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The Honorable Bernie Sanders
Chair
Committee on Health, Education, Labor, & Pensions
United States Senate
Washington, D.C. 20510

The Honorable Bill Cassidy
Ranking Member
Committee on Health, Education, Labor, & Pensions
United States Senate
Washington, D.C. 20510

Dear Chairman Sanders and Ranking Member Cassidy:

On behalf of the National Federation of Independent Business (NFIB), the nation's leading small business advocacy organization, we thank the committee for holding a markup on legislation to lower healthcare costs and write in support of provisions under consideration in S. 1339, the *Pharmacy Benefit Manager Reform Act*, which would increase transparency in the pharmacy benefit manager market.

Pharmacy Benefit Managers (PBMs) are third-party middlemen that negotiate drug prices and benefits for insurers and employers. They play a significant role in the pricing and availability of prescription drugs. High concentration in the PBM market, with the top three PBMs controlling 80% of the market, has led to concerns among employers about the lack of competition and affordability.

NFIB members would benefit from greater transparency and competition in the PBM market. If plan sponsors have more information about PBM dealings, they will be empowered to evaluate contracts better and make better-informed decisions about their plan design. They can also compare the negotiated prices with other sources to ensure they get the best possible deal.

By empowering employers with detailed data on the pharmacy claims, such as the cost of drugs, the types of drugs, dispensing fees, and rebates, employers can identify patterns and trends which can help improve the management of the plan and reduce costs. The Congressional Budget Office (CBO) concluded that additional transparency would reduce commercial market spending and decrease the deficit by \$1.7 billion over ten years. CBO also concluded that the sponsors of smaller plans would benefit most because many do not have access to this information.¹

Small businesses play a critical role in creating jobs and driving economic growth, and it is important that lawmakers pursue policies that lower, not increase, costs in the long term. For nearly 40 years, NFIB members have identified the rising cost of health insurance as their top concern.² However, Congress has failed to address the causes of rapidly rising health insurance costs.

¹ Congressional Budget Office, *Cost Estimate of S. 1895, Lower Health Care Costs Act*, July 16, 2019, https://www.cbo.gov/system/files/2019-07/s1895_0.pdf.

² Holly Wade & Andrew Heritage, *Small Business Problems and Priorities*, NFIB Research Center, 2020, <https://assets.nfib.com/nfibcom/NFIB-Problems-and-Priorities-2020.pdf>.

A recent NFIB survey found that 56% of small employers currently offer health insurance to employees, while 44% do not.³ The data clearly shows that the most significant reason small employers do not offer health insurance is cost, with 65% of respondents reporting cost as the primary reason.⁴ Furthermore, 98% of small employers are concerned that the cost of providing health insurance to their employees will become unsustainable in the next 5-10 years.⁵

Small business owners are forced to make difficult decisions in response to this unaffordability crisis. Businesses offering health coverage must often pass the costs along to their customers. Nearly half of small employers (46%) report raising their prices to keep up with rising health insurance costs. Moreover, almost half of small employers now earn less due to health insurance premium increases over the last five years.⁶ Since 2014, certain counties have witnessed small business premiums skyrocketing by as high as 140%.⁷

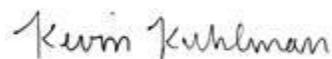
Healthcare unaffordability impacts our entire economy. Sixty-three percent of employers believe offering health insurance to recruit and retain employees is a very or moderately important factor in their business.⁸ As small businesses struggle to rebound from crippling inflation, worker shortages, and supply chain disruptions, it is critical that they can compete with larger firms in attracting and retaining talent. Health costs make remaining competitive difficult for small employers as they do not enjoy the same regulatory flexibilities and economies of scale as large firms.

By increasing transparency, limiting the practice of spread pricing, allowing patient choice, and encouraging competition, PBMs can be generally incentivized to be better partners to small employers and patients.

Small business owners support lowering healthcare costs through increased competition. In a recent NFIB member ballot, more than 80% of small business owners support legislation to rein in healthcare consolidation and anti-competitive business practices.

NFIB remains committed to partnering with you to ensure that small businesses and their employees can access affordable health insurance coverage: When small businesses thrive, our communities thrive.

Sincerely,



Kevin Kuhlman
Vice President, Federal Government Relations
NFIB

³ Holly Wade & Madeleine Oldstone, *Small Business Health Insurance Survey*, NFIB Research Center, March 2023, <https://strgnfibcom.blob.core.windows.net/nfibcom/Health-Insurance-Survey-2023.pdf>.

⁴ *Ibid.*

⁵ *Ibid.*

⁶ *Ibid.*

⁷ Internal Revenue Service. *Instructions for Form 8941, Credit for Small Employer Health Insurance Premiums*, 2022, pp. 10-30, <https://www.irs.gov/pub/irs-pdf/i8941.pdf>.

⁸ Holly Wade & Madeleine Oldstone, *Small Business Health Insurance Survey*, NFIB Research Center, March 2023, <https://strgnfibcom.blob.core.windows.net/nfibcom/Health-Insurance-Survey-2023.pdf>.