

February 24, 2026

The Honorable Rusty Crowe
Chair, Senate Committee on Health and Welfare
Cordell Hull Building
425 Rep. John Lewis Way N.
Suite 720
Nashville, TN 37243

Dear Chair Crowe and Members of the Committee:

The National Community Pharmacists Association (NCPA) is writing in support of SB 2040, legislation to address excessive vertical integration in the pharmaceutical supply chain that is now having a significant detrimental impact on independent pharmacies and the patients they serve.

NCPA represents the interest of America's community pharmacists, including the owners of nearly 19,000 independent community pharmacies across the United States and approximately 450 independent community pharmacies in Tennessee. These pharmacies employed nearly 5,600 residents and they filled over 30 million prescriptions in 2024.

With the introduction of SB 2040, Tennessee is among the leaders in addressing the most challenging issues brought to the healthcare ecosystem by pharmacy benefit management companies. Following Arkansas' groundbreaking legislation enacted last year, similar bills are now introduced in Arizona, New York, New Jersey, Pennsylvania, and Vermont. Additional states engaged in similar issues in 2025, including Indiana and Texas.

The bill prevents PBMs from both price-setting and price-taking by prohibiting them from obtaining or retaining a pharmacy license in Tennessee. This bill stops PBMs from forcing patients into mail-order pharmacies owned by pharmacy benefit manager-affiliated big insurance companies, an anti-competitive practice that drives up cost. SB 2040 promotes fair pricing, supports local pharmacies, keeps healthcare dollars in Tennessee, and gives patients greater freedom in choosing their pharmacy.

Community pharmacists have long known that opaque PBM practices not only hamper patients' ability to obtain pharmacy services from their trusted community pharmacists, but those practices can also lead to higher drug costs for both patients and plan sponsors. Due to the massive consolidation and vertical integration in the health insurance market¹, the three largest PBM's control 80% of the prescription drug market² giving them the power to engage in abusive practices which limit patient access, increase drug costs and threaten the viability of small business pharmacies.

¹ <https://ncpa.org/sites/default/files/2023-01/verical-bus-chart.jpg>

² [Drug Channels: The Top Pharmacy Benefit Managers of 2021: The Big Get Even Bigger](#)

PBMs' anticompetitive practices, opaque reimbursement models, and restrictive contract terms have created an environment in which they can use their overwhelming market power to steer patients away from their competitors to their own pharmacies and pay themselves higher prescription reimbursement rates. The PBMs essentially hold employers, taxpayers, and government hostage by threatening to jack up premiums if they are required to behave fairly or openly. Indeed, they've spent tremendous sums of money fighting against any legislation that would require more transparency, let alone changes to their business model. They are perhaps the only businesses in the world with the power to set prices for their smaller competitors and tell their competitors' customers where to shop.

Once a relatively unknown issue, there is growing consensus about the need to address the egregious business practices of PBMs. Exposés in the [Wall Street Journal](#) and the [New York Times](#) provide detailed insight into the challenges PBMs create to the rest of the pharmaceutical supply chain, not the least of which include independent pharmacies and, most importantly, the patients our members serve in your communities.

We would like to share three recently released reports that warrant the committee's attention. Both the Federal Trade Commission (FTC) and the United States House of Representatives' Committee on Oversight and Accountability released scathing reports on PBM tactics, focusing heavily on their anticompetitive business practices and their responsibility for inflated drug costs. These largely unregulated PBMs are administering the pharmacy benefit for every single public health program with little oversight or accountability.

1. FTC has released two interim reports on PBM practices in the last two years.
 - a. **Specialty Generic Drugs: A Growing Profit Center for Vertically Integrated Pharmacy Benefit Managers (February 2025)**³
 - The interim report is part of an ongoing inquiry launched in 2022 by the FTC and detailed PBMs' price gouging over specialty generic drugs, including those for heart disease, cancer and HIV.
 - It found, among other things, that Caremark Rx, Express Scripts, and OptumRx controlled 44 percent of the commercial specialty generic 30-day market and 72 percent of those drugs were marked up more than \$1,000 per prescription.
 - The report analyzed 51 specialty generic drugs dispensed between 2017 and 2022 for those insured under commercial health plans and Medicare Part D prescription drug plans managed by the big three PBMs.
 - It showed PBMs hiked the prices of some drugs by thousands of percent, including those treating deadly chronic conditions.
 - It also found that PBMs may be steering highly profitable prescriptions to their own affiliated pharmacies, and that those affiliated pharmacies generated over \$7.3 billion of dispensing revenue in excess of the national average drug acquisition cost (NADAC).

³ [Specialty Generic Drugs: A Growing Profit Center for Vertically Integrated Pharmacy Benefit Managers](#)

b. Pharmacy Benefit Managers: The Powerful Middlemen Inflating Drug Costs and Squeezing Main Street Pharmacies (July 2024)⁴

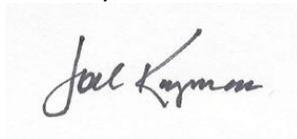
- The interim report is also part of an ongoing inquiry launched in 2022 by the FTC and showed how increasing vertical integration and concentration has enabled the six largest PBMs to control patient and pharmacy choices for nearly 95 percent of all prescriptions filled in the United States.
- According to the report, this vertically integrated and concentrated market structure has allowed PBMs to profit at the expense of patients and independent pharmacies. The report found that PBMs wield enormous power over patients' ability to access and afford their prescription drugs, allowing PBMs to significantly influence what drugs are available and at what price. This can have dire consequences, with nearly 30 percent of Americans surveyed reporting rationing or even skipping doses of their prescribed medicines due to high costs, the report states.
- The interim report also found that PBMs hold substantial influence over independent pharmacies by imposing unfair, arbitrary, and harmful contractual terms that can affect independent pharmacies' ability to stay in business and serve their communities.
- Additionally, the report detailed findings on PBM power and influence, self-prescribing, and efforts to limit access to low-cost competitors.

2. House Oversight and Accountability Committee report, titled "[The Role of Pharmacy Benefit Managers in Prescription Drug Markets](#)" (July 2024)⁵

- The committee found that the three largest PBMs have monopolized the market through deliberate, anticompetitive practices that have increased the cost of prescription drugs and put community pharmacies and patients at risk for the PBMs' own financial advantage.
- The committee also found evidence that PBMs share patient information and data across their many integrated companies for the specific and anticompetitive purpose of steering patients to pharmacies a PBM owns.

We urge you to support SB 2040. We wish to thank Senator Bobby Harshbarger for his leadership of the bill. Thank you for receiving our perspective. If you have any questions, please do not hesitate to contact me at (703) 600-1186 or joel.kurzman@ncpa.org.

Sincerely,



Joel Kurzman
Director, State Government Affairs

⁴ [Pharmacy Benefit Managers: The Powerful Middlemen Inflating Drug Costs and Squeezing Main Street Pharmacies | Federal Trade Commission](#)

⁵ [PBM-Report-FINAL-with-Redactions.pdf](#)