WRITTEN TESTIMONY OF

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Prescribing Sunshine: How Competition & Transparency Lower Prescription Drug Costs

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Chairman Grassley, Ranking Member Durbin, and members of the Committee, thank you for the opportunity to testify.

I am a pharmacist. I grew up on an Iowa farm and became the first pharmacist in my family. Today, I serve as CEO of the Iowa Pharmacy Association, representing pharmacists, pharmacy technicians, student pharmacists, and pharmacies across our state.

I am here because patients deserve access to the pharmacy they trust, employers deserve to know where their health care dollars go, and pharmacies deserve a fair opportunity to compete. Greater transparency and competition across the prescription drug supply chain can help us achieve those goals and lower costs for patients, employers, health plans, and taxpayers.

Iowa's Experience

Iowa has been a laboratory for pharmacy benefit policy for nearly two decades. We enacted pharmacy benefit manager (PBM) reform in 2007. In 2017, the Eighth Circuit held that federal law preempted a later provision of Iowa's law.[1] In 2025, Iowa enacted comprehensive PBM reform intended to promote transparency, competition, and patient choice. The law addressed pharmacy reimbursement, pass-through pricing, pharmacy choice, network participation, and a process for pharmacies to appeal reimbursement decisions.

The 2025 law was challenged in federal court. The Eighth Circuit heard arguments in the case in September 2026. Iowa's experience shows both the importance of state leadership and the limits a state can face when trying to address a national marketplace.[2]

Iowa's experience has taught us a simple lesson: incentives matter. When the system rewards lower costs and better care, patients benefit. When the system rewards moving prescriptions and dollars within the same corporate family, we need to ask whether patients and purchasers are getting the best value.

A Patient's Choice of Pharmacy

An Iowa pharmacist shared a story about a patient whose medication was classified as a specialty drug. The patient's local pharmacy was qualified and ready to dispense it, but the patient's insurance plan required the prescription to be filled through a pharmacy affiliated with the PBM.

That patient was the pharmacist's son.

For a family managing a complex medical condition, being directed to a different pharmacy can mean navigating unfamiliar processes and losing the convenience of a trusted local relationship. It can also mean that a qualified, often patient preferred pharmacy, never gets the opportunity to compete for the patient's business.

There are legitimate clinical reasons some medications require specialized handling or clinical services. The question is whether restrictions that PBMs and insurers place on drugs they classify as specialty drugs are based on those needs or whether they favor a pharmacy affiliated with the company administering the benefit. Patients should be able to choose among qualified pharmacies, and pharmacies should be able to compete when they meet appropriate clinical and safety standards.

The issue reaches beyond one family. In a 2026 IQVIA analysis of selected brand-name immunology medicines, patients whose initial claims were rejected but later approved waited an average of 32 days for approval at unaffiliated pharmacies and 16 days at PBM-affiliated pharmacies. The report did not establish what caused the differences, but it raises questions about whether patients encounter different barriers depending on where they seek care.[3]

Competition Depends on a Fair Opportunity to Compete

The Federal Trade Commission (FTC) reported that the three largest PBMs processed nearly 80 percent of the approximately 6.6 billion prescriptions dispensed by U.S. pharmacies in 2023. The largest PBMs are also vertically integrated with pharmacies, specialty pharmacies, healthcare providers, group purchasing organizations, and health insurance companies.[4]

A company that administers a prescription benefit can influence which pharmacies are in a network, what those pharmacies are paid, and where patients obtain their medications. When that company is affiliated with a pharmacy competing for the same patients, those decisions deserve scrutiny. The question is whether independent and affiliated pharmacies are competing on fair terms and whether patients and purchasers can choose the option that offers the best value.

For a local pharmacy, access to a PBM network can be essential to serving patients who use insurance. FTC found that smaller pharmacies may have limited ability to negotiate contract terms and that stated rates do not always make the final payment clear. When a pharmacy cannot reasonably predict what it will be paid, it is difficult to make business decisions, invest in services, compete for the long term, and care for the patients in its community.[4]

In a second interim report, FTC found that pharmacies affiliated with the three largest PBMs received more than $7.3 billion in dispensing revenue above estimated drug acquisition costs for the specialty generic medications studied from 2017 through 2022. FTC also found higher reimbursement to affiliated pharmacies than to unaffiliated pharmacies for nearly every drug examined. These are interim staff findings, not final adjudications, and revenue above estimated acquisition cost is not the same as profit.[5]

This matters in Iowa communities. In May 2025, Iowa pharmacist Randy McDonough told this Committee that more than 200 Iowa pharmacies had closed since 2014, including 31 in 2024.[6] Pharmacy closures can result from multiple factors. But every closure can mean fewer choices for patients and fewer competitors in the market. In rural communities, it can also mean a longer trip for a prescription, a vaccination, or advice from a pharmacist.

For too long, powerful entities have used their position in the marketplace in ways that disadvantage patients, local pharmacies, and employers. The consequences are felt by the patient trying to obtain a prescription, the pharmacy working to keep its doors open, and the employer

seeking to provide affordable benefits. In Iowa, we believe everyone deserves a fair shot. Businesses should succeed by delivering better value, better service, and better care.

Transparency Must Follow the Dollar

Competition cannot work well when purchasers cannot see what they are buying. Employers and health plans need to understand what they pay for a prescription, what the pharmacy receives, and how rebates, fees, and other compensation affect the final cost.

A 2024 analysis prepared by 3 Axis Advisors for the Washington State Pharmacy Association illustrates why. In a subset of likely matched claims for generic buprenorphine-naloxone, researchers reported that certain plans were billed approximately $196 per prescription while pharmacies received an average of approximately $77. The researchers lacked unique claim identifiers, so these were estimated matches rather than confirmed matches. The difference does not, by itself, establish PBM profit or represent every prescription. It does show why purchasers need enough information to examine both sides of a transaction.[7]

Iowa has seen the consequences of incomplete information. In June 2026, Iowa's Auditor of State reported that effective-rate reconciliations for one PBM represented approximately $100 million in back-end value over three years. The auditor said limits on access to information and the commingling of Medicaid and non-Medicaid claims prevented the office from determining the specific harm to Iowa Medicaid.[8]

A federal inspector general audit provides another example. In a review of a federal employee health plan's pharmacy program for contract years 2018 through 2021, the Office of Personnel Management's Inspector General reported approximately $615 million in overcharges to the carrier and the Federal Employees Health Benefits Program, including lost investment income.[9] Purchasers and taxpayers need the information and audit rights necessary to understand and test how prescription drug dollars are spent.

The Department of Labor's recently finalized PBM fee disclosure rule is a step forward for large, self-insured group health plans. It requires disclosures about compensation and provides plan fiduciaries with audit rights. The Department projects that the rule could reduce costs for plans and participants by as much as $22 billion, undiscounted, over ten years; that is a projection, not savings already realized.[10] The value of transparency will depend on implementation, meaningful oversight, and whether savings ultimately reach patients and those paying for coverage.

Fair Audits and Meaningful Enforcement

Audits are an important safeguard for prescription drug programs. They should be fair, consistent, and based on clear rules. In October 2026, the chairman of the House Oversight Committee opened an inquiry into allegations that PBMs used punitive audits against independent pharmacies that supported PBM reform legislation. The inquiry has not established that retaliation occurred.[11] Pharmacies should be able to participate in public policy discussions without fear of retaliation.

Passing a law is only the beginning. Regulators need access to the information necessary to investigate complaints, sufficient resources to carry out oversight, and enforcement tools that are

meaningful in relation to the conduct at issue. Patients, pharmacies, and employers should be able to understand their rights and have a workable way to raise concerns.

What Congress Can Do

Congress has already taken steps on PBM oversight and transparency. I encourage the Committee to build on that work with these priorities:

1. Advance legislation. I encourage the Committee and Congress to support S. 526, the Pharmacy Benefit Manager Transparency Act of 2025, which addresses unfair or deceptive PBM practices, and S. 4509, the Patients Before Monopolies Act, which would require divestiture of pharmacies held under common ownership with PBMs or insurers.[12]

I also urge the FTC to complete its ongoing study of PBM practices and publicly release its findings and recommendations to Congress.

2. Follow the dollar. Require meaningful transparency across the supply chain. Purchasers should be able to understand rebates, fees, pharmacy reimbursement, and payments involving affiliated entities and verify the information they receive.

3. Protect patient choice and fair competition. Prevent mandatory steering and give qualified pharmacies a fair opportunity to serve patients, subject to appropriate clinical and safety requirements. Congress should examine whether arrangements that direct patients to PBM affiliated pharmacies deliver better value and care.

4. Make reimbursement and audits fair and predictable. Reimbursement should reflect a pharmacy's drug acquisition costs and the professional services needed to safely dispense a prescription. Pharmacies should be able to understand how they will be paid when they dispense a prescription and have a meaningful process to appeal. Protect fair audit procedures and give enforcement agencies the resources and information to do their jobs.

5. Preserve state authority. Federal reforms should establish meaningful protections while allowing states to address local conditions and test solutions, consistent with applicable federal law. Iowa's experience can inform national policy, but no one state can resolve every issue in a national supply chain.

Conclusion

I believe we can build a prescription drug marketplace that rewards better care, greater value, and innovation. In that market, employers and health plans can see where their dollars go and compare options based on cost and outcomes. Patients can choose among qualified pharmacies, and pharmacies can compete by providing better service and care. When pharmacists have a fair opportunity to serve their communities, they can do more to help patients manage medications, prevent disease, and live healthier lives.

Patients should never have to wonder whether a decision about their care was made in the interest of their health or influenced by the structure of the marketplace.

Iowa's pharmacists are not asking for protection from competition. We are asking for competition. Give Iowa's pharmacies a fair opportunity to compete, and we will continue to share what we learn from our communities.

This Committee named the hearing well. Sunshine matters because markets cannot discipline prices they cannot see. Pair transparency with enforceable rules of fair competition, and the market can reward lower costs, better service, and better care. That is a market made stronger by competition.

Thank you for the opportunity to testify. I welcome your questions.

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