NAVITUS
HEALTH SOLUTIONS

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Electronically submitted to the United States Senate, Committee on the Judiciary

May 11, 2025

Chairman Grassley, Ranking Member Durbin and members of the Committee on the Judiciary,

Thank you for the opportunity to come before you and share with you how Navitus Health Solutions increases competition in the drug supply chain while facilitating quality health care for its members and lowering the overall cost of care. Our company pioneered a 100% pass-through and fully transparent pharmacy benefit manager (PBM) more than twenty years ago.

My name is Sharon Faust, and I am the Senior Vice President and Chief Pharmacy Officer at Navitus, where I have worked since 2013. The Navitus PBM was formed in response to the State of Wisconsin's Employee Trust Fund's frustration at the lack of transparency in PBM models at the time. The traditional PBMs model used by most PBMs involves "spread," where the PBM retains some of the payments from manufacturer rebates as profit and may charge their clients higher amounts for drugs than the amount that they pay the pharmacies. Two Wisconsin health plans worked together to form Navitus as an alternate to this traditional model, innovating a fully transparent, 100% pass-through PBM that has been Navitus' business model ever since. Our company has grown over the years by word of mouth and based on increasing demand for a credible, market-ready alternative. The Wisconsin Employee Trust Fund remains a client today.

Navitus' mission, which we live by every day, reads:

> **We make medications more affordable for the people who need them, so they can live their lives more fully.**

Navitus is headquartered in Madison, Wisconsin. We have approximately 2,100 employees across 39 states with many located in physical locations in Arizona, California, Illinois, Maryland, Missouri, Tennessee, Texas, Virginia, and Wisconsin. Since the founding of our company in 2003, Navitus has relentlessly worked to reduce the overall drug costs paid by our clients and to ensure clarity regarding these costs so they can optimize the value of their benefits. Navitus administers pharmacy benefits for over 18 million members across our commercial, ACA/Exchange, Medicaid, and Medicare Part D lines of business. As a pass-through, transparent PBM, Navitus has a different business model than most PBMs and we are proud of our model and the benefits it provides.

The term pass-through means that: (a) our clients pay Navitus for claims at the same amount we pay pharmacies, and (b) Navitus delivers to each client all of the rebate payments we receive from drug manufacturers related to our client's drug utilization. We do not take any spread, charge additional fees, aggregate pharmacy discounts, or retain any rebates. We feel this saves clients and members money, while also supporting pharmacies. We have never used tactics such as Direct and Indirect Remuneration (DIR), unnecessary clawbacks, or excessive and inappropriate audits that often impact the financial stability of pharmacies in our community. Navitus is always working on behalf of our clients and their members to help decrease the overall cost of care while enhancing patient outcomes. Navitus charges our clients a reasonable, fully disclosed administrative fee, usually on a per member per month basis. We are independently audited annually to ensure that we are fulfilling our pass-through promise.

Navitus believes that it is critical for plan sponsors to have all relevant information so that they can make good decisions related to the benefits they offer. We give clients full access to their data through a secure, client-specific web portal. The data includes the rebate amounts received from drug manufacturers related to their specific utilization and discounts we receive from pharmacies. This empowers plan sponsors to analyze the value they are getting for their significant benefit spend. Finally, we provide access to client data that enables plan sponsors to compare and contrast our services against other providers' services in the industry. This way, they are able to evaluate incentives and alignment of PBMs, pharmacies, etc. and meet their obligations as plan fiduciaries.

In plan year 2023, 29% of our commercial clients paid less for prescription drugs than they did the previous year, even with inflation and the growing use of expensive new medications like GLP-1s. In that same period, the average member out-of-pocket change was under 2%. First year clients averaged an 11% reduction in costs compared to the prior year with a different PBM. These data points reveal the effectiveness of our approach. We will be publishing our drug trend report for plan year 2024 in early June.

The Role of PBMs

PBMs today are criticized by and large because of the business practices of traditional, spread-based PBMs. However, PBMs perform several critical functions to get people medications they need at prices they can afford. They act as consolidators of market power for health benefit plans, acting as a counterbalance to the massive market power of drug manufacturers. PBMs combine the buying power of many individual plans and negotiate with manufacturers and pharmacies to obtain prices lower than any individual plan could obtain on their own. They also create healthcare efficiency by allowing pharmacies to contract with a subset of organizations specialized in real-time pharmacy claims instead of each individual plan or employer. This lowers the overall costs of health care.

In a truly competitive market, a plan sponsor would have the ability to evaluate the quality and cost of benefit offerings. Transparency is essential to this. Additionally, as the drug supply chain consolidates and integrates, it is essential that plan sponsors and fiduciaries are able to evaluate if interests are aligned properly. Understanding compensation and financial interests of a vendor or partner is fundamental to a competitive market.

Currently, relationships between manufacturers, wholesalers, insurers, PBMs, group purchasing organizations (GPOs), pharmacy services administrative organizations (PSAOs), PBMs, medical providers, brokers/consultants, and pharmacies are multifaceted, obscured, or unclear, as depicted in the complicated drug supply ecosystem chart.[1]

Without this information concerning the financial interests and relationships of each entity with whom the plan sponsor contracts, the plan sponsor is unable to evaluate whether the interests of the parties involved in the drug chain are misaligned:

- Is the PBM preferring brand products so that they or their GPO can keep a portion of the rebates?
- Is the pharmacy stocking and dispensing the lowest cost product?
- Is the pharmacy locked into a single wholesaler from whom they must purchase and they are not able to shop around?
- Does the PBM prefer higher cost drugs because the higher cost increases the amount billed to the plan sponsor by a percentage?

Anticompetitive behaviors mandating exclusive utilization of an affiliated entity in the drug supply chain do not serve to lower health care costs or improve health outcomes. This is by no means to suggest that organizations should not be permitted to affiliate or innovate within their own systems or models. To ensure proper competition, plan sponsors need transparency. More specifically, they need to see the affiliation and compensation structure among and between entities and should not be penalized if they decide not to use an affiliate exclusively. Each entity in the drug supply chain should add value or improve quality on its own individually. A plan sponsor must be empowered to hold each of its service providers accountable.

While we understand the Committee's concerns about vertical integration, we would suggest that if done transparently, plan sponsors and patients can benefit from affiliation.

Expanding Transparency - Lumicera

More than 10 years ago, our clients expressed concerns about their spend on specialty medications. These are medications treating approximately 2% of the population suffering from chronic, life threatening and/or complicated conditions. Although the number of people is relatively small, this population now accounts for nearly 60% of the pharmaceutical spend for a plan annually. Like the traditional PBM model, it is common for the specialty pharmacy business model to lack transparency. Our clients asked us as a partner to create an alternative specialty pharmacy model that delivered transparency, lowered drug costs and improved quality of care.

With that call to action, we created Lumicera, which celebrated its 10th anniversary in 2024. Lumicera disrupted the market by establishing a cost-plus specialty pharmacy. In a typical specialty pharmacy model, the pharmacy is reimbursed by the PBM on a percentage basis for each prescription dispensed, which means that pharmacy margins would increase as drug list prices continue to go up. In contrast,

[1] Please see *Overview of the Pharmaceutical Supply Chain* in the appendix

Lumicera is fully transparent and is reimbursed based on invoiced acquisition cost and a flat patient management fee for the pharmacy services rendered to handle and provide the clinical counseling needs of the drug and its disease state. Costs and fees are fully disclosed to clients, down to the purchase order. This provides the client full insight into their costs throughout the Navitus and Lumicera supply chain.

Navitus discloses its relationship with Lumicera and never requires our clients to utilize Lumicera. Nor do we penalize clients if they choose to utilize a different specialty pharmacy. Lumicera's outstanding patient support model is validated by a world class net promoter score (NPS) of 85.5, an average adherence rate of 93%, delivering savings and improved care to plan sponsors and more than 50,000 patients. Less than 35% of Lumicera's revenue is derived from Navitus' clients and members. Other like-minded, transparent PBMs, health systems, and providers recognize the potential for high-quality, lower-cost care that can be enabled when an organization is focused to fulfill patient needs and aligned interests. Therefore, they partner with Lumicera outside of a relationship with Navitus.

Vertical Integration Can Be Positive

Lumicera's unique business model was designed to further activate the mission of Navitus Health Solutions. Its model and incentives are aligned to support patient outcomes; its revenues reflect patient management fees rather than drug cost and its actions to secure innovative contracting opportunities with drug manufacturers create access to important medications at a low cost. When this effort is combined with a transparent, pass-through PBM like Navitus that manages formularies to lowest net cost, patient and plan sponsors experience the highest cost saving opportunities.

Recently, Lumicera secured a purchase agreement for an unbranded Stelara biosimilar to help our clients save money. First announced March 13, 2025[2], the savings potential of this product will be achieved when patients transition from the brand product to the lower cost option. This requires the PBM and the specialty pharmacy to work in tandem. If the PBM is not on board or the specialty pharmacy wants to retain the higher cost due to potential profit, savings are not fully delivered. By working together to support patient transitions, Lumicera and Navitus will deliver upfront, real-time net savings of a 97% discount from the reference product list price of approximately $30,000. As a result, plan sponsors will save between $112,000 and $336,000 per patient per year. This discount occurring at the point of sale and not through heavy use of manufacturer rebating also saves patients a significant amount of money. This means that patients who are responsible for coinsurance percentages see immediate savings as their percentage is based upon the lower biosimilar drug cost.

An additional positive outcome that arose because of the affiliation of mission-oriented entities is the creation of CivicaScript. Navitus Health Solutions is a founding member of CivicaScript, a statutory public benefit company created to bring affordable versions of common but high-priced generic medicines to market. Lumicera also engages as one of the major pharmacy distribution partners for the products that CivicaScript produces. This work is well-aligned to the mission and core operating

[2] Stelara Biosimilar Access – Lumicera Health Systems. Lumicera Health Systems. Published 2025. https://www.lumicera.com/multi-media-library/stelara-biosimilar/

model of the enterprise. Together, we enable greater affordability and access to important medications.

Recommendation for Moving Forward

So, how can the industry evolve to control cost over time while ensuring access to the medications Americans need?

- Start with increasing transparency
- Require disclosure to clients of the amounts retained from drug manufacturers at PBMs and GPOs and the amounts paid to pharmacies by PBMs
- Empower decisionmakers in benefit plans and their advisors with the information that they need to vet potential conflicts of interest and to make the best decisions they can.
- Enable benefit plans freedom of choice as to which entities, whether affiliated or not, to work with to achieve their goals.

We commend the committee for examining the complicated drug supply chain. We have included a chart that speaks to the many interconnections between parties[3].

Conclusion

In conclusion, thank you for the opportunity to share with you our transparent, pass-through PBM model and our recommendations for moving forward. Navitus is proud to have led the way in PBM innovation to support plan sponsors and key partners in the drug supply chain to support American families. Plan sponsors need flexibility, without penalty, to design benefit programs that accomplish their goals as fiduciaries. This means they need a competitive environment where they can select partners that are aligned. A one-size-fits-all approach will not work. Transparency combined with choice based on value delivered is a path to managing drug costs and improving quality of care.

As this Committee looks at ways to reduce the overall prescription drug costs, we ask that you establish reforms that will encourage competition and allow flexibility. Clarity to drug costs is the first step. This is what our clients value, and what we provide.

Thank you again for this opportunity.

Respectfully,

Sharon Faust
Senior Vice President, Chief Pharmacy Officer

[3] Please see *Vertical Alignment within Wholesale Distribution Chains* in the appendix

Navitus Health Solutions is a pioneering pharmacy solutions provider that first launched a transparent pharmacy benefit manager (PBM) to pass through 100% of negotiated drug rebates and discounts to health plans and plan sponsors. The Navitus PBM is an alternative to traditional PBMs that divert rebates and discounts for profit. It leads the way in driving meaningful cost savings to help make medications more affordable. Now, more than 20 years after its founding, the organization delivers a range of solutions through portfolio brands including Navitus, Lumicera, and Archimedes. Owned by SSM Health and Costco Wholesale Corporation, Navitus Health Solutions serves over 18 million members across 800 clients, including public and private sector employers, unions, health plans, and health systems. For more information, please visit www.navitus.com.

Appendix:

Background on Different PBM Models
Given that the PBM industry is not well known to individuals outside the industry, we believe it may be helpful to understand the three PBM models generally in use—traditional, hybrid and pass- through.

Traditional PBMs
Traditional models earn "spread" or revenue through various pharmacy dispensing channels such as retail, mail, and specialty. Spread occurs when the pharmacy is paid one price, and the plan sponsor is charged a different—most often higher—price. The difference is often referred to as "spread."

Traditional pricing models also generate spread by retaining a portion of the negotiated rebates from pharmaceutical manufacturers. In recent years, rebate spread and fees are occurring at greater rates within PBM-owned Group Purchasing Organizations (GPOs). These practices may incentivize the PBM to create more spread revenue by driving up costs through formulary product selection. In turn, this leads PBMs to promote products that have higher rebates, creating an incentive for manufacturers to price products higher and deeply rebate the products back to the PBMs. As a result, plan sponsors and members end up paying more than they need to. This may be why more than half of 188 companies polled by National Alliance of Healthcare Purchasers in September and October 2024 said they are considering changing their PBM in the next three years.[4]

To earn more revenue, traditional PBMs agree to dollar-for-dollar-guarantees that are locked into the contract with the plan sponsor. Over the course of a typical three-year agreement, the PBM may negotiate better contracts with pharmacy networks and pharmaceutical manufacturers. Any improvements in those contracts become additional revenue for the PBM.

Because PBMs operating under this model produce significant margin on spread pricing of drugs, they typically charge a significantly reduced administrative fee for services rendered as the majority of their revenue comes from the non-disclosed fees. Visibility into actual market prices and the actual true-net cost (net of rebates) are significantly obscured, if not invisible to plan sponsors.

The traditional model is the most popular of the PBM approaches and accounts for over 80% of overall PBM business and transactions across the industry.[5] Although the other models may seem less popular, fewer plan sponsors choose these because they or their brokers/consultants are unaware other options exist or how to compare them. Alternative models are gaining traction, especially in light of recent litigation.

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[4] Pulse of the Purchaser 2024 Survey Results | National Alliance of Healthcare Purchaser Coalitions. National Alliance of Healthcare Purchaser Coalitions. Published October 25, 2024. https://www.nationalalliancehealth.org/resources/pulse-of-the-purchaser-2024-survey-results/

[5] Pharmacy Benefit Managers: The Powerful Middlemen Inflating Drug Costs and Squeezing Main Street Pharmacies Interim Staff Report.; 2024. https://www.ftc.gov/system/files/ftc_gov/pdf/pharmacy-benefit-managers-staff-report.pdf

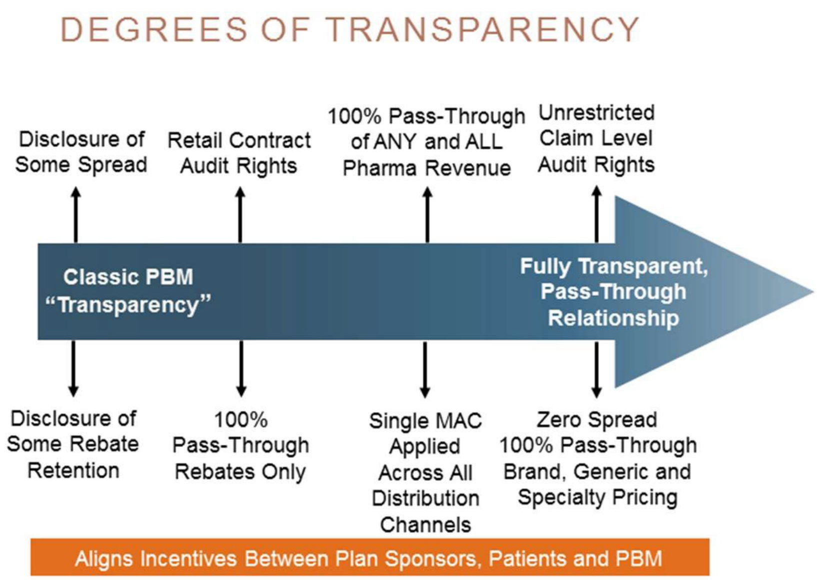
Hybrid PBMs

Hybrid pricing models offer some combination of the traditional and pass-through models for a slightly more transparent option, allowing visibility into some pricing and revenue practices. A hybrid model may disclose the portion of rebates it retains and takes spread in only one or two channels such as mail and specialty. However, transparency is limited, leaving little visibility into how much the PBM retains. Hybrid PBMs may charge a minimal administrative fee or none at all.

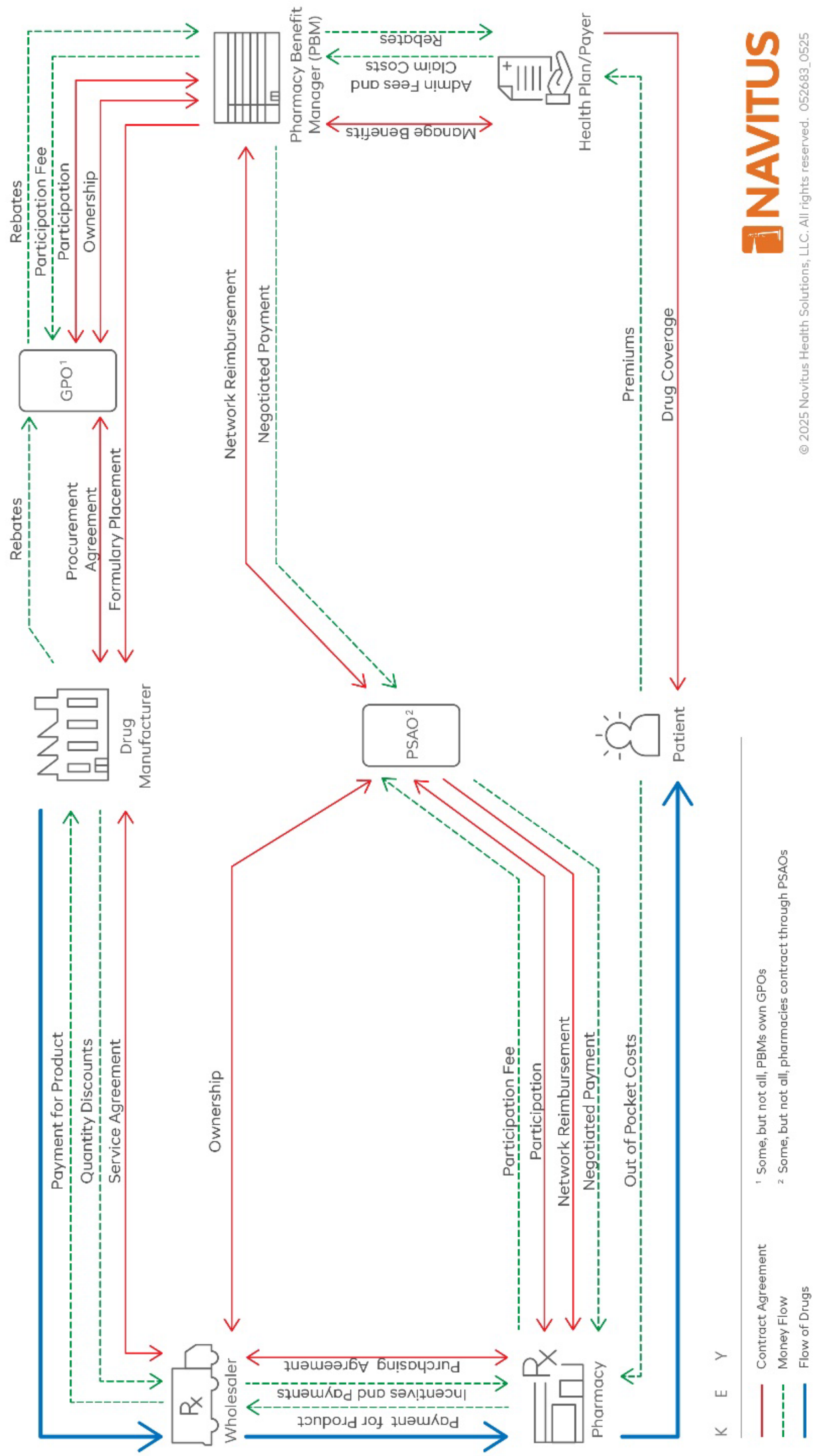
Pass-Through PBMs

On the other hand, pass-through pricing models offer the most transparency. As the result of a pass-through PBM's transparent financial and operational processes, 100% of rebates and discounts are passed back to the plan sponsor. Because spread is not involved from any distribution channel, the plan sponsor is billed the same amount the pharmacy is paid. This takes the unnecessary costs out of pharmacy benefits, making prescriptions more affordable for plan sponsors and their members. A pass-through PBM's only revenue source is an administrative fee for services agreed to by the plan and PBM up front. This model offers visibility down to the claim and invoice level for complete transparency and full disclosure. Ultimately, the plan sponsor has complete visibility into the true claims cost and knows what it is paying for PBM services.

It is important to note that some traditional PBMs are claiming to offer a "pass-through" model. However, plan sponsors should be aware that this might be their version of a pass-through. A 100% pass-through PBM does not retain any dollars from pharmacies or pharmaceutical manufacturers.



Overview of the Pharmaceutical Supply Chain


Rebates
Participation Fee
Participation
Ownership
GPO[1]
Rebates
Procurement Agreement
Formulary Placement
Pharmacy Benefit Manager (PBM)
Rebates
Admin Fees and Claim Costs
Manage Benefits
Health Plan/Payer
Network Reimbursement
Negotiated Payment
Premiums
Drug Coverage
Drug Manufacturer
PSAO[2]
Patient
Payment for Product
Quantity Discounts
Service Agreement
Ownership
Participation Fee
Participation
Network Reimbursement
Negotiated Payment
Out of Pocket Costs
Wholesaler
Purchasing Agreement
Incentives and Payments
Payment for Product
Pharmacy
KEY
Contract Agreement
Money Flow
Flow of Drugs
[1] Some, but not all, PBMs own GPOs
[2] Some, but not all, pharmacies contract through PSAOs
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Vertical alignment within wholesale distribution channels

	cencora	CardinalHealth™	McKESSON
Manufacturer	BluePoint Laboratories	MAJOR Rugby	NorthStar Rx
Wholesale distribution	AmerisourceBergen Besse Medical Oncology Supply	CardinalHealth™	McKESSON
Specialty pharmacy	—	—	Biologics By McKesson
Retail pharmacy	Good Neighbor Pharmacy	The Medicine Shoppe Pharmacy	Health Mart
PSAO	Elevate Provider Network Accelerate Specialty Network	LeaderNET	Health Mart Atlas
GPO	cencora Specialty GPOs	Specialty GPOs	Onmark Unity
Provider	OneOncology Retina Consultants of America	Navista A Cardinal Health company GI Alliance	The US Oncology Network

PSAO = pharmacy services administrative organizations; GPO = group purchasing organization
Source: *The 2024-25 Economic Report on Pharmaceutical Wholesalers and Specialty Distributors*. Exhibit does not illustrate every subsidiary business operated by each company.

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