

July 30, 2024

Chair Lina M. Khan  
Federal Trade Commission  
600 Pennsylvania Avenue, NW  
Washington, DC 20580

RE: Interim Pharmacy Benefit Manager Report and Upcoming Open Commission Meeting

Dear Chair Khan:

My name is Alex Brill, and I am the founder and CEO of the Washington, DC–based economic policy consulting firm Matrix Global Advisors and a senior fellow at the American Enterprise Institute. I commend the Federal Trade Commission (FTC) for engaging in an open and public discussion of the Commission’s July 2024 interim report, “Pharmacy Benefit Managers: The Powerful Middlemen Inflating Drug Costs and Squeezing Main Street Pharmacies.” This report follows the Commission’s request for information in February 2022 and launch of a formal Section 6(b) inquiry in June 2022 related to the business practices of the largest pharmacy benefit managers (PBMs).

The FTC is a critically important federal agency tasked with promoting competition among businesses for the benefit of consumers. The Commission’s research, inquiries, and other activities have helped ensure that markets are open and free and that businesses are competing fairly.

The economics of a market as unique and intricate as the prescription drug market, with its multitude of actors, requires careful and thorough understanding. The decision by the FTC to launch a Section 6(b) inquiry of large PBMs is certainly within its purview, and the unanimous [vote](#) by Commissioners further bolstered the legitimacy of this undertaking. As Commissioners Phillips and Wilson [noted](#) at the time, “A 6(b) study should approach questions comprehensively and rigorously.” And, as Commissioner Holyoak [noted](#) in response to the release of the interim report, “Understanding the role that PBMs play in the competitive process in our healthcare system is an important goal.” Given the sheer size of the US pharmaceutical market and questions from policymakers and the public about healthcare costs and access to medicines, an honest, thorough, and detailed report on the economic effects of PBMs would be an informative resource.

However, the Commission’s interim report on PBMs is lacking in substantive evidence and appears both unbalanced and biased. While the report presents a clear (albeit well-known) summary of the current landscape of the PBM marketplace, it fails to perform any rigorous economic analysis of the potential positive competitive effects between and among PBMs, including the effects of smaller PBMs on the behavior of larger PBMs or the economies of scale associated with larger PBMs in providing lower-cost services to their customers.

Simple charts and tables showing the apparent growth of larger PBMs may mislead the public and policymakers to believe that such trends are evidence of undesirable market power. To the contrary, evidence not acknowledged in the interim report (e.g., [Mulligan, 2022](#); [Froeb and Shor, 2023](#)) points to



substantial economic benefits of PBMs, including lower drug prices. And, as [Shapiro \(2019\)](#), [Demetz \(1973\)](#), and other scholars have explained, a rise in market concentration does not, by itself, demonstrate a reduction in consumer welfare.

The lack of rigorous economic inquiry in the interim report and the failure to present evidence related to PBMs' effect on consumers suggest that further FTC action will reflect an insufficient understanding of the complexity of this market and the benefits of PBMs generally. Given the interest from Congress in this market, the interim report is a missed opportunity to provide useful and balanced information to interested parties.

If it is the intent of the Commission to continue its inquiry into PBMs, it is my sincere hope that the Open Commission Meeting on August 1 will serve as an opportunity for Commissioners to pivot toward a more balanced, more comprehensive, and more evidence-based approach to understanding the effect of PBMs on the cost of prescription drugs for Americans.

Sincerely,

A handwritten signature in black ink that reads "Alex Brill". The signature is written in a cursive, slightly slanted style.

Alex Brill

