VOTE 'YES'

SB 2040 (Harshbarger)/ HB 1959 (Scarbrough)

Prohibiting PBM-Owned Pharmacies

PBM CONFLICTS OF INTEREST ARE HARMING ACCESS

- Pharmacy Benefit Managers, or PBMs, are third-party administrators contracted by health plans, employers, and government entities to manage prescription drug programs on behalf of health plan beneficiaries.
- PBMs increasingly own the pharmacies they reimburse, allowing them to set prices and pay themselves - an inherent conflict of interest
- PBM practices are accelerating pharmacy closures, reducing access to care across Tennessee, especially in rural communities.

- **Tennessee pharmacy closures:**
  - **62 closures in 2024 alone**
  - **163 closures in past 3 years - more than CVS has in entire state**
  - **815 closures in past 10 years**

TN DEPARTMENT OF COMMERCE AND INSURANCE

- TDCI confirms this self-dealing through its authority to audit PBMs, including a 2024 audit of Express Scripts (ESI) and 2025 of CVS Caremark
- Audit found ESI and CVS pay its own pharmacies more than non-affiliated pharmacies (bit.ly/TDCIaudits)
  - ESI paid higher rates on 568 of 2,318 drugs – Differences up to **3,082%** for the same medication
  - CVS paid higher rates on 661 of 3,646 drugs - Differences up to **16,510%** for the same medication

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WHAT SB 2040/HB 1959 DOES

- ☑ Prohibit the Board of Pharmacy from issuing a pharmacy license when a PBM has an ownership or beneficial interest in a pharmacy
- ☑ Allows for limited distribution or orphan drugs to still follow special channels when approved as such by the FDA
- ☑ Eliminate the "fox guarding the henhouse" model where PBMs set prices and pay themselves
- ☑ Align Tennessee with Arkansas Act 624 (2025) and national PBM reform efforts

Bottom line:
PBM ownership of pharmacies leads to preferential treatment, market distortion, and harm to patient access.

SB 2040/HB 1959 WILL:

- ☑ Restore fairness and transparency in pharmacy reimbursement
- ☑ Help slow pharmacy closures and preserve access to care
- ☑ Ensure pharmacy decisions are driven by patient needs - not corporate self-interest
- ☑ Protect patient choice and fair competition

TENNESSEE PHARMACISTS ASSOCIATION

Vertical Business Relationships Within the U.S. Drug Channel, 2025

PBM = pharmacy benefit manager; GPO = group purchasing organization; LTC = long-term care

1. Prime Therapeutics sources formulary rebates from—and has a minority ownership interest in—Ascent Health Solutions, which is part of Cigna's Evernorth segment.
2. Synergie is a buying group focused on medical benefit drugs. Its ownership includes the Blue Cross Blue Shield (BCBS) Association, Prime Therapeutics, Elevance Health, and other independent BCBS health plans.
3. Prime Therapeutics Pharmacy was previously known as Magellan Rx Pharmacy. Prime's clients have the option to use Express Scripts for mail/specialty pharmacy services.
4. In 2022, Cigna invested $2.7 billion for an estimated 14% ownership stake in VillageMD. In 2024, it wrote down the full value of this investment. Walgreens Boots Alliance owns a majority of VillageMD.
5. Centene began outsourcing its PBM operations to Express Scripts in 2024. In 2023, Centene rebranded its Envolve Pharmacy Solutions pharmacy benefit subsidiary as Centene Pharmacy Services.
6. CVS Caremark provides certain PBM services to CarelonRx business. CarelonRx also sources formulary rebates from—and has a minority interest in—Zinc Health Services, which is a subsidiary of CVS Health.

Source: *The 2025 Economic Report on U.S. Pharmacies and Pharmacy Benefit Managers*, Exhibit 261. Exhibit does not illustrate every subsidiary business operated by each company.

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