

March 9, 2025



The Honorable Matt Klein, Chair, Commerce and Consumer Protection Committee
Minnesota Senate Commerce and Consumer Protection Committee Members
Minnesota Senate
Room G-15 Minnesota State Capitol
St. Paul, MN 55155

RE: SF 1877 Pharmacy Benefit Managers and Health Carriers Usage of Prescription Drug Rebates - Oppose

Dear Chair Klein and Members of the Health and Human Services Committee:

Thank you for the opportunity to comment on SF1877. I represent Prime Therapeutics (Prime), a pharmacy benefit manager (PBM). Ensuring access to affordable prescription drugs for Minnesota is our top priority, and for this reason, Prime opposes SF 1877.

Prime helps people get the medicine they need to feel better and live well by managing pharmacy benefits for health plans, employers, and government programs including Medicare and Medicaid. Our company manages pharmacy claims for more than 30 million people nationally and offers clinical services for people with complex medical conditions. Our business model relies on transparency and advocating for simpler, lowest-net-cost pricing for drugs. Importantly, Prime is focused on purpose beyond profits. We are not publicly traded or owned by a private equity firm. As such, it is not our primary motivation to maximize profits; our primary motivation is to do the right thing.

The Value of PBMs

PBMs specialize in the management of prescription drug benefits and are uniquely positioned to apply downward pressure on the rising costs of prescription drugs. Health insurers, employers and government entities often choose to use a PBM to leverage the company's industry expertise. It is important to note that plan sponsors are not required to use a PBM to manage their drug benefits but 74% choose to ¹ because PBMs drive down drug costs, saving payers and patients an average of \$1,040 per person per year,² and providing \$145 billion in overall value to the healthcare system.³

Rebate Negotiation & Formulary Management

PBMs put downward pressure on the cost of drugs by negotiating with manufacturers of brand name drugs for rebates. These rebates are passed back to health plans at a rate of 90-95%, helping to fund the cost of health

¹ United States Government Accountability Office. (2019). Medicare Part D: Use of Pharmacy Benefit Managers and Efforts to Manage Drug Expenditures and Utilization (Report No. GAO-19-498). <https://www.gao.gov/products/gao-19-498>

² Visante. 2023. <https://www.pcmant.org/wp-content/uploads/2023/01/The-Return-on-Investment-ROI-on-PBM-Services-January-2023.pdf>

³ National Bureau of Economic Research. 2022. <https://www.nber.org/papers/w30231/>

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insurance.⁴ PBMs administer over 3.6 billion scripts annually;⁵ without the negotiated savings, patients and payers would pay much more for prescription drugs.

SF 1877 Will Drive Up Costs

Plan sponsors build plans and set premiums that reflect shared costs and shared savings. Plan Sponsors have the option to apply estimated rebate amounts at POS, but most of them do not because members are very sensitive to premium costs and POS rebates are correlated with higher premiums. Most rebated drugs already have lower cost sharing based on their status as preferred drugs under a patient's coverage.

PBMs share the negotiated rebates, in whole or in large part, with the plan sponsors. Employers (more specifically smaller employers) may include a contract provision for their PBM to retain a portion of their rebates as compensation for their services. The plan sponsor uses the value of rebates to reduce costs to plan members or to enhance their benefits.

I urge the committee to consider the cost implications to the insured population and vote no. I welcome the opportunity to further discuss these concerns and work towards evidence-based solutions to help people get the medicine they need to feel better and live well. Thank you for your time and consideration.

Respectfully,



Michelle Crimmins
Government Affairs, Prime Therapeutics

⁴ Sweeney, Evan. (2018, August 10th). CVS, Express Scripts provide a rare moment of transparency on rebate profits.

Fierce Healthcare. <https://www.fiercehealthcare.com/payer/cvs-caremark-express-scripts-pbm-pass-through-cigna-merger>

⁵ KFF. 2019. <https://www.kff.org/health-costs/state-indicator/total-retail-rx-drugs/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D>

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