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UNITED STATES OF AMERICA
Federal Trade Commission
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**Statement of FTC Bureau of Competition Deputy Director Rahul Rao
on Lawsuit Against PBMs and the Role of Drug Manufacturers in Distorting
Competition in the U.S Drug Distribution System**

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Today's lawsuit against the nation's three largest pharmacy benefits managers (PBMs)—Optum Rx, Caremark, and Express Scripts—and their respective group purchasing organizations (GPOs), is the result of a wide-ranging investigation into distortions in the pharmaceutical distribution chain and their effects on patient access to insulin, a life-saving drug relied on by over 8 million Americans. As the complaint explains, the PBMs have created and manage a system in which drug manufacturers compete for formulary placement by raising (not lowering) drug list prices so they can feed the higher rebates that PBMs demand. This perverse system results in billions of dollars in rebates and fees for the PBMs and their health plan sponsor clients—but does so at the expense of certain vulnerable diabetic patients who must pay significantly more out-of-pocket for their critical medications.

The PBMs, however, are not the only actors who have contributed to this broken system that has driven up the price of insulin and other drugs. While the Commission has exercised its discretion to move forward with suing only the PBMs and GPOs now, FTC staff's investigation has also shed light on the concerning and active role that the insulin manufacturers—Eli Lilly, Sanofi, and Novo Nordisk—play in the challenged conduct. As detailed in the complaint, over the years, the insulin manufacturers have sharply inflated the list price of their insulin products in response to the PBMs' demand for higher rebates. For example, the list price of Lilly's Humalog soared from \$21 in 1999 to \$274 in 2017—a staggering increase of more than 1200%. The skyrocketing list price of insulin has had devastating consequences for far too many diabetic patients who have struggled to afford their medication and have been forced to ration these life-saving drugs.

With today's suit, the Commission is focusing this vital enforcement action against the PBMs, who sit at the center of the drug reimbursement system, and their affiliated GPOs. The Bureau of Competition, however, remains deeply troubled by the role drug manufacturers play in driving up prices of life-saving medications like insulin. We expect that development of a full factual record in this lawsuit, as well as suits brought by state Attorneys General, will help shape the appropriate parameters of permissible conduct in this area.

Although not named in this case, all drug manufacturers should be on notice that their participation in the type of conduct challenged here can raise serious concerns, with a potential for significant consumer harm, and that the Bureau of Competition reserves the right to recommend naming drug manufacturers as defendants in any future enforcement actions over similar conduct.