

A photograph of the Nashville skyline under a clear blue sky with light clouds. The AT&T Building is the tallest structure on the left, featuring a distinctive double spire. To its right are several other skyscrapers, including one with a 'wework' sign. In the foreground, there are older, lower-rise brick buildings, some with signs like 'BAKER DONELSON' and 'HARD ROCK CAFE'.

BARON

THE INSIDER'S GUIDE TO
AMERICA'S HEALTH CARE WARS

MAY 2024



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Cover: Nashville, Tennessee has emerged as the epicenter of the health care industry in recent years. The city hosts approximately 900 health care companies that sustain more than 360,000 local jobs, according to the Nashville Area Chamber of Commerce.

Left: Pennsylvania Hospital in Philadelphia, Pennsylvania. The hospital, founded by Benjamin Franklin, is one of the oldest in the country. Founding Father, physician, and early medical researcher Benjamin Rush also practiced at the hospital for three decades.

About Baron

Baron has guided clients through the most challenging political terrain for more than 15 years. Applying a methodology focused on mastering the strategic competition of interests, Baron has advised some of the nation's most prominent organizations, including members of the *Fortune* 10, several of America's largest privately held businesses, and the U.S. Department of Defense. Baron has advised clients in the health care sector for over a decade, with industry clients including insurers and pharmacy benefit managers as well as integrated health systems and medical device firms.

EXECUTIVE SUMMARY

1. In "America's Health Care Wars," different types of companies with clashing business models are using government as a tool for commercial competition. Commercial interests are the motivation behind many health care policy proposals, which often benefit certain industry business models over others. Understanding different types of health care business models is key to understanding which interests are shaping health care policy proposals and, as a result, how to evaluate those proposals.
2. Many health care policy debates – and the various advocacy efforts to influence them – are assessed literally, when in fact they are proxies for different commercial tensions. Industry interests supporting patient advocacy groups and professional associations are sometimes not made clear in congressional testimonies and in health care reporting. Baron has identified approximately 600 such advocacy groups that receive funding from some of America's largest health care companies.
3. The pharmacy sector battle – pitting pharmaceutical manufacturers (with their allies, drug wholesalers) against pharmacy benefit managers (PBMs) – is a revealing case study on the clashes between health care companies in Washington. This battle dominates current political spending in the sector and embodies how health care companies deploy "surrogates" and position themselves as pro-patient, among other tactics, to bolster their appeal to law makers and the media.
4. Philanthropic foundations, which spend more to influence health care policy than even the largest companies, work "upstream" from conventional policy debates. Their "Super Power" role in driving issue trends and setting the boundaries of health care policy discourse is significantly underappreciated.

The Cathedral of Learning at the University of Pittsburgh. In the 1950s, Jonas Salk developed the first successful polio vaccine in his lab at the university. Salk received major research grants from the Mellon family and notably chose not to patent or profit from the vaccine.



INTRODUCTION

A civil war within the health care industry is reshaping the largest sector of the U.S. economy. As the American population experiences broad declines in health across a range of demographics and geographies, policy makers are under pressure to address the country's health crisis.

Meanwhile, different types of health care companies are competing in the political marketplace to be seen as helping to resolve, not exacerbate, the country's health crisis. Certain types of health care business models benefit from health care policy proposals more than others. Ultimately, much of the health care policy debate is in fact a shadow competition between different companies and their business models, which are in tension with one another.

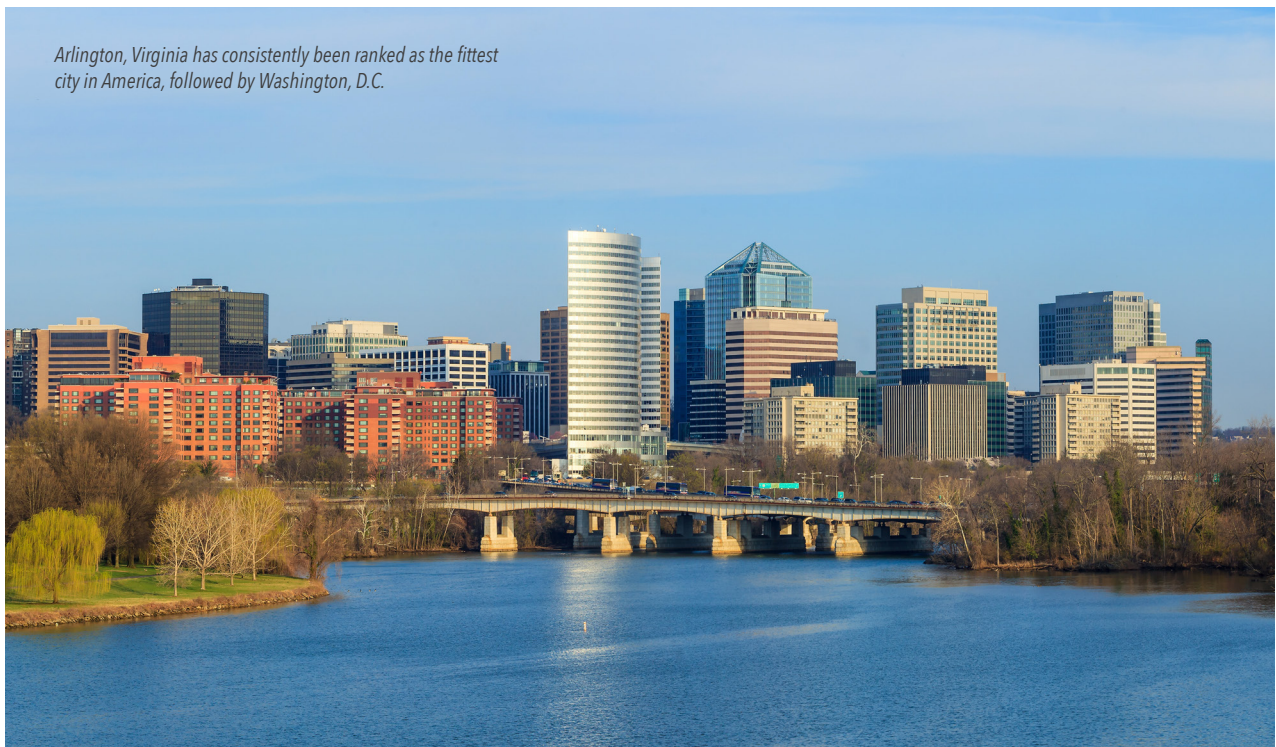
Baron has advised clients in the health care sector for over a decade, with an emphasis on health services companies and industries regulated by the U.S. Food and Drug Administration (FDA). In the spirit of transparency, this report is the culmination of the firm's experience advising insurers and PBMs on some of the most contentious recent policy debates, covering the commercial, individual, Medicare, and Medicaid markets, and issues including drug pricing, hospital pricing, tax treatment, and risk adjustment.

Battles in Washington between different types of health care companies dwarf conventional Right vs. Left or private sector vs. government dynamics. Despite the sheer scale of this industry competition, very little has been comprehensively documented in the public domain in a way that is accessible to policy and industry analysts. Since policy debates are often presented without accompanying industry context, they are frequently misunderstood. Further recognition that health care policy debates are often a product of industry competition would allow policy makers to more precisely identify the causes of and solutions to the nation's health crisis.

This report and the accompanying database of health care advocacy groups (which can be accessed at www.baronpa.com/health-care-advocacy-guide) present:

- An extensive picture of the health care policy landscape through the lens of commercial competition;
- Industry funding of health care advocacy groups, not only based on easily accessible tax filings from trade associations, but also voluntary disclosures from the largest health care companies;
- A novel framework for understanding different industry business models to explain why particular types of health

Arlington, Virginia has consistently been ranked as the fittest city in America, followed by Washington, D.C.





The Dupont Circle neighborhood, home to Washington, D.C.'s "Think Tank Row."

care companies engage in specific forms of advocacy;

- As a case study, the underrecognized and underreported role of drug wholesalers in the health care debate; and
- The "Super Power" role of America's largest philanthropic foundations in health care policy.

The commercial interests driving health care policy are often unacknowledged and undisclosed. This report sheds light on how and why policy proposals emerge, who supports various proposals and why – and who criticizes them and why. It seeks to demonstrate the commercial dynamics that shape this policy landscape in a way that is known and privately acknowledged by many in Washington but rarely explained in the open.

This report provides a practical guidebook to "America's Health Care Wars" with the following readers in mind:

Congressional offices who are trying to understand the motivations behind the wide range of health care groups with which they interact. The report (with an accompanying database accessible at www.baronpa.com/health-care-advocacy-guide) provides insight into the funding of hundreds of health care

advocacy groups, offering a helpful tool for staff engaging with advocates.

Health care policy analysts in academia and at think tanks drafting and studying policy proposals who can benefit from greater transparency about which companies are advancing particular ideas and why.

Journalists and news editors charged with explaining which health care companies are at odds with one another and why, and which companies fund which groups and why. This is particularly important for journalists and editors seeking proper disclosure for experts being quoted on the record and authoring op-eds.

Strategists and investors trying to decipher which health care companies will succeed or fail commercially based on the playing field that is set by legislative and regulatory activity.

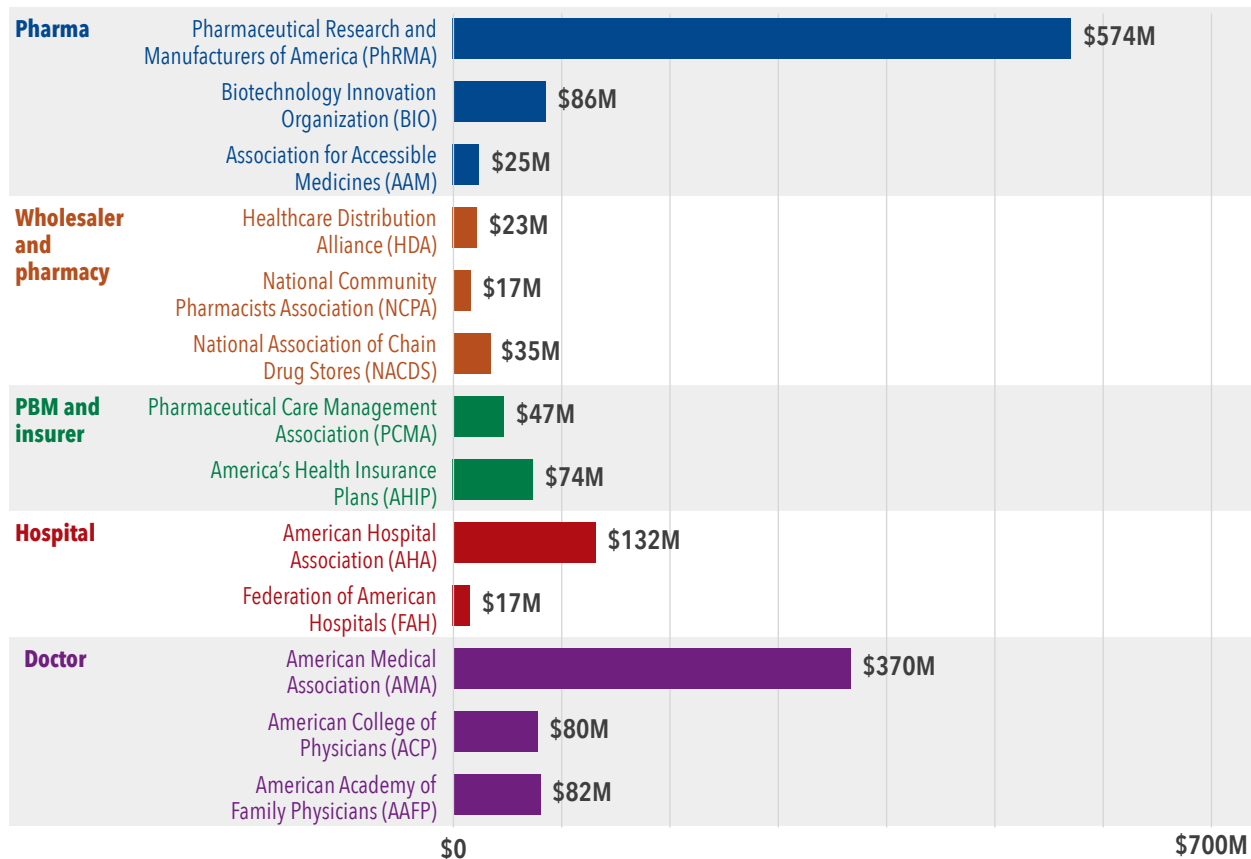
Political thinkers who are not focused on health care but seek a better grasp of the sector with the highest political spending in Washington and an enhanced understanding of the intersection between business and government.

LARGEST INDUSTRY BATTLES IN WASHINGTON

With health declining and costs rising, health care companies are battling to show policy makers that their business models are a solution to the country's health crisis and that their competitors' business models are worsening the crisis. U.S. life expectancy is at its lowest point since 1996, while health care spending rose 4.1 percent in 2022, reaching \$4.5 trillion.¹ In this same period, both lobbying and political contributions by health care companies more than tripled between 1996 and 2022.² Each industry presents a unique vision of solving the country's health crisis that is aligned with its fundamental business model, creating friction with other industries' business models.

Among the dozens of health care policy battles in Washington, five commercial tensions drive the majority of all current political spending in the sector. This section will explore how and why different health care industries compete for legislation and regulation favorable to their business models. The following section details tactics used by health care companies in these clashes, setting up the case study on pharmaceutical manufacturers ("pharma"), wholesalers, and PBMs.

2022 Expenditures of key health care trade and professional associations



Note: The graph above documents spending by major health care trade and professional associations in 2022 based on their Form 990 tax filings. It is not exhaustive of all political spending by each industry as it does not include individual companies' expenditures but is indicative of the asymmetries in political spending across the sector.

1 "Life Expectancy in the U.S. Dropped for the Second Year in a Row in 2021," Center for Disease Control and Prevention, August 31, 2022, https://www.cdc.gov/nchs/presroom/nchs_press_releases/2022/20220831.htm; and "National Health Expenditures 2022 Highlights," Centers for Medicare and Medicaid Services, December 13, 2023, <https://www.cms.gov/files/document/highlights.pdf>.

2 "2023 Sector Profile: Health," OpenSecrets, <https://www.opensecrets.org/federal-lobbying/sectors/summary?cycle=2023&id=H>; and "2024 Health Sector Summary," OpenSecrets, <https://www.opensecrets.org/industries/indus?id=H>.

1. Pharma vs. pharmacy benefit managers (PBMs)

Drug pricing is by far the largest battle in the health care sector. With spending on pharmaceutical products twice as high in the United States as other wealthy countries, patients and their representatives are looking for relief.³

The basic order of battle pits pharma against PBMs, which negotiate prices on behalf of health plans. An enormous share of current policy activity, media coverage, and advertising directly stems from this tension.

- Pharma describes its role as “discovering and developing medicines that enable patients to live longer, healthier, and more productive lives.”⁴ The industry argues that PBMs are “middlemen” in the drug supply chain who bill health plans “more than what they pay to the pharmacy for medicines” and “require patients to pick up their prescriptions at pharmacies [they] own or have another financial relationship with.”⁵
- Conversely, the three largest PBMs, which are owned by health insurers, argue that they “negotiate rebates from drug manufacturers and discounts from drugstores,” “manage high-cost specialty medications,” and “reduce waste and improve adherence.”⁶ PBMs hold that pharma alone “sets and controls prescription drug prices and wants to restrict PBMs to prevent pharmacy benefit companies from providing the only real check on their pricing power.”⁷

The strategic landscape of pharma vs. PBM tension is complicated by the following:

- Pharma’s engagement with patient and provider advocacy groups. Pharma has been remarkably successful in securing the support of third-party health care advocates, whereas PBMs have not pursued – or succeeded in – the same strategy (an in-depth description begins on page 29).
- Tensions within the pharmaceutical manufacturer industry between brand name drug makers and generic makers offering cheaper off-label medications. This intra-industry

3 “How Much Does The United States Spend on Prescription Drugs Compared to Other Countries?,” Peter G. Peterson Foundation, November 7, 2022, <https://www.pgpf.org/blog/2022/11/how-much-does-the-united-states-spend-on-prescription-drugs-compared-to-other-countries>.

4 Press release: “PhRMA Statement on President Biden’s State of the Union Address,” Pharmaceutical Research and Manufacturers of America, March 7, 2024, <https://phrma.org/resource-center/Topics/Access-to-Medicines/PhRMA-Statement-on-President-Bidens-State-of-the-Union-Address>.

5 “Hold PBMs Accountable: Rein in Middlemen Tactics that Harm Patients,” Pharmaceutical Research and Manufacturers of America, February 10, 2023, <https://phrma.org/-/media/Project/PhRMA/PhRMA-Org/PhRMA-Statement-on-President-Bidens-State-of-the-Union-Address>.

6 “The Value of PBMs,” Pharmaceutical Care Management Association, <https://www.pcmnet.org/value-of-pbms>.

7 “Don’t let the smoke and mirrors fool you: Big Pharma is the link between patients and high drug prices,” Pharmaceutical Care Management Association, <https://facts.pcmnet.org>.



Deitch Pharmacy in Chicago, Illinois, an independent pharmacy that closed down in 2021 after more than 100 years of business.



battle is unconventional in that generic makers have been vocally anti-PBM.⁸ At the same time, PBMs are vocally pro-generics, championing them as a way to reduce drug spending.⁹

- Dynamics around employer-sponsored health insurance, which provides health coverage to approximately 160 million Americans. "Disruptor PBMs" like Mark Cuban Cost Plus Drug Company (MCCPD) and adjacent advocacy organizations are portraying large PBMs as less transparent and the cause of high costs incurred by employers and their workforces, threatening the longstanding political and financial support that employers and unions have provided larger PBMs.¹⁰

2. Wholesalers vs. PBMs

Current drug pricing debates in Washington largely overlook the battle between wholesalers and PBMs, which is one of the most misunderstood tensions in health care. In the wake of the scandal over wholesalers' involvement in the opioid crisis, wholesalers reorganized their political advocacy to enlist community pharmacists (also known as independent pharmacists) as surrogates.¹¹ Wholesalers – and community pharmacists whose advocacy receives funding from wholesalers and pharma – are critics of PBMs.¹² Many community pharmacists are franchisees of wholesalers' pharmacy franchises, so wholesalers sponsor and organize these pharmacists' advocacy efforts against

8 Their trade association has claimed that PBMs "prefer high-price, high-rebate brand drugs and use their consolidated market power to block patient access to lower-priced generics and biosimilars." "Study Finds Middlemen Increasingly Block Patient Access to New Generics," Association for Accessible Medicines, January 23, 2023, <https://accessiblemeds.org/resources/press-releases/middlemen-block-patient-access-new-generics>.

9 The Pharmaceutical Care Management Association (PCMA) has said that PBMs "employ a strategy of maximizing the use of generic drugs including the higher value generic alternatives, which leads to lower drug costs." "Pharmacy Benefit Managers Drive Generic Utilization," Pharmaceutical Care Management Association, <https://www.pcmnet.org/generic-drugs-key-tool-for-pbms-in-keeping-costs-down>.

10 See: Transparency-Rx, a new trade association representing "disruptor PBMs." "A catalyst for lower costs, a competitive marketplace & sound drug policy," Transparency-Rx, <https://transparency-rx.com>.

11 Campaign contributions received by Senator Peter Welch (D-VT) provide a lens into wholesalers' enlistment of community pharmacists as surrogates. In the 2014 and 2016 election cycles, Sen. Welch (at the time still in the House) received contributions from major drug wholesalers like McKesson and Cencora, their trade association, and pharmacy organizations. After 2016, following media coverage of wholesalers' political activity around drug enforcement legislation, wholesalers appeared to have stopped donating to Sen. Welch's campaigns. Nonetheless, wholesalers continue to contribute significant sums to pharmacy organizations like the National Community Pharmacists Association (NCPA) and National Association of Chain Drug Stores (NACDS) which, after 2016, began making larger donations to Sen. Welch's campaigns. "Peter Welch – Contributors," OpenSecrets, <https://www.opensecrets.org/members-of-congress/peter-welch/contributors?cid=N00000515&cycle=2024>.

12 See the "Surrogates" sections for further explanation of this phenomenon, which has not been widely reported.

PBMs. Community pharmacists oppose PBM ownership of retail, mail order, and specialty pharmacies, remarking that “it is not surprising that PBMs want to force patients to use those pharmacies.”¹³

Alongside the thousands of pharmacy franchises, wholesalers own pharmacy services administrative organizations (PSAOs), which help pharmacists collectively negotiate with PBMs. The trade association for PBMs, the Pharmaceutical Care Management Association (PCMA), claims that “over 75 percent of independent and small-chain pharmacies contract with a PSAO owned by one of [the Big Three] wholesalers,” calling them “powerful corporate entities, operating with virtually no state or federal regulation or oversight.”¹⁴ The role of wholesalers, community pharmacists, and PBMs will also be explored in the case study starting on page 15.

3. Pharma vs. hospitals

The 340B Drug Pricing Program, which “allows qualifying hospitals and clinics that treat low-income and uninsured patients to buy outpatient prescription drugs at a discount of 25 percent to 50 percent,” is a major point of contention between manufacturers and hospitals.¹⁵

- Pharma argues that the program has “strayed far from its safety net purpose” because hospitals take the discounts then “charge both uninsured patients and insurance companies higher prices, pocketing the difference.”¹⁶
- Hospitals claim that the program has “provided financial help to hospitals serving vulnerable communities” for more than 30 years.¹⁷

Numerous advocacy groups have surfaced in recent years to support either side, such as 340B Health funded by hospitals to defend the program, and the pharma-funded Alliance for

Integrity and Reform of 340B (AIR340B) which claims “the program has deviated from its original purpose.”¹⁸

4. Insurers vs. hospitals

Insurers and hospitals have long clashed over issues around medical billing, cost of treatment, and price transparency.

- For example, insurers claim that hospitals charge patients more for drugs they dispense themselves compared to specialty pharmacies. In 2022, America's Health Insurance Plans (AHIP) found that “hospitals, on average, charged double (108%) [*sic*] the prices for the same drugs, compared to pharmacies.”¹⁹
- Hospitals respond by accusing insurers of intentionally steering patients to these specialty pharmacies (which insurers often own). In a rebuttal of a similar 2023 AHIP report, the American Hospital Association (AHA) stated: “The report offers no evidence that health insurance companies steering patients to their own specialty pharmacies actually lower premiums and out-of-pocket costs.”²⁰

Insurers also point to hospital consolidation as another factor that drives up costs and reduces the quality of care.²¹ Consistent with the increasing trend of private equity in health care, insurers have targeted private equity purchases of hospitals, arguing that the need for “private equity firms to achieve high returns on a fast time horizon is in direct conflict with the goal of lower health care costs.”²² Meanwhile, hospitals state that insurer practices like prior authorization raise their administrative costs and cause delays in care.²³ Specifically, AHA has argued that the “extensive back and forth between providers and plans” in prior authorization “only serves to delay care and unnecessarily burden clinical staff with resource-intensive paperwork.”²⁴

13 “The Truth About Pharmacy Benefit Managers: They Increase Costs and Restrict Patient Choice and Access,” National Community Pharmacist Association, <https://ncpa.org/sites/default/files/2020-09/ncpa-response-to-pcma-ads.pdf>.

14 “Pharmacy Benefit Companies 101: A Primer,” Pharmaceutical Care Management Association, March 16, 2023, <https://www.pcmnet.org/rx-research-corner/pharmacy-benefit-companies-101-a-primer/03/16/2023>.

15 Bobby Clark and Marlene Sneha Puthiyath, “The Federal 340B Drug Pricing Program: What It Is, and Why It’s Facing Legal Challenges,” Commonwealth Fund, September 8, 2022, <https://www.commonwealthfund.org/publications/explainer/2022/sep/federal-340b-drug-pricing-program-what-it-is-why-its-facing-legal-challenges>.

16 “340B: The Unintentional Hospital and Pharmacy Profit Stream That Was Supposed to Help Patients,” Pharmaceutical Research and Manufacturers of America, <https://phrma.org/policy-issues/340b>.

17 “Fact Sheet: The 340B Drug Pricing Program,” American Hospital Association, March 2023, <https://www.aha.org/fact-sheets/fact-sheet-340b-drug-pricing-program>.

18 “About 340B Health,” 340B Health, <https://www.340bhealth.org/about>; and “Make 340B Work For Me!,” Alliance for Integrity and Reform of 340B, <https://340breform.org>.

19 “Hospital Price Hikes: Markups for Drugs Cost Patients Thousands of Dollars,” America's Health Insurance Plans, February 2022, https://ahiporg-production.s3.amazonaws.com/documents/202202-AHIP_1P_Hospital_Price_Hikes.pdf.

20 “Flawed Report Aims to Deflect Attention From Role Insurer PBMs Play in High Drug Costs,” American Hospital Association, April 25, 2023, <https://www.aha.org/blog/2023-04-25-flawed-report-aims-deflect-attention-role-insurer-pbms-play-high-drug-costs>.

21 “How Hospital Consolidation Hurts Americans,” America's Health Insurance Plans, August 26, 2021, <https://www.ahip.org/news/articles/how-hospital-consolidation-hurts-americans>.

22 “Private Equity Issue Brief,” America's Health Insurance Plans, September 15, 2022, <https://www.ahip.org/resources/ahip-private-equity-issue-brief>.

23 “Commercial Health Plans’ Policies Compromise Patient Safety and Raise Costs,” American Hospital Association, July 2022, <https://www.aha.org/system/files/media/file/2022/07/Commercial-Health-Plans-Policies-Compromise-Patient-Safety-White-Paper.pdf>.

24 Andrea Preisler, “Prior Authorization Final Rule Will Improve Patient Access, Alleviate Hospital Administrative Burdens,” American Hospital Association, February 15, 2024, <https://www.aha.org/>

5. Hospitals vs. doctors

When a patient needs medical care, natural business competitions take place over who should treat the patient, where the patient should be treated, and what the patient should pay for the treatment. Two current flashpoints embody this competition: site-neutral payments and physician-owned hospitals.

Site-neutral payments prevent hospitals from charging Medicare more for outpatient treatments than treatments performed at a doctor's office. Hospitals assert that higher prices are justified because they perform higher quality care and face much more complex "licensing, accreditation, and regulatory requirements than other settings."²⁵ Doctors, in turn, push back, stating that this only incentivizes hospitals to buy up more independent medical practices. In sum, the American Medical Association (AMA) believes "payment should be based on the service itself, and not where it is provided."²⁶ Groups representing other types

of care centers such as the Infusion Providers Alliance have aligned with doctors and are members of the Alliance for Site Neutral Payment Reform.²⁷

Tensions over the ownership of care settings – whether inpatient or outpatient – also shape these battles. Hospitals oppose physician ownership of hospitals and support restricting its expansion.²⁸ AHA's official position is that "Congress should maintain current law; preserve the ban on physician self-referrals to new physician-owned hospitals; and retain restrictions on the growth of existing physician-owned hospitals."²⁹ Doctors naturally advocate for an end to restrictions on physician-owned hospitals, viewing them as a bulwark against hospital consolidation and an important piece of the doctor-patient relationship.³⁰ AMA President Jesse Ehrenfeld wrote in August 2023 that "dismantling barriers to physician ownership of hospitals will provide patients with another option to receive high-quality care through integrated, coordinated care delivery."³¹

news/blog/2024-02-15-prior-authorization-final-rule-will-improve-patient-access-alleviate-hospital-administrative-burdens.

25 "Site-Neutral Payment," American Hospital Association, <https://www.aha.org/site-neutral/outpatient-pps/site-neutral-payment>.

26 "Payment variations across outpatient sites of service," American Medical Association, 2023, <https://www.ama-assn.org/system/files/issue-brief-pay-variations-outpatient-sites.pdf>.

27 "About," Alliance for Site Neutral Payment Reform, <https://www.siteneutral.org/about>.

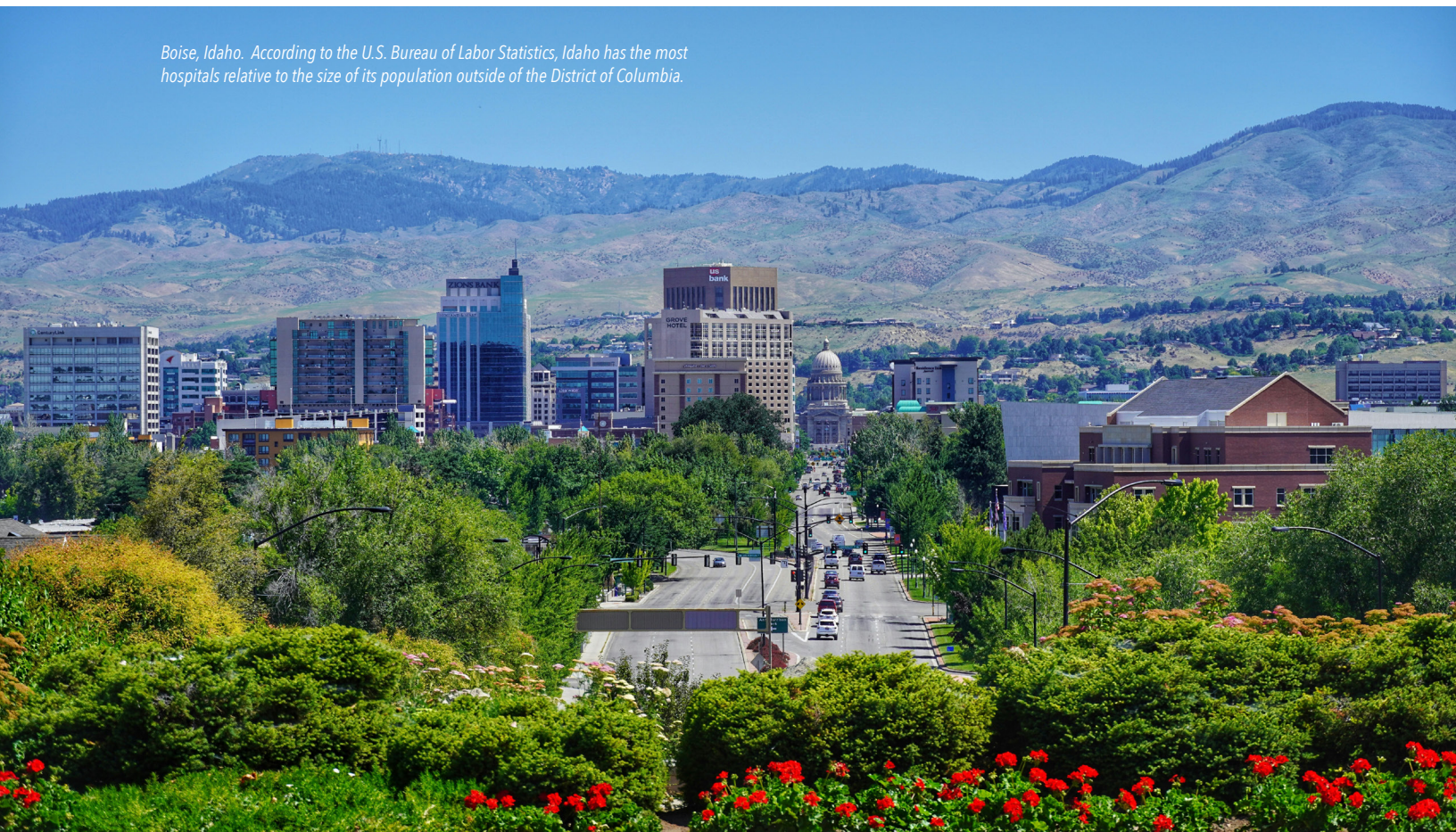
28 "Advocacy Issue: Physician-Owned Hospitals," American Hospital Association, <https://www.aha.org/advocacy/advocacy-issues/physician-owned-hospitals>.

29 Ibid.

30 Jesse M. Ehrenfeld, "End restrictions on physician-owned hospitals to expand quality care," American Medical Association, August 10, 2023, <https://www.ama-assn.org/about/leadership/end-restrictions-physician-owned-hospitals-expand-quality-care>.

31 Ibid.

Boise, Idaho. According to the U.S. Bureau of Labor Statistics, Idaho has the most hospitals relative to the size of its population outside of the District of Columbia.



HOW BATTLES ARE WON

With the largest industry battles in mind, this section will describe five key tactics used by health care companies to win those and smaller battles in Washington, providing a framework for the case study that follows.



Seattle, Washington. Washington has the lowest rate of hospital beds per 1,000 people, with the more rural eastern part of the state particularly affected by "hospital deserts."

1. Surrogates

In an environment of widespread skepticism toward large corporations, many leading health care companies increasingly are reducing their reliance on direct advocacy and, instead, working through third-party proxies. Perhaps the most important tactic in "America's Health Care Wars" is the use of "surrogates" – often patients, providers, taxpayers, and other interest groups – viewed sympathetically by elected officials and the media.

Surrogates who ostensibly represent patients are particularly sought-after because companies aim to highlight alignment between their business interests and the interests of patients. These patient advocacy groups are not always funded, however, by patients themselves (see pages 31-33 for examples). In other cases, health care companies focus attention on a well-liked constituency that aligns with their business model:

- In the case of pharmaceutical manufacturers and wholesalers, independent or community pharmacists serve that purpose.³²
- For insurers and PBMs, employers and labor unions often serve as high-profile allies.³³
- Hospitals frequently emphasize rural Americans as a key stakeholder of their industry.³⁴

32 Pharmacists also seek reforms to the PBM payment model but carry a significantly stronger public image in Washington than "Big Pharma" or wholesalers who have paid billions in opioid settlements. "It's time to seize a historic opportunity for the future of pharmacy," Health Mart, September 16, 2021, <https://join.healthmart.com/mckesson-ideashare-2021/its-time-to-seize-a-historic-opportunity-for-the-future-of-pharmacy>.

33 PCMA publishes surveys showing that employers who hire them are satisfied with their services while some unions have warned law makers to safeguard their health plans from additional PBM regulations. "Employers Are Overwhelmingly Satisfied With Their PBMs," Pharmaceutical Care Management Association, https://www.pcmnet.org/wp-content/uploads/2020/07/Employers-Are-Overwhelmingly-Satisfied-With-Their-PBMs_FINAL.pdf; "Video Series Featuring Employers Discussing the Value of PBMs," Pharmaceutical Care Management Association, <https://www.pcmnet.org/video-series-featuring-employers-discussing-the-value-of-pbms>; and Maya Goldman, "Unions worry drug cost legislation could hit their health plans," *Axios*, November 2, 2023, <https://www.axios.com/2023/11/02/unions-health-care-costs-laws>.

34 An AHA infographic claims that rural hospitals support one in twelve jobs in the United States, positioning the 340B program and "fair and adequate reimbursement" as issues affecting rural Americans: "Rural Hospitals: Community Cornerstones Facing Perilous Threat to Care," American Hospital Association, <https://www.aha.org/system/files/media/file/2023/02/infographic-rural-hospitals-community-cornerstones-facing-perilous-threats-to-care-infographic.pdf>. Furthermore, AHA states in its 2024 Rural Advocacy Agenda that it is "working to support a public policy environment that will protect access to care, advance innovation, and invest new resources in rural communities." "2024 Rural Advocacy Agenda," American Hospital Association, February 2024, <https://www.aha.org/system/files/media/file/2024/02/2024-rural-advocacy-agenda-f.pdf>.



New York, New York. Some of the nation's earliest patient advocacy groups emerged out of The Mount Sinai Hospital in the 1960s where Ruth Ravich founded the first patient representative department and the Society for Healthcare Consumer Advocacy (SHCA).

2. Being pro-patient

The clashes between major health care companies are ultimately battles to be seen as the most pro-patient. Nearly all health care companies position themselves as supporting patients, but they vary in their willingness to create the appearance of grassroots patient support for their legislative priorities. The most well-known case is pharma-funded patient advocacy groups. The Alzheimer's Association, for instance, exemplifies this symbiotic relationship. The organization has been essential in fundraising, raising awareness, and advocating for Alzheimer's patients around the world. It can genuinely pursue the interests of those suffering from Alzheimer's, like accelerated FDA approval of Alzheimer's drugs, that are also the shared interests of manufacturers who make those drugs. Recognizing this symbiotic relationship and the legitimacy that support from a large patient advocacy group can provide, pharmaceutical manufacturers gave more than \$3 million to the Alzheimer's Association in 2023.³⁵

Beyond the more well-known pharma support for patient groups, other parts of the health care sector also position themselves as pro-patient. PCMA states that "PBMs work to lower prescription drug costs, improve patient access to prescription drugs, and offer benefits that protect a patient's overall health."³⁶ A group funded by PBMs and large employers, the Coalition for Affordable Prescription Drugs (CAPD), describes the work of PBMs as "us[ing] a holistic approach to make a complicated system more efficient by making sure patients get the medicines they need."³⁷ Organizations like AMA that represent health care providers also position themselves as pro-patient, even though provider groups' natural pursuit of higher payment can occasionally clash with the patient's desire for lower-cost medical care. AMA's federal advocacy webpage describes the association as "the leading voice that informs, guides and generates support for policies that advance meaningful initiatives—ones that address the concerns most relevant to all patients and physicians."³⁸

35 "Pharmaceutical Industry Contributions: FY23," Alzheimer's Association, December 2023, https://www.alz.org/media/Documents/Pharmaceutical-Industry-Contributions_Alzheimers-Association.pdf.

36 "Patient Care," Pharmaceutical Care Management Association, <https://www.pcmanet.org/patient-care>.

37 "Who We Are," Coalition for Affordable Prescription Drugs, <https://www.affordableprescriptiondrugs.org/who-we-are>.

38 "Federal Advocacy," American Medical Association, <https://www.ama-assn.org/health-care-advocacy/federal-advocacy>.

3. Visits to Capitol Hill

Although major health care companies have teams of lobbyists dedicated to helping them win favorable legislation, no meeting with a member of Congress is as effective as those with patients, providers, and other constituents. Testimonies in congressional hearings are the most visible interactions between health care advocates and law makers but advocates also meet with offices every day as part of congressional "fly-ins" and other organized trips. These meetings are a critical opportunity for the participating individuals to advocate for their medical needs and for companies that support their advocacy to have some of their viewpoints channeled through patients and providers.

Another tactic is site visits, where a health care provider will host his or her representative to tour a medical facility in the district and hear the perspectives of their staff and the patients they treat.³⁹ Congressional testimonies are an important way for health care committee members to better understand complex issues as they draft legislation; however, patient and provider groups meet with all representatives, regardless of committee assignment. These interactions can be the deciding factor for an off-committee member in a floor vote. The ways in which different types of health care companies use interactions with law makers like these to their advantage are often a direct reflection of their industry's business model and culture.

- Health systems are commonly the largest employer in a state and local hospitals can bring about deep emotions for many people, so the industry has a powerful story to tell.⁴⁰

Hospitals also are usually anchored in the community or are part of the local university, so their advocacy can be more personal than that of a transnational corporation.

- The sales culture in the pharmaceutical industry and manufacturers' fundamental business objective of getting treatments in the hands of patients has shaped the industry's grassroots advocacy approach of directly supporting patient groups.
- Drug wholesalers' business model of owning pharmacy franchises and distributing products to pharmacies has made elevating pharmacist advocacy their preferred method of engaging law makers.
- The insurer and PBM business model is grounded in restraint and risk calculation, so the industry tends to be less active in supporting the advocacy of third parties, although these companies do champion large employers as important beneficiaries of their work.
- Doctors are often small business owners who are respected as highly educated leaders in their communities which makes them important constituents in every congressional district.

It is important for anyone who interacts with health care advocacy, particularly congressional staff, to understand how health care companies can capitalize on patients' and providers' engagement with members of Congress and to be aware of potential conflicts of interest.

³⁹ Most large provider groups run organized site visit programs for their members. For example, the Community Oncology Alliance (COA) calls its program "Sit In My Chair." The American Occupational Therapy Association (AOTA) publishes detailed guidelines for its members, recommending they organize visits during a recess and "have a rehearsal to make sure everything goes smoothly." "Sit In My Chair Congressional Visits," Community Oncology Alliance, <https://communityoncology.org/sit-in-my-chair/>; and "Guidelines for a successful site visit by a member of Congress," American Occupational Therapy Association, <https://www.aota.org/advocacy/everyday-advocacy/guidelines-for-a-site-visit>.

⁴⁰ According to 2018 data from *U.S. News & World Report*, health systems are the largest employer in 15 states. Casey Leins, "These Are the Largest Employers in Every State," *U.S. News & World Report*, December 2018, <https://www.usnews.com/news/best-states/articles/2018-12-21/walmart-health-companies-and-universities-are-top-state-employers-study-finds>.

Planes wait to takeoff from Runway 1 at Ronald Reagan Washington National Airport, the busiest runway in the country. "Fly-ins" are an effective way for members of patient and provider organizations to meet with law makers and network with their peers.



4. Health care op-eds

Much of the health care policy conversation in Washington is stimulated by industry interests. Op-eds, especially those written by academics and think tank scholars, are an indispensable tool to shape elite opinion. Even if an op-ed does not have a high readership, it gives a policy maker who agrees with that point of view something to cite as public opinion. Critically, the authors of op-eds on health care policy and the outlets that publish them sometimes fail to disclose conflicts of interest. Three recent op-eds in *RealClear* publications – a conventional battleground for commercial and ideological competition in health care policy – underscore this tactic.

An April 2024 *RealClearMarkets* op-ed defending PBMs, which argued that the “demonization of PBMs is merely a harmful political sleight-of-hand to direct anger for high drug prices away from pharmaceutical companies,” was penned by economist Ike Brannon who runs the economic consulting firm Capital Policy Analytics.⁴¹ PBMs often employ economists to write on their behalf because of the importance of pricing to their industry. Conversely, Robert Popovian and William S. Smith co-authored a January 2024 op-ed in *RealClearHealth*

that called the 340B program “another profit-maximizing PBM hoax preying upon taxpayers.”⁴² Popovian and Smith, both former Pfizer executives, are health policy and life sciences fellows at the Pioneer Institute.⁴³ Manufacturers typically work with life sciences experts and medical researchers for op-eds to help bolster their image as a research- and innovation-centric industry.

Finally, family physician Josh Umbehr published a November 2023 *RealClearHealth* op-ed criticizing hospitals and advocating for site-neutral payments.⁴⁴ In the article, he asserted that “site-neutral payments would remove the incentive for hospitals to buy small practices and help keep health care costs from rising.”⁴⁵ Physician advocates in Washington usually rely on providers themselves to speak on the doctor-patient relationship and advocate for the needs of the profession. In all three of these op-eds, the authors’ interests were not made entirely clear.⁴⁶ Companies and trade associations, the authors themselves, and outlets who publish their work can risk damaging their credibility in policy debates if conflicts of interest are not disclosed.

41 Ike Brannon, “Attacks On Pharmacy Benefit Managers Won’t Reduce Drug Prices,” *RealClearMarkets*, April 8, 2024, https://www.realclearmarkets.com/articles/2024/04/08/attacks_on_pharmacy_benefit_managers_wont_reduce_drug_prices_1023350.html.

42 William S. Smith and Robert Popovian, “Bipartisan Reform Required to Turn Back the Clock on Outcomes of Federal Drug Discount Program,” *RealClearHealth*, January 26, 2024, https://www.realclearhealth.com/blog/2024/01/26/bipartisan_reform_required_to_turn_back_the_clock_on_outcomes_of_federal_drug_discount_program_1007599.html.

43 Robert Popovian, LinkedIn, <https://www.linkedin.com/in/robert-popovian>; and William Smith, PhD, LinkedIn, <https://www.linkedin.com/in/william-smith-phd-54628b18>.

44 Josh Umbehr, “Lowering Healthcare Costs Through Site-Neutral Policies,” *RealClearHealth*, November 28, 2023, https://www.realclearhealth.com/blog/2023/11/28/lowering_healthcare_costs_through_site-neutral_policies_995353.html.

45 Ibid.

46 Brannon was described in the op-ed as a “senior fellow at the Jack Kemp Foundation.” It did not mention his consulting firm, which has conducted multiple pro-PBM projects. Moreover, Brannon has written many other op-eds defending PBMs. Popovian and Smith’s op-ed only associated them with their roles at the Pioneer Institute. It did not make clear that they each worked in government and public affairs at Pfizer for over a decade. Similarly, *RealClear* did not mention that Popovian runs a consulting firm advising the pharmaceutical industry. Finally, Umbehr was only described as a “Family Medicine Specialist” while his role as the founder and CEO of direct primary care business Atlas MD was not mentioned. “Research,” Capitol Policy Analytics, <https://capitalpolicyanalytics.com/research>; Ike Brannon, “The Misunderstood Role of Pharmacy Benefit Managers,” *Forbes*, September 14, 2023, <https://www.forbes.com/sites/ikebrannon/2023/09/14/the-misunderstood-role-of-pharmacy-benefit-managers>; Ike Brannon, “Pharmacy Benefit Managers Are The Wrong Target In Biden’s Quest To Reduce Drug Prices,” *Forbes*, March 21, 2022, <https://www.forbes.com/sites/ikebrannon/2022/03/21/pharmacy-benefit-managers-are-the-wrong-target-in-bidens-quest-to-reduce-drug-prices>; Robert Popovian, LinkedIn, <https://www.linkedin.com/in/robert-popovian>; William Smith, PhD, LinkedIn, <https://www.linkedin.com/in/william-smith-phd-54628b18>; “Home,” Conquest Advisors, <https://conquest-advisors.com>; and “Josh Umbehr, M.D.,” Atlas MD, <https://atlas.md/wichita/about-us/our-team/josh-umbehr-md>.



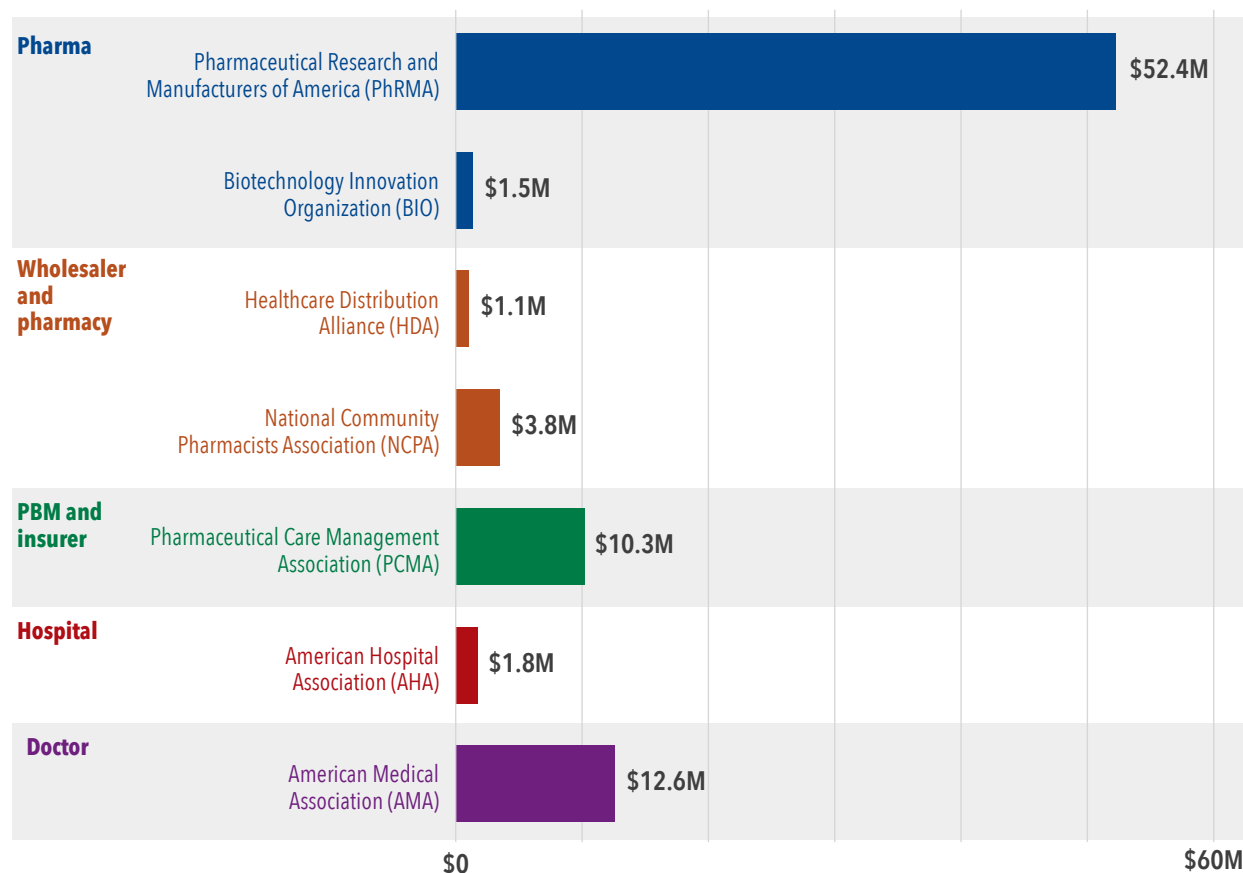
5. Political advertising

Advertising already plays an important role in competition between health care companies: commercials promoting pharmaceutical products or pitching health plans during the Medicare open enrollment period are a staple of American television. With political ads specifically, the health care sector is in a constant arms race. The passing of the Inflation Reduction Act of 2022 (and its Medicare drug price negotiation provision), renewed scrutiny of the 340B program, and increasing regulatory focus on PBMs have sparked seven-figure ad campaigns by the pharma, hospital, and insurer and PBM industries in recent years.

The internet and social media are constantly creating new battlefields in areas such as search engine optimization and

geofencing – where users now can be targeted with incredible sophistication down to the buildings surrounding Capitol Hill and the White House. Advertising in major publications and sponsoring health care policy newsletters also present companies an opportunity to not only directly influence readers, but also indirectly influence an outlet's coverage – or lack of coverage – of health care issues. Advertising can be an effective tool for growing the name recognition of a company, a product, or a political issue, but it also can have the opposite effect of signaling to the public just how much health care companies are spending to try to influence opinion.

2022 “Advertising and promotion” expenditures of key health care trade and professional associations (\$1 million or more)



Note: The graph above documents spending by major health care trade and professional associations on “advertising and promotion” in 2022 based on their Form 990 tax filings. It is not exhaustive of all spending by each industry as it does not include individual companies’ expenditures but is indicative of the asymmetries in ad spending across the sector.



Boston, Massachusetts, home to more than 250 pharmaceutical and biotechnology companies.

DECONSTRUCTING THE HEALTH CARE WARS: DRUG PRICING

A close analysis of clashing business models in the pharmacy sector battle – pitting pharmaceutical manufacturers and wholesalers against PBMs – illustrates how health care companies use government as a tool to advance and defend their business interests. The case study will use this battle, which dominates current political spending on health care policy, to show how similar battles occur across the sector. At present, pharma significantly outspends PBMs. For example, PhRMA spent approximately \$574 million in 2022 while AHIP and PCMA, the trade associations for insurers and PBMs respectively, spent about \$121 million combined that same year.⁴⁷ Although wholesalers maintain a lower advocacy profile than pharma and PBMs, their core political strategy of supporting community pharmacist advocacy arguably has been more effective than any tactic deployed by the other two industries. In sum, each side uses its resources to accuse the other of driving up costs and hampering Americans' access to medications.

Beyond quantitative measures, pharma also has outmatched PBMs qualitatively with its significantly larger scope of advocacy efforts. Manufacturers fund a sprawling network of patient and provider advocacy groups, many of which criticize PBMs. Baron has identified approximately 600 such groups that receive funding from PhRMA or pharmaceutical manufacturers directly. This extensive database can be found at www.baronpa.com/health-care-advocacy-guide. While wholesalers do not back patient and provider advocacy groups to the same extent as pharma, PBMs currently have no equivalent to wholesalers' deep involvement in community pharmacist advocacy. PBMs and insurers fund advocacy groups like the Campaign for Sustainable Rx Pricing (CSRxP) that criticize their pharma competitors; however, these activities occur at a level reflective of the PBM industry's political spending compared to pharma's. The following sections explore these efforts in-depth, detailing how three industries compete to convince policy makers in Washington that their business models offer a solution to the country's health crisis, and specifically, to rising drug costs.

⁴⁷ "Pharmaceutical Research and Manufacturers of America 2022 Form 990," Nonprofit Explorer, *ProPublica*, <https://projects.propublica.org/nonprofits/organizations/530241211/202303189349316445/full>; "America's Health Insurance Plans 2022 Form 990," Nonprofit Explorer, *ProPublica*, <https://projects.propublica.org/nonprofits/organizations/362087641/202313199349318841/full>; and "Pharmaceutical Care Management Association 2022 Form 990," Nonprofit Explorer, *ProPublica*, <https://projects.propublica.org/nonprofits/organizations/383676760/202303189349313325/full>.

1. Surrogates

America's largest health care companies increasingly advocate for their business interests through external groups, rather than in their own names. This most commonly occurs through trade associations that unite companies with their industry peers. However, even trade associations have a much less reputable public image in Washington than groups of patients, providers, taxpayers, and other advocates that companies can deploy as surrogates. Pharmaceutical manufacturers and wholesalers have found community pharmacists and community oncologists who share many of their commercial interests to be powerful surrogates on Capitol Hill and in the media.

The PBM business model helps explain why the industry has not also pursued a strategy of elevating community pharmacists, community oncologists, and other providers as surrogates. PBMs are ultimately hired to negotiate for

lower drug costs, which can complicate their ability to support groups representing health care providers who seek higher reimbursement for the drugs they dispense. These incentives have led to the current drug pricing landscape where PBMs have aligned with employers and unions that seek lower costs for their policy holders. PBMs have taken advantage of this alignment by elevating their support for the industry. CAPD – made up of PBMs, employers, and unions – has released polls, which it argues show that “a substantial majority of union households recognize significant value in pharmacy benefits,” and has amplified letters from unions pushing back against certain PBM reforms.⁴⁸ However, these surrogates have not delivered PBMs the same success that community pharmacists and oncologists have brought pharma and wholesalers. This alliance also is being challenged by the growing number of unions and employers leaving their PBMs for smaller “disruptor PBMs.”⁴⁹

The U.S. Capitol.



⁴⁸ “Who We Are,” Coalition for Affordable Prescription Drugs, <https://www.affordableprescriptiondrugs.org/who-we-are>; “New Research: Union Households Overwhelmingly Concerned about Policies that Could Increase Health Care Costs, Undermine Plan Stability,” Coalition for Affordable Prescription Drugs, September 26, 2023, <https://www.affordableprescriptiondrugs.org/articles/union-households-overwhelmingly-concerned-about-policies-that-could-increase-health-care-costs-undermine-stability>; and “Unions and employers speak out against costly PBM restrictions,” Coalition for Affordable Prescription Drugs, November 8, 2023, <https://www.affordableprescriptiondrugs.org/unions-speak-out-against-costly-pbm-restrictions>.

⁴⁹ See: Melanie Evans, “Foot Locker, Teamsters Show Their Drug-Benefit Managers the Door,” *The Wall Street Journal*, November 21, 2023, <https://www.wsj.com/health/healthcare/foot-locker-teamsters-drop-pharmacy-benefit-managers-7251c81a>.



Macbride Hall at the University of Iowa. RUPRI's Center for Rural Health Policy Analysis is an authoritative source for data on pharmacy closures and "pharmacy deserts."

Community pharmacists

Community pharmacies face existential threats from several corners of the health sector. This is especially evident in rural America where "pharmacy deserts" abound and the number of pharmacies continues to shrink. From 2003 to 2021, the number of independently owned retail pharmacies in noncore rural areas decreased by 16.1 percent according to the University of Iowa's Rural Policy Research Institute (RUPRI).⁵⁰ Community pharmacies – independently-owned or belonging to wholesalers' pharmacy franchises – face multiple challenges including consolidation and vertical integration, online pharmacy services, and broad financialization of the industry.

The pharmacy supply chain is highly consolidated and vertically integrated: just three companies dominate the PBM market and just three companies dominate the wholesaler market. The three largest PBMs are vertically

integrated with health insurers and own mail order pharmacies. Meanwhile, the Big Three wholesalers provide operational support to pharmacies, own PSAs that negotiate with PBMs on behalf of pharmacies, and run their own pharmacy franchises, granting them near-exclusive distribution to those pharmacies. The proliferation of direct-to-consumer sales through mail order pharmacies, nascent technologies like Amazon Pharmacy, and manufacturers like Eli Lilly, which plans to sell its weight loss drugs directly to patients, present a grave threat to community pharmacies.⁵¹ Finally, growing financialization of health care epitomized by private equity purchases of hospitals and medical practices is also a serious potential warning sign to community pharmacies. With such a tumultuous landscape, community pharmacists have turned to manufacturers and the wholesalers who supply their products to support their advocacy in Washington.

⁵⁰ Edmer Lazaro, Fred Ullrich, and Keith J. Mueller, "Update on Rural Independently Owned Pharmacy Closures in the United States, 2003-2021," Rural Policy Research Institute, University of Iowa, August 2022, <https://rupri.public-health.uiowa.edu/publications/policybriefs/2022/Independent%20Pharmacy%20Closures.pdf>.

⁵¹ Press release: "Lilly Launches End-to-End Digital Healthcare Experience through LillyDirect," Eli Lilly, January 4, 2024, <https://investor.lilly.com/news-releases/news-release-details/lilly-launches-end-end-digital-healthcare-experience-through>.

Criticism leveled by community pharmacists against PBMs often misrepresents the true driver of the debate. Contrary to the common framing of “neighborhood small businesses” against large-scale “middlemen,” commercial competition between pharmaceutical manufacturers and wholesalers – not community pharmacists – and PBMs serves as the main factor animating this industry conflict. Community pharmacists are represented by the National Community Pharmacists Association (NCPA) as well as the American Pharmacists Association (APhA) and smaller organizations like the National Alliance of State Pharmacy Associations (NASPA).

Pharmaceutical manufacturers are an important source of funding for pharmacy groups. Sixteen pharmaceutical manufacturers are corporate sponsors of NCPA, including industry leaders such as Eli Lilly, Merck, and Pfizer.⁵² NCPA's October 2023 annual convention, where PBM critic and House Oversight Committee Chair Representative James Comer (R-KY-01) spoke, was sponsored by the same three pharmaceutical manufacturers.⁵³ At least 16 pharmaceutical manufacturers

are APhA corporate sponsors and at least 10 manufacturers are NASPA “associate members,” including PhRMA, which is a gold-level sponsor.⁵⁴

Fortune 15 drug wholesalers, perhaps the most underappreciated political force in the pharmaceutical supply chain, reveal how companies' unique business models shape their political strategies. Cardinal Health, Cencora (formerly AmerisourceBergen), and McKesson enjoy a commanding position in the industry, with a combined market share that rose from 87 percent in 2013 to 95 percent in 2018.⁵⁵ The Big Three wholesalers also are consistently some of the best performing stocks across all industries (Cardinal Health is an S&P “Dividend Aristocrat”), yet they confront significant political headwinds as one of the major players in the opioid epidemic. In response, they have pursued a strategy of elevating their pharmacist franchisees and oncologist business partners who enjoy a more favorable reputation.

The American Pharmacists Association headquarters in Washington, D.C. is the only privately-owned real estate on the National Mall.



⁵² “Corporate Sponsors,” National Community Pharmacists Association, <https://ncpamember.ncpa.org/NCPAMember2020/Directory#MORG>.

⁵³ “Exhibitors and Sponsorships,” National Community Pharmacists Association, <https://web.archive.org/web/20231004094825/https://ncpa.org/ac-exhibitors-and-sponsorship>; and Press release: “Second General Session featured NCPA's Hoey and Chancy, Rep. Comer, award recipients, and keynote Marty Makary, MD, MPH,” National Community Pharmacists Association, October 16, 2023, <https://ncpa.org/newsroom/qam/2023/10/16/second-general-session-featured-ncpas-hoey-and-chancy-rep-comer-award>.

⁵⁴ “APhA Corporate Supporters,” American Pharmacists Association, <https://www.pharmacist.com/corporate-supporters>; and “Member Directories,” National Alliance of State Pharmacy Associations, <https://naspa.us/member-directories#associate>.

⁵⁵ “The Big Three Wholesalers: Revenues and Channel Share Up, Profits Down,” *Drug Channels*, October 02, 2019, <https://www.drugchannels.net/2019/10/the-big-three-wholesalers-revenues-and.html>.

Many community or independent pharmacies are not entirely independent but are, instead, part of wholesaler franchises. Nearly 40 percent of all community pharmacies are franchisees of the Big Three wholesalers. Figures from Form 10-K filings with the Securities and Exchange Commission (SEC), the wholesalers' websites, and third-party data providers indicate that the total number of these franchises is approximately 7,500.⁵⁶ In its 2023 10-K SEC filing, McKesson disclosed "approximately 4,700" Health Mart pharmacy franchises.⁵⁷ Cencora's Good Neighbor Pharmacy website describes its franchise network's size as "more than 5,000 independent pharmacies, including our managed care cooperative," but this number likely includes not only franchises but also the number of non-franchise pharmacies that contract with Cencora's PSAO.⁵⁸ Cardinal Health's Medicine Shoppe website describes the size of its chain as "nearly 500 stores across 43 states" making it among "the largest national pharmacy chains."⁵⁹ According to NCPA, there are approximately 19,400 community pharmacies in the United States.⁶⁰

Wholesalers do not own these community pharmacies but provide them with a centralized and powerful network of competitive support, resources, and coordination for public policy advocacy. The wholesaler-franchisee relationship is akin to the relationship between an individual fast food location and the fast food chain's corporate office: there is local ownership and operation, but centralized standards, coordination, consultation services, and more. A key difference is that community pharmacies normally maintain local branding and names, contributing to a lack of public recognition of wholesaler pharmacy franchises. One form of support for franchisees is government affairs and related advocacy. Wholesalers present themselves as champions of the "independence" of community pharmacies but leverage the resources of *Fortune* 15 companies with a combined market cap of almost \$100 billion to augment the market strength of the independents. The following selection of promotional language

from McKesson's pharmacy franchise website illustrates this tension:

- "As a Health Mart franchisee, you have the contracting strength of over 7,000 pharmacies and the superior reimbursement rates, terms and contract conditions that come with it."⁶¹
- "You don't have to give up your independence to become a Health Mart pharmacy. Behind each locally owned Health Mart pharmacy franchisee is the strength, credibility, and commitment of our national network."⁶²

Beyond the franchise model, wholesalers maintain an additional business relationship with over 75 percent of community pharmacies. According to the PSAO Coalition, a group formed in 2020 to advocate on behalf of wholesalers, "the Coalition's members provide administrative services related to contracting with PBMs to over 17,000 of the 22,000 independent pharmacies and small chain pharmacies across all 50 states."⁶³ Significantly, PSAOs contract with pharmacies to represent them in negotiations with PBMs, using the size of their networks to negotiate favorable terms for community pharmacies. Cencora's PSAO, Elevate Provider Network, features an endorsement from a Michigan pharmacy owner on its website that shows the depth of the business relationship: "Their connection to us is more than the kinship of common goals, but also a financially invested partnership. They invest in causes that are important to us 'little guys,' giving us a much more powerful voice."⁶⁴ Additional promotional language illustrates the scope of Elevate's ties to community pharmacy advocacy:

- "From substantial investments of resources and funding for advocacy and coalition-building, to financial sponsorship of important pharmacy association initiatives, Good Neighbor Pharmacy and Elevate Provider Network are united with you at both the state and federal level."⁶⁵

56 McKesson is the only wholesaler that discloses a precise number of its pharmacy franchisees. ScrapeHero, a data scraping analytics company, produces the following pharmacy franchise figures: 4,688 for Health Mart, 2,489 for Good Neighbor Pharmacy, and 322 for Medicine Shoppe, totaling 7,499. ScrapeHero's data tracks closely with the numbers in McKesson's 10-K, suggesting likely similar accuracy for the Good Neighbor Pharmacy and Medicine Shoppe numbers; "McKesson Corporation Form 10-K," Securities and Exchange Commission, March 31, 2023, https://s24.q4cdn.com/128197368/files/doc_financials/2023/ar/150209d4-32d9-4f97-9676-8640db0560ce.pdf; "United by Independence," Good Neighbor Pharmacy, <https://www.wearegnp.com/united-by-independence>; "About The Medicine Shoppe Pharmacy," Medicine Shoppe, <https://www.medicineshoppe.com/about>; "Number of Health Mart locations in the United States in 2023," ScrapeHero, December 20, 2023, <https://www.scrapehero.com/location-reports/Health%20Mart-USA>; "Number of Good Neighbor Pharmacy locations in the United States in 2024," ScrapeHero, January 10, 2024, <https://www.scrapehero.com/location-reports/Good%20Neighbor%20Pharmacy-USA>; and "Number of The Medicine Shoppe Pharmacy locations in the United States in 2024," ScrapeHero, January 10, 2024, <https://www.scrapehero.com/location-reports/The%20Medicine%20Shophe%20Pharmacy-USA>.

57 "McKesson Corporation Form 10-K," Securities and Exchange Commission, March 31, 2023, https://s24.q4cdn.com/128197368/files/doc_financials/2023/ar/150209d4-32d9-4f97-9676-8640db0560ce.pdf.

58 "United by Independence," Good Neighbor Pharmacy, <https://www.wearegnp.com/united-by-independence>.

59 "About the Medicine Shoppe Pharmacy," Medicine Shoppe, <https://www.medicineshoppe.com/about>.

60 "About," National Community Pharmacists Association, <https://ncpa.org/about>.

61 "Health Mart Pharmacy Franchise Program," McKesson, <https://web.archive.org/web/20231221090728/https://www.mckesson.com/Pharmacy-Management/Health-Mart-Franchise>.

62 Ibid.

63 Presentation by Scott Pace, "Pharmacy Services Administrative Organization (PSAO) Coalition," Governor's Task Force on Reducing Prescription Drug Prices, June 18, 2020, https://rxdrugtaskforce.wi.gov/Documents/PSAO_Coalition.pdf.

64 "Elevate Provider Network," Good Neighbor Pharmacy, <https://www.wearegnp.com/managed-care/elevate-provider-network>.

65 "Advocacy - Our Independent Voice," Good Neighbor Pharmacy, <https://www.wearegnp.com/advocacy>.



Carolina Hall at the University of North Carolina at Chapel Hill. UNC's Eshelman School of Pharmacy is routinely ranked as the best pharmacy school in the country.

- "Elevate participates in, and is a major supporter of, the National Community Pharmacists Association's annual congressional fly-in, contributing a strong voice for independent pharmacy. Plus, we make a substantial financial investment in NCPA's 'The Truth' campaign to combat the PCMA misinformation campaign regarding independent pharmacy."⁶⁶

Wholesalers have lobbying teams in Washington dedicated to the needs of community pharmacies. Cencora disclosed that it coordinated advocacy for individual pharmacy owners, helping to "connect them with legislators to tell their stories."⁶⁷ In addition, the company has taken credit for its role in raising the profile of key community pharmacy policy positions to federal lawmakers.⁶⁸ In the same July 2022 article, Good Neighbor Pharmacy's President Jenni Zilka anticipated that

the pharmacy franchise network would "double down on the advocacy" in 2023.⁶⁹

While Cencora is the most transparent about its involvement in community pharmacy advocacy, McKesson also advertises its support for community pharmacists. Pete Slone, senior vice president of government affairs at McKesson, stated the following in July 2022 when commenting on a new advocacy partnership between wholesalers and community pharmacist groups: "Pharmacy has never undertaken such a bold campaign to forge a community of allies galvanized by a shared vision. We've never been more united and appreciated, but let's work together to translate that into some wins that are truly within our reach."⁷⁰ The Health Mart website also features a quote from Slone telling community pharmacists: "You are

⁶⁶ "Elevate Provider Network," Good Neighbor Pharmacy, <https://www.wearegnp.com/managed-care>.

⁶⁷ According to Beth Mitchell, now vice president of U.S. public policy and advocacy at Cencora, "It's important [for pharmacists] to be involved, because elected officials need education from subject matter experts... and the best person to do that education is the person closest to the issue. At AB, we try to create opportunities to rally our pharmacy customers to support an issue - help educate them and connect them with legislators to tell their stories." Gabrielle Ientile, "Challenges and Opportunities Facing Independent Community Pharmacies," *Drug Topics*, September 14, 2021, <https://www.drugtopics.com/view/challenges-and-opportunities-facing-independent-community-pharmacies>.

⁶⁸ In July 2022, Brian Nightengale, Cencora's vice president of community and specialty pharmacy, highlighted his advocacy team's years-long work on direct and indirect remuneration (DIR) fees, a major policy issue for pharmacies and PBMs: "[DIR is] just one example of the evolution of education into real recommendations and action. One of the biggest results of that is, finally, we have legislation that has a real chance of moving forward to radically transform DIR fees." Lauren Biscaldi, "Thinking Back and Looking Forward, Good Neighbor Pharmacy Is Ready for the Next 40 Years," July 22, 2022, *Drug Topics*, <https://www.drugtopics.com/view/thinking-back-and-looking-forward-good-neighbor-pharmacy-is-ready-for-the-next-40-years>.

⁶⁹ Ibid.

⁷⁰ Aislinn Antrim, "Engage With State, National Pharmacy Associations to Work on Policy Change," *Pharmacy Times*, July 11, 2022, <https://www.pharmacytimes.com/view/engage-with-state-national-pharmacy-associations-to-work-on-policy-change>.

the most powerful asset we have when it comes to legislative advocacy, and we need you now more than ever.”⁷¹

Wholesalers fund specific community pharmacy advocacy events and tools. The Big Three wholesalers are dues-paying members of NCPA and have consistently funded NCPA's Annual Convention.⁷² In 2022, the Big Three wholesalers' NCPA dues amounted to at least \$947,000.⁷³ Moreover, Cardinal Health, McKesson, and smaller wholesaler Anda were all sponsors of the 2023 NCPA convention in Orlando, Florida.⁷⁴ Cardinal Health is also the sponsor of *NCPA Digest*, which provides a yearly overview of the community pharmacy market.⁷⁵

In contrast with the “independent” messaging of their pharmacy franchises, wholesalers also fund the National Association of Chain Drug Stores (NACDS), another PBM critic that represents drug stores and pharmacy chains. NACDS has run ads in 2024 urging Congress to pass PBM reform and organized a March 14, 2024, “PBM Reform Now” press conference on the steps of the Capitol with Senator Ron Wyden (D-OR) and Senator Mike Crapo (R-ID).⁷⁶ The Big Three wholesalers' dues to NACDS amounted to more than \$1.2 million in 2022.⁷⁷ Medicine Shoppe and Health Mart executives currently sit on the NACDS board of directors alongside companies like Albertsons, Kroger, and Rite Aid.⁷⁸

The Orange County Convention Center in Orlando, Florida is the second largest convention center in the United States, with Orlando hosting more conventions than any other American city. Sponsoring patient and provider organizations' conferences is an important way for health care companies to financially support their work.



71 “It’s time to seize a historic opportunity for the future of pharmacy,” Health Mart, September 16, 2021, <https://join.healthmart.com/mckesson-ideashare-2021/its-time-to-seize-a-historic-opportunity-for-the-future-of-pharmacy>.

72 “Wholesalers,” National Community Pharmacists Association, <https://ncpamember.ncpa.org/NCPAMember2020/Directory#MORGW>.

73 All figures are from corporate political contribution and public policy reports: McKesson paid \$547,000, Cencora paid \$250,000, and Cardinal Health paid \$150,000. “Political Engagement,” McKesson, <https://www.mckesson.com/About-McKesson/PublicAffairs/Political-Engagement>; “Cencora 2022 Policy Statement on U.S. Political Engagement,” Cencora, https://s27.q4cdn.com/189772748/files/doc_downloads/policies/2023/cencora-policy-statement-engagement-on-political-process-16-november-2023_final.pdf; and “Cardinal Health, Inc. 2022 Political Activities and Contributions Report,” Cardinal Health, <https://www.cardinalhealth.com/content/dam/corp/web/documents/Report/cardinal-health-2022-political-activities-report.pdf>.

74 “Exhibitors and Sponsorships,” National Community Pharmacists Association, <https://web.archive.org/web/20231004094825/https://ncpa.org/ac-exhibitors-and-sponsorship>.

75 “News,” National Community Pharmacists Association, <https://ncpa.org/news#digest>.

76 “PBM Reform and Defending Patient Access,” National Association of Chain Drug Stores, <https://accessagenda.nacds.org/defendaccess>.

77 All figures from corporate political contribution and public policy reports: McKesson paid \$774,560, Cencora paid \$390,000, and Cardinal Health paid \$79,000. “Political Engagement,” McKesson, <https://www.mckesson.com/About-McKesson/PublicAffairs/Political-Engagement>; “Cencora 2022 Policy Statement on U.S. Political Engagement,” Cencora, https://s27.q4cdn.com/189772748/files/doc_downloads/policies/2023/cencora-policy-statement-engagement-on-political-process-16-november-2023_final.pdf; and “Cardinal Health, Inc. 2022 Political Activities and Contributions Report,” Cardinal Health, <https://www.cardinalhealth.com/content/dam/corp/web/documents/Report/cardinal-health-2022-political-activities-report.pdf>.

78 “Leadership,” National Association of Chain Drug Stores, <https://www.nacds.org/about/leadership>.



Philadelphia, Pennsylvania. The Philadelphia area is home to major offices for some of the world's largest pharmaceutical manufacturers.

Finally, Cencora and McKesson were sponsors of NACDS' 2024 annual convention, along with manufacturers Bayer, Pfizer, and Sandoz.⁷⁹

These wholesaler advocacy tactics appear to be effective on the Biden administration, despite the White House's public criticism of the pharmaceutical industry. On March 4, 2024, the White House organized a roundtable on PBMs attended by leaders in the administration like Secretary of Health and Human Services (HHS) Xavier Becerra and Federal Trade Commission (FTC) Chair Lina Khan. The roundtable also included Mark Cuban on behalf of MCCPD and two community pharmacists.⁸⁰ One of the pharmacists, Chichi Ilonzo Momah, was described in the White House press release as the "CEO and Founder of Springfield Pharmacy."⁸¹ It was not made clear in

the roundtable or the press release that Springfield Pharmacy is part of a *Fortune* 15 company's franchise as one of Cencora's Good Neighbor Pharmacies.⁸² Just a few days later, Momah introduced President Joe Biden and First Lady Jill Biden at a March 8, 2024, campaign rally outside of Philadelphia where she described part of her job as "standing up to the middlemen, the prescription benefit managers, and big corporations."⁸³ She is a board member of Cencora's Elevate Provider Network PSAO, spoke at Cencora's 2023 annual conference, and has been a guest on the Good Neighbor Pharmacy podcast.⁸⁴ In a September 2023 *Pharmacy Times* profile, Momah credited Cencora "for helping to amplify her voice."⁸⁵

Although the FTC is examining manufacturers and wholesalers for anticompetitive practices, community

79 "Sponsors," National Association of Chain Drug Stores, <https://annual.nacds.org/sponsors>.

80 Press release: "Readout of White House Roundtable on Lowering Healthcare Costs and Bringing Transparency to Prescription Middlemen," The White House, March 5, 2024, <https://www.whitehouse.gov/briefing-room/statements-releases/2024/03/05/readout-of-white-house-roundtable-on-lowering-healthcare-costs-and-bringing-transparency-to-prescription-drug-middlemen>.

81 Ibid.

82 "Springfield Pharmacy," Good Neighbor Pharmacy, <https://www.mygnp.com/pharmacies/springfield-pharmacy-springfield-pa-19064>.

83 Cencora's corporate headquarters in Conshohocken, Pennsylvania is about 17 miles away from Wallingford, Pennsylvania where the rally took place. "President Biden Campaign Remarks Near Philadelphia," *C-SPAN*, March 8, 2024, <https://www.c-span.org/video/?534118-1/president-biden-campaign-remarks-philadelphia>.

84 "About Springfield Pharmacy," Springfield Pharmacy, <https://myspringfieldpharmacy.com/about>; and "Point-of-Care Testing; We're Only Getting Started!," Good Neighbor Pharmacy, October 31, 2022, <https://www.wearegnp.com/podcasts/point-of-care-testing-were-only-getting-started>.

85 Aislinn Antrim, "Breaking Barriers and Inspiring Change: Female Pharmacy Owner Paves the Way for Success in Independent Practice," *Pharmacy Times*, September 8, 2023, <https://www.pharmacytimes.com/view/breaking-barriers-and-inspiring-change-female-pharmacy-owner-paves-the-way-for-success-in-independent-practice>.

pharmacists have a strong ally in the Commission, and specifically, in Chair Khan.⁸⁶ On April 2, 2024, less than a month after the White House's roundtable on PBMs, Chair Khan held a community pharmacist roundtable in Philadelphia where Momah was also a participant.⁸⁷ At past public meetings, Chair Khan has highlighted community pharmacy input: "We've now for months been building a record with testimony from both patients and pharmacies alike, underscoring the real urgency and life and death stakes, in some instances, of this work."⁸⁸ Her September 2022 testimony to the Senate highlighted the "enormous concern" from community pharmacies that the FTC had heard.⁸⁹ NCPA also touted the effects of their work on the Commission: "Thousands of community pharmacy owners and their allies have shared with the FTC their examples of the

impact health insurer-owned PBMs have on consumer costs and access to prescription drugs contributing to the FTC decision to do the 6(b) study. These examples have made a difference."⁹⁰

FTC commissioners have spoken at community pharmacy conferences. When NCPA's CEO Douglas Hoey announced Chair Khan for her "fireside chat" at the October 2022 NCPA Annual Convention, he stated: "As FTC chair, Khan has been receptive to hearing the concerns of independent pharmacists."⁹¹ Commissioner Alvaro Bedoya also spoke at NCPA's 2023 congressional fly-in, further displaying the FTC's close relationship with the organization.⁹² It remains unclear if the Commission is aware of the funding NCPA receives from pharmaceutical manufacturers and wholesalers.

"Man Controlling Trade" statue outside of the Federal Trade Commission Building in Washington, D.C.



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- 86 Press release: "FTC, DOJ, and HHS Work to Lower Health Care and Drug Costs, Promote Competition to Benefit Patients, Health Care Workers," Federal Trade Commission, December 7, 2023, <https://www.ftc.gov/news-events/news/press-releases/2023/12/ftc-doj-hhs-work-lower-health-care-drug-costs-promote-competition-benefit-patients-health-care>.
- 87 A photo from an NCPA press release shows Momah standing next to Chair Khan. Press release: "FTC Chair Khan attends community pharmacy roundtable," National Community Pharmacists Association, April 3, 2024, <https://ncpa.org/newsroom/qam/2024/04/03/ftc-chair-khan-attends-community-pharmacy-roundtable>.
- 88 "Transcript of Open Commission Meeting," Federal Trade Commission, February 17, 2022, https://www.ftc.gov/system/files/ftc_gov/pdf/FTC%20Transcript%20February%2017%2C%202022%20Open%20Commission%20Meeting.pdf.
- 89 "Oversight of Federal Enforcement of the Antitrust Laws," U.S. Senate Committee on the Judiciary, Subcommittee on Competition Policy, Antitrust, and Consumer Rights, September 20, 2022, <https://www.judiciary.senate.gov/meetings/oversight-of-federal-enforcement-of-the-antitrust-laws>.
- 90 Press release: "NCPA Cheers FTC Probe of PBMs: Huge Win for Consumers, Pharmacies," National Community Pharmacists Association, June 7, 2022, <https://ncpa.org/newsroom/news-releases/2022/06/07/ncpa-cheers-ftc-probe-pbms-huge-win-consumers-pharmacies>.
- 91 Press release: "FTC Chair Speaking at NCPA Annual Convention in October," National Community Pharmacists Association, September 12, 2022, <https://ncpa.org/newsroom/news-releases/2022/09/12/ftc-chair-speaking-ncpa-annual-convention-october>.
- 92 Press release: "Community Pharmacists Notch Hundreds of Congressional Visits During Fly-In," National Community Pharmacists Association, April 28, 2023, <https://ncpa.org/newsroom/news-releases/2023/04/28/community-pharmacists-notch-hundreds-congressional-visits-during>.
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Baltimore, Maryland where the Centers for Medicare and Medicaid Services headquarters is located.

Community oncologists

Medical fields like oncology and rheumatology that commonly use expensive specialty drugs administered by physicians tend to be the most aligned with pharma and the most critical of PBMs. While many Americans became aware of the sales-based pharma business model from portrayals of the opioid epidemic in literature and films, fields like oncology have a similar incentive structure that can lead doctors to prescribe more of a certain product. Numerous academic studies have found that doctors, and oncologists specifically, prescribe drugs more when they receive payments from drug makers.⁹³ A May

2019 study found: "Receipt of payments for compensation purposes, such as for consulting or travel, and higher dollar value of payments" were associated with increased prescribing of cancer drugs.⁹⁴ The same study also stated that prior work has shown "oncologists tend to prescribe more of the drugs made by companies that have given them money."⁹⁵

In the Medicare Part B program, which covers physician-administered medicines, physicians receive a six percent cut of the medicine's average sales price (ASP).⁹⁶ According to a February 2021 Brookings Institution analysis, "unlike

93 Aaron P. Mitchell et al., "Are Financial Payments from the Pharmaceutical Industry Associated with Physician Prescribing? A Systematic Review," *Annals of Internal Medicine*, vol. 174, no. 3, March 2021, <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC8315858>.

94 Aaron P. Mitchell et al., "Evaluating the Strength of the Association Between Industry Payments and Prescribing Practices in Oncology," *The Oncologist*, vol. 24, no. 5, May 2019, <https://pubmed.ncbi.nlm.nih.gov/30728276>.

95 Ibid.

96 Paul B. Ginsburg and Steven M. Lieberman, "Medicare payment for physician-administered (Part B) drugs: The interim final rule and a better way forward," Brookings Institution, February 10, 2021, <https://www.brookings.edu/articles/medicare-payment-for-physician-administered-part-b-drugs>.

retail pharmacists, physicians unilaterally control the choice of medicines they administer, which means economic incentives rather than solely clinical factors can influence prescribing decisions.⁹⁷ Many chemotherapy drugs and radiation treatments in outpatient settings are covered by the Medicare Part B program. Oncologists at these outpatient centers (known as "community" oncology) receive the six percent cut on their treatments' prices, which can create an incentive to keep costs high. This relationship is one explanation for why oncologists and pharmaceutical manufacturers are closely aligned in the drug pricing battle in Washington.

Community oncologists receive significant political support from pharma while criticizing PBMs. The organization that represents them, the Community Oncology Alliance (COA), is sponsored by nearly 50 pharmaceutical manufacturers and PhRMA.⁹⁸ COA has documented "PBM Horror Stories" on its website since 2017 and operates a landing page titled "PBM Abuses."⁹⁹ Some state-level oncology organizations also receive a large share of their funding from pharma. For example, the Mississippi Oncology Society (MOS) received no less than 60 percent of its revenue from pharma in 2023, according to Baron's calculations.¹⁰⁰ MOS' members have published op-eds in local newspapers criticizing PBMs and the organization has advocated for PBM reforms on its X account.¹⁰¹ Similarly, the Florida Society of Clinical Oncology (FLASCO) received \$1,156,000 from pharma in 2023 (or roughly 80 percent of its revenue) while urging its members to contact Florida law makers about passing PBM reforms.¹⁰²

Wholesalers are deeply integrated into the oncology drug supply chain: they manage oncology practices, provide oncologists with operational support, and distribute oncology drugs. With such a large footprint in the oncology market, wholesalers are aligned with pharma in their support of oncologist advocacy. Cardinal Health, Cencora, and McKesson are also corporate members of COA, paying approximately \$180,000 in total dues in 2022.¹⁰³ McKesson's support of COA is driven by its little-known oncology business model which is comparable to its Health Mart pharmacy franchises. Moreover, Cencora provides oncology practices with intricate support through its group purchasing organization (GPO). All three companies distribute drugs to oncology practices around the country.

In contrast to the little attention it receives in the drug pricing debate, McKesson's oncology business maintains a significant share of all cancer treatment across the United States. The company's US Oncology Network treats approximately 15 percent of cancer patients in the United States.¹⁰⁴ Through this extensive network of oncology practices, McKesson offers more than 2,500 providers at over 600 locations logistical and financial support.¹⁰⁵ These arrangements grant McKesson near-exclusive drug distribution rights to every one of these practices, similar to its pharmacy franchises. According to a January 2023 press release, "The Network provides practices with access to coordinated resources, best business practices, and the experience, infrastructure, and support of McKesson

97 Ibid.

98 "Become a Corporate Member," Community Oncology Alliance, <https://communityoncology.org/become-a-corporate-member>. COA's 2022 Advocacy Summit was sponsored by AbbVie, Amgen, Bristol Myers Squibb, Eisai, Eli Lilly, Genmab, Gilead Sciences, Johnson & Johnson, Merck, Organon, and Regeneron. "Sponsors," 2022 Community Oncology Advocacy Summit, <https://coadvocacysummit.com/sponsors>.

99 "PBM Horror Stories," Community Oncology Alliance, <https://mycoa.communityoncology.org/education-publications/pbm-horror-stories>; and "Hurting Patients Halting Progress," PBM Abuses, <https://pbmabuses.org>.

100 MOS reveals the cost of these membership tiers in a corporate member prospectus. In 2023, MOS received \$123,000 from pharma. Its revenue in 2021 was \$127,475 and \$169,700 in 2022. An estimate that its 2023 revenue rose to around \$200,000 would suggest that MOS received at least 60 percent of its revenue from pharma that year. "Corporate Membership," Mississippi Oncology Society, <https://msoncologysociety.org/sponsors>; "2023 Corporate Membership Opportunities," Mississippi Oncology Society, https://msoncologysociety.org/starchapter.com/images/downloads/mos_2023_corporate_membership_package_final_feb23_1.pdf; "Mississippi Oncology Society 2022 Form 990," Nonprofit Explorer, *ProPublica*, <https://projects.propublica.org/nonprofits/organizations/264399405/202331649349201013/full>; and "Mississippi Oncology Society 2021 Form 990," Nonprofit Explorer, *ProPublica*, <https://projects.propublica.org/nonprofits/organizations/264399405/202203199349209140/full>.

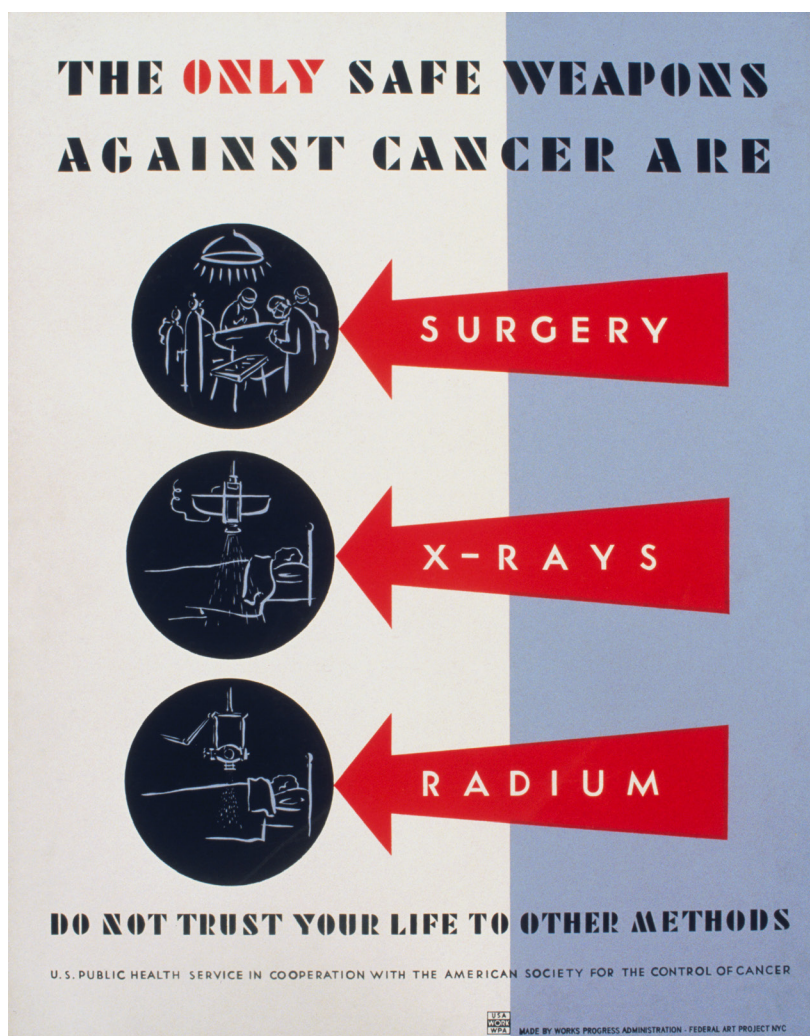
101 Bobby Graham, "Oncologist supports state legislation that would help patients with copays," *Clarion Ledger*, February 1, 2022, <https://www.clarionledger.com/story/opinion/2022/02/01/oncologist-supports-state-legislation-would-help-patients-copays/927911002>; and "Thanks to @MSHouseOfRep for the vote...", Mississippi Oncology Society (@MissOncoSociety), X, February 9, 2023, <https://x.com/MissOncoSociety/status/1623780622396190721>.

102 FLASCO lists the cost of its membership tiers in its corporate partner program brochure. In 2023, FLASCO received \$1,156,000 from pharma. Assuming its revenue growth remained relatively consistent through 2022 and 2023, this would make up over 80 percent of FLASCO's revenue. "Corporate Partners," Florida Society of Clinical Oncology, <https://web.archive.org/web/20231222170750/https://flasco.org/membership/corporate-partners>; "2023 FLASCO Corporate Partner Program," Florida Society of Clinical Oncology, <https://flasco.org/wp-content/uploads/2023-Corporate-Partner-Benefits.pdf>; and "Florida Society of Clinical Oncology Inc. 2021 Form 990," Nonprofit Explorer, *ProPublica*, <https://projects.propublica.org/nonprofits/organizations/592305471/202340189349300919/full>.

103 All figures from corporate political contribution and public policy reports: McKesson paid \$100,000, Cencora paid \$80,000, and Cardinal Health is currently a corporate member but did not report dues in 2022 despite doing so in 2021. "Political Engagement," McKesson, <https://www.mckesson.com/About-McKesson/Public-Affairs/Political-Engagement>; "Cencora 2022 Policy Statement on U.S. Political Engagement," Cencora, https://s27.q4cdn.com/189772748/files/doc_downloads/policies/2023/cencora-policy-statement-engagement-on-political-process-16-november-2023_final.pdf; "Cardinal Health, Inc. 2022 Political Activities and Contributions Report," Cardinal Health, <https://www.cardinalhealth.com/content/dam/corp/web/documents/Report/cardinal-health-2022-political-activities-report.pdf>; and "Become a Corporate Member," Community Oncology Alliance, <https://communityoncology.org/become-a-corporate-member>.

104 "Learn More About The Network," The US Oncology Network, <https://usonology.com/physicians/join-our-network>.

105 "Home," The US Oncology Network, <https://usonology.com>.



A 1938 poster from the U.S. Public Health Service and the American Society for the Control of Cancer (now known as the American Cancer Society). Non-surgical treatment of cancer was made possible after radiation was discovered near the end of the nineteenth century.

Corporation.”¹⁰⁶ There are two ways that oncology practices participate in the network:

- Comprehensive Strategic Alliance (CSA) – “Practices enter into long-term agreements with McKesson to enable the success of the entire practice. Physicians maintain their independence but get the support of a management company that has deep expertise in oncology practice management and value-based care delivery.”¹⁰⁷
- Radiation Joint Venture (JV) Model – “Practices and McKesson each own a share of a radiation oncology asset and participate in the financial performance of that asset. Physicians maintain their independence but get the support of a management company that has deep expertise in radiation oncology management.”¹⁰⁸

Like the pharmacy franchise model, the US Oncology Network takes an active role in advancing McKesson’s political interests and the interests of its oncologists. The messaging examples below portray how McKesson supports the members of its network in Washington:

- “Not only does The Network provide services and technologies to enhance clinical and business operations for practices, we also advocate on behalf of community oncology on the federal, state, and regulatory levels. Our Government Relations and Public Policy Department is dedicated to federal policy issues and state legislative matters.”¹⁰⁹
- “Practices can look to us for support in the public policy arena, such as... Arranging for physicians to directly

¹⁰⁶ Press release: “The US Oncology Network Continues its Rapid Growth into New Communities, Adding Epic Care and Nexus Health,” McKesson, January 17, 2023, <https://www.mckesson.com/About-McKesson/Newsroom/Press-Releases/2023/US-Oncology-Network-Continues-Rapid-Growth-New-Communities>.

¹⁰⁷ “The Network Affiliation Models,” The US Oncology Network, <https://usoncology.com/physicians/relationship-opportunities>.

¹⁰⁸ Ibid.

¹⁰⁹ “The US Oncology Network Government Relations Team: Providing Policy Analysis & Strategic Advocacy for Community Cancer Care,” The US Oncology Network, <https://usoncology.com/news/the-us-oncology-network-government-relations-team-providing-policy-analysis-strategic-advocacy-for-community-cancer-care>.



Harvard Medical School in Boston, Massachusetts. Community oncology practices compete with large hospital cancer centers for business and talent. Each needs referrals from primary care providers to bring in new patients and each seeks out residents and fellows coming out of the nation's top medical schools.

engage with key decision makers to make their voice heard... Assisting physicians in testifying before Congress or state legislatures on behalf of The Network... Coordinating site visits to practices for members of Congress, giving them a firsthand look at the challenges practices face.”¹¹⁰

Cencora also supports thousands of oncology providers through a GPO. The ION Oncology Practice Network aides more than 5,000 physicians across the country.¹¹¹ ION and other GPOs like it provide physicians with purchasing and technical support as well as coordinated political advocacy.¹¹² Cencora's Specialty GPO website states: “When it comes to group purchasing, there's strength in numbers. As the largest and longest-standing oncology-specific GPO, we represent nearly

two-thirds of independent community oncology practices. That means we have unrivaled collective purchasing power in the industry.”¹¹³ Large PBMs also own GPOs that negotiate rebates with manufacturers, but these GPOs work on behalf of other PBMs and have thus far not attempted to elevate health care providers' advocacy efforts. In May 2023, the FTC expanded its inquiry into PBMs to include these GPOs.¹¹⁴

Cencora maintains a government affairs team dedicated to the needs of oncologists in its network. The examples below show how the company aims to protect oncologists in its network from cuts to how much they are paid for cancer drugs:

- From a Q&A with its government affairs team – “We'd like to assure our physician partners that our team will

¹¹⁰ Ibid.

¹¹¹ “Empowering community oncology to advance patient care,” AmerisourceBergen Specialty GPOs, <https://www.iononline.com>.

¹¹² Ibid.

¹¹³ “GPO Membership Benefits,” Cencora, <https://www.iononline.com/gpo-membership-benefits>.

¹¹⁴ Press release: “FTC Deepens Inquiry into Prescription Drug Middlemen,” Federal Trade Commission, May 17, 2023, <https://www.ftc.gov/news-events/news/press-releases/2023/05/ftc-deepens-inquiry-prescription-drug-middlemen>.

continue in our efforts to further educate and inform Congress on how inflation and reduced reimbursements will impact access to quality care. It's important to note that during our concentrated advocacy near the end of 2022, we heard clear indications that the new Congress will consider solutions to avoid the ongoing concern of continued physician fee cuts. We'll remain engaged in that policy discussion and will continue to keep this community informed."¹¹⁵

- From an ION webpage discussing the Inflation Reduction Act – "The [Cencora] U.S. Public Policy and Advocacy team... Will continue to actively engage and educate policy makers during the implementation of any changes to Part B and D drug pricing, with the aim of preventing decreased access to community physicians, especially in underserved communities."¹¹⁶

Cencora also operates a website titled "Community Counts" that provides advocacy resources for oncologists, rheumatologists, urologists, and other specialty providers.¹¹⁷ The following examples from the Community Counts website highlight Cencora's deep involvement in oncologist political advocacy:

- "As oncology care continues to evolve and innovate, having an advocate who believes in the future of community oncology needs to be more than just lip service. Advocacy is at the core of what we do and we are focused on showing the real, measurable value of community oncology."¹¹⁸
- "Our advocacy efforts leverage [Cencora's] reach and partnerships with the provider and patient community to represent their interests with appropriate legislative and regulatory bodies."¹¹⁹

Advocacy driven by wholesalers' franchise and "network" business models has stayed under the radar in the political debate over drug pricing. Wholesalers' use of the words "community" and "independent" when discussing the pharmacies and oncology practices in their networks echoes the names of the leading anti-PBM provider groups: the National Community Pharmacists Association and the Community Oncology Alliance. While many members of these organizations own truly independent enterprises free from these wholesaler franchise models, both NCPA and COA receive funding from the Big Three wholesalers. The table below provides an overview of wholesalers' business models and their support for pharmacist and oncologist anti-PBM advocacy.

Wholesaler franchises, networks, and drug pricing advocacy

	McKesson	Cencora (formerly AmerisourceBergen)	Cardinal Health	Total
Scope of pharmacy franchise	4,700 pharmacies across all 50 states ¹	2,500 pharmacies in 52 U.S. states & territories ²	Nearly 500 stores across 43 states ³	7,500-7,700 franchisees
Scope of oncology network	2,500+ oncology providers at more than 600 locations ⁴	5,000+ physicians supported by ION Oncology Practice Network ⁵	Operates 130+ radiopharmacies; ⁶ <i>VitalSource GPO also supports oncology practices</i>	7,500+ oncology providers belong to wholesalers' networks or GPOs
Dues to NCPA (2022)	\$547,000 ⁷	\$250,000 ⁸	\$150,000 ⁹	\$947,000
Dues to NACDS (2022)	\$774,560 ¹⁰	\$390,000 ¹¹	\$79,000 ¹²	\$1,243,560
Dues to COA (2022)	\$100,000 ¹³	\$80,000 ¹⁴	Corporate member (amount N/A) ¹⁵	\$180,000

Note: Citations can be found in the endnotes at the end of the report.

¹¹⁵ "Government Affairs Q&A: The latest on Medicare Part B," ION Oncology Practice Network, March 10, 2023, <https://www.iononline.com/insights/government-affairs-q-and-a-the-latest-on-medicare-part-b>.

¹¹⁶ "Physician fee cuts and policy updates: What's at stake for practices in 2023," ION Oncology Practice Network, November 14, 2022, <https://www.iononline.com/insights/physician-fee-cuts-and-policy-updates>.

¹¹⁷ "Community Counts," <https://communitycountsadvocacy.org>.

¹¹⁸ "Oncology," Community Counts, <https://communitycountsadvocacy.org/oncology>.

¹¹⁹ "Patient Access & Fair Reimbursement," Community Counts, <https://communitycountsadvocacy.org/patient-access>.



San Juan, Puerto Rico. Pharmaceutical manufacturing is Puerto Rico's largest industry, making up more than a quarter of its GDP, thanks to 1970s federal tax incentives that drove major drug makers to the island.

2. Being pro-patient

At present, pharmaceutical manufacturers have triumphed in the battle to be seen as the most pro-patient industry in the drug pricing debate. Pharma has effectively portrayed PBMs as the antagonists to its pro-patient business model and as roadblocks to its life-saving medicines. PhRMA's advertisements featuring a man in a suit who steals patients' prescriptions at the pharmacy counter to represent PBMs concludes with the message "No one should stand between you and your medicine."¹²⁰ Reducing PBMs' role in the supply chain as a check on prescribing would help manufacturers achieve one of their chief objectives: increased access to their products. This, in part, explains why pharma-funded organizations such as the Alliance for Patient Access (AfPA), Institute for Patient Access (IfPA), and Community Access National Network (CANN) emphasize this "access" language.¹²¹

Pharma's substantially greater funding of patient advocacy groups is a key reason it has found success in positioning PBMs as a barrier between patients and its products. The more third-party groups an industry influences, the more it can appear as if there is broad grassroots support for that industry's objectives. The external contributions of the two industries' top trade associations provide a window into this dynamic. In 2022, PhRMA gave \$5,000 or more to 433 different outside organizations, predominantly patient advocacy groups, health care foundations, and universities.¹²² This excludes the 753 PACs and political campaigns the trade association donated to that year.¹²³ On the other hand, PCMA contributed \$5,000 or more to 26 outside organizations in 2022, which mostly consisted of campaign committees (along with its 439 donations to PACs and political campaigns).¹²⁴ These asymmetries broadly reflect the activity of PhRMA's 31 member companies and the 17 members of PCMA.

¹²⁰ "Better for Middlemen," Pharmaceutical Research and Manufacturers of America, YouTube, May 1, 2023, <https://www.youtube.com/watch?v=OwKx7aeUu-I>.

¹²¹ "Associate Members and Financial Supporters June 2023," Alliance for Patient Access and Institute for Patient Access, June 2023, <https://allianceforpatientaccess.org/wp-content/uploads/2023/06/AfPADonorsJune2023.pdf>; and "Corporate Partners," Community Access National Network, <https://www.ticann.org/partners.html#cipl>.

¹²² "Pharmaceutical Research and Manufacturers of America 2022 Form 990," Nonprofit Explorer, ProPublica, <https://projects.propublica.org/nonprofits/organizations/530241211/202303189349316445/full>.

¹²³ Ibid.

¹²⁴ "Pharmaceutical Care Management Association 2022 Form 990," Nonprofit Explorer, ProPublica, <https://projects.propublica.org/nonprofits/organizations/383676760/202303189349313325/full>.

Manufacturers' use of patient and provider advocacy groups to further the industry's interests receives limited scrutiny from media and policy makers. A member of Congress or an official at the FDA is much more likely to be receptive of a patient advocacy group lobbying on any given issue, than if a lobbyist for a company that funds the group were to use the same talking points. Moreover, larger patient advocacy groups have state-level branches that can make their advocacy even more relevant to their representatives. Groups representing health care providers usually are framed as representing the patients they treat, even though these groups

can pursue reforms contrary to their patients' financial interests, like increased payments. Advocacy groups can range from large independent organizations that receive some pharmaceutical industry support like the American Cancer Society, to groups almost entirely funded by pharma such as the Coalition of State Rheumatology Organizations (CSRO) which received at least \$1.4 million from manufacturers in 2022 (or about 96 percent of its revenue).¹²⁵ This section will use diabetes and obesity medicine and pain management to detail how advocacy groups color battles in the pharmacy sector.

FDA headquarters in Silver Spring, Maryland. Patient advocacy groups also play an important role in FDA meetings and listening sessions, particularly in the drug approval process.



¹²⁵ "2022 Corporate Members," Coalition of State Rheumatology Organizations, <https://web.archive.org/web/20221129080505/https://csro.info/membership/our-corporate-members>; "2022 Prospectus Corporate Membership," Coalition of State Rheumatology Organizations, <https://web.archive.org/web/20221006175043/https://csro.info/UserFiles/file/2022CSROCorporateMemberProspectus.pdf>; and "Coalition of State Rheumatology Organizations 2022 Form 990," Nonprofit Explorer, ProPublica, <https://projects.propublica.org/nonprofits/organizations/320093904/202332969349300613/full>.

Advocacy group profile: Diabetes and obesity

Pharmaceutical manufacturers that produce diabetes and weight loss drugs fund organizations that accuse insurers and PBMs of preventing patient access to these medicines. FDA approvals of glucagon-like peptide-1 agonists (GLP-1s) such as Novo Nordisk's Ozempic and Wegovy and Eli Lilly's Mounjaro and Zepbound have ushered in a new era in the treatment of diabetes and obesity. Novo Nordisk states that a one-month supply of Ozempic will cost patients \$935.77 before insurance or discounts.¹²⁶ Payers have been reluctant to cover these drugs for weight loss given the high list prices and evolving debates over their benefits. Additionally, Eli Lilly, Novo Nordisk, and Sanofi control 90 percent of the U.S. insulin market.¹²⁷ These three companies, along with Boehringer Ingelheim, which also makes diabetes medications and is in Phase III of developing its own GLP-1 drug, are the most active in supporting diabetes and obesity organizations that criticize insurers and PBMs.¹²⁸ The table below documents these four companies' sponsorships of these types of organizations based on the most recent available data. In many cases, the dollar amounts of these sponsorships or the dues owed to the organizations are not publicly available.¹²⁹

Insulin and GLP-1 manufacturer sponsorships of diabetes and obesity organizations

Organization	Boehringer Ingelheim	Eli Lilly	Novo Nordisk	Sanofi
American Association of Clinical Endocrinology (AACE) ¹⁶	✓	✓	✓	✓
American Diabetes Association (ADA) ¹⁷		✓	✓	✓
American Society for Metabolic and Bariatric Surgery (ASMBS) ¹⁸	✓	✓	✓	
DiabetesSisters ¹⁹	✓	✓	✓	✓
Diabetes Hands Foundation ²⁰		✓	✓	
Diabetes Leadership Council (DLC) ²¹	✓	✓	✓	✓
Endocrine Society ²²	✓	✓	✓	✓
EveryBODY Covered ²³		✓		
Obesity Action Coalition (OAC) ²⁴	✓	✓	✓	
Obesity Care Advocacy Network (OCAN) ²⁵	✓	✓	✓	
Obesity Medicine Association (OMA) ²⁶		✓	✓	
Rethink Obesity ²⁷			✓	
Strategies to Overcome & Prevent (STOP) Obesity Alliance ²⁸	✓	✓	✓	
The Obesity Society ²⁹			✓	

Note: Citations can be found in the endnotes at the end of the report.

¹²⁶ "Find out the cost for Ozempic," NovoCare, <https://www.novocare.com/diabetes/products/ozempic/explaining-list-price.html>.

¹²⁷ In March 2023, Eli Lilly, Novo Nordisk, and Sanofi announced they would cap monthly costs of their insulins at \$35 after facing pressure from Senator Bernie Sanders (I-VT) and other critics to lower prices. Rebecca Robbins, "Sanofi Plans to Cut the Price of Insulin," *The New York Times*, March 16, 2023, <https://www.nytimes.com/2023/03/16/business/sanofi-insulin-price.html>.

¹²⁸ "Boehringer Ingelheim to advance survodutide into three global Phase III studies in obesity," Boehringer Ingelheim, August 17, 2023, <https://www.boehringer-ingelheim.com/human-health/metabolic-diseases/survodutide-phase-iii-study-weight-loss>.

¹²⁹ This is not an exhaustive list of all similar organizations or all the companies that sponsor them.

A September 2023 feature in *The Wall Street Journal* on insurers “denying coverage for weight loss [drugs]” did not disclose the Obesity Action Coalition’s (OAC) ties to the manufacturers of these drugs.¹³⁰ Ted Kyle, the former chair of OAC, was quoted in the feature, which only described the coalition as a “nonprofit representing individuals affected by the disease of obesity.”¹³¹ It did not mention OAC’s industry funding: \$675,000 (or about 35 percent of its revenue) from pharma in 2022 including from Novo Nordisk and Eli Lilly.¹³² A June 2023 blog post by Kyle on OAC’s website criticized journalists for paying too much attention to manufacturers’ list prices rather than “the secretive behaviors of PBMs.”¹³³ OAC also publishes fact sheets on “insurance barriers/exclusions” to help patients “advocate to legislators, employers, insurance companies, and others about increasing access to obesity treatments.”¹³⁴ Criticism of insurers’ coverage of weight loss drugs is more likely to be well received when it comes from the leader of a patient advocacy group, rather than an executive at Eli Lilly or Novo Nordisk.

The Diabetes Leadership Council (DLC) engages with members of Congress to enhance scrutiny of insurers and PBMs. DLC joined with the Congressional Diabetes Caucus in 2023 to host a policy briefing on Capitol Hill that featured addresses from Senator Jeanne Shaheen (D-NH) and Representative Diana DeGette (D-CO-01).¹³⁵ A description of the event states that attendees discussed “tackling [PBM] middlemen that saddle people with chronic conditions with higher costs and fewer options for prescription medications.”¹³⁶ Members have also cited DLC in press releases on drug pricing reforms, including Senator Chuck Grassley (R-IA) who listed the organization as a supporter of the Pharmacy Benefit Manager Act of 2022 in a June 2022 press release.¹³⁷ Along with the four companies in the table, DLC is sponsored by PhRMA and other major manufacturers like Johnson & Johnson and Merck.¹³⁸

Advocacy group profile: Pain management

While pharma funding of pain patient advocacy groups, and specifically that of Purdue Pharma, has been reported on in the past, few have connected these groups to political debates around drug pricing. These groups often describe insurers and PBMs as barriers to accessing medications made by companies that sponsor them. The following table documents major pharmaceutical manufacturers’ sponsorships of these advocacy groups and other allied pain organizations based on the most recent available data.¹³⁹

Organizations like the Coalition for Headache and Migraine Patients (CHAMP) present themselves as grassroots coalitions of patients working to provide those who suffer from headaches and migraines increased access to medicines. CHAMP’s website has a webpage dedicated to what it calls “Insurance Barriers.”¹⁴⁰ The page claims that “insurance companies often hide behind unethical practices to deny patients access to treatments” while promoting manufacturers’ financial assistance programs which, according to CHAMP, “are designed to get new treatments into the hands of patients.”¹⁴¹ CHAMP acknowledges on its website that its sponsors, all pharmaceutical manufacturers, “make our work possible.”¹⁴² CHAMP employees also help

130 Stephanie Armour, “To Pay for Weight Loss Drugs, Some Take Second Jobs, Ring Up Credit-Card Debts,” *The Wall Street Journal*, September 1, 2023, <https://www.wsj.com/health/healthcare/ozempic-mounjaro-weight-loss-drug-cost-32fc3555>.

131 Ibid.

132 “Corporate Partners,” Obesity Action Network, <https://web.archive.org/web/20221204042304/https://www.obesityaction.org/corporate-partners>; and “Obesity Action Coalition 2022 Form 990,” Nonprofit Explorer, *ProPublica*, <https://projects.propublica.org/nonprofits/organizations/201953508/202343119349302474/full>. The article also failed to disclose that Kyle worked at GlaxoSmithKline for 26 years, including as Director of Medical Marketing and Director of Policy and Innovation. Ted Kyle, LinkedIn, <https://www.linkedin.com/in/ted-kyle-consciencehealth>.

133 The article featured a quote from OAC’s CEO Joe Nadglowski who said that “Reporting like this serves to justify insurance companies limiting coverage by emphasizing the expensive list prices for these important medicines.” Ted Kyle, RPh, MBA, “Reporting Inflated Costs for Obesity Meds,” Obesity Action Coalition, June 2, 2023, <https://www.obesityaction.org/reporting-inflated-costs-for-obesity-meds>.

134 “Access to Care Resources,” Obesity Action Coalition, <https://www.obesityaction.org/advocacy/resources/access-to-care-resources>.

135 “Diabetes is a growing epidemic and has no one-size-fits-all solution,” Diabetes Leadership Council, <https://www.diabetesleadership.org/congressional-briefing#118th-Congress>.

136 Ibid.

137 Press release: “Commerce Committee Advances Grassley, Cantwell Bipartisan Bill to Combat Rising Prescription Drug Prices,” Senator Chuck Grassley, June 22, 2022, <https://www.grassley.senate.gov/news/news-releases/commerce-committee-advances-grassley-cantwell-bipartisan-bill-to-combat-rising-prescription-drug-prices>.

138 “Get Involved: Sponsors,” Diabetes Leadership Council, <https://www.diabetesleadership.org/get-involved#sponsors>.

139 This is not an exhaustive list of all pain groups, nor all their funders as smaller pharmaceutical manufacturers also fund these organizations.

140 “Resources for Overcoming Migraine Treatment Insurance Barriers,” Coalition for Headache and Migraine Patients, <https://headachemigraine.org/migraine-treatment-help>.

141 Ibid.

142 “Community,” Coalition for Headache and Migraine Patients, <https://headachemigraine.org/community>.

Pharma sponsorships of pain management advocacy groups

Organization	AbbVie	Amgen	Genentech	J & J	Eli Lilly	Lundbeck	Pfizer	Teva
American Academy of Pain Medicine (AAPM) ³⁰					✓			✓
American Chronic Pain Association (ACPA) ³¹	✓	✓		✓				✓
American Headache Society (AHS) ³²	✓	✓			✓	✓	✓	✓
American Migraine Foundation (AMF) ³³	✓	✓			✓	✓	✓	
Association of Migraine Disorders ³⁴	✓				✓	✓	✓	
Coalition for Headache and Migraine Patients (CHAMP) ³⁵	✓					✓		
Headache & Migraine Policy Forum (HMPF) ³⁶	✓	✓			✓	✓	✓	
Migraine Meanderings ³⁷	✓				✓	✓	✓	
National Headache Foundation (NHF) ³⁸	✓	✓			✓	✓	✓	✓
Protecting Access to Pain Relief Coalition (PAPR) ³⁹				✓				
Patient Mind Inc. ⁴⁰		✓	✓			✓	✓	
U.S. Pain Foundation ⁴¹		✓	✓	✓	✓	✓		

Note: Citations can be found in the endnotes at the end of the report.

pharmaceutical manufacturers reach patients in underserved populations. For instance, Jaime Sanders, known as the “Migraine Diva,” is a diversity, equity, and inclusion (DEI) strategist and consultant for CHAMP who has consulted for pharma.¹⁴³ She has also consulted for another pharma-funded organization, HealthyWomen, and publishes sponsored blog posts for Pfizer’s migraine drug Nurtec ODT.¹⁴⁴

The U.S. Pain Foundation equally criticizes health insurers while receiving funding from drug makers that produce pain medicines.¹⁴⁵ U.S. Pain’s advocacy program, which includes its annual “Headache on the Hill” congressional fly-in, is sponsored by Genentech, Lundbeck, Johnson & Johnson, and Vertex Pharmaceuticals.¹⁴⁶ Similarly, Eli Lilly and Vertex Pharmaceuticals were the only sponsors of its September 2023 Pain Awareness Month.¹⁴⁷ A large survey by the foundation in 2020, like CHAMP, featured a section titled “Insurance Barriers” and found that about 65 percent of respondents with insurance said “insurance requirements or limits prevented them from accessing treatment.”¹⁴⁸ The foundation has been quoted in *NPR* and *NBC News* and its leaders have testified before Congress on access to pain medication without disclosing the organization’s industry funding.¹⁴⁹

143 Jaime Sanders, LinkedIn, <https://www.linkedin.com/in/themigrainediva>.

144 Pfizer has hired celebrities like Lady Gaga and Khloe Kardashian to promote Nurtec ODT as well. Nick Paul Taylor, “Pfizer makes Lady Gaga the star of Nurtec ODT migraine push,” *Fierce Pharma*, June 14, 2023, <https://www.fiercepharma.com/marketing/pfizer-makes-lady-gaga-star-nurtec-odt-migraine-push>; “HealthyWomen Corporate Advisory Council,” HealthyWomen, <https://www.healthywomen.org/corporate-advisory-council>; and “#Sponsored: Mothers: A Conversation About Migraine,” The Migraine Diva, April 13, 2021, <http://www.themigrainediva.com/2021/04/mothers-conversation-about-migraine.html>.

145 U.S. Pain receives funding from at least nine drug makers. Charles Ornstein and Tracy Weber, “American Pain Foundation Shuts Down as Senators Launch Investigation of Prescription Narcotics,” *ProPublica*, May 8, 2012, <https://www.propublica.org/article/senate-panel-investigates-drug-company-ties-to-pain-groups>; and “Funding & Financials,” U.S. Pain Foundation, <https://uspainfoundation.org/funding>.

146 “Funding & Financials,” U.S. Pain Foundation, <https://uspainfoundation.org/funding>.

147 Ibid.

148 “Access Survey Report,” U.S. Pain Foundation, <https://uspainfoundation.org/surveyreports/accesstocare>.

149 Will Stone and Pien Huang, “CDC issues new opioid prescribing guidance, giving doctors more leeway to treat pain,” *NPR*, November 3, 2022, <https://www.npr.org/sections/health-shots/2022/11/03/1133908157/new-oid-opioid-prescribing-guidelines-give-doctors-more-leeway-to-treat-pain>; Will Stone, “CDC issues a revamp of opioid guidelines, giving clinicians more leeway,” *NPR*, November 3, 2022, <https://www.npr.org/2022/11/03/1134079070/cdc-issues-a-revamp-of-opioid-guidelines-giving-clinicians-more-leeway>; Frank Thorp V and Jane C. Timm, “Woman in cot testifies to Congress on opioids, chronic pain management,” *NBC News*, February 12, 2019, <https://www.nbcnews.com/politics/congress/woman-testifies-congress-opioids-chronic-pain-cot-n970616>; and “Testimony of Cindy Steinberg,” U.S. Senate Committee on Health, Education, Labor, and Pensions, February 12, 2019, <https://www.help.senate.gov/imo/media/doc/Steinberg.pdf>.

3. Visits to Capitol Hill

Congressional fly-ins, testimonies, and site visits are an important way for health care advocates to share their perspectives with their representatives. Fly-ins and testimonies by patients and providers are usually organized by the patient advocacy group or professional association to which they belong. However, large health care companies that support their advocacy – typically with more experienced lobbyists to set up meetings and lawyers to help prepare testimonies – can play a role in these interactions with Congress. For example, Cencora's Good Neighbor Pharmacy sponsored the congressional reception at the 2023 and 2024 NCPA fly-ins.¹⁵⁰ McKesson discloses that it coordinates site visits for providers in its US Oncology Network, as discussed previously in this report.¹⁵¹ This section will primarily focus on congressional hearings, the most visible interactions with representatives, using recent hearings on PBM reform to show how industry influence is often not disclosed.

Part of pharma's and wholesalers' success in the pharmacy sector battle can be attributed to pharmacy and oncology advocates rarely disclosing the industry support they receive when testifying on PBMs. Selecting witnesses for hearings and choosing not to question them on potential conflicting relationships are two ways that members of Congress can tilt the scales in competitions between health care companies. A February 16, 2023, Senate Commerce Committee hearing titled "Bringing Transparency and Accountability to Pharmacy Benefit Managers" exemplifies this phenomenon. One of the four witnesses, Ryan Oftebro, was described on the hearing webpage as the "CEO of Seattle-based independent pharmacy Kelley-Ross Pharmacy Group."¹⁵² In his written testimony, Oftebro stated that he was representing NCPA, APhA, and the Washington State Pharmacy Association (WSPA).¹⁵³ Kelley-Ross Pharmacy's downtown Seattle location is a Cencora Good Neighbor Pharmacy franchise which Oftebro did not mention in his written testimony.¹⁵⁴ As the previous sections have shown, Cencora and the other wholesalers play an essential role in the federal advocacy efforts of their pharmacist franchisees. When he testified, Oftebro was also past president of WSPA which lists wholesaler McKesson as one of its core sponsors.¹⁵⁵

Business relationships between oncologists and pharmaceutical manufacturers and wholesalers were also not disclosed in the hearing. In her written testimony, Dr. Debra Patt referred to herself as an oncologist who serves "in the leadership of Texas Oncology, a large independent community



Olympia, Washington. Washington has been a key battleground for state-level PBM legislation and is home to two of the leading PBM critics in Congress: Senate Commerce Committee Chair Senator Maria Cantwell (D-WA) and House Energy and Commerce Committee Chair Representative Cathy McMorris Rodgers (R-WA-05).

¹⁵⁰ "Congressional Pharmacy Fly-In," National Community Pharmacists Association, <https://web.archive.org/web/20230414174942/https://ncpa.org/congressional-pharmacy-fly>; and "Schedule at a Glance," 2024 Congressional Fly-in, National Community Pharmacists Association, <https://ncpa.org/sites/default/files/2024-03/fly-in-schedule.pdf>.

¹⁵¹ "The US Oncology Network Government Relations Team: Providing Policy Analysis & Strategic Advocacy for Community Cancer Care," The US Oncology Network, <https://usoncology.com/news/the-us-oncology-network-government-relations-team-providing-policy-analysis-strategic-advocacy-for-community-cancer-care>.

¹⁵² "Bringing Transparency and Accountability to Pharmacy Benefits Managers," U.S. Senate Committee on Commerce, Science, and Transportation, February 16, 2023, <https://www.commerce.senate.gov/2023/2/bringing-transparency-and-accountability-to-pharmacy-benefit-managers>.

¹⁵³ Ryan Oftebro, "Testimony of Ryan Oftebro, PharmD, FACA," U.S. Senate Committee on Commerce, Science, and Transportation, February 16, 2023, <https://www.commerce.senate.gov/services/files/D5BFB59F-AE07-4E0B-A652-0366AFAD84E3>.

¹⁵⁴ "Kelley-Ross Pharmacy at the Polyclinic," Good Neighbor Pharmacy, <https://www.mygnp.com/pharmacies/kelley-ross-pharmacy-at-the-polyclinic-seattle-wa-98104>.

¹⁵⁵ "Home," Washington State Pharmacy Association, <https://www.wsparx.org>.

oncology practice that is part of the US Oncology Network."¹⁵⁶ She also mentioned her role as vice president of COA. However, Patt did not disclose COA's pharma and wholesaler funding, nor did she make clear that US Oncology Network is owned by McKesson, a *Fortune* 10 company and PBM competitor. Patt has also consulted for Amgen, AstraZeneca, Pfizer, and Roche and has received research funding from Eisai, Eli Lilly, Merck, and Seagen but did not disclose these conflicts.¹⁵⁷ Casey Mulligan, an economist at the University of Chicago who led the Council of Economic Advisers during the Trump administration, testified in defense of PBMs in the hearing. Mulligan disclosed in his written testimony that two of his recent economic studies were funded by PBMs' trade group PCMA.¹⁵⁸

A May 2022 hearing on PBMs featured an expert witness who similarly did not disclose conflicts of interest in his testimony. Northwestern University business school professor Craig Garthwaite was selected as an expert witness to testify on PBM business practices in a May 5, 2022, Senate Commerce Committee hearing titled "Ensuring Fairness and Transparency in the Market for Prescription Drugs" alongside University of California Law, San Francisco professor Robin Feldman.¹⁵⁹ As is common in congressional hearings, Garthwaite and Feldman were chosen to provide the committee members objective analysis of the pharmaceutical market as academics in the field. PCMA President and CEO JC Scott also testified in the hearing as the witness representing the PBM industry. Despite his

criticism of PBMs in the hearing, Garthwaite failed to disclose in his written testimony that he had recently served on advisory boards for Eli Lilly and Janssen Pharmaceuticals or that he had completed speaking engagements for Allergan, Alexion, and the National Pharmaceutical Council (NPC).¹⁶⁰

Members of Congress interact with this undisclosed advocacy in their work on PBM reform, often citing pharma- and wholesaler-funded organizations. Leading PBM critics in the Senate such as Senator Maria Cantwell (D-WA), who chairs the Commerce Committee, and Sen. Grassley have quoted NCPA and COA leaders' criticism of PBMs in press releases on multiple occasions.¹⁶¹ Pharmacist and Representative Buddy Carter (R-GA-01) is arguably the most ardent PBM critic on Capitol Hill.¹⁶² In October 2022, Rep. Carter released his "Pulling Back the Curtain on PBMs" report which described PBMs as "insidious actors" while citing an array of individuals and organizations with conflicting industry ties.¹⁶³ One report that Rep. Carter cited was directly commissioned by PhRMA.¹⁶⁴ Rep. Carter also cited Oftebro and two prominent drug pricing experts: pharma consultant Adam Fein, and Antonio Ciaccia whose clients have included COA and "disruptor PBMs" MCCPD and Capital Rx.¹⁶⁵ At least eight entities affiliated with pharma or wholesalers were cited in the report as well, including the Arkansas and California Pharmacists Associations, a BIO landing page titled "Drug Cost Facts," and the PBM Accountability Project.¹⁶⁶

156 Debra Patt, "Testimony of Debra Patt, MD PhD MBA," U.S. Senate Committee on Commerce, Science, and Transportation, February 16, 2023, <https://www.commerce.senate.gov/services/files/148251FC-58BF-488D-9102-CB8646A9FAB9>.

157 "Debra Patt, MD, PhD, MBA," *OB Oncology*, <https://www.obroncology.com/contributor/debra-patt>.

158 Casey Mulligan, "Testimony of Casey B. Mulligan," U.S. Senate Committee on Commerce, Science, and Transportation, February 16, 2023, <https://www.commerce.senate.gov/services/files/D81F4C0D-7E29-4BA1-B403-13C04566A2E>.

159 "Ensuring Fairness and Transparency in the Market for Prescription Drugs," U.S. Senate Committee on Commerce, Science, and Transportation, May 5, 2022, <https://www.commerce.senate.gov/2022/5/ensuring-fairness-and-transparency-in-the-market-for-prescription-drugs>.

160 Craig Garthwaite, "Testimony of Craig L. Garthwaite, Ph.D.," U.S. Senate Committee on Commerce, Science, and Transportation, May 5, 2022, <https://www.commerce.senate.gov/services/files/18C46017-860D-4A6A-816D-1290A084FBC2>; and "Curriculum Vitae," Craig Garthwaite, February 2023, https://www.kellogg.northwestern.edu/faculty/directory/garthwaite_craig.aspx.

161 Press release: "Cantwell Introduces Bipartisan Bill to Fight Unfair Drug Pricing," Senator Maria Cantwell, May 24, 2022, <https://www.cantwell.senate.gov/news/press-releases/cantwell-introduces-bipartisan-bill-to-fight-unfair-drug-pricing>; and Press release: "Grassley, Cantwell Continue Campaign To Hold PBMs Accountable," Senator Chuck Grassley, January 26, 2023, <https://www.grassley.senate.gov/news/news-releases/grassley-cantwell-continue-campaign-to-hold-pbms-accountable>.

162 Rep. Carter has faced criticism in the past for his ties to wholesaler McKesson. Craig Nelson, "Savannah opioid lawsuit renews attention on Rep. Buddy Carter," *The Current*, October 31, 2022, <https://thecurrentga.org/2022/10/31/carter-removed-from-wrongful-death-lawsuit-involving-savannah-oidiop-overdose-victim>.

163 "PBM Abuses," Representative Buddy Carter, <https://buddycarter.house.gov/pbmabuses>.

164 Xcenda is a consulting subsidiary of Cencora. "Skyrocketing growth in PBM formulary exclusions continues to raise concerns about patient access," Xcenda, May 2022, https://www.xcenda.com/-/media/assets/xcenda/english/content-assets/white-papers-issue-briefs-studies-pdf/xcenda_pbm_exclusion_may_2022.pdf.

165 "Kelley-Ross Pharmacy at the Polyclinic," Good Neighbor Pharmacy, <https://www.mygnp.com/pharmacies/kelley-ross-pharmacy-at-the-polyclinic-seattle-wa-98104>; and "Home," Washington State Pharmacy Association, <https://www.wspax.org>. Fein, the CEO of pharma analysis site *Drug Channels* and the president of Pembroke Consulting, was cited nine times in Rep. Carter's report. Fein is a consultant for "primarily senior executives at manufacturers of biopharmaceuticals." "Consulting," Pembroke Consulting, <https://www.pembrokeconsulting.com/consulting>; and "Consulting," Pembroke Consulting, <https://web.archive.org/web/20210322013410/https://www.pembrokeconsulting.com/consulting>. Ciaccia runs nonprofit 46brooklyn Research and 3 Axis Advisors, a consulting firm. The firm's clients have included the PBM Accountability Project, COA, and state pharmacy organizations. "Our Work," 3 Axis Advisors, <https://www.3axisadvisors.com/projects>; and "Drug Pricing and Payment Program," American Pharmacists Association, <https://pharmacist.com/Education/Certificate-Training-Programs/Drug-Pricing>.

166 Rep. Carter cited: APHA, which is sponsored by 16 pharmaceutical manufacturers and three major wholesalers. "APh Corporate Supporters," American Pharmacists Association, <https://www.pharmacist.com/corporate-supporters>. The Arkansas Pharmacists Association (APA), which counts major drug wholesalers as five of its seven sponsors. "Home," Arkansas Pharmacists Association, <https://www.arpx.org>. AAM, the trade association for generic drug manufacturers, and BIO, whose members include leading pharmaceutical manufacturers. The California Pharmacists (CPhA), which is sponsored by the Big Three wholesalers and large pharmaceutical manufacturers. "Home," California Pharmacists Association, <https://cpha.com>. "Drug Cost Facts," a landing page operated by BIO. "Drug Cost Facts," <https://www.drugcostfacts.org>. NCPA, whose corporate sponsors include 16 pharmaceutical manufacturers and the Big Three wholesalers. NCPA was cited six times in the report. "Corporate Members," National Community Pharmacists Association, <https://ncpamember.ncpa.org/NCPAMember2020/Directory#MORG>. The PBM Accountability Project, which mostly consists of unions and organizations funded by pharma and wholesalers like CSRO, DLC, NASPA, the National Consumers League (NCL), and NCPA. "Corporate Members," Coalition of State Rheumatology Organizations, <https://csro.info/membership/our-corporate-members>; "Sponsors," Diabetes Leadership Council, <https://diabetesleadership.org/get-involved#sponsors>; "Associate Members," National Alliance of State Pharmacy Associations, <https://naspa.us/member-directories#associate>; and "Health Advisory Council," National Consumers League, https://nclnet.org/health-advisory-council/hac_members.



The first ever op-ed page appeared in The New York Times on September 21, 1970, more than a decade after editor John B. Oakes first came up with the idea.

4. Health care op-eds

Many elite health care policy debates are explicitly or implicitly shaped by commercial interests. Industry-funded academic studies and other publications can be very influential, but op-eds can provide decision makers in Washington with a concise perspective from a perceived expert in the field. Not every op-ed on health care policy is “placed” by a corporate entity. Views presented in op-eds can equally be inspired by authors’ genuine personal philosophies, past work experiences, and business relationships. Op-ed authors occasionally do not make these conflicts or biases clear when advocating for policies favorable to companies they consult for, or perhaps, worked at in the past. More frequent disclosure of conflicts of interests could lead to more nuanced and balanced policy debates, allowing readers to make better informed decisions. Two important op-eds discussing pharma and PBMs in *The Wall Street Journal* showcase these points:

- As far back as February 2019, elite debates on PBM reform have been stimulated by industry interests. Adam Fein published an op-ed in *The Journal* titled “Don’t Blame Drug Prices on Big Pharma” with the subtitle “Lawmakers want lower list prices, but insurers are at fault for mismanaging plans.”¹⁶⁷ The op-ed criticized PBMs and health plans while arguing that law makers “have to stop portraying

drug companies and list prices as the villain.”¹⁶⁸ Fein’s description at the end of the article simply states: “Mr. Fein is CEO of Drug Channels Institute.”¹⁶⁹ Along with his role at *Drug Channels*, Fein runs his own consulting firm, Pembroke Consulting. Fein’s “clients are primarily senior executives at manufacturers of biopharmaceuticals” although this has since been taken down from the firm’s website.¹⁷⁰ The op-ed even has had an effect on congressional hearings as it was cited twice by then-PhRMA senior vice president Lisa Joldersma in her May 2019 written testimony to the House Energy and Commerce Committee.¹⁷¹ As of May 2024, *The Journal* has not added a disclosure of Fein’s consulting interests to the op-ed.

- Three years after Fein’s op-ed, former Trump White House advisors Joe Grogan and Casey Mulligan published a July 2022 op-ed in *The Wall Street Journal* titled “In Defense of Pharmacy Benefit Managers.”¹⁷² The op-ed lays out several arguments in favor of PBMs and, unsurprisingly, calls out “drug-company lobbyists.” However, Grogan and Mulligan made their interests clear. Both experts disclosed at the end of the piece that they “consult for the PBM industry,” with Grogan also acknowledging his work for pharma.¹⁷³ Disclosing one’s interests and research funding, like in this scenario, can potentially bolster arguments made by experts who receive industry support.

¹⁶⁷ Adam J. Fein, “Don’t Blame Drug Prices on Big Pharma,” *The Wall Street Journal*, February 3, 2019, <https://www.wsj.com/articles/dont-blame-drug-prices-on-big-pharma-11549229031>.

¹⁶⁸ Ibid.

¹⁶⁹ Ibid.

¹⁷⁰ Unlike many health care consultants who advise a wide range of industry players, Fein strictly advises pharmaceutical manufacturers and has even stated that his work for pharma “precludes” him from advising wholesalers, PBMs, and health care providers. “Consulting,” Pembroke Consulting, <https://web.archive.org/web/20210322013410/https://www.pembrokeconsulting.com/consulting>.

¹⁷¹ “Testimony of Lisa Meengs Joldersma,” House of Representatives Committee on Energy and Commerce, May 21, 2019, <https://www.congress.gov/116/meeting/house/109551/witnesses/HHRG-116-IF14-Wstate-JoldersmaL-20190521.pdf>.

¹⁷² Joe Grogan and Casey B. Mulligan, “In Defense of Pharmacy Benefit Managers,” *The Wall Street Journal*, July 11, 2022, <https://www.wsj.com/articles/in-defense-of-pharmacy-benefit-managers-drugs-rebates-patient-costs-premiums-transparency-innovation-regulation-ftc-11657571932>.

¹⁷³ Ibid.

5. Political advertising

Although advertising is a well-recognized tool in clashes between large companies, it has an important role in the pharmacy sector battle over drug prices. Like its funding of advocacy groups, pharma greatly outspends PBMs in traditional television advertising and social media ads. Form 990 tax filings show that PhRMA spent \$52 million on “advertising and promotion” in 2022 while PCMA, representing PBMs, spent approximately \$10 million on “advertising and promotion” that same year.¹⁷⁴ On average, PhRMA spent more than \$68 million on “advertising and promotion” each year from 2017 to 2021.¹⁷⁵ It is important to note that these figures do not include the

expenditures of PhRMA nor PCMA member companies, many of which engage in their own additional ad spending.

With data on ad spending for major publications largely unavailable, Meta platforms provide a window into the asymmetries of ad spending in the political arena. Pharma dominates Meta political advertising even amongst other trade groups that are commonly understood to represent the most powerful industries like oil and banking. The following figures detail advertising expenditures on Meta platforms on “social issues, elections, or politics” between May 2018 and September 2023.

174 “Pharmaceutical Research and Manufacturers of America 2022 Form 990,” Nonprofit Explorer, *ProPublica*, <https://projects.propublica.org/nonprofits/organizations/530241211/202303189349316445/full>; and “Pharmaceutical Care Management Association 2022 Form 990,” Nonprofit Explorer, *ProPublica*, <https://projects.propublica.org/nonprofits/organizations/383676760/202303189349313325/full>.

175 “Pharmaceutical Research and Manufacturers of America 2017 Form 990,” Nonprofit Explorer, *ProPublica*, <https://projects.propublica.org/nonprofits/organizations/530241211/201823199349300217/full>; “Pharmaceutical Research and Manufacturers of America 2018 Form 990,” Nonprofit Explorer, *ProPublica*, <https://projects.propublica.org/nonprofits/organizations/530241211/201903169349305220/full>; “Pharmaceutical Research and Manufacturers of America 2019 Form 990,” Nonprofit Explorer, *ProPublica*, <https://projects.propublica.org/nonprofits/organizations/530241211/202043189349300519/full>; “Pharmaceutical Research and Manufacturers of America 2020 Form 990,” Nonprofit Explorer, *ProPublica*, <https://projects.propublica.org/nonprofits/organizations/530241211/202133169349306718/full>; and “Pharmaceutical Research and Manufacturers of America 2021 Form 990,” Nonprofit Explorer, *ProPublica*, <https://projects.propublica.org/nonprofits/organizations/530241211/202213169349300541/full>.

Advertising at metro stations and bus stops in the Washington area is an important tool in competition between companies. Four-week advertising blocks at the busiest Washington Metro stations can cost hundreds of thousands of dollars.



- The combined spending by the top trade groups representing PBMs (PCMA), insurers (AHIP), hospitals (AHA), and doctors (AMA) over the last five years was \$1,976,108.¹⁷⁶ PhRMA's almost \$21 million spent on Meta ads is ten times more than these major health care trade associations combined.¹⁷⁷
- Beyond just health care, the U.S. Chamber of Commerce, American Petroleum Institute (API), American Chemistry Council (ACC), American Bankers Association (ABA), and Airlines for America (A4A) spent a combined \$4,701,265 in the same time period.¹⁷⁸ This suggests PhRMA spent four times more than five of the most powerful trade groups in Washington combined.
- Lastly, PhRMA outspent prolific advertiser AARP by nearly \$15 million in this time period.¹⁷⁹

Corporations also seek influence over Washington elite media through sponsorships of health care conferences. In March 2023, PhRMA sponsored *The Hill's* "Pathway to Patient Affordability" panel.¹⁸⁰ Relatedly, PhRMA sponsored an *Axios* event covering post-midterm election health care policy in December 2022.¹⁸¹ PhRMA has also sponsored past *Politico* events and more recently Pfizer sponsored *Politico's* July 2023

event on "The Next Generation of Health Care Therapies."¹⁸² Like PhRMA, PCMA has sponsored events put on by *The Hill* such as a March 2023 panel titled "Prescription for Change: Improving Competition to Lower Drug Prices."¹⁸³ JC Scott, the president and CEO of PCMA, has also penned op-eds in *The Hill* on several occasions, including a June 2022 op-ed that describes drug manufacturers as the "root cause of high drug costs."¹⁸⁴

These publications risk losing their credibility and readership if more Americans start to view their reporting and analysis as tainted by their top sponsors and advertisers.

In the case of pharmaceutical manufacturers, some policy makers have noticed the large imbalance between pharma's ad spending and the ad spending of pharma's competitors. In a September 2023 House Oversight Committee hearing on PBMs, Representatives Eric Burlison (R-MO-07), Summer Lee (D-PA-12), Scott Perry (R-PA-10), and Katie Porter (D-CA-47) all raised concerns about pharma spending on anti-PBM ads, with Rep. Burlison claiming the industry has spent at least \$9 million on the issue.¹⁸⁵ Should this congressional scrutiny expand to PBMs and other health care industries, companies in the health sector could begin to rethink the tremendous amount of money they spend on political ads.

Meta platforms ad spending on "social issues, elections, or politics" (May 2018-September 2023)

Health care trade group	Meta ad spending
AMA	\$1,294,750
PCMA	\$386,215
AHIP	\$229,321
AHA	\$65,822
Total	\$1,976,108
PhRMA	\$20,804,433

Trade group	Meta ad spending
Chamber	\$2,421,614
API	\$1,088,817
ACC	\$667,493
ABA	\$443,241
A4A	\$80,100
Total	\$4,701,265
PhRMA	\$20,804,433

176 PCMA (\$386,215), AHIP (\$229,321), AHA (\$65,822), and AMA (\$1,294,750). All Meta advertising data was sourced from Meta's ad library page: "Ad Library," Facebook, www.facebook.com/ads/library.

177 PhRMA spent \$20,804,433 in the same time period. "Ad Library," Facebook, www.facebook.com/ads/library.

178 U.S. Chamber of Commerce (\$2,421,614), API (\$1,088,817), ACC (\$667,493), ABA (\$443,241), and A4A (\$80,100). "Ad Library," Facebook, www.facebook.com/ads/library.

179 AARP (\$5,005,618). "Ad Library," Facebook, www.facebook.com/ads/library.

180 "Pathways to Patient Affordability," *The Hill*, March 7, 2023, <https://thehill.com/events/past/3880906-pathways-to-patient-affordability>.

181 "The Post-Midterm Health Care Agenda," *Axios*, December 7, 2022, <https://phrma.org/resource-center/Topics/Economic-Impact/The-Post-Midterm-Health-Care-Agenda>.

182 "The Next Generation of Health Care Therapies," *Politico*, July 20, 2023, <https://www.politico.com/live-events/2023/07/20/the-next-generation-of-health-care-therapies-00001447>; and Holly Campbell, "Video: PhRMA CEO discusses biopharmaceutical supply chain at POLITICO event," *Pharmaceutical Research and Manufacturers of America*, May 4, 2018, <https://phrma.org/Blog/video-pharma-ceo-discusses-biopharmaceutical-supply-chain-at-politico-event>.

183 "TODAY: Prescription for Change: Improving Competition to Lower Drug Prices," *Pharmaceutical Care Management Association*, March 9, 2023, <https://www.pcmnet.org/uncategorized/today-prescription-for-change-improving-competition-to-lower-drug-prices/03/09/2023>.

184 JC Scott, "Achieving an affordable health care future for patients," *The Hill*, April 17, 2023, <https://thehill.com/opinion/congress-blog/3955465-achieving-an-affordable-health-care-future-for-patients>; and JC Scott, "Drug manufacturers are root cause of high drug costs; PBMs drive costs down," *The Hill*, June 30, 2022, <https://thehill.com/opinion/healthcare/3542594-drug-manufacturers-are-root-cause-of-high-drug-costs-pbms-drive-costs-down>.

185 "The Role of Pharmacy Benefit Managers in Prescription Drug Markets Part II: Not What the Doctor Ordered," U.S. House Committee on Oversight and Accountability, September 19, 2023, <https://oversight.house.gov/hearing/the-role-of-pharmacy-benefit-managers-in-prescription-drug-markets-part-ii-not-what-the-doctor-ordered>.



Rockefeller Center in New York, New York. John D. Rockefeller founded one of the nation's first philanthropic foundations, the Rockefeller Foundation, at the beginning of the twentieth century.

PHILANTHROPIC FOUNDATIONS: THE NEW KINGMAKERS?

Foundations are a profoundly underappreciated piece of the health care policy landscape. Baron has tracked the influence of foundations across industries for years, finding that the role of foundations in health care policy is perhaps more important than in any other policy arena. The firm's fall 2023 brief titled "The Foundation Factor" posited: "As major corporations contend with the urgent demands of legislative battles and interminable rulemaking, foundations shape the elite policy consensus through massive investments in supportive research, experts and scholars, and issue-advocacy organizations."¹⁸⁶

Interestingly, some of the world's largest foundations have their roots in health care companies, and specifically, the pharmaceutical industry: the Novo Nordisk Foundation, Lilly Endowment, and Robert Wood Johnson Foundation (RWJF) are among the 20 largest worldwide, with endowments of tens of billions of dollars.¹⁸⁷

In the realm of ideological competition, the foundations most involved in health care policy tend to be left-of-center institutions. The absence of an equivalent health

¹⁸⁶ "The Foundation Factor," Baron Public Affairs, <https://www.baronpa.com/library/the-foundation-factor>.

¹⁸⁷ "2022 Annual Report," Novo Holdings, <https://a.storyblok.com/f/228216/x/7b9aee9a38/novo-holdings-annual-report-2022.pdf>; "2022 Finances & Grantmaking," Lilly Endowment, <https://lillyendowment.org/wp-content/uploads/2023/05/22-finance.pdf>; and "Robert Wood Johnson Foundation 2022 Form 990-PF," Nonprofit Explorer, ProPublica, <https://projects.propublica.org/nonprofits/organizations/226029397/202343139349100304/full>.

care grantmaking infrastructure on the Right could be one explanation for the conservative movement's limited focus on health care policy since the early 2010s. Congressional offices, health care policy analysts, journalists, and those in industry should recognize the influence of philanthropic foundations in health care and consider how they might steer policy debates.

With combined annual spending on health care policy issues around \$400 million, major philanthropic foundations' resources rival those used by the private sector to shape issue trends in Washington. Even as major corporations and their trade associations aggressively contest the downstream legislative arena, foundations work upstream to define the health care debate. Collectively, foundations act as a "Super Power" alliance that largely aims to lower costs, increase transparency, and move the American health care system towards the public sector.

Annual spending on health care policy by major philanthropic foundations

Foundation ¹⁸⁸	Annual spending
Arnold Ventures ¹⁸⁹	~\$50,000,000
Commonwealth Fund ¹⁹⁰	\$52,000,000
Robert Wood Johnson Foundation ¹⁹¹	\$276,000,000
West Health ¹⁹²	\$35,000,000

Philanthropic foundations are a powerful force in shaping congressional hearings on health care. Baron collected 1,300 testimonies from congressional hearings on health care between January 2019 and September 2023. Eight of the top 15 most frequent non-governmental testifiers or their affiliated organizations had received funding from one or more of these four foundations and all eight received funding from Arnold Ventures.¹⁹³ Families USA, whose former executive director Frederick Isasi is the top health care testifier (testifying 10 times since 2019), received grants in recent years from Arnold Ventures, the Commonwealth Fund, and RWJF.¹⁹⁴

Congressional testifiers receiving corporate funding regularly encounter more scrutiny than testifiers connected to foundations. Foundations are often perceived as neutral actors free of financial, partisan, ideological, or other bias. These perceptions fail to account for the deeply held policy views, political sympathies, funder interests, and other factors that make foundations distinct from objective research institutes bound by the scientific method. It is well-known that foundations typically have political leanings. For example, several key leaders of Arnold Ventures and the Commonwealth Fund served in Democratic administrations and Senate offices.¹⁹⁵ West Health's founder Gary West also holds highly critical views of the private sector: "The consistent driver of higher costs is the relentless pursuit of profit by a greedy health care cartel marking up prices of products and services multiple times – and paying off Congress to protect its windfall profits."¹⁹⁶

Although it mimics the activity of philanthropic foundations, Arnold Ventures is a limited liability company (LLC) and,

188 This document uses the term "foundation" to encompass traditional foundations as well as foundation-adjacent organizations. The West Health Institute and West Health Policy Center exhibit several similarities to foundations, despite formally being in a different category. For some of the foundations listed, such as the Commonwealth Fund, the total annual expenses of the organizations reflect health care policy-oriented spending since nearly all their spending and programming is policy-oriented. Other foundations such as the Robert Wood Johnson Foundation and Arnold Ventures spend funds on health care research that is not policy-oriented or on issues unrelated to health care. Additionally, grantmaking that is not explicitly for political advocacy purposes can still affect policy as grant funding plays a powerful role in shaping the research, and as a result the storylines and viewpoints, in health care policy.

189 In this report, "Arnold Ventures" refers to all affiliated philanthropic organizations founded and led by Laura and John Arnold including the Laura and John Arnold Foundation, Action Now Inc., and Arnold Ventures itself. Since Arnold Ventures' annual spending numbers reflect both health care and non-health care spending, this number is based on Baron's estimates of Arnold's annual health care policy-oriented grant making. In September 2023, Arnold Ventures listed an aggregate number of \$468,679,124 in health grants since the foundation's inception in 2011. Averaged over 12 years, the annual spending on health grants would be about \$39 million. Baron's estimate of \$50 million reflects Arnold's increased health care activity since 2018. "Health," Arnold Ventures, <https://web.archive.org/web/20230922173412/https://www.arnoldventures.org/work/health>.

190 "The Commonwealth Fund 2022 Form 990-PF," Nonprofit Explorer, *ProPublica*, <https://projects.propublica.org/nonprofits/organizations/131635260/202313409349100501/full>.

191 This figure (\$276,249,633) was calculated by adding all 2023 grants in the Robert Wood Johnson Foundation grant portal under the "Health Disparities," "Health Leadership Development," and "Public and Community Health" categories. "Awarded Grants," Robert Wood Johnson Foundation, <https://www.rwjf.org/en/grants/awarded-grants.html>.

192 This figure (\$35,080,856) was calculated by totaling the expenses and disbursements of the Gary and Mary West Foundation, the Gary and Mary West Health Institute, and the Gary and Mary West Health Policy Center. "Gary and Mary West Foundation 2022 Form 990-PF," Nonprofit Explorer, *ProPublica*, <https://projects.propublica.org/nonprofits/organizations/470793015/202323069349101032/full>; "Gary and Mary West Health Institute 2022 Form 990-PF," Nonprofit Explorer, *ProPublica*, <https://projects.propublica.org/nonprofits/organizations/264146730/202313039349301811/full>; and "Gary and Mary West Health Policy Center Inc 2022 Form 990-PF," Nonprofit Explorer, *ProPublica*, <https://projects.propublica.org/nonprofits/organizations/275388874/202322999349100317/full>.

193 For information on this data, please contact info@baronpa.com. Government officials were excluded from the data and hearings on abortion, gender transitions, and international health issues were also excluded. The dataset did not incorporate member day hearings, public witness hearings, nor general agency budget hearings.

194 "Laura and John Arnold Foundation 2021 Form 990-PF," Nonprofit Explorer, *ProPublica*, <https://projects.propublica.org/nonprofits/organizations/263241764/202233199349106393/full>; "Grants," Commonwealth Fund, <https://www.commonwealthfund.org/grants>; and "Awarded Grants," Robert Wood Johnson Foundation, <https://www.rwjf.org/en/grants/awarded-grants.html>.

195 "Rachel Weiss to Lead Health Care Advocacy for Arnold Ventures' Growing Advocacy Team," Arnold Ventures, July 15, 2022, <https://www.arnoldventures.org/newsroom/rachel-weiss-to-lead-health-care-advocacy-for-arnold-ventures-growing-advocacy-team>; Rachel Weiss, LinkedIn, <https://www.linkedin.com/in/rachelweiss202>; and "Rachel Nuzum," Commonwealth Fund, <https://www.commonwealthfund.org/person/rachel-nuzum>.

196 Gary West, "How prescription drug markups are bleeding businesses and workers," *The San Diego Union-Tribune*, March 28, 2019, <https://www.sandiegouniontribune.com/opinion/story/2019-03-28/prescription-drug-markups-bleeding-businesses-workers>.



The largest philanthropic foundations have separate Washington, D.C. offices dedicated to engaging policy makers and thought leaders.

therefore, is not required to disclose its grantmaking. Until recently, Arnold Ventures voluntarily displayed its grants in a searchable database on its website, but this has been taken down. Its unique status allows it to maintain its image as a philanthropic organization while benefitting from the opaqueness of corporate giving.

Foundations also influence health care policy by funding think tanks and policy organizations. In 2023, RWJF gave \$49 million in grants to organizations located in and around Washington.¹⁹⁷ The Urban Institute, for example, in 2021 received between \$500,000 and \$1.1 million in grants from health care companies and their affiliated philanthropies, while receiving at least \$2.5 million combined in grants from RWJF, Arnold Ventures, and the Commonwealth Fund.¹⁹⁸

Arnold Ventures alone provided specific health care policy grants to at least 18 different think tanks and policy research organizations in 2022.¹⁹⁹ These funds often pay for health care policy conferences and research programs such as the Committee for a Responsible Federal Budget's (CRFB) Health Savers Initiative, a "collaborative project" with Arnold Ventures and West Health.²⁰⁰ Additionally, Arnold Ventures funds influential industry institutions like the *British Medical Journal* (BMJ) and the popular health care policy podcast *Tradeoffs* which is also supported by RWJF and West Health.²⁰¹ *STAT News*, a leading health care publication, lists the Commonwealth Fund and other powerful foundations such as Bloomberg Philanthropies and the Chan Zuckerberg Initiative as its financial supporters.²⁰²

¹⁹⁷ "Awarded Grants," Robert Wood Johnson Foundation, <https://www.rwjf.org/en/grants/awarded-grants.html>.

¹⁹⁸ "2021 Urban Institute Financial Report," Urban Institute, <https://www.urban.org/sites/default/files/2022-10/2021%20Financial%20Report.pdf>.

¹⁹⁹ This data only includes grants given through the affiliated Laura and John Arnold Foundation as the Arnold Ventures grant portal has been taken down: The Altarum Institute, Bipartisan Policy Center (BPC), Brookings Institution, Center for Economic and Policy Research (CEPR), Center for Health Care Strategies, Center for Health Policy Development, Committee for a Responsible Federal Budget (CRFB), Health Care Cost Institute (HCCI), Kaiser Family Foundation (KFF), Initiative for Medicines Access & Knowledge (I-MAK), Lown Institute, National Opinion Research Center (NORC), R Street Institute, RAND Corporation, Research Triangle Institute, United States Public Interest Research Group Fund (U.S. PIRG), Urban Institute, and Washington Center for Equitable Growth. "Laura and John Arnold Foundation 2022 Form 990-PF," Nonprofit Explorer, *ProPublica*, <https://projects.propublica.org/nonprofits/organizations/263241764/202333199349104643/full>.

²⁰⁰ "Health Savers Initiative," Committee for a Responsible Federal Budget, <https://www.crfb.org/project/health-savers-initiative>.

²⁰¹ "Laura and John Arnold Foundation 2022 Form 990-PF," Nonprofit Explorer, *ProPublica*, <https://projects.propublica.org/nonprofits/organizations/263241764/202333199349104643/full>; and "About Us," *Tradeoffs*, <https://tradeoffs.org/about-us>.

²⁰² "Financial Supporters," *STAT News*, <https://www.statnews.com/supporters>.

While these foundations engage in traditional philanthropic activities like grantmaking to universities, they also have taken on a new “Super Power” role: backing advocacy groups. Patients for Affordable Drugs (P4AD) states that it does “not accept funding from organizations that profit from the development or distribution of prescription drugs.”²⁰³ Rather, P4AD received more than \$1.6 million in grants from Arnold Ventures in 2022 and 2023 as well as \$120,000 from the West Health Policy Center during that same period.²⁰⁴ P4AD also operates an affiliated 501(c)(4) called Patients for Affordable Drugs Now which received \$2.1 million from Arnold Ventures in 2022, further blurring the lines between philanthropy and political advocacy.²⁰⁵ Other advocacy groups receiving Arnold Ventures funding include the Alliance for Fair Health Pricing, Doctors for America, and Families USA.²⁰⁶

Foundations have become directly involved in the pharmaceutical supply chain. Arnold Ventures, West Health, and the Peterson Center on Healthcare (of the Peter G. Peterson Foundation) are founding members and maintain seats on the board of Civica, a nonprofit generic drug manufacturer that partners with hospitals and health systems to prevent drug shortages.²⁰⁷ Civica's members now represent more than 1,500 hospitals and the organization announced a partnership with the state of California in 2023 to produce low-cost insulin.²⁰⁸ Additionally, the Institute for Clinical and Economic Review (ICER), an authoritative source on drug pricing data for industry and government, funds much of its work through foundation giving. ICER discloses that it receives “significant funding” from the Commonwealth Fund, Peterson Center on Healthcare, and Arnold Ventures, which provided \$3 million of its \$7.9 million revenue in 2021.²⁰⁹

There are multiple ways to interpret the word “foundation” in Washington, especially in the health care policy arena. Many health care foundations help patients pay medical bills,

raise awareness for rare diseases, or help to dramatically increase vaccination rates in developing countries. Some political advocacy groups call themselves foundations but spend most of their budget on lobbying or advertising. Other foundations act as for-profit enterprises with business models mirroring those of large health care companies, rather than being sustained by individual donors. Finally, even the largest philanthropic foundations in America can play a greater role in health care than *Fortune* 500 companies that profit from the sector. While there is nothing inherently wrong with any of the examples described above, individuals who interact with health care policy should be mindful of the different kinds of foundations and how they color policy debates.

It is not uncommon for patient advocacy groups with corporate funders to position themselves as foundations.

As explored previously, multiple organizations engaged in pain and migraine advocacy call themselves foundations while behaving more like patient advocacy groups. The American Migraine Foundation (AMF) and the U.S. Pain Foundation receive funding from pharmaceutical manufacturers while criticizing PBM and insurer practices and urging members to contact their law makers.²¹⁰

The Global Healthy Living Foundation (GHLF) similarly advocates for policies in alignment with its drug maker funders. Rather than directly fundraise for patients, GHLF promotes manufacturers' copayment assistance programs calling them “vital to ensur[ing] that insurance barriers do not prevent a patient from accessing medications.”²¹¹ Moreover, PBMs are the singular focus of GHLF's “Health Care Transparency” webpage.²¹² GHLF states that it “relies on the activist philanthropy of [its] partners” which include AbbVie, Amgen, Bristol-Myers Squibb, Genentech, GlaxoSmithKline, Eli Lilly, Pfizer, and Sanofi.²¹³ Industry consultant and former Pfizer government affairs executive Robert Popovian is GHLF's

203 “About,” Patients for Affordable Drugs, <https://patientsforaffordabledrugs.org/about>.

204 “FAQ,” Patients for Affordable Drugs, <https://web.archive.org/web/20240127040602/https://patientsforaffordabledrugs.org/about/faq>; and “FAQ,” Patients for Affordable Drugs, <https://patientsforaffordabledrugs.org/about/faq>.

205 “About P4ADNow,” Patients for Affordable Drugs Now, <https://patientsforaffordabledrugsnow.org/about-us>.

206 “Partners,” Alliance for Fair Health Pricing, <https://allianceforfairhealthpricing.org/partners>; and “Laura and John Arnold Foundation 2021 Form 990-PF,” Nonprofit Explorer, *ProPublica*, <https://projects.propublica.org/nonprofits/organizations/263241764/202233199349106393/full>.

207 “Civica's Health System Partners Represent 1/3 of All U.S. Hospital Beds,” Civica, <https://civicarx.org/our-members>.

208 “Why Civica?,” Civica, https://civicarx.org/talking_points.

209 “Current Supporters,” Institute for Clinical and Economic Review, <https://icer.org/who-we-are/independent-funding/current-supporters>; “Laura and John Arnold Foundation Form 2021 990-PF,” Nonprofit Explorer, *ProPublica*, <https://projects.propublica.org/nonprofits/organizations/263241764/202233199349106393/full>; and “Evidence for Healthcare Improvement 2021 Form 990,” Nonprofit Explorer, *ProPublica*, <https://projects.propublica.org/nonprofits/organizations/463250612/202202989349301620/full>.

210 “Sponsors & Partners,” American Migraine Foundation, <https://americanmigraine.foundation.org/sponsors-partners>; “Funding & Financials,” U.S. Pain Foundation, <https://uspainfoundation.org/funding>; “Webinar: How to Navigate Insurance with Migraine,” American Migraine Foundation, February 23, 2023, <https://americanmigraine.foundation.org/resource-library/how-to-navigate-insurance-with-migraine>; and “Access Survey Report,” U.S. Pain Foundation, <https://uspainfoundation.org/surveyreports/accesstocare>.

211 “Drug Affordability,” Global Healthy Living Foundation, <https://ghlf.org/issues/drug-affordability>.

212 “Health Care Transparency,” Global Healthy Living Foundation, <https://ghlf.org/issues/health-care-transparency>.

213 “Our Partners,” Global Healthy Living Foundation, <https://ghlf.org/partners>.

Chief Science Policy Officer, exemplifying how corporate health care advocacy tactics can intersect.²¹⁴ GHLF members have published op-eds in major newspapers without disclosing the organization's funding, such as an August 2020 op-ed in *The Philadelphia Inquirer* advocating for a Pennsylvania bill that would ban the insurer practice of "non-medical switching."²¹⁵

Nominally a foundation, the AIDS Healthcare Foundation's (AHF) revenue streams are closer to the business models of multi-billion-dollar companies. AHF ads attacking both pharma and PBMs blanket the streets of downtown Washington. The organization criticizes PBMs and drug makers, yet it relies on revenue from prescription drugs sold at its pharmacies and

health centers. In 2022, AHF earned nearly \$1.9 billion in revenue from its 62 pharmacies located in 14 states, Puerto Rico, and the District of Columbia.²¹⁶ During the same year, these pharmacies served more than 91,000 patients.²¹⁷ An April 2017 feature on the organization in *The New York Times* also described its commission-driven sales teams who recruit new patients to AHF pharmacies and are paid \$300 each time a new patient fills a prescription.²¹⁸ While the pharmacies undoubtedly support AIDS patients across the country by providing them lower cost medications, AHF does not make clear that most of its revenue comes from a sprawling network of pharmacies when it criticizes other parts of the pharmaceutical supply chain.²¹⁹

214 "Robert Popovian, PharmD, MS," Global Healthy Living Foundation, <https://ghlf.org/about-us/team/team-robert-bio>.

215 Tien Sydnor-Campbell, "Pa. bill would protect those with chronic health conditions from little-known insurance practice," *The Philadelphia Inquirer*, August 17, 2020, <https://www.inquirer.com/opinion/commentary/pennsylvania-house-bill-853-insurance-chronic-health-coronavirus-covid-20200817.html>.

216 "AIDS Healthcare Foundation 2022 Form 990," Nonprofit Explorer, *ProPublica*, <https://projects.propublica.org/nonprofits/organizations/954112121/202323059349302897/full>.

217 Ibid.

218 Christopher Glazek, "The C.E.O. of H.I.V.," *The New York Times*, April 26, 2017, <https://www.nytimes.com/2017/04/26/magazine/the-ceo-of-hiv.html>.

219 AHF also uses this pharmacy revenue to spend millions on lawsuits and public relations campaigns attempting to block real estate projects in California. Melody Gutierrez, "California to end AIDS Healthcare contract, alleging improper negotiation tactics," June 30, 2022, *Los Angeles Times*, <https://www.latimes.com/california/story/2022-06-30/california-aids-healthcare-foundation-state-contract>.

Mason Hall at Johns Hopkins University. The university is named after its first benefactor, philanthropist Johns Hopkins, and is home to one of the most prestigious medical schools in the world.

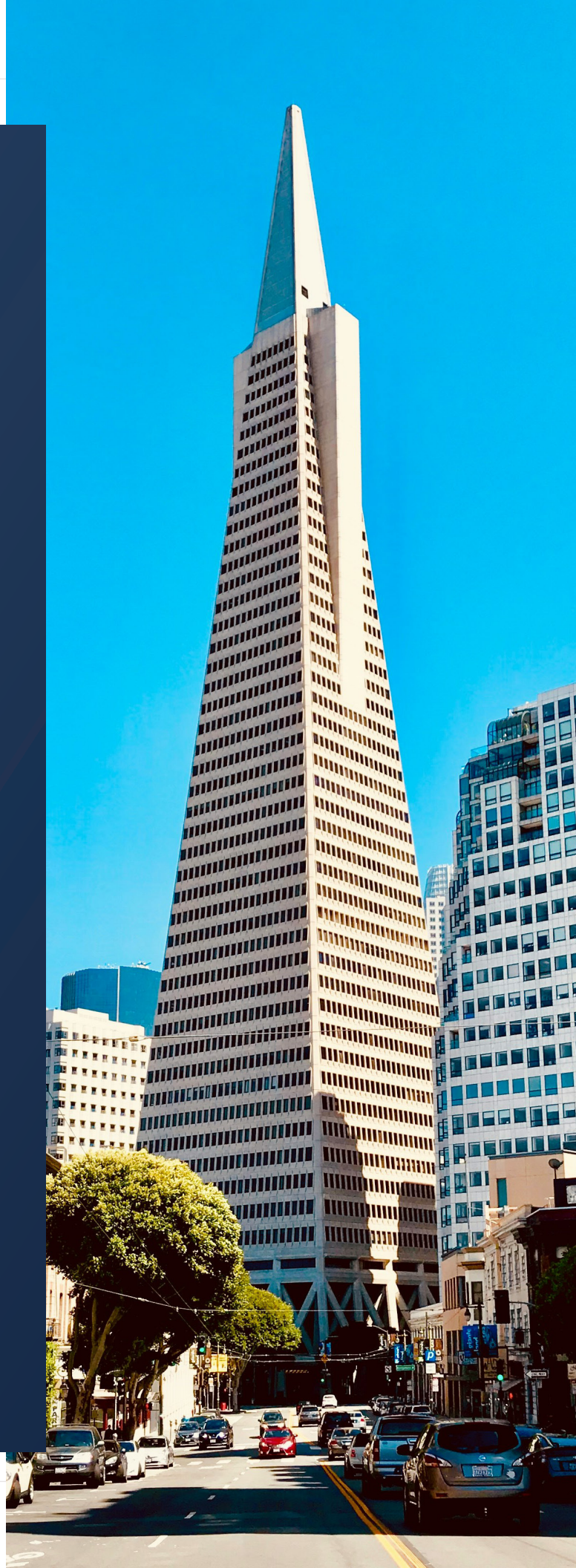


OUTLOOK

It is critical that health care policy debates be accompanied by their industry context. Most public discussions of health care policy are influenced by commercial interests in some way. Identifying the commercial interests at stake can illuminate which companies are working to shape those health care policy debates and why. Individuals engaging with health care policy should not only recognize how health care advocacy can become a health care policy, but more importantly, how a commercial interest can become advocacy.

Demystifying the commercial battles that shape health care policy proposals in Washington would improve debates and policy outcomes. More understanding is needed in health care policy debates in the media and on Capitol Hill so that policy makers can more accurately target the parts of America's health care system in need of reform. Recognizing the commercial competitions between the country's largest health care companies and the tactics they use to compete is the first step toward fostering better informed policy conversations. Policy makers also should appreciate external forces like philanthropic foundations that equally, if not more effectively, steer the health care debate. Clarity on these commercial competitions could allow for more policy makers to recognize that many health care policy proposals are the result of clashes between health care companies.

San Francisco, California. In recent years, San Francisco has been ranked the healthiest city in America thanks to its low rates of obesity, high rates of fruit and vegetable consumption, and the wide range of options for physical activity in the area.



Endnotes (for tables on pages 28, 31, and 33)

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