

Reform Medicaid Managed Prescription Program to Protect Taxpayers, Vulnerable Patients and Pharmacy Access

Ban PBM Medicaid “Spread Pricing” by Mandating Transparent, Cost-Based, “Pass-Through” Pharmacy Claims Payments

Policy Problem – Medicaid Managed Care Rx PBMs Overbilling Medicaid, Risking Patient Access

For 15 years PBMs have claimed Medicaid Managed Care (MMC) prescription drug benefit “carve-ins” are saving federal & state governments money. The data shows MMC drug carve-ins are actually raising government costs, while pharmacies have seen below cost reimbursements. This phenomenon - known as “spread pricing” - is costing federal & state governments almost **\$1.5 billion annually**. These reduced pharmacy payments are harming Medicaid patients access options to their prescriptions needs at pharmacies of their choice.

Over 18 studies¹ of State MMC prescription management programs documented Medicaid Managed Care Organization (MMCO) PBMs overbilling State Medicaid programs, through below costs pharmacy reimbursement and spread pricing, over **\$1.3 billion annually**. To protect taxpayers and Medicaid patients’ access to their pharmacies, 20 states² now mandate MMC to use transparent, cost-based pass-through prescription reimbursement rates, saving nearly **\$2.86 billion annually**. The Centers for Medicare and Medicaid Services (CMS) stated that MMCO PBMs use of spread pricing is “inflating prescription drug costs that are borne by beneficiaries and by taxpayers”. Two HHS Inspector General reports concluded that this lack of transparent, cost-based, pass-through pricing is leading to Federal and State MMC overpayments for high-cost specialty drugs³.

Solution: A Federal Permanent MMC Rx “Spread Pricing” Ban Through Mandatory Rx Claim Cost-Based Reimbursement

In the 118th Congress, a broadly supported, bipartisan and bicameral health care reform package included key provisions to end MMC prescription drug overbilling by requiring all states to implement the following reforms:

- Prohibiting MCO use of “spread pricing” for MMC prescription drug benefit programs through: utilizing cost-based Rx reimbursement formulas [i.e., NADAC & a professional fee]; and limiting MMC PBM payments to state approved administrative fees
- Require all pharmacies to submit to CMS all purchase invoices to create a mandatory NADAC price for all drugs

These MMC PBM reform provisions were a part of the health care Rx package and ended up being removed at the last minute from both the end of 2024 government funding bill and the early 2026 enacted PBM reforms. These MMC prescription drug reform provisions are still active as stand-alone bills this Congress (the “PBM Reform Act” [H.R. 4317] & the “Protecting Pharmacies in Medicaid Act” [(S. 927)]). There is overwhelming support in Congress for these cost saving provisions that CBO estimates will save the Federal Government alone of nearly **\$3 billion**⁴. These reforms are vital to make this cost savings end to MMC spread pricing overbilling a permanent Medicaid reform.

IPC asks the 119th Congress to include bi-cameral, bi-partisan broadly supported, Medicaid managed care prescription reform bill (H.R. 4317/S. 927) in any must pass legislative package Congress will take up during the rest of 2026.

¹ DC, FL, GA, IL, KY, LA, MA, MD, MI, NJ, NY, OH, PA (2 studies), TX, VA, UT, WV

² AR, GA, IA, KS, KY, LA, MI, MN, MS, NE, NV, NM, NC, OH, OK, VA. CA, NY, ND and WV “carved out” their Medicaid Rx benefits from managed care. 14 other states (AK, AL, AR, CO, CT, ID, ME, MO, MT, SD, TN, VT, WI, WY) have retained their Medicaid drug program in the cost-based mandated (NADAC and PDF) fee-for service (FFS) program

³ <https://oig.hhs.gov/oei/reports/OEI-03-17-00430.asp> <https://oig.hhs.gov/documents/evaluation/9898/OEI-03-20-00560.pdf>

⁴ <https://www.finance.senate.gov/imo/media/doc/CBO%20Estimate.pdf> (Sections 5 and 6) https://www.cbo.gov/system/files/2023-11/SFC_MentalHealth_ChairMark_11-6-23.pdf (section 202); <https://www.cbo.gov/publication/61461> (Sections 44123 and 44124 of the House Energy and Commerce Committee provisions of House passed HR.1)