



# Illinois Department of Insurance

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### **IDOI Acting Director Testifies at Illinois General Assembly Hearing on Pharmacy Benefit Managers (PBMs)** *PBMs may be inflating drug costs, limiting access and affordability for consumers*

**Chicago, IL** – Yesterday, Illinois Department of Insurance (IDOI) Acting Director Ann Gillespie, along with Chad Worz, Chief Executive, American Society of Consultant Pharmacists (ASCP), Antonio Ciaccia, President, 3 Axis Advisors, and Connor Rose, Senior Director State Affairs, Pharmaceutical Care Management Association (PCMA), testified before the General Assembly’s [Health Care Availability and Accessibility Committee](#) hearing on the market control of Pharmacy Benefit Managers (PBMs). This issue rose to national prominence earlier this month when the Federal Trade Commission (FTC) published their [Interim Staff Report on PBMs](#), which prompted a hearing from the [U.S. House Committee on Oversight and Accountability](#).

Gillespie’s testimony in Chicago focused on how the nation’s top three PBMs may be negatively impacting Illinois insurance consumers by inflating drug costs, and discussed several potential antitrust issues revealed in the FTC report.

“These massive conglomerates play a part in nearly every aspect of the health care delivery system,” **said IDOI Acting Director Ann Gillespie**. “In fact, in 2023, four of these corporations—United, CVS, Cigna, and Humana—accounted for 22 percent of all health care expenditures nationally, up from 14 percent in 2016. Consolidation of PBMs, as well as the vertical integration of PBMs with other healthcare entities, allow the corporations to wield unprecedented control over the market, and they are growing by paying their own companies more and more.”

According to the FTC report, each PBM defines and classifies specialty drugs differently, leading to a wide variation in specialty drug lists across the industry. In its review, the FTC found that “45 percent of specialty drugs were unique to a single PBM,” meaning those drugs were not considered to be specialty drugs by the other PBMs. By classifying a larger number of drugs as specialty, PBMs may be steering more prescriptions away from independent pharmacies to their own specialty pharmacies to dispense. The FTC found evidence that PBMs reimburse their own affiliated pharmacies for specialty generic drugs well above the National Average Drug Acquisition Cost (NADAC), swallowing up more than a billion dollars in revenue above NADAC just for the two drugs analyzed.

This payment scheme creates the appearance of complying with the Medical Loss Ratio (MLR) while allowing the conglomerate to keep the money meant for consumers for itself. In such cases, premiums that consumers pay for their health insurance, 80% of which is supposed to go to their medical care, is not.

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Florida, Iowa, and West Virginia have already taken some action to curb the power of PBMs over the prescription drug market, prioritizing health insurance consumers and leveling the playing field for independent pharmacies.

### **Key Gillespie Quotes as Delivered**

“As the FTC interim report makes clear, the extensive vertical integration has built on itself to solidify control of health care in a few players, all while limiting consumer access to needed prescription drugs in a variety of ways. The result is that the patient, the most vulnerable party in the equation, is the one forced to navigate a very complex system simply to get their needed medications.”

“I want to make it very clear that we intend to enforce compliance with the letter and spirit of the MLR standard and will not tolerate consumers receiving less than the value of the benefits they pay for under the law.”

### **On Background**

IDOI is the state’s insurance regulatory agency tasked with regulating the insurance market and protecting insurance consumers. The Department is concerned that PBMs’ increasing control detailed in the FTC report, impacts affordability and access for consumers who need prescription drugs and reduces the ability of independently owned pharmacies to compete with PBMs to serve those consumers.

Health insurance is supposed to improve the affordability and access of health care services. Instead, the vertical integration of PBMs has become a hindrance to consumers. To ensure consumers are treated fairly and not shortchanged, IDOI is working with the General Assembly to promote transparency in drug pricing.

On May 7, 2024, in Springfield, Acting Director Gillespie testified at a related subject matter hearing with the House Health Care Availability & Accessibility Committee. Other experts who testified at that hearing included Garth Reynolds, Executive Director, Illinois Pharmacists Association (IPhA), Melodie Shrader, Senior Vice President, State Affairs, Pharmaceutical Care Management Association (PCMA), Lou Sandoval, IL Chamber of Commerce (virtual), and Kristin Begley, Capitol Rx Representative (virtual).

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