



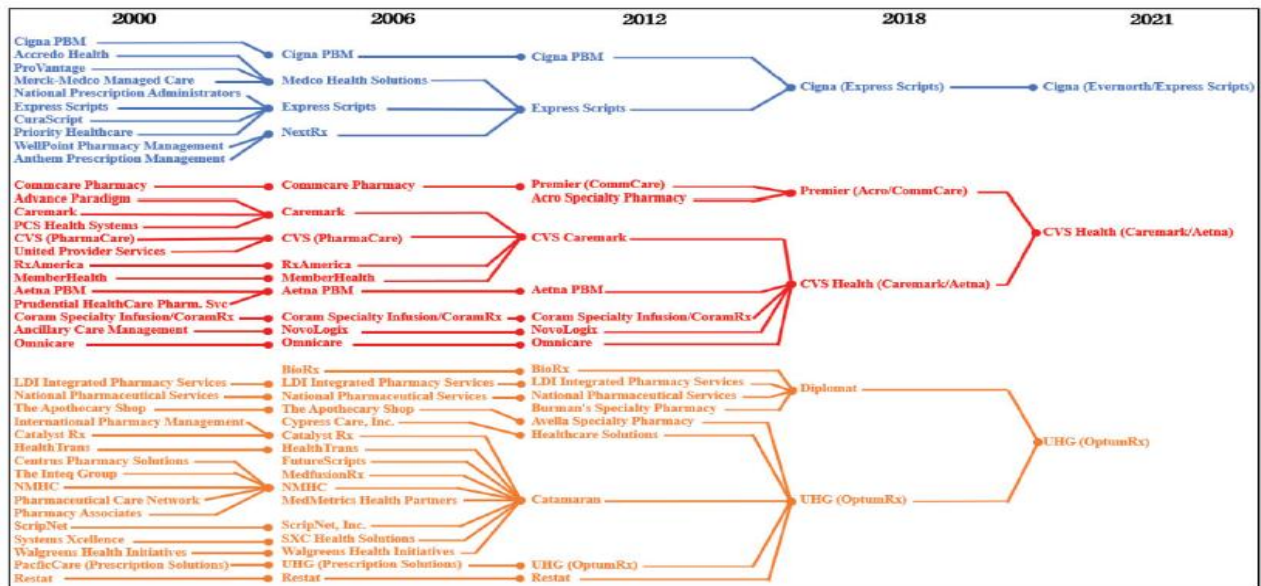
**Testimony of Miguel Rodriguez  
 EVP & General Counsel  
 American Pharmacies  
 Michigan House Oversight  
 Public Health and Food Security Subcommittee  
 Hearing on Independent Pharmacy Closures  
 March 17, 2026**

Good afternoon, my name is Miguel Rodriguez, Executive Vice President and General Counsel of American Pharmacies, a cooperative of hundreds of independent pharmacies around the country including over 70 in Michigan.




Chair Bierlein and members of the committee, the three largest PBMs in the country own their own pharmacies and directly compete with Michigan pharmacies. As a result, Michigan pharmacies are closing because the three largest PBMs have limited which patients the pharmacies can serve, have limited which drugs the pharmacies can dispense and have greatly reduced how much the pharmacies get paid for doing so.

**The Growth of Vertically Integrated Pharmacy Benefit Managers**

Pharmacy benefit managers started as companies that simply helped process pharmacy claims for payment electronically. However, over the years, the largest PBMs acquired other PBMs, acquired pharmacies, and merged with health insurers. This is called vertical integration.



The problems are heightened as vertically integrated companies become even larger. The three largest PBMs in the country are under common ownership with three of the largest insurers in the country and the largest pharmacies in the country. They are all in the top 15 of the Fortune 500.<sup>1</sup> These three conglomerates together control 35% of the market for commercial health insurance.<sup>2</sup> They process 80% of the prescription claims in the country for 270 million people.<sup>3</sup> And they collect 42.5% of all pharmacy revenue.<sup>4</sup> The fiercest competitors of retail community pharmacies are now the PBMs. As the Federal Trade Commission has found: “The result is that the dominant PBMs can often exercise significant control over which drugs are available, at what price, and which pharmacies patients can use to access their prescribed medications.”<sup>5</sup>

Parent/Owner	CVS Health Corporation	The Cigna Group	UnitedHealth Group Inc.
Drug Private Labeler	Cordavis Limited	Quallent Pharmaceuticals	NUVAILA
Health Care Provider	MinuteClinic, Signify Health	Evernorth Care Group	Optum Health
Pharmacy Benefit Manager			
“PBM GPO”/ Rebate Aggregator	Zinc Health Services	Ascent Health Services	Emisar Pharma Services
Pharmacy - Retail	CVS Pharmacy		
Pharmacy - Mail Order	CVS Caremark Mail Service Pharmacy	Express Scripts Pharmacy	Optum Rx Mail Service Pharmacy
Pharmacy - Specialty	CVS Specialty Pharmacy	Accredo	Optum Specialty Pharmacy
Health Insurer	Aetna	Cigna Healthcare	UnitedHealthcare

<sup>1</sup> Fortune 500 2025 rankings: UnitedHealth Group rank #3; CVS Health rank #5; CIGNA rank #13.

<sup>2</sup> American Medical Ass’n, *Competition in Health Insurance: A Comprehensive Study of U.S. Markets* (2023) <https://www.ama-assn.org/press-center/ama-press-releases/ama-identifies-market-leaders-health-insurance>

<sup>3</sup> U.S. Fed. Trade Comm’n Office of Policy Planning, *Pharmacy Benefit Managers: The Powerful Middlemen Inflating Drug Costs and Squeezing Main Street Pharmacies*, Interim Staff Report July 2024, p. 5.

<sup>4</sup> Drug Channels, *The Top 15 U.S. Pharmacies of 2024: Market Shares and Revenues at the Biggest Chains, PBMs, and Specialty Pharmacies*, March 11, 2025 found at <https://www.drugchannels.net/2025/03/the-top-15-us-pharmacies-of-2024-market.html>

<sup>5</sup> U.S. Fed. Trade Comm’n Office of Policy Planning, *Pharmacy Benefit Managers: The Powerful Middlemen Inflating Drug Costs and Squeezing Main Street Pharmacies*, Interim Staff Report July 2024, p. 3.

## The Harmful Practices Resulting from Vertical Integration

This combination of vertical integration and size leads to two related problems: (1) the PBMs have the size and the financial incentives to weaken and eliminate their pharmacy competition, and (2) the free-market collapses and market share is not won on merit.

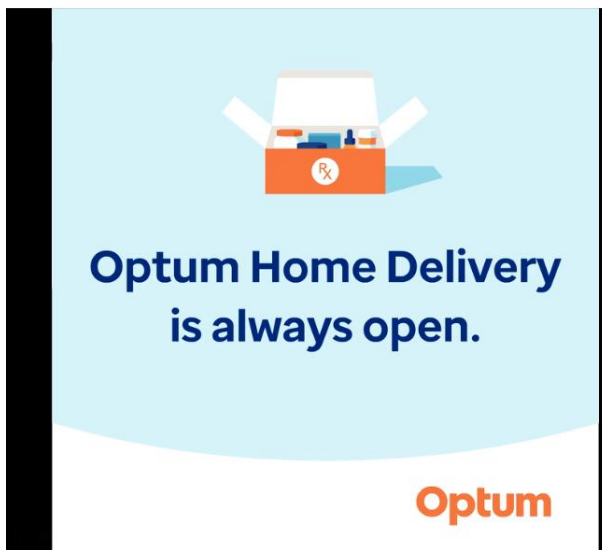
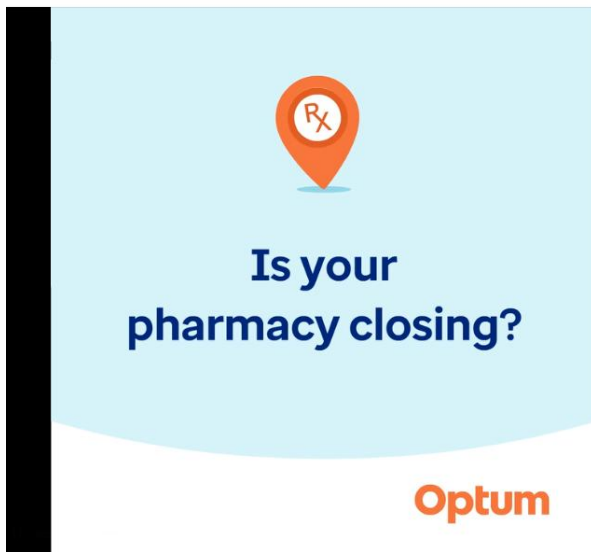
PBMs of these conglomerates play the role of the referees while, at the same time, they own one of the teams on the court. As a result, PBMs have developed tactics that harm competition, patients, reduce pharmacy services and close pharmacies. Some of the tactics are as follows:

- Reimbursement: paying pharmacies unreasonably low or even below drug acquisition cost using take-it-or-leave-it contracts.
- Steering patients: dictating or incentivizing that a patient use the PBM-owned pharmacy.
- Specialty drugs: designating more profitable drugs as “specialty” to capture fills in the PBM-owned specialty pharmacy.
- Paying PBM-owned pharmacies more than non-affiliated pharmacies.
- Prior authorizations and step-therapy: creating barriers to patients receiving prescribed medicine to favor drug makers that pay PBMs higher rebates.
- Predatory audits: where the patient received the correct medicine and there is no allegations of fraud, the PBM claws back **all** of the amounts paid to the pharmacy based on clerical or recordkeeping errors.

A PBM’s recent social media advertisement made clear that a closed local pharmacy is a business opportunity for the PBM. In it, the Facebook advertisement asks “Is your pharmacy closing in Michigan? Optum Home Delivery is always open”.<sup>6</sup>

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<sup>6</sup> Dec. 31, 2024 Facebook post found at <https://www.facebook.com/myOptum/posts/is-your-pharmacy-closing-in-michigan/1001711311994093/>



This one advertisement encapsulates the zero-sum game being played by these largest PBMs. Closing their competitors is good for their business.

### **Vertically Integrated PBMs Increase Costs to the Healthcare System**

Far from saving money, the conflicts of interest inherent in large vertically integrated PBMs result in opacity and unnecessary costs to the system.

Over a dozen states and dozens of counties, including several in Michigan, have brought suit against the three largest PBMs alleging that they colluded with pharmaceutical manufacturers to increase insulin prices, including, allegedly, through a system of demanding ever increasing amounts of rebates which led the drug makers to increase prices as a result. In one encapsulating quote from the lawsuits, the state of Texas and state of Illinois both make the following allegation: “In making these representations, the PBMs fail to disclose that the amount of “savings” they have generated is calculated based on the false list prices, which are not paid by any entity in the pharmaceutical pricing chain and which the PBMs are directly responsible for artificially inflating.”<sup>7</sup>

Most independent studies and analysis have found that conflicts of interest are inherent in a PBM that is vertically integrated with mail, retail and specialty pharmacies.

In 2025 and 2026 in Tennessee, an independent auditor reviewed samples of commercial claims from each of the three largest PBMs and found that the PBM-owned pharmacies

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<sup>7</sup> *The State of Texas v. Eli Lilly & Co. et al.*, No. 2:24-cv-10854, (D. N.J.); *The State of Illinois v. Eli Lilly & Co., et al.*, No. 2:23-cv-04242, (D. N. J.).

often charged the plan far more than what was paid to non-affiliated pharmacies, even when doing so was against Tennessee law.

<b>Tennessee Independent Audit of PBM Compliance with Pay Parity Law</b>	
<b>PBM</b>	<b>Range of Overcharge PBM paid its affiliated pharmacy</b>
OptumRx <sup>8</sup>	2.44% to 79.19%
Caremark <sup>9</sup>	10.49% to 16,510.24%
Express Scripts <sup>10</sup>	7.1% to 3,082%

The Federal Trade Commission’s recent analysis of a group of specialty generic drugs revealed that the three largest PBMs used a combination of extremely high markups of hundreds and thousands of percent, spread pricing and steering to both capture huge profits through their affiliated pharmacies while greatly increasing the costs of the plan sponsors and patients.<sup>11</sup> This month, in West Virginia, Express Scripts agreed to pay the state a \$1.5 million fine for failing to comply with its audit and reimbursement laws including by paying their own pharmacy more than nonaffiliated pharmacies. West Virginia found that Express Scripts’ “pharmacy reimbursement model for affiliated pharmacies resulted in higher health care payor buy amounts and/or higher consumer copays for prescription drugs than non-affiliated pharmacies.”<sup>12</sup>

In sum, the conflicts of interest inherent in large vertically integrated PBMs and pharmacies are the primary cause for pharmacy closures in Michigan.

Thank you for the opportunity to present this testimony. If you have any questions, or need additional information, please contact me at [mrodriguez@aprx.org](mailto:mrodriguez@aprx.org)

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<sup>8</sup> Tenn. Dept. of Comm. & Ins. (Mar. 11, 2026) [https://www.tn.gov/content/dam/tn/commerce/documents/insurance/pbm/pbm-audit-actions/OptumAuditReport\\_20260220.pdf](https://www.tn.gov/content/dam/tn/commerce/documents/insurance/pbm/pbm-audit-actions/OptumAuditReport_20260220.pdf)

<sup>9</sup> Tenn. Dept. of Comm. & Ins. (Mar. 2, 2026) [https://www.tn.gov/content/dam/tn/commerce/documents/insurance/pbm/pbm-audit-actions/CaremarkReportAuditPackage\\_20260212.pdf](https://www.tn.gov/content/dam/tn/commerce/documents/insurance/pbm/pbm-audit-actions/CaremarkReportAuditPackage_20260212.pdf)

<sup>10</sup> Tenn. Dept. of Comm. & Ins. (Apr. 11, 2025) found at <https://www.tn.gov/content/dam/tn/commerce/documents/insurance/companyexam/ExpressScriptsAdminLC%20-EXAM04102025.pdf>

<sup>11</sup> U.S. Fed. Trade Comm’n, *Specialty Generic Drugs: A Growing Profit Center for Vertically Integrated Pharmacy Benefit Managers*, Second Interim Staff Report Jan. 2025, p. 29-30.

<sup>12</sup> W.V. Ins. Commissioner, Final Order, In the Matter of Express Scripts Administrators, LLC, No. 26-IC-186452 (Mar. 2, 2026) found at <https://www.wvinsurance.gov/LinkClick.aspx?fileticket=TUEm-nZ7yfQ%3d&tabid=915&portalid=0&mid=6924>