0.4ml formulation, that was approved by the FDA on February 24, 2024.⁷⁵ On April 25, 2024, we announced the availability of an interchangeable, citrate-free Humira biosimilar at both high and low concentrations for \$0 out-of-pocket to most patients and at a cost to plan sponsors that is 85% lower than the Humira list price.⁷⁶ The program is estimated to save individual patients an average of \$3,500 per year.

While the onset of Humira biosimilars in 2023 provided opportunities to begin to drive competition and lower costs for the entire drug class, it is important for policymakers to consider the multitude of factors that can influence the ability of a biosimilar to effectuate real competition in the market, including the availability of interchangeable biosimilars, the different formulations offered in the market, the number of indications between the reference product and the biosimilars, and the educational pushes necessitated across the health care system to advance adoption. Over 2023 and 2024, Express Scripts optimized these factors through a clinical-first formulary development

73 Alvotech, *Alvotech Provides Regulatory Update on AVT02 Biologics License Application* (Apr. 13, 2023).

74 Ibid.

75 *Alvotech and Teva Announce U.S. Approval of SIMLANDI® (adalimumab-ryvk) injection, the first interchangeable high-concentration, citrate-free biosimilar to Humira*, Teva (Feb. 24, 2024).

76 Evernorth, *Evernorth announces Humira biosimilar available at \$0 out of pocket for Accredo patients in June* (Apr. 25, 2024).



process and through supporting subsequent, broader innovations to bring lower-cost, interchangeable biosimilars to patients at \$0 out-of-pocket.

Building Purposeful Pharmacy Networks

Across the U.S., there are four types of pharmacies: (1) chain pharmacies; (2) regional pharmacies, including grocers and large consumer goods retailers; (3) independent pharmacies, of which a majority use pharmacy services administrative organizations (PSAOs) owned by large wholesalers to negotiate on their behalf; and (4) mail-order and online pharmacies, commonly known as home delivery pharmacies.

PBMs build networks of pharmacies to provide patients convenient access to prescriptions at discounted rates. Just like physician networks, pharmacy networks are designed to achieve optimal access, quality, and savings for clients and patients. A well-designed network strategy is more than just a list of in- and out-of-network pharmacies, but rather it is comprised of the right coverage to account for population size, geographic area, clinical goals, and utilization patterns. Additionally, optimizing a pharmacy network does not equate to limiting access. In fact, when going from the broadest network to a preferred network structure, 98% of Express Scripts members are still within five miles of a preferred pharmacy.⁷⁷

Express Scripts’ flexible pharmacy networks reflect a highly competitive marketplace. A client may choose among several standard network options, or the client may choose to create a custom network based on the particular needs of that client.

Pharmacies are offered competitive rates, and we contract with retail and home delivery for both traditional and specialty medications to ensure robust network coverage. Express Scripts’ national network of more than 64,000 retail pharmacies provides broad access to participating members.⁷⁸ Within that network, most pharmacies are independent pharmacies (35%) and the number of independent pharmacies has increased by 20% between 2019 and 2024.⁷⁹

Fostering Independent Pharmacy Growth

One in five Americans live in rural areas, yet less than 10% of physicians practice in those locations, creating critical access gaps. Often, independent pharmacists in those communities can close those gaps as the front lines of care, which is why Express Scripts launched the IndependentRx Initiative. Referenced at the beginning of the testimony, IndependentRx is aimed at increasing reimbursement and health care opportunities for rural pharmacists who are on the front lines delivering health care in rural areas.

Express Scripts has always offered rural pharmacies higher reimbursement, as they are an extremely valuable and necessary network partner due to lack of health care access in rural areas. The initiative increases reimbursement to support pharmacies that prioritize pressing health care needs facing rural America. Since the launch of the program, more than 700 pharmacies are now receiving higher reimbursements through IndependentRx.

To provide more convenient care options for patients and support additional reimbursement to independent pharmacist partners, we’re also launching efforts that increase access to certain routine, preventive, and chronic care services at independent, rural pharmacies. Within the legal limits currently in place, we offer plan design options that reimburse for medical services, including a variety of health screenings, tests, and clinical services (e.g., vaccine administration and influenza testing), substance use disorder education (e.g., education to administer Naloxone), and behavioral health screenings. We

⁷⁷ Evernorth, Learn about Pharmacy Networks (May 25, 2022).

⁷⁸ Ibid.

⁷⁹ Ibid.



support the option for pharmacists to practice at the top of their licenses and encourage policies that would expand the role pharmacists play in delivering health care.

Express Scripts' Independent Pharmacy Advisory Committee, led by a former independent pharmacy owner, convenes a diverse group of 38 pharmacy leaders across rural, urban, and suburban areas, all focused on continuing to drive competitive reimbursement practices, learning from each other's business models, and creating new solutions that leverage independent pharmacists to alleviate provider shortages across the health care delivery system.

MoreThanRx Program

MoreThanRx seeks to address shortages in care that can arise in both rural and urban areas due to geographic and economic limitations, and lead to disproportionate gaps in care for the people in these communities. By expanding our contracting with pharmacists to include more direct patient care, such as direct-to-patient prescribing, medication administration services, and medication therapy management, we can expand access to care for patients and expand reimbursement opportunities for pharmacists. This will alleviate some of the demand on physicians, freeing them up for more advanced patient care and bringing balance to current supply and demand issues.

Broadly, the IndependentRx Initiative and MoreThanRx program stem from a 2022 Columbia University Mailman School of Public Health study that demonstrated amid growing provider shortages, pharmacists in the U.S. are well-trusted by patients and projected to play an increasingly integral role in care management.⁸⁰

Client Choice of Pharmacy Reimbursement

Employers, health plans, labor unions, and government entities should have the flexibility to choose a PBM contracting model that works best for the unique needs of their members and plan. To that end, we offer a spectrum of pharmacy contracting models for clients to choose from, ranging from our traditional models that prioritize affordability to new models that prioritize simplicity. In November 2023, we launched a new pharmacy network option, Express Scripts ClearNetworkSM, that offers simple, "cost-plus" pharmacy pricing for brand, generic, and specialty medications.

Through ClearNetwork, clients pay a straightforward estimated acquisition cost for individual medications, in addition to a small markup for pharmacy dispensing and service costs. ClearNetwork applies to all prescription drugs on a plan sponsor's list of covered generic, branded, and specialty medications. Clients then have flexibility to choose how they pay for prescriptions dispensed to their members, either through a cost-plus model like ClearNetwork, a full pass-through model, or a spread pricing model.

Among the network options offered to clients, Express Scripts offers a home delivery network option with its affiliated Home Delivery Pharmacy. This option can be attractive for some clients because it can reduce costs and increase convenience for patients utilizing maintenance medications for ongoing conditions, like asthma, diabetes, birth control, high cholesterol, high blood pressure, and arthritis. Home delivery is always offered with a broader retail network to support access to immediate medication needs and prescriptions used for a shorter period of time.

It's also important to note that, despite rhetoric that PBMs are shifting prescriptions to home delivery, mailed prescription volume remained flat in 2023.⁸¹ Prior to that, average annual growth was 2.3%. Instead, mass retailer pharmacies saw the largest growth in 2023, at 6%. Food stores have the highest growth since 2019, at 23%.⁸²

⁸⁰ Evernorth, *Pharmacists' Role to Expand Over Next Decade amid the Pandemic and Provider Shortages* (Jan. 12, 2022).

⁸¹ *The Use of Medicines in the U.S. 2024: Usage and Spending Trends and Outlook to 2028*, IQVIA Institute (April 2024).

⁸² Ibid.



Home delivery pharmacies have historically provided cost savings and improved outcomes. For example, the use of 90-day prescriptions for maintenance medications through home delivery has been shown to encourage patients' adherence to medication, leading to better health outcomes for the patient and therefore lower total medical costs for the plan.⁸³ Other research has found improvements in the prescription drug accuracy rate reduced the risk of adverse health outcomes.⁸⁴

Any decisions to direct, encourage, or incentivize patients to use Express Scripts' affiliated Home Delivery Pharmacy are made by clients as part of their benefit design, not by Express Scripts. Ultimately, clients are free to choose the networks and plan designs they believe are best for their members. Express Scripts supports preserving clients' choice of pharmacy network design, as restrictions would only serve to increase health care costs for clients and patients.

Public Policy Solutions for Greater Affordability, Access, and Predictability

There remain too many circumstances in which patient costs for prescription drugs are prohibitively expensive. Instead of enacting legislation that may ultimately result in increased costs for payers and patients, we believe there are constructive changes that would provide more flexibility for our clients to offer lower-cost options and address many of the situations in which patients may be paying higher costs at the pharmacy counter. In general, Express Scripts supports public policy solutions that will advance competition and protect the use of proven private sector tools to negotiate the lowest overall cost. This includes:

- Providing more flexibility for plan sponsors offering Health Savings Accounts paired with High-Deductible Health Plans (HSA/HDHPs) to offer lower-cost options to enrollees. Policymakers have rightly raised concerns regarding patient exposure to high drug costs because of the popularity of HSA/HDHPs. While these plans often come with lower premiums, they can also require participants to pay higher deductibles for most health care services before insurance coverage kicks in. Express Scripts supports improving HSA/HDHP products given their popularity, including flexibility to offer pre-deductible coverage for higher value services and lowering the minimum deductible so employers have flexibility to offer more affordable HSA/HDHPs.
- Promoting earlier and more consistent competition between biologics and biosimilars by eliminating the separate statutory standard for interchangeable biosimilars.
- Addressing anticompetitive tactics and loopholes used by drug manufacturers to prevent or delay the market availability of lower-cost alternatives, including preventing patent "thickets," pay-for-delay schemes, and product hopping.
- Greater scrutiny of public and private pressure campaigns to influence faster FDA approvals and coverage that can create an unsafe public pressure cooker. FDA approval and subsequent coverage of medications must be based on clear clinical safety and efficacy. This will force manufacturers to stand behind true clinical improvements on behalf of patients that are most in need of the advancements these therapies promise instead of their own bottom lines.
- Improve the FDA's Accelerated Approval Program to ensure sufficient clinical data are provided before and after approval. Drugs should not be approved with limited clinical evidence, patients and providers should be clearly informed when taking a drug approved via the accelerated pathway, and manufacturers should be held to shorter timeframes for completing confirmatory trials.
- Incentivize manufacturers to back approved therapies through meaningful outcomes-based agreements and make robust data available to payers. This is especially important for cell and gene

⁸³ Evernorth Health Services, *Delivering higher adherence: how to improve medication adherence with a simple switch*, (2020).

⁸⁴ Report No. DODIG-2013-108: *The TRICARE Mail Order Pharmacy Program Was Cost Efficient and Adequate Dispensing Controls Were in Place*, DEP'T OF DEFENSE.



therapies, which are increasingly coming to market with high demand for access, lack of competition, and limited data on patient outcomes.

- Recognize the important role pharmacists play in their communities and meaningfully expand their role in delivering care, including allowing them to practice at the top of their license.
- Ensure health plans and PBMs retain their ability to use formularies and utilization management tools to drive utilization to lower-cost items, services, and providers in support of access to safe and reliable treatments at lower costs.

* * *

Thank you for the opportunity to be here today, and for the consideration of our views. As stated in the beginning of this testimony, our mission and business model are focused on providing innovative solutions that enable and increase access to medications at affordable costs and with improved health outcomes; ensuring client choice and delivering accessible, affordable pharmacy benefits; and providing greater transparency about the value we create. I welcome the opportunity to discuss these issues with you and look forward to your questions.