



September 8, 2023

The Honorable Kevin McCarthy
Speaker of the House
2468 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Chuck Schumer
Senate Majority Leader
322 Hart Senate Office Building
Washington, D.C. 20510

The Honorable Hakeem Jeffries
House Minority Leader
2433 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Mitch McConnell
Senate Minority Leader
317 Russell Senate Office Building
Washington, D.C. 20510

Dear Speaker McCarthy, Leader Schumer, Leader McConnell, and Leader Jeffries:

As the nation's leading voluntary health organization representing Americans living with diabetes, the American Diabetes Association (ADA) appreciates your efforts to prioritize pharmacy benefit manager (PBM) and rebate transparency and reform this Congress, and we urge you and your colleagues to enact meaningful changes to the prescription drug market that reduce costs to patients, including people with diabetes.

More than [37 million](#) Americans live with diabetes, and nearly [100 million](#) Americans have prediabetes. Diabetes is the most expensive chronic condition in the United States—people with diabetes account for [\\$1 of every \\$4](#) spent on U.S. health care and roughly one-third of Medicare drug spending. The increasing cost of prescription drugs has created an outsized burden on the diabetes community and the U.S. health care system writ large. For people with diabetes—many of whom rely on not just insulin, but also many other expensive medications to manage their condition and comorbidities—this financial barrier can mean the difference between life and death.

We write to you today to share our position that all entities in the commercial drug supply chain should be responsible for reducing the cost of therapies to our community and all U.S. consumers. PBMs and other drug middlemen function at the center of the pharmaceutical supply chain and have virtually unparalleled power to affect drug costs, acting as intermediaries between insurers, manufacturers and pharmacies. As you know, PBMs handle benefits for health plans, whose formularies dictate the drugs that payers cover. PBMs negotiate prices with drug makers for the products covered on formularies, and as part of this process, manufacturers offer rebates to PBMs in exchange for preferred formulary placement. By design, the negotiated price the PBM pays is lower than the list price. And because what the consumer pays at the pharmacy counter is based on list price, rebates often artificially inflate the cost of prescription drugs like insulin. There is a growing, troubling body of evidence that current incentives for PBMs favor the most high-cost drugs and may encourage the exclusion of lower-cost drugs, putting more affordable options out of reach for our community and other consumers, all done without transparency.



With these issues and their impact on people with diabetes in mind, we ask that you help ensure that the following reforms are included in any PBM or drug cost package this Congress:

1. *A 100-percent PBM rebate pass-through for insulin.* This year, ADA endorsed the bipartisan **INSULIN Act** to require PBMs to pass through 100 percent of insulin rebates and other discounts received from manufacturers to plan sponsors. Bypassing PBMs would allow individuals with diabetes to share in any savings and reduce perverse incentives in the insulin market that encourage high list prices.
2. *Limits on restrictive tiering practices.* The current PBM rebate model often incentivizes Part D prescription drug plans to cover higher-cost brand name drugs, despite the availability of lower-cost generic and biosimilar options. As a result of discriminatory formulary practices, Part D plans increasingly refuse to cover lower-cost generics and biosimilars, and they place these drugs on higher cost-sharing tiers. The ADA has endorsed the bipartisan **Ensuring Access to Lower-Cost Medicines for Seniors Act**, which would require Part D plans to cover generics and biosimilars when they launch, ensure lower-cost generic drugs are on generic tiers, and create a dedicated specialty tier for specialty generics and biosimilars with reduced cost-sharing for patients.
3. *PBM reforms that would make diabetes management devices more accessible.* Rebates are not only influencing the prescription drug market. Cost and formulary placement are negotiated the same way for a limited number of medical devices—namely diabetes management tools like insulin pumps, continuous glucose monitors (CGM) and certain supplies—sold directly to patients. As with prescription drugs, device manufacturers typically pay rebates to middlemen like PBMs, and the rebates similarly have a market-distorting impact that inherently reduces access to lower-priced devices. There are meaningful opportunities to expand rebate reform to the diabetes device market, and we ask that you consider those opportunities as part of PBM reform legislation.
4. *Limits on step therapy.* Step therapy, also known as “fail first,” is a process used by health insurers to control costs. It requires patients to try one or more medications specified by the insurance company—typically older medications—to treat a health condition before an insurer will cover newer drugs. These policies can force patients to switch from drugs that work to keep them healthy to ones that do not—and even to drugs a patient has tried before and knows will not work—before their insurer will cover the appropriate, recommended medication. This practice frequently overrides what the prescribing provider believes to be in the patient’s best clinical interest. The ADA has endorsed the bipartisan **Safe Step Act** to place guardrails on step therapy protocols, making sure patients can quickly and affordably access the best treatment available to them.

We recognize that you share our concern about the rising cost of drugs and certain devices that are critical to our population. As health care committees in Congress continue to work on prescription drug cost legislation, we implore you and your colleagues to prioritize the needs of people with diabetes, a condition that is driving up medical costs to our health care system and to the growing U.S. diabetes population, by advancing policies to create rebate savings for consumers, more affordable and competitive prescription drug tiers, and more efficient and patient-centered insurance practices.



Thank you for your efforts to reduce health costs by providing rebate transparency and reforming the current PBM marketplace. I hope our organization can serve as a resource as negotiations on a legislative package move forward.

Respectfully,

A handwritten signature in black ink, appearing to read 'Lisa Murdock'. The signature is fluid and cursive, with the first name 'Lisa' and the last name 'Murdock' clearly distinguishable.

Lisa Murdock
Chief Advocacy Officer
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