Community Pharmacists Sound the Alarm: PDAB's Must Proceed with Caution!

Government price-setting threatens pharmacies' ability to stay afloat

The National Community Pharmacists Association (NCPA) represents 18,900 independent community pharmacies employing more than 205,000 individuals nationwide. Our members are rooted in their communities and are among America's most accessible health care providers. Pharmacists see first-hand the challenges patients face in affording and accessing prescription medicines. While government and market action to reduce the burden for patients is needed, it must be compatible with the realities of the US prescription drug supply chain to ensure patient access is not interrupted and community pharmacies remain viable.

In recent years, states have established prescription drug affordability boards (PDABs) to address concerns with prescription drug costs. PDABs select medicines for review and determine whether specific products present an affordability challenge within the state. Some PDABs also can establish an upper payment limit (UPL) for medicines found to be unaffordable. The policy raises questions for community pharmacists, including whether they will be able to purchase and dispense UPL medicines without incurring a loss, as explained below. Input from national and regional health plan executives about how UPLs may change coverage and reimbursement strategies for medicines have only sharpened these concerns.

While UPLs will limit pharmacy reimbursement within a state, they do not – and cannot – change purchase prices, since medicines are priced and sold on a nationwide basis. It is questionable that pharmacies will be able to acquire the drugs at or below the government-set reimbursement amounts. This is especially true of independent pharmacies, who may have less purchasing power than chain drug stores.

UPLs also don't ensure patients will pay less for medicines, because insurance benefits determine what patients pay out-of-pocket. Insurers may elect to move a drug subject to a UPL to a less preferred tier or exclude it entirely from coverage. [*See* PFCD study, linked above]. In such cases, patients would face higher costs, not lower. If pharmacies within the state are unable to access UPL medicines at prices below the established limits, patients could face shortages and need to travel long distances to acquire the medicines, incurring additional costs.

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The dynamic is similar to the untenable situation unfolding for pharmacists under the new Medicare Drug Price Negotiation Program. In Medicare, the government has set prices for ten medicines effective January 1, 2026. Medicare's negotiation program is complicated; like UPLs, it requires new methods for effectuating government-set prices across the marketplace. NCPA conducted a survey of independent pharmacy owners and members in January 2025 and found over 93 percent of respondents have already decided not to stock or are considering not stocking one or more of the ten drugs. With roughly 80 percent of respondents saying the financial health of their business declined in 2024, cash flow problems and payment delays associated with government-set limits pose considerable challenges for pharmacies.

Policymakers seem to envision that pharmacies will be made whole by manufacturer rebates or other mechanisms in the end, but even if that is true, pharmacies will be floating the difference between acquisition costs and government-set amounts in the meantime. Since the very purpose of these policies is for government-set amounts to be well below the status quo, the amount of float could be substantial. For example, in the context of the new Medicare program, 3Axis Advisors estimated the average pharmacy will float roughly $11,000 per week and incur an estimated annual revenue loss of $43,000 due to the set prices for just ten drugs. Losses of this magnitude are unsustainable for community pharmacies. As UPLs increasingly move to reference the new Medicare prices, the strain on pharmacies becomes insurmountable.

It is time for policymakers to get serious about addressing the root cause of many challenges that pharmacies and patients face when accessing medicines: the opaque, profit-seeking practices of Pharmacy Benefit Managers (PBMs). It is not a coincidence that the US pays more for drugs than any other country and is the only country in the world with PBMs. Policies like UPLs and the new Medicare price-setting program do not offer a roadmap to the PBM reforms that are so sorely needed. Instead, they reward large and PBM/insurer-owned pharmacies with levers to pull that community pharmacies lack. Patients and pharmacists need reforms that will rein in PBM middlemen and move toward a transparent model that supports patient access to lower-cost drugs via essential local pharmacists-- the medication experts on the health care team.