HEALTHCARE POLICY REFORM

PBM Reform Legislation

Transforming Prescription Drug Affordability & Access

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Signed into Law: February 3, 2026

PRESENTATION OVERVIEW

Executive Overview

01

Legislative Context

Understanding the milestone signing and the three pillars of reform: affordability, transparency, and patient access

02

Key Reform Provisions

Comprehensive framework: rebate pass-through mandates, spread pricing elimination, compensation delinking, and enforcement

03

Patient Impact Analysis

From list price challenges to treatment accessibility: quantifying the reform's impact on medication adherence and abandonment rates

04

Perspective & Future

Championing equitable access and shaping tomorrow's drug affordability strategies through collaborative implementation

LEGISLATIVE MILESTONE

A New Era for Drug Pricing Transparency

Historic Signing

February 3, 2026 marks a watershed moment in healthcare policy as PBM reform legislation is signed into law, representing years of advocacy and bipartisan effort to address systemic issues in prescription drug pricing.

Three Pillars of Reform

Affordability

Redirecting rebates and eliminating spread pricing to lower out-of-pocket costs

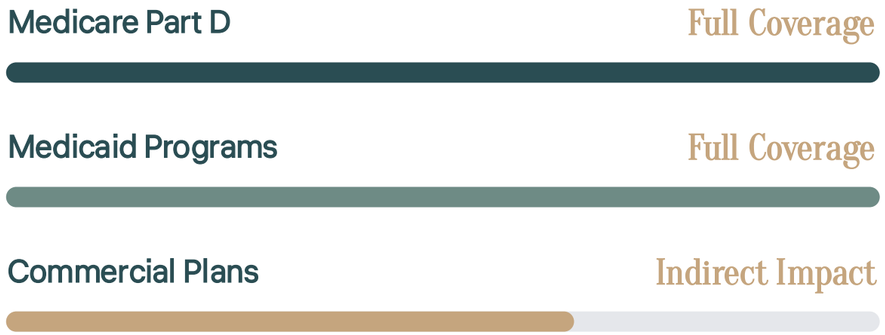
Transparency

Mandatory reporting on drug spending, rebates, and formulary decisions

Patient Access

Removing financial barriers to essential medications, particularly for chronic conditions

Reform Scope



Key Insight

This legislation represents the most significant PBM reform in decades, fundamentally restructuring how pharmacy benefits are managed and priced.

COMPREHENSIVE FRAMEWORK

Key Reform Provisions

Five critical mandates reshaping PBM operations and patient costs

01 100% Rebate Pass-Through

PBMs must pass all rebates and discounts to plan sponsors, eliminating retention of manufacturer payments.

Impact: Direct savings pathway to patients

02 Spread Pricing Ban

Prohibition on spread pricing practices in Medicaid, where PBMs charged plans more than pharmacy reimbursement.

Impact: Eliminates hidden profit margins

03 Compensation Delinking

PBM compensation in Medicare Part D must be delinked from drug prices by 2028, removing incentives for high-cost drugs.

Impact: Aligns incentives with patient costs

04 Semi-Annual Reporting

Mandatory disclosure of drug spending, rebate amounts, formulary decisions, and pharmacy reimbursement rates.

Impact: Unprecedented transparency

05 CMS Enforcement Funding

$188 million allocated to CMS for robust oversight, compliance monitoring, and pharmacy appeals processes.

Impact: Ensures accountability

Implementation Timeline

- **2026 (Immediate)**
  Rebate pass-through, reporting
- **2027 (Phase 2)**
  Spread pricing ban enforcement
- **2028 (Full Implementation)**
  Compensation delinking complete

PROVISION DEEP DIVE

Rebate Pass-Through: Redirecting Savings

The Reform Mandate

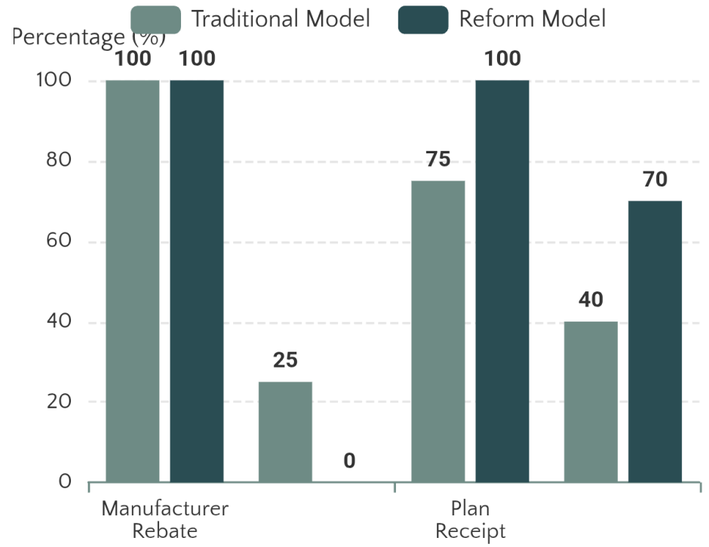
PBMs must pass 100% of rebates and discounts to plan sponsors, fundamentally disrupting the traditional pharmacy benefit management business model that relied on retaining portions of manufacturer payments.

Traditional Model: PBMs negotiated rebates with manufacturers, retained a portion as profit, and passed remainder to plans—creating misaligned incentives favoring high-list-price drugs with large rebates.

Patient Impact Pathway

1. **Manufacturer Pays Rebate**
   Drug manufacturer provides rebate to PBM based on formulary placement and volume
2. **100% Pass-Through Required**
   PBM transmits full rebate amount to plan sponsor without retention
3. **Plan Redistributes Savings**
   Plan sponsor applies savings to lower premiums, reduce cost-sharing, or improve benefits
4. **Patient Pays Less**
   Lower out-of-pocket costs at pharmacy, particularly for high-rebate chronic disease medications

Financial Flow Comparison



Quantified Impact

Industry estimates suggest rebates can represent **15-30% of drug list prices**. Full pass-through could reduce patient cost-sharing by comparable percentages for rebate-eligible medications.

ADDRESSING SYSTEMIC ISSUES

Eliminating Problematic Practices

Spread Pricing Ban in Medicaid

Effective Immediately: PBMs prohibited from charging Medicaid plans more than they reimburse pharmacies, eliminating hidden profit margins.

How Spread Pricing Worked:

PBM charges plan sponsor $100 for a drug → reimburses pharmacy $80 → pockets $20 "spread" as profit, with no transparency or value creation.

- Eliminates undisclosed PBM profits
- Ensures pharmacies receive fair reimbursement
- Reduces state Medicaid program costs

Delinking Compensation from Drug Prices

By 2028 in Medicare Part D: PBM compensation must be delinked from drug prices, removing the perverse incentive to favor expensive medications.

The Problem with Price-Linked Compensation:

PBMs earning percentage-based fees created incentive to select higher-priced drugs (e.g., 15% of $500 drug = $75 vs. 15% of $100 drug = $15), regardless of clinical value.

- → Flat-fee or per-member-per-month models encouraged
- → Aligns PBM incentives with cost-effective care
- → Promotes clinically appropriate drug selection

Medicaid Impact

States using spread pricing reported **10-15% higher drug costs** compared to pass-through models. The ban ensures taxpayer dollars go toward patient care, not PBM profits.

Incentive Realignment

BEFORE	AFTER
Higher drug prices = Higher PBM profits	Cost-effective care = Aligned incentives

Transparency & Enforcement

Semi-Annual Reporting Requirements

PBMs must submit comprehensive reports every six months, creating unprecedented visibility into pharmacy benefit operations and financial flows.

Drug Spending Data

Total expenditures, utilization patterns, and cost trends by therapeutic category

Rebate Transparency

Detailed rebate amounts by manufacturer, drug, and formulary tier

Formulary Decisions

Placement rationale, prior authorization criteria, and exclusion justifications

Pharmacy Reimbursement

Payment rates, dispensing fees, and network participation terms

CMS Enforcement Capabilities

$188M	100+	24/7
Enforcement Funding	New Oversight Staff	Monitoring Systems

- ✓ Real-time data analytics to detect non-compliance patterns
- ✓ Expedited pharmacy appeals process for reimbursement disputes
- ✓ Civil monetary penalties for violations, up to $100,000 per instance

Reporting Timeline

Q1 — January Report
Covers July-December data

Q2 — April Report
Covers January-June data

Q3 — July Report
Covers prior year full data

Q4 — October Report
Annual comprehensive review

Sunlight as Disinfectant

Transparency requirements alone are projected to reduce PBM excess profits by **20-30%** through market pressure and public accountability.

PATIENT IMPACT ANALYSIS

The List Price Problem

How current PBM practices inflate out-of-pocket costs

⚠ The Disconnect Between List and Net Prices

Patients often pay cost-sharing based on **list prices** while PBMs and plans capture the benefit of **net prices** after rebates, creating a fundamental inequity in the pharmacy benefit system.

Example: High-Rebate Diabetes Medication

List Price	$500
Manufacturer Rebate (25%)	-$125
Net Price to Plan	$375
Patient Copay (20% of list)	**$100**
Patient Copay (20% of net)	**$75**

> **The Impact:** Patient pays 27% more than they would if cost-sharing were based on net price—despite the plan receiving a significant rebate.

Treatment Abandonment Crisis

20-30%

Medication abandonment rate due to high costs

Chronic Disease Impact

Diabetes, hypertension, and asthma medications show highest abandonment rates

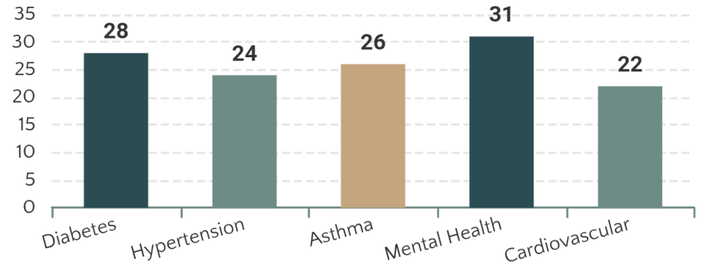
Treatment Delays

Patients postpone or skip doses, leading to disease progression

Long-term Costs

Non-adherence increases hospitalizations and emergency care

Cost-Related Non-Adherence



PATIENT BENEFITS

Lowering Barriers to Treatment

↓ Reduced Copays for Chronic Disease Medications

By redirecting rebates and eliminating spread pricing, the reforms directly lower out-of-pocket costs for patients, particularly for high-rebate medications used to treat chronic conditions.

Diabetes Medications

Insulin and oral antidiabetics with high rebates

15–25% copay reduction

Cardiovascular Drugs

Statins, antihypertensives, anticoagulants

10–20% copay reduction

Respiratory Medications

Inhalers and asthma controllers

12–18% copay reduction

Mental Health Drugs

Antidepressants and antipsychotics

8–15% copay reduction

Treatment Initiation Impact

Lower copays remove financial barriers that cause patients to delay or abandon treatment initiation. Studies show that **every $10 increase in copay reduces medication adherence by 5–10%**—these reforms reverse that trend.

Adherence Improvement Evidence

Reduced Cost Burden **5–16%**

Adherence gains from lower copays

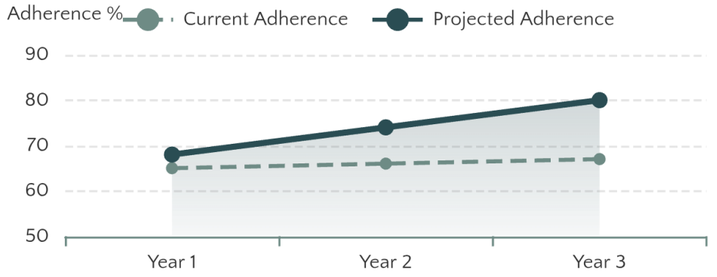
Abandonment Reduction **30–40%**

Projected decrease in prescription abandonment

Treatment Delays **↓ 25%**

Reduction in delayed therapy initiation

Projected Adherence Gains



STAKEHOLDER PERSPECTIVE

Championing Equitable Access

Medicines Affordability & Adherence Alliance

I am proud of leading a coalition dedicated to ensuring medication access and improving treatment adherence across all patient populations.

My Assessment of PBM Reform

Pivotal Moment for Equitable Access

"These reforms represent the most significant advancement in prescription drug affordability in decades, directly addressing systemic barriers that have prevented patients from accessing essential medications."

Transforming Chronic Disease Management

By reducing cost barriers for high-rebate chronic disease medications, these reforms will improve adherence, reduce disease progression, and enhance quality of life for millions of Americans."

Implementation is Critical

"Successful implementation will determine whether these reforms translate into tangible patient benefits. I am committed to monitoring progress and advocating for full enforcement."

Priority Areas

1. **Patient Education**
   Ensuring patients understand new cost-sharing structures
2. **Provider Awareness**
   Educating clinicians on affordability improvements
3. **Monitoring & Reporting**
   Tracking adherence and access metrics post-reform
4. **Advocacy & Outreach**
   Engaging policymakers on implementation challenges

> ”The true measure of these reforms will be improved health outcomes for patients who can now afford the medications they need to live healthy, productive lives.”
>
> — Giovanny Leon

Shaping Tomorrow's Drug Affordability Strategies

PBM Adaptation

PBMs must evolve business models from rebate retention to value-based services, including:

- Clinical program optimization
- Formulary management expertise
- Patient support services

Plan Sponsor Opportunities

Employers and insurers gain leverage to redesign benefits:

- Pass savings to members via lower copays
- Reduce premium increases
- Enhance chronic disease benefits

Measuring Success

Key performance indicators to track reform effectiveness:

- Medication adherence rates by therapeutic class
- Prescription abandonment reduction
- Patient out-of-pocket spending trends

Implementation Challenges

System Integration

PBMs and plans must update billing systems to reflect new pricing structures by 2028

Stakeholder Alignment

Ensuring manufacturers, PBMs, plans, and pharmacies coordinate on new business models

Patient Communication

Educating beneficiaries on changing cost-sharing structures and new rights

Invitation to Discussion

I invite stakeholders across the healthcare ecosystem to engage in collaborative dialogue on:

1. Best practices for implementing rebate pass-through in commercial markets
2. Strategies for monitoring and ensuring compliance across programs
3. Innovative approaches to measuring patient-centered outcomes
4. Policy refinements needed to maximize reform effectiveness

A TRANSFORMED LANDSCAPE

Building a More Accessible Healthcare Future

The PBM reform legislation represents a significant step toward a healthcare system where medication affordability enables rather than barriers treatment.

100%	$188M	5–16%
Rebate Pass-Through	Enforcement Investment	Adherence Improvement

I Invites Continued Dialogue

On implementation strategies, impact measurement, and shaping the future of drug affordability