



# 2023

## INDEPENDENT COMMUNITY PHARMACY LEGISLATIVE PRIORITIES

### **The Drug Price Transparency in Medicaid Act, H.R. 1613/S. 1038**

*Improving transparency and preventing the use of spread practicing in Medicaid*

#### **Background:**

Pharmacy benefit managers (PBMs) continue to abuse the system and taxpayer-funded programs by engaging in spread pricing techniques. Spread pricing is the difference between the payment the PBM receives from the state or managed care organization and the reimbursement amount it pays to the pharmacy.

Multiple state Medicaid programs have indicated PBMs are using spread pricing as a way of overcharging taxpayers for their services, with Arkansas, Georgia, Iowa, Kansas, Kentucky, Louisiana, Maryland, Michigan, Minnesota, Mississippi, New Hampshire, New Jersey, New York, North Dakota, Ohio, Pennsylvania, Texas, and Virginia prohibiting spread pricing in their Medicaid managed care programs. Congress should act to eliminate spread pricing in all Medicaid managed care programs.

#### **Solution: Bring transparency to the Medicaid program and prevent the use of spread pricing by PBMs.**

The *Drug Price Transparency in Medicaid Act* was introduced in the House as **H.R. 1613** by Reps. Buddy Carter (R-Ga.), Vicente Gonzalez (D-Texas), Rick Allen (R-Ga.), Jake Auchincloss (D-Mass.), Elise Stefanik (R-N.Y.) and Deborah Ross (D-N.C.), and as **S. 1038** in the Senate by Sens. Peter Welch (D-Vt.) and Roger Marshall (R-Kan.). These companion bills would bring transparency to the Medicaid program by:

- Prohibiting spread pricing/requiring a full pass-through in all Medicaid managed care programs.
- Requiring that pharmacy reimbursements in all state Medicaid managed care programs be at a rate of pharmacy's average acquisition costs and the state's Medicaid fee-for-service dispensing fee.
- Limiting payments to PBMs to solely administrative fees.
- Mandating National Average Drug Acquisition Costs reporting to CMS by all pharmacies participating in state Medicaid programs. This provision would provide much needed transparency in drug pricing and allow reimbursements to reflect the true acquisition costs of prescription drugs in Medicaid.

#### **Passing the legislation will:**

- Save taxpayers billions by eliminating wasteful spread pricing. Spread pricing allows PBMs to collect taxpayer dollars without reducing the costs of drugs for Medicaid patients.
- Provide much needed transparency in state Medicaid managed care pharmacy programs.
- Require all pharmacies to report acquisition costs of prescription drugs.
- Allow pharmacies to be reimbursed at an appropriate rate for dispensing medications to Medicaid patients.