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ONE HUNDRED NINETEENTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON ENERGY AND COMMERCE

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February 9, 2026

MEMORANDUM

To: Subcommittee on Health Members and Staff
From: Committee on Energy and Commerce Majority Staff
Re: Subcommittee on Health Hearing on February 11, 2026

I. INTRODUCTION

The Subcommittee on Health will hold a hearing on Wednesday, February 11, 2026, at 10:15 a.m. (ET) in 2123 Rayburn House Office Building. The hearing is entitled, “Lowering Health Care Costs for All Americans: An Examination of the Prescription Drug Supply Chain.”

II. WITNESSES

- **Lori M. Reilly, Esq.**, Chief Operating Officer, PhRMA
- **John F. Crowley**, President and CEO, Biotechnology Innovation Organization
- **John Murphy**, President and CEO, Association for Accessible Medicines
- **David Marin**, President and CEO, Pharmaceutical Care Management Association
- **Angie Boliver**, President and CEO, Healthcare Supply Chain Association
- **Chester “Chip” Davis, Jr.**, President and CEO, Healthcare Distribution Alliance
- **James Gelfand**, President and CEO, The ERISA Industry Committee
- **B. Douglas Hoey**, Chief Executive Officer, National Community Pharmacists Association
- **Rachel E. Sachs**, Professor of Law, Washington University in St. Louis

III. BACKGROUND

This hearing is the second in the Committee’s health affordability series and will examine the prescription drug supply chain. Prescription drugs play a critical role in patient care and in the U.S. health care system writ large. Access to affordable, innovative, and life-saving therapies can help patients better manage acute illness and chronic disease, as well as improve their overall quality of life.

The Committee has long worked to make health care affordable for the American people, including through efforts to reduce the cost of prescription drugs for patients. The Committee has

engaged in a bipartisan effort to address the practices of pharmacy benefit managers (PBM), for example, one segment of the prescription drug supply chain. Most recently, many of the policies that have grown out of this effort were enacted in the *Consolidated Appropriations Act, 2026*.¹ These reforms will increase PBM transparency in Medicare Part D and the commercial markets to protect American patients and businesses, delink the price of Medicare Part D drugs from a PBM's compensation, and safeguard independent pharmacies and seniors' access to medications by codifying requirements that Medicare Part D plan sponsors contract with any willing pharmacy.

The goal of this hearing is to build on this previous work by exploring the role of various stakeholders in this supply chain and discuss how a myriad of actors may contribute to, or work against, prescription drug affordability for American patients based on incentives shaped by federal policy and the private market. According to the most recent national health expenditure data from the Centers for Medicare & Medicaid Services, retail prescription drug spending increased 7.9 percent to \$467.0 billion in 2024, including \$55 billion in out-of-pocket costs for patients.²

IV. OVERVIEW OF THE PRESCRIPTION DRUG SUPPLY CHAIN

A. Pharmaceutical Manufacturers

Pharmaceutical firms research, develop, and manufacture a variety of medicines, including small-molecule drugs, biologics, generics, biosimilars, and cell and gene therapies. The biopharmaceutical development process is comprised of several steps before a drug is widely used by patients. This process includes basic scientific and preclinical research, clinical research, review by the Food and Drug Administration, and eventual commercialization and coverage. Though estimates vary, this process can take years, and the Congressional Budget Office has noted that the “expected cost to develop a new drug—including capital costs and expenditures on drugs that fail to reach the market—has been estimated to range from less than \$1 billion to more than \$2 billion.”³ Once a drug is approved, manufacturers work with wholesalers to distribute the drug, or sell the product directly, to downstream entities such as pharmacies, hospitals, independent practices, and other sites of care.⁴

The industry has changed markedly over the last several years with the approval of more specialty drugs and biologics, as well as due to increased utilization of GLP-1 medicines across indications.⁵ According to research from IQVIA, through 2029, drug spending and volume growth will be driven by obesity, oncology, immunology, and diabetes medicines, in part offset

¹ Consolidated Appropriations Act, 2026, Pub. L. No. 119-75.

² CTRS. FOR MEDICARE & MEDICAID SERVICES, *NHE Fact Sheet* (Jan. 14, 2026), <https://www.cms.gov/data-research/statistics-trends-and-reports/national-health-expenditure-data/nhe-fact-sheet>.

³ CONGRESSIONAL BUDGET OFFICE, *Research and Development in the Pharmaceutical Industry* at “At a Glance” (Apr. 2021), <https://www.cbo.gov/system/files/2021-04/57025-Rx-RnD.pdf>.

⁴ Avalere Health, *Follow the Pill: Understanding the Prescription Drug Supply Chain* (May 20, 2020), <https://advisory.avalerehealth.com/insights/follow-the-pill-understanding-the-prescription-drug-supply-chain>.

⁵ CONGRESSIONAL BUDGET OFFICE, *Research and Development in the Pharmaceutical Industry* at 1 (Apr. 2021), <https://www.cbo.gov/system/files/2021-04/57025-Rx-RnD.pdf>; see also, Juliette Cubanski, *Recent Trends in GLP-1 Use and Spending in Medicare*, KFF (Jan. 30, 2026), <https://www.kff.org/medicare/recent-trends-in-glp-1-use-and-spending-in-medicare/>.

by the loss of drugs' exclusivity.⁶ Generics and biosimilars continue to play an important role in lowering drug costs for patients, accounting for approximately 90 percent of total U.S. prescriptions filled but only 13.1 percent of total U.S. prescription drug spending.⁷

B. Wholesalers

Pharmaceutical wholesalers acquire and manage prescription drugs—ranging from branded and specialty medicines to generics and biosimilars—purchased directly from drug manufacturers in the U.S. and internationally, distributing these products to hospitals, physicians' offices, pharmacies, and other sites of care. Wholesalers typically acquire these drugs from manufacturers at the wholesale acquisition cost, commonly referred to as the list price, adjusted by a percentage discount.⁸ According to a September 2025 report from the Health Distribution Alliance and Matrix Global Advisors, 95 percent of all prescription medicine sales are handled by distributors.⁹ Three wholesalers, which include Cardinal Health, McKesson, and Cencora (formerly AmerisourceBergen), account for more than 90 percent of U.S. wholesaler drug distribution.¹⁰

Wholesalers provide a range of services to manufacturers and the entities dispensing or administering drugs to patients. These primary services include receiving and repackaging products for distribution, inventory management, and financial risk management.¹¹ Wholesalers may also provide additional services upstream to manufacturers or downstream to clients. These services may include, but are not limited to, assistance with certain administrative functions or more specialized distribution for certain products, such as orphan drugs.¹²

The pharmaceutical wholesaler industry has seen significant shifts in recent years due to the growth of specialty and GLP-1 drugs, as well as changes in pharmacy dispensing channels, among other trends.¹³ Moreover, the market has seen an increase in vertical integration by the largest wholesalers, as illustrated in the figure below, which now operate businesses throughout

⁶ IQVIA, Institute Report, *The Global Use of Medicines Outlook Through 2029* (Jun. 26, 2025), <https://www.iqvia.com/insights/the-iqvia-institute/reports-and-publications/reports/the-global-use-of-medicines-outlook-through-2029>.

⁷ Association for Accessible Medicines, Fact Sheet *The 2024 U.S. Generic & Biosimilar Medicines Savings Report* (Sept. 2024), <https://accessiblemeds.org/wp-content/uploads/2024/09/AAM-2024-Generic-Biosimilar-Medicines-Savings-Report-Fact-Sheet.pdf>.

⁸ Avalere Health, *Follow the Pill: Understanding the Prescription Drug Supply Chain* (May 20, 2020), <https://advisory.avalerehealth.com/insights/follow-the-pill-understanding-the-prescription-drug-supply-chain>.

⁹ Healthcare Distribution Alliance, *Economic Impact of Healthcare Distributors in the United States* (Sept. 2025), https://www.hda.org/getmedia/50954eae-659f-401e-939c-14d7ee4ee487/HDA_Economic_Impact_Report-082625.pdf.

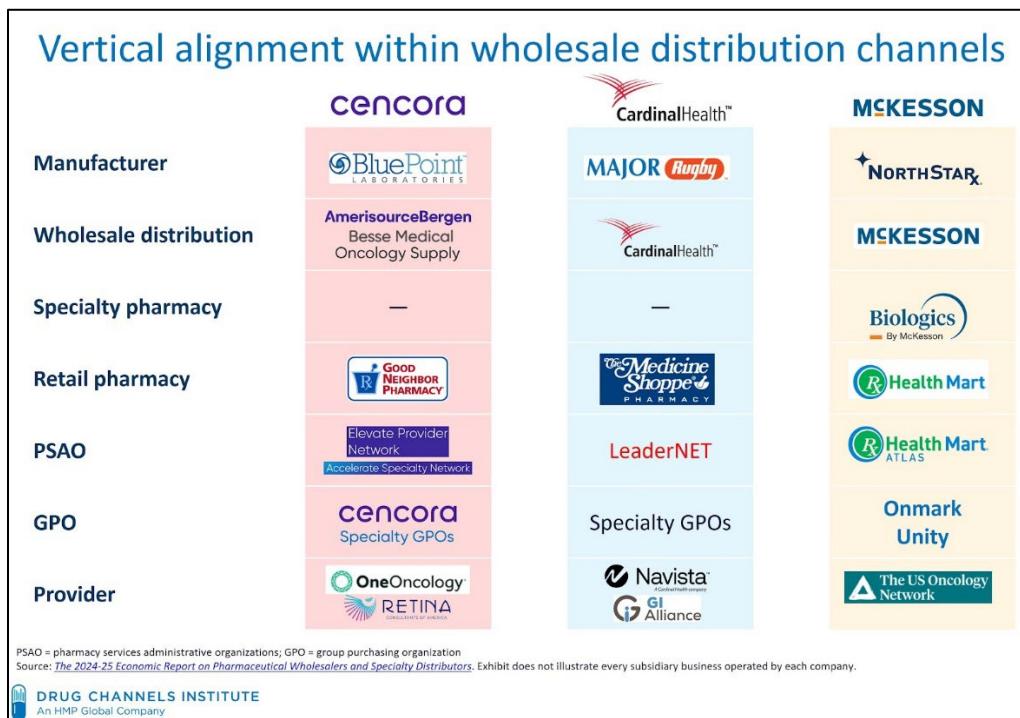
¹⁰ Elizabeth Seeley, *The Impact of Pharmaceutical Wholesalers on U.S. Drug Spending*, The Commonwealth Fund (Jul. 20, 2022), <https://www.commonwealthfund.org/publications/issue-briefs/2022/jul/impact-pharmaceutical-wholesalers-drug-spending>.

¹¹ Healthcare Distribution Alliance, *The Role of Distributors in the US Healthcare Industry* (2025), <https://www.hda.org/publications/the-role-of-distributors-in-the-us-healthcare-industry/>.

¹² *Id.*

¹³ *Id.*

the care delivery continuum, including manufacturing, specialty and retail pharmacies, pharmacy services administrative organizations, group purchasing organizations, and provider groups.¹⁴



C. Group Purchasing Organizations

Group purchasing organizations (GPO) work with health care providers, such as hospitals and health systems, nursing homes, or home health agencies, to facilitate contracts with manufacturers, distributors, or vendors for the purchase of medications, medical devices, and other supplies.¹⁵ According to the Health Group Purchasing Industry Initiative, GPOs are intended to “[produce] economies of scale for providers while lending expertise to inform better purchasing decisions.”¹⁶ Hospitals’ use of GPOs has increased over time. In 2000, approximately 68 percent of hospitals used a GPO for primary purchasing and in 2014, 98 percent of hospitals used a GPO.¹⁷ The four largest GPOs account for 90 percent of medical supplies.¹⁸

As directed by the *Medicare and Medicaid Patient and Program Protection Act of 1987*, the Secretary of the U.S. Department of Health and Human Services established a safe harbor for certain payment practices that would not be considered a criminal offense under the federal anti-

¹⁴ Adam J. Fein, Ph.D., *Vertical Integration Redux: How Pharmaceutical Wholesalers Are Transforming the Buy-and-Bill Market*, Drug Channels Institute (Feb. 4, 2025), <https://www.drugchannels.net/2025/02/vertical-integration-redux-how.html>.

¹⁵ Healthcare Supply Chain Association, *What Is a GPO?*, <https://supplychainassociation.org/about-us/what-is-gpo/> (last accessed Feb. 6, 2026).

¹⁶ Healthcare Group Purchasing Industry Initiative, *19th Annual Report to the Public* at 4 (Mar. 11, 2025), <https://hgpii.com/wp-content/uploads/2025/03/2025-HGPII-Report.pdf>.

¹⁷ William E. Bruhn et al., *Group Purchasing Organizations, Health Care Costs, and Drug Shortages*, JAMA (Nov. 13, 2018), <https://jamanetwork.com/journals/jama/article-abstract/2708613>.

¹⁸ *Id.*

kickback statute.¹⁹ Among the ten original safe harbor protections finalized in 1991, a safe harbor was established for GPOs, permitting payments by a vendor of goods or services to a GPO, as part of an agreement to furnish such goods or services to an individual or entity, if the GPO has a written agreement disclosing the fee paid by the vendor to the GPO *and* the GPO discloses to members of the GPO (and the Secretary, upon request) the amount paid by vendors to the GPO.²⁰

D. Pharmacy Benefit Managers

Pharmacy benefit managers (PBMs) are third-party intermediaries that manage prescription drug benefits on behalf of a variety of payors, including Medicare Part D plans, commercial health plans, self-funded employers, unions, and other government entities. According to industry data, PBMs manage prescription drug benefits for 289 million Americans.²¹

PBMs offer a range of services to plan sponsors. These include negotiating with pharmaceutical manufacturers and pharmacies, processing claims, reviewing and tracking drug utilization trends, and providing mail order prescriptions. PBMs also help clients write their benefit policies, establish networks of pharmacies for enrollees, and develop and maintain drug formularies.

A PBM's role in developing and managing formularies on behalf of clients has effects on patient access to medicines by establishing which drugs are covered by a plan sponsor and what, if any, stipulations there may be for a plan to cover a medicine. Formularies often consist of multiple tiers, which dictate how a medicine is covered by a payor, whether a patient may have some form of cost-sharing for the medicine (e.g., copays and coinsurance) at the pharmacy counter, or if there are utilization management tools (e.g., step therapy, prior authorization, or quantity limits) in place for the drug.

The PBM marketplace is highly concentrated among a few vertically integrated health care companies, as illustrated in the figure below, a dynamic that has garnered significant scrutiny from Congress and the executive branch, as well as in the courts. In 2023, approximately 80 percent of all prescription drug claims were processed by CVS Caremark, Express Scripts, and Optum Rx.²² More recently, the largest PBMs have also established PBM-owned GPOs, or “rebate aggregators.” These include Emisar Health Services (owned by UnitedHealth Group), Ascent Health Services (owned by the Cigna Group), and Zinc Health Services (owned by CVS Health).

¹⁹ 42 U.S.C. § 1320a-7b.

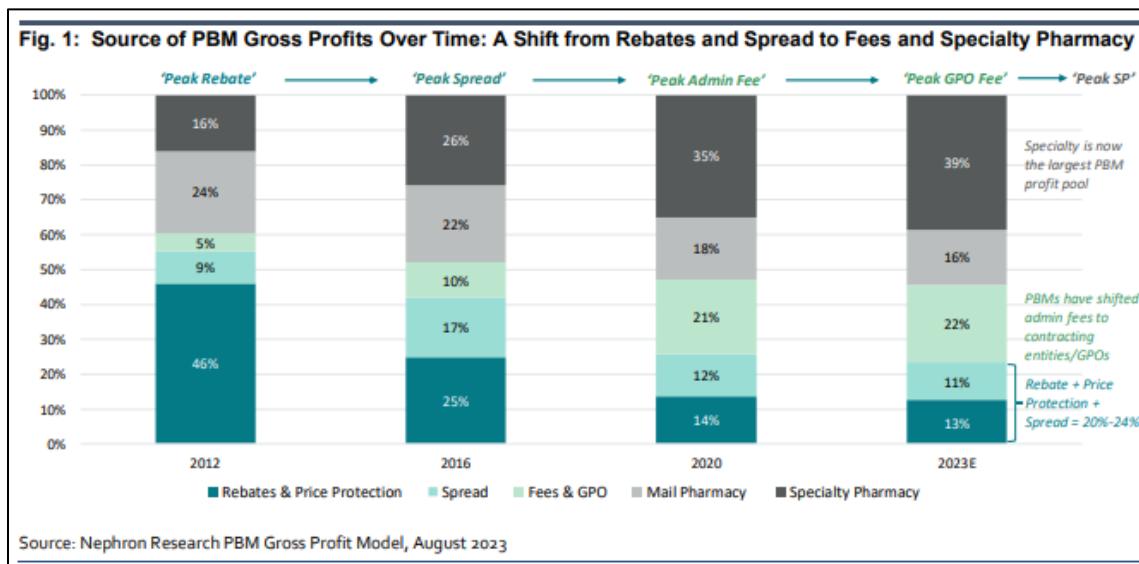
²⁰ DEPT. OF HEALTH AND HUMAN SERVICES, Office of Inspector General, *Medicare and State Health Care Programs: Fraud and Abuse; OIG Anti-Kickback Provision* (Jul. 29, 1991), <https://oig.hhs.gov/documents/compliance/857/072991.htm.html>; *see also*, 42 CFR 10001.952(j).

²¹ Pharmaceutical Care Management Association, *The Value of PBMs*, <https://www.pcmanet.org/value-of-pbms/> (last accessed Feb. 6, 2026).

²² U.S. FEDERAL TRADE COMMISSION, Office of Policy Planning, *Pharmacy Benefit Managers: The Powerful Middlemen Inflating Drug Costs and Squeezing Main Street Pharmacies* at 14 (Jul. 2024), https://www.ftc.gov/system/files/ftc_gov/pdf/pharmacy-benefit-managers-staff-report.pdf.

Parent/Owner	CVS Health Corporation	The Cigna Group	UnitedHealth Group Inc.	Humana Inc.	MedImpact Holdings Inc.	19 BlueCross BlueShield plans
Drug Private Labeler	Cordavis Limited	Qualent Pharmaceuticals	NUVAILA			
Health Care Provider	MinuteClinic, Signify Health	Evernorth Care Group	Optum Health	CenterWell		
Pharmacy Benefit Manager	 34%	 23%	 22%	 7%	 5%	 3%
"PBM GPO"/ Rebate Aggregator	Zinc Health Services	Ascent Health Services	Emisar Pharma Services	Ascent (via contract)	Prescient Holdings Group LLC	Ascent (minority owner)
Pharmacy - Retail	CVS Pharmacy					
Pharmacy - Mail Order	CVS Caremark Mail Service Pharmacy	Express Scripts Pharmacy	Optum Rx Mail Service Pharmacy	CenterWell Pharmacy	Birdi, Inc.	Express Scripts Pharmacy (via contract)
Pharmacy - Specialty	CVS Specialty Pharmacy	Accredo	Optum Specialty Pharmacy	CenterWell Specialty Pharmacy	Specialty by Birdi	Accredo (via contract)
Health Insurer	Aetna	Cigna Healthcare	UnitedHealthcare	Humana		19 BlueCross BlueShield plans

Moreover, as illustrated below, there has been a marked shift since 2012 in the source of PBM gross profits away from negotiated rebates and spread pricing contracts toward fees and specialty pharmacy services.²³



²³ Eric Percher, *Trends in Profitability and Compensation of PBMs & PBM Contracting Entities*, Nephron Research (Sept. 18, 2023), https://nephronresearch.bluematrix.com/sellside/AttachmentViewer.action?encrypt=1c65fc0ef558-4f1d-891f-21c196a9fad&fileId=7276_04a77b17-d298-48a2-bd15-1c5ed22a6984&isPdf=false.

E. Pharmacies

Pharmacies play a crucial role in the delivery of prescription drugs to patients. The U.S. pharmacy marketplace has evolved over the past decade, signified by consolidation across physical retail pharmacy locations, the growth of mail-order pharmacies, and an uptick in pharmacy spending—most notably through specialty pharmacies.

In the retail sector, major players, including CVS and Walgreens, have acquired nearly 5,000 pharmacy locations over the last decade, including CVS's acquisition of 1,700 Target pharmacies and Walgreens's acquisition of 1,900 Rite Aid pharmacies. Yet that trend may be slowing, as both companies have announced over the past six years hundreds of retail pharmacy closures across the nation.²⁴

Analysis by the Rural Policy Research Institute showed that, from 2003 to 2021, retail pharmacy locations decreased by 4.4 percent in larger rural areas and by 9.8 percent in small rural areas, while retail locations increased by over 15 percent in metropolitan areas. Over the same time period, the number of independently owned retail pharmacies decreased by 16.1 percent in small rural areas and 9.1 percent in large rural areas.²⁵

Recent pharmacist survey data from the Academy of Managed Care Pharmacy (AMCP) highlighted potential changes in the roles and responsibilities of pharmacists as the industry continues to evolve. Pharmacist survey respondents predicted the number of pharmacies integrated into other care sites would double. Additionally, respondents predicted an uptick in virtual and remote care models extending beyond the scope of purely dispensing medications. A major component of this transition according to respondents was the expectation of increased use of technology and automation across current pharmacy systems.²⁶

Mail order pharmacies are centralized and, often, highly automated hubs responsible for delivering prescriptions directly to patients at their homes. The global mail order pharmacy market reached a value of \$109.4 billion in 2024 and is expected to reach a value of \$550.0 billion by 2034.²⁷

²⁴ Alok Ladsaria et al., *Meeting changing consumer needs: The US retail pharmacy of the future* at 2, McKinsey & Company (Mar. 2023), <https://www.mckinsey.com/~/media/mckinsey/industries/healthcare%20systems%20and%20services/our%20insights/meeting%20changing%20consumer%20needs%20the%20us%20retail%20pharmacy%20of%20the%20future/meeting-changing-consumer-needs-the-us-retail-pharmacy-of-the-future-f.pdf>.

²⁵ Sagar Dugani et al., *Rural Independent Pharmacies Sustainability Strategy* at 1, National Rural Health Association (Dec. 2024), <https://www.ruralhealth.us/nationalruralhealth/media/documents/advocacy/policy%20brief/nrha-policy-brief-independent-retail-pharmacy-final.pdf>.

²⁶ Nightengale & Huseby, *Emerging trends in pharmacy operations: Perspectives on the 2024 AMCP Foundation Survey* at S27, JOURNAL OF MANAGED CARE & SPECIALTY PHARMACY (Jan. 31, 2025), <https://www.jmcp.org/doi/epdf/10.18553/jmcp.2025.31.2-a.s25>.

²⁷ The Business Research Company, *Mail Order Pharmacy Market Opportunities and Strategies to 2034* at 1 (Feb. 2025), https://www.researchandmarkets.com/reports/6051557/mail-order-pharmacy-market-opportunities?utm_source=GNE&utm_medium=PressRelease&utm_code=qxshj8&utm_campaign=20400311+-+Mail+Order+Pharmacy+Market+Trends%2c+Opportunities+and+Strategies%2c+2019-2024+%26+2025-2034%3a+CVS+Health+Leads+the+%24550+Billion+Fragmented+Market%2c+Followed+by+Walmart+Pharmacy+and+Kroger+Health&utm_exec=chdomspi.

Specialty pharmacies distribute specialty drugs, which generally are characterized by their high cost, complexity, special requirements for adherence, handling, and storage, and they are oftentimes used to treat rare diseases, though there is not a universally agreed upon definition for a specialty drug.²⁸ Specialty drugs account for 4 percent of prescriptions in the U.S., yet they account for roughly 50 percent of total drug spending. The specialty pharmaceutical market is expected to nearly double by 2033.²⁹ According to the Federal Trade Commission, the three largest PBM-affiliated specialty pharmacies account for over two-thirds of all specialty drug dispensing revenue.³⁰

V. STAFF CONTACTS

If you have questions regarding this hearing, please contact Annabelle Huffman of the Committee staff at (202) 225-3641.

²⁸ International Waldenstrom's Macroglobulinemia Foundation, *Specialty Pharmacy Fact Sheet* (Feb. 15, 2023), https://iwmf.com/wp-content/uploads/2020/10/Specialty_Pharmacy_FactSheet-English.pdf; *see also* Kacerek & Mattingly, *What Makes A Drug Special?: Understanding PBMs' Pharmacy Definitions*, Health Affairs (Jan. 7, 2025), <https://www.healthaffairs.org/content/forefront/makes-drug-special-understanding-pbms-pharmacy-definitions>.

²⁹ Adrien Laurent, *Specialty Pharmacy: An Analysis of Key Players & Trends* at 3, Center of the American Experiment (Nov. 3, 2025), <https://intuitionlabs.ai/pdfs/specialty-pharmacy-an-analysis-of-key-players-trends.pdf>.

³⁰ *Supra*, note 22.