



Federal Trade Commission Releases Report on Prescription Drug Middlemen

Report finds pharmacy benefit managers charge significant markups for cancer, HIV and other critical specialty generic drugs.

January 15, 2025 By Federal Trade Commission

The Federal Trade Commission (FTC) today [January 14] published a second interim staff report on the prescription drug middleman industry, which focuses on pharmacy benefit managers' (PBMs) influence over specialty generic drugs, including significant price markups by PBMs for cancer, HIV, and a variety of other critical drugs.

[Staff's latest report](#) found that the 'Big 3 PBMs'—Caremark Rx, LLC (CVS), Express Scripts, Inc. (ESI), and OptumRx, Inc. (OptumRx)—marked up numerous specialty generic drugs dispensed at their affiliated pharmacies by thousands of percent, and many others by hundreds of percent.

Such significant markups allowed the Big 3 PBMs and their affiliated specialty pharmacies to generate more than \$7.3 billion in revenue from dispensing drugs in excess of the drugs' estimated acquisition costs from 2017-2022. The Big 3 PBMs netted such significant revenues all while patient, employer, and other health care plan sponsor payments for drugs steadily increased annually, according to the staff report.

"The FTC staff's second interim report finds that the three major pharmacy benefit managers hiked costs for a wide range of lifesaving drugs, including medications to treat heart disease and cancer," said FTC Chair Lina M. Khan. "The FTC should keep using its tools to investigate practices that may inflate drug costs, squeeze independent pharmacies, and deprive Americans of affordable, accessible healthcare—and should act swiftly to stop any illegal conduct."

"FTC staff have found that the Big 3 PBMs are charging enormous markups on dozens of lifesaving drugs," said Hannah Garden-Monheit, Director of the FTC's Office of Policy Planning. "We also found that this problem is growing at an alarming rate, which means there is an urgent need for policymakers to address it."

Staff's latest report builds on a report issued by FTC staff in [July 2024](#), which found that pharmacies affiliated with the Big 3 PBMs received 68% of the dispensing revenue generated by specialty drugs in 2023, up from 54% in 2016. The latest report analyzes a broader set of specialty generic drugs compared to two specialty generic drugs analyzed in the July 2024 report and finds

that the Big 3 PBMs impose significant markups on a wide array of specialty generic drugs.

The FTC's second interim staff report analyzed all specialty generic drugs dispensed from 2017 to 2022 for members of commercial health plans and Medicare Part D prescription drug plans managed by the Big 3 PBMs for which the FTC has relevant data. This includes an analysis of 51 specialty generic drugs comprising 882 National Drug Codes, which include the generic versions of: Ampyra (used to treat multiple sclerosis), Gleevec (used to treat leukemia), Sensipar (used to treat renal disease), and Myfortic (used by transplant recipients).

Key Findings

The FTC's latest interim staff report is part of the Commission's ongoing study of the PBM industry. This report highlights several key insights gained from data and documents obtained from special orders the FTC [issued in 2022](#) under Section 6(b) of the FTC Act, as well as from publicly available information:

- Significant price markups: The Big 3 PBMs imposed markups of hundreds and thousands of percent on numerous specialty generic drugs dispensed at their affiliated pharmacies—including drugs used to treat cancer, HIV, and other serious diseases and conditions. The Big 3 PBMs also reimbursed their affiliated pharmacies at a higher rate than they paid unaffiliated pharmacies on nearly every specialty generic drug examined.
- Dispensing the most profitable drugs: A larger, disproportionate share of commercial prescriptions for specialty generic drugs marked up more than \$1,000 per prescription were dispensed by the Big 3 PBMs' affiliated pharmacies compared with unaffiliated pharmacies. Dispensing patterns suggest that the Big 3 PBMs may be steering highly profitable prescriptions to their own affiliated pharmacies (and away from unaffiliated pharmacies).
- Over \$7.3 billion of dispensing revenue in excess of NADAC: The Big 3 PBMs' affiliated pharmacies generated over \$7.3 billion of dispensing revenue in excess of their estimated acquisition cost, as measured by the National Average Drug Acquisition Cost (NADAC), on specialty generic drugs over the study period. PBM-affiliated pharmacy dispensing revenue in excess of NADAC increased dramatically at a compound annual growth rate of 42% from 2017-2021. In the aggregate, the top 10 specialty generic drugs generated \$6.2 billion of dispensing revenue in excess of NADAC (85% of total).
- Generating additional income via spread pricing: In the aggregate, the Big 3 PBMs also

separately generated an estimated \$1.4 billion of income from spread pricing—i.e., billing their plan sponsor clients more than they reimburse pharmacies for drugs—on the analyzed specialty generic drugs over the study period.

- Specialty generic drugs help drive parent healthcare conglomerates' operating income: The top specialty generic drugs accounted for a significant share of the relevant business segments reported by the Big 3 PBMs' parent healthcare conglomerates. Operating income from the Big 3 PBMs' affiliated pharmacies dispensing of the analyzed specialty generic drugs accounted for 12% of the aggregated operating income reported by the parent healthcare conglomerates' business segments that include their PBM and pharmacy businesses in 2021.
- Plan sponsor and patient drug spending increased significantly: In 2021, the last year for which the FTC received full-year data for this study, plan sponsors paid \$4.8 billion for specialty generic drugs, while patient cost sharing totaled \$297 million. Between 2017 and 2021 plan sponsors and patient payments both increased at compound annual growth rates of 21% for commercial claims, and 14%-15% for Medicare Part D claims.

FTC staff remain committed to providing timely updates as the Commission continues to receive and review additional information as part of the ongoing study.

The Commission voted 5-0 to allow staff to issue the second interim staff report.

This news release was published by the Federal Trade Commission on January 14, 2025.