

Medicare Part D Pharmacy Reimbursement & PBM Reform Key Provisions

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. CMS is appropriated \$188,000,000 to implement these changes

Purpose

- Strengthens community pharmacy participation in Medicare Part D
- Establishes fair contracting standards, PBM accountability, and enhanced transparency

Summary

1. “Reasonable and Relevant” (R+R) Pharmacy Contract Terms

- Effective for Part D plan year 2029
- PDP sponsors (stand-alone PDPs and MA-PDs) must:
 - Offer “reasonable and relevant” contract terms to network pharmacies
 - Allow any willing pharmacy to participate if it meets R+R terms
- HHS Secretary responsibilities:
 - Develop and define R+R contract standards
 - Consider pharmacy reimbursement adequacy, operational costs, audits, quality measures, and contracting practices
- Enforcement & protections:
 - Pharmacies may report violations using a standardized CMS template
 - CMS may impose civil monetary penalties or sanctions on PDP sponsors
 - Pharmacies may be penalized from using the allegation submission process for frivolous complaints
 - PBM may not retaliate against pharmacy for submitting a violation

2. Designation of “Essential Retail Pharmacies”

- Definition (non-PBM-owned/controlled pharmacies only):
 - Rural: only pharmacy within 10 miles
 - Suburban: only pharmacy within 2 miles
 - Urban: only pharmacy within 1 mile
- CMS requirements:
 - Publish an annual public list of essential retail pharmacies (starting 2028)
 - Require plans/PBMs to identify affiliate pharmacies so they are excluded
- Biennial CMS reports (starting 2028) comparing essential vs. non-essential pharmacies on:
 - Reimbursement rates and dispensing fees
 - Part D participation rates
 - Inclusion in preferred vs. non-preferred networks
 - Cost-sharing and prescription volume trends
 - Geographic and drug-type variations

3. PBM–Plan Relationship & Payment Reform

- Effective January 1, 2028
- PBMs:
 - May only be paid bona fide service fees reflecting fair market value
 - May not retain rebates, discounts, or price concessions — must pass through 100% to PDP sponsors
- Standardized contract terminology required to enable plan oversight
- Annual PBM reporting to CMS and PDP sponsors (starting July 2028) must include:
 - Prescription volume by pharmacy type
 - Drug acquisition costs and NADAC comparisons
 - Direct and indirect remuneration (DIR)
 - Reimbursement and dispensing fee data
 - Payments to affiliate pharmacies
 - Benefit design features steering patients to PBM-owned pharmacies

Implementation Timeline (High Level)

2027

- Plans report pharmacy incentive payments and fees
- April 1, 2027: CMS issues RFI on R+R contract standards

2028

- January 1, 2028:
 - PBM transparency and payment reforms take effect
 - CMS begins biennial essential pharmacy reports
- CMS publishes annual list of essential retail pharmacies
- April 3, 2028: CMS finalizes R+R contract standards

2029

- January 1, 2029:
 - R+R contract terms required for all Part D networks
 - CMS launches pharmacy complaint process
 - PBMs financially accountable to plans for R+R violations
- CMS begins biennial enforcement and oversight reports