

Medicare Part D Pharmacy Reimbursement and PBM Reform Summary

New legislation passed by Congress on Feb. 3, 2026, makes major changes to the Medicare Part D prescription drug benefit that is intended to enhance payment and participation of network pharmacies in Part D. Here is a summary of the major components impacting pharmacy and the timeline.

Specifications for Part D Plans' Pharmacy Network "Reasonable and Relevant"

Contract Terms: Beginning with the Medicare Part D pharmacy contracts for the Part D plan year starting in 2029, Part D plan sponsors – both standalone PDP plans and MA-PD plans (collectively known as PDP sponsors) – must offer network pharmacies contract terms that are “reasonable and relevant.” A PDP sponsor must let any pharmacy participate in the network that can meet the “reasonable and relevant” contract terms.

The Secretary of HHS is charged with developing the “reasonable and relevant” contract terms that the PDP sponsor must offer to network pharmacies. By April 1, 2027, the Secretary must issue a “request for information” that would seek input from the public on the items that constitute the reasonable and relevant contract terms that must be offered by plans to network pharmacies. The legislation lists the items for which public input would be sought with respect to the contract terms, including trends in prescription drug plan and network pharmacy contract terms and conditions, current prescription drug plan and network pharmacy contracting practices, and whether pharmacy reimbursement and dispensing fees paid by PDP sponsors to network pharmacies sufficiently cover the ingredient and operational costs of such pharmacies, among others.

These “reasonable and relevant” terms have to be established by the Secretary by April 3, 2028, so they can be included in the PDP sponsor contracts that would be offered to network pharmacies in the spring of 2028 for the Part D plan year beginning in 2029. The Secretary also has to develop a process by January 2029 to allow a pharmacy to report a violation by a PDP sponsor regarding the reasonable and relevant contract terms. The Secretary has to develop a standardized template for pharmacies to submit these violations by PDP sponsors. The pharmacy

may be penalized for submitting frivolous allegations that a PDP sponsor violated reasonable and relevant contract terms. However, the PBM may not retaliate against the pharmacy for submitting the violation to the Secretary. The Secretary may impose Civil Monetary Penalties or other intermediate sanctions on PDP sponsors regarding such violations of the reasonable and relevant contract terms.

Designation of “Essential Retail Pharmacies:” The legislation also requires that certain retail pharmacies be designated as “essential retail pharmacies” for the purposes of the Part D program. An essential pharmacy is identified, with respect to a plan year, as a pharmacy that is not an affiliate pharmacy (such as pharmacy that is owned or controlled by a PBM) and is the only retail pharmacy located within 10 miles in a rural area, 2 miles in a suburban area, and 1 mile within an urban area. The Secretary has to develop a report starting in 2028, and every two years thereafter, regarding the factors affecting participation of essential retail pharmacies compared to non-essential retail pharmacies in the Part D program, such a comparison of reimbursement rates and Part D participation rates between essential and non-essential retail pharmacies. Information must also be included on the extent to which essential retail pharmacies are included in preferred vs. non-preferred PDP networks.

The Secretary must also publish for each plan year a list on a CMS website of the essential retail pharmacies. Part D plans or their PBMs must also identify for the Secretary those pharmacies that are affiliate pharmacies of the Part D plan or PBM, so these pharmacies are not designated as essential retail pharmacies.

Requirements Relating to the PBM’s Relationship with PDP Sponsors: The legislation makes changes with respect to the relationship between a Part D PDP sponsor and its contract with a PBM. As of January 2028, there are new stringent requirements on the types of payments that PDP sponsors can make to PBMs to compensate them for the services they provide, and the types of financial payments that PBMs can receive from manufacturers that may be able to retain. For example, the PBM may not derive income from the PDP sponsor other than from bona fide service fees, which are meant to reflect the fair market value of the services that the PBM is providing to the PDP sponsor to administer the pharmacy benefit. Rebates, discounts and other

price concessions received by the PBM from the manufacturer must be fully passed through to the PDP sponsor.

The legislation also requires greater transparency and consistency among the terminology used in PBM contracts with PDP sponsors so that the PDP sponsor can better evaluate the performance of the PBM against certain pricing guarantees. The PBM must submit to the PDP sponsor and the Secretary each year, starting in July 2028, a comprehensive annual report that includes information such as: the number of prescription dispensed by each type of pharmacy, the average wholesale acquisition cost for each drug paid for by the PDP sponsor, direct and indirect remuneration reported by the PDP sponsor to CMS on each drug, the average NADAC and overall reimbursement for each drug, information on dispensing and payment by the PDP sponsor to its affiliate pharmacies, and benefit design parameters that encourage plan enrollees to fill prescriptions at the PBM's affiliate pharmacies, among others.

Part D Pharmacy Reimbursement and PBM Reform Implementation Timelines (chronological order)

2027

For each plan year beginning with plan year 2027, each PDP sponsor offering a prescription drug plan and each MA organization offering an MA–PD plan shall submit to the Secretary information on incentive payments and other fees paid by such sponsor or organization to pharmacies, insofar as any such payments or fees are not otherwise reported, at a time, and in a form and manner, specified by the Secretary.

April 1, 2027 – Not later than April 1, 2027, for purposes of establishing the standards for reasonable and relevant network pharmacy contract terms, the Secretary shall issue a request for information to seek input on trends in:

- Prescription drug plan and network pharmacy contract terms and conditions,
- Current prescription drug plan and network pharmacy contracting practices,
- Whether pharmacy reimbursement and dispensing fees paid by PDP sponsors to network pharmacies sufficiently cover the ingredient and operational costs of such pharmacies,
- The use and application of pharmacy quality measures by PDP sponsors for network pharmacies,
- PDP sponsor restrictions or limitations on the dispensing of covered part D drugs by network pharmacies (or any subsets of such pharmacies),
- PDP sponsor auditing practices for network pharmacies,
- Areas in current regulations or program guidance related to contracting between prescription drug plans and network pharmacies requiring clarification or additional specificity,
- Factors for consideration in determining the reasonableness and relevance of contract terms and conditions between prescription drug plans and network pharmacies,
- And other issues as determined appropriate by the Secretary.

2028

Jan. 1, 2028 – With respect to plan years beginning on or after Jan. 1, 2028, the Secretary shall publish reports, at least once every 2 years until 2034 and periodically thereafter, that provide information to the extent feasible on:

“(A) trends in ingredient cost reimbursement, dispensing fees, incentive payments and other fees paid by PDP sponsors offering prescription drug plans and MA organizations offering MA–PD plans under this part to essential retail pharmacies with respect to the

dispensing of covered part D drugs, including a comparison of such trends between essential retail pharmacies and pharmacies that are not essential retail pharmacies;

“(B) trends in amounts paid to PDP sponsors offering prescription drug plans and MA organizations offering MA–PD plans under this part by essential retail pharmacies with respect to the dispensing of covered part D drugs, including a comparison of such trends between essential retail pharmacies and pharmacies that are not essential retail pharmacies;

“(C) trends in essential retail pharmacy participation in pharmacy networks and preferred pharmacy networks for prescription drug plans offered by PDP sponsors and MA–PD plans offered by MA organizations under this part, including a comparison of such trends between essential retail pharmacies and pharmacies that are not essential retail pharmacies;

“(D) trends in the number of essential retail pharmacies, including variation in such trends by geographic region or other factors;

“(E) a comparison of cost-sharing for covered part D drugs dispensed by essential retail pharmacies that are network pharmacies for prescription drug plans offered by PDP sponsors and MA–PD plans offered by MA organizations under this part and cost-sharing for covered part D drugs dispensed by other network pharmacies for such plans located in similar geographic areas that are not essential retail pharmacies;

“(F) a comparison of the volume of covered part D drugs dispensed by essential retail pharmacies that are network pharmacies for prescription drug plans offered by PDP sponsors and MA–PD plans offered by MA organizations under this part and such volume of dispensing by network pharmacies for such plans located in similar geographic areas that are not essential retail pharmacies, including information on any patterns or trends in such comparison specific to certain types of covered Part D drugs, such as generic drugs or drugs specified as specialty drugs by a PDP sponsor under a prescription drug plan or an MA organization under an MA–PD plan; and,

“(G) a comparison of the information described in subparagraphs (A) through (F) between essential retail pharmacies that are network pharmacies for prescription drug plans offered by PDP sponsors under this part and essential retail pharmacies that are network pharmacies for MA–PD plans offered by MA organizations under this part.

For plan years beginning in 2028 (*no date specified*) – For each plan year (beginning with plan year 2028), the Secretary shall publish, on a publicly available website of the Centers for Medicare & Medicaid Services, a list of retail pharmacies that meet the criteria described to be considered an essential retail pharmacy. An essential retail pharmacy is defined in the statute as a pharmacy that is not an affiliate pharmacy and is located in: (i) a rural area in which there is no other retail pharmacy within 10 miles, as determined by the Secretary; (ii) a suburban area in which there is no other retail pharmacy within 2 miles, as determined by the Secretary; or (iii) an urban area in which there is no other retail pharmacy within 1 mile, as determined by the Secretary.

For each plan year (beginning with plan year 2028), each PDP sponsor offering a prescription drug plan and each MA organization offering an MA–PD plan shall submit to the Secretary, for the purposes of determining retail pharmacies that meet the criterion, a list of retail pharmacies that are affiliates of such sponsor or organization, or are affiliates of a pharmacy benefit manager acting on behalf of such sponsor or organization, at a time, and in a form and manner, specified by the Secretary.

For plans years beginning on or after Jan. 1, 2028 – PBM transparency requirements relating to Part D plans and PBMs go into effect.

April 3, 2028 (First Monday April 2028) – Secretary shall establish reasonable and relevant contract terms that PDP sponsors have to offer to network pharmacies.

2029

Not later than January 2029 – Not later than Jan. 1, 2029, the Secretary shall establish a process through which a pharmacy may submit to the Secretary an allegation of a violation by a PDP sponsor offering a prescription drug plan of the standards for reasonable and relevant contract terms and conditions. The Secretary shall establish (*no date specified*) a standardized template for pharmacies to use for the submission of allegations. Such template shall require that the submission includes a certification by the pharmacy that the information included is accurate, complete, and true to the best of the knowledge, information, and belief of such pharmacy.

Accountability of PBMs for Violation of R+R Contract Terms: For plan years beginning on or after Jan. 1, 2029 – Each contract entered into with a PDP sponsor under this part with respect to a prescription drug plan offered by such sponsor shall provide that any pharmacy benefit manager acting on behalf of such sponsor has a written agreement with the PDP sponsor under which the pharmacy benefit manager agrees to reimburse the PDP sponsor for any amounts paid by such sponsor to the Secretary as a result of a violation described in such section if such violation is related to a responsibility delegated to the pharmacy benefit manager by such PDP sponsor.

Jan. 1, 2029 – For plan years beginning after this date, Part D plans have to offer network pharmacies reasonable and relevant contract terms.

Biennial Report on Enforcement and Oversight of Pharmacy Access Requirements – Not later than 2 years after the date of enactment, at least once every 2 years thereafter, the Secretary shall publish a report on enforcement and oversight actions and activities undertaken by the Secretary with respect to the requirements under this section.