Pharmacy Benefit Manager Reform Act

H.R. 4317 is a bipartisan bill, introduced by Representative Buddy Carter (R-GA) and Representative Debbie Dingell (D-MI), which seeks to protect patients and pharmacies from the harmful and anticompetitive business practices of pharmacy benefit managers (PBMs) in the Medicaid, Medicare Part D and commercial markets.

What will H.R. 4317 do?

Delink PBM compensation from the list price of medicines in Medicare Part D.

What is delinking? Presently, PBM payments are often tied to a medicine's list price [also known as the wholesale acquisition cost (WAC)]. This policy would break the link between PBM fee compensation and the price of medicines and helps beneficiaries.[1]

Fixing the misaligned incentives that tie PBM fees to higher prices could generate savings by clearing the way for increased coverage of lower cost alternatives, including generics and biosimilars.

CBO projected that Section 2 of the Modernizing and Ensuring PBM Accountability Act, which includes Part D delinking provisions and additional PBM transparency and disclosure requirements, would save the federal government more than $700 million over 10 years.[2]

Transparency for group health plans and patients in their prescription drug coverage.

This would include semi-annual reporting on drug spending, rebates, and formulary determinations.

Transparency about whether rebate savings are passed on in the form of lower cost-sharing empowers patients to make meaningful and informed decisions about their health care by understanding what they are paying.

In 2024, CBO determined that the Pharmacy Benefit Manager Reform Act's commercial market PBM transparency provisions would save $379M over 10 years.

PhRMA
RESEARCH • PROGRESS • HOPE

Require HHS to define and enforce standards for "reasonable and relevant" contract terms in Medicare Part D pharmacy contracts.

The bill would codify this requirement, require more specificity, and include an enforcement mechanism through HHS. This could ensure more fairness and transparency for pharmacies in contracts with plan sponsors.

Ban "spread pricing" in Medicaid.

What is spread pricing? PBMs use a payment model that creates a difference or "spread" between what the PBM charges a health plan or payer and what the PBM reimburses a pharmacy for dispensing the same drug.

Banning spread pricing will prevent PBMs from retaining revenue from spread-pricing for certain covered outpatient drugs.

For example, in 2018, Ohio's Medicaid program found that Centene engaged in spread pricing, costing the state nearly $225 million.[3]

Sources:

1 https://mann.usc.edu/news/nearly-1-in-3-retail-pharmacies-have-closed-since-2010-widening-health-disparities

2 CBO. Estimated Budgetary Effects of Modernizing and Ensuring PBM Accountability Act Discussion Draft. July 2023. https://www.cbo.gov/publication/59419.

3 House Committee on Oversight and Accountability Staff. The Role of Pharmacy Benefit Managers in Prescription Drug Markets. July 2024. https://oversight.house.gov/wp-content/uploads/2024/07/PBM-Report-FINAL-with-Redactions.pdf