

# Prescription Drug Affordability Act

## HB1697 – Senator David Koehler | Representative Natalie Manley

HB1697 represents critical legislation to address longstanding abuses by Pharmacy Benefit Managers (PBMs) that harm patients, pharmacies, and healthcare systems. This comprehensive reform package will restore fairness, enforce accountability, and ensure sustainable pharmacy access across our communities.

### Restore Fairness and Stop PBM Abuses

- **Ban Spread Pricing** - Eliminates the practice where PBMs charge health plans more for prescriptions than they reimburse pharmacies, pocketing the difference without providing value to patients or plans.
- **Prohibit PBM Steering** - Prevents PBMs from unfairly advantaging their own affiliated pharmacies through preferential reimbursement rates, ensuring competitive neutrality in the pharmacy marketplace.
- **Require 100% Rebate Pass-Through** - Mandates that all manufacturer rebates negotiated by PBMs be passed directly to patients and health plans, reducing prescription costs for those who need medications most.
- **Eliminate False Specialty Designations** - Stops PBMs from arbitrarily classifying medications as "specialty drugs" to restrict patient access and increase costs, ensuring patients can access needed medications through their preferred pharmacies.

### Enforce Transparency and Accountability

- **Mandate Annual PBM Transparency Reports** - Requires comprehensive reporting to the Department of Insurance, providing regulators and stakeholders with essential data on PBM operations, pricing practices, and financial arrangements.
- **Require Health Plan Audits** - Establishes annual audit requirements for health plans to examine their PBM relationships, ensuring contractual compliance and identifying potential cost savings.
- **Authorize Regular Market Conduct Examinations** - Implements mandatory examinations every five years for the three largest PBMs beginning in 2026, providing systematic oversight of industry leaders who control the majority of the market.
- **Increase Penalty Structure** - Strengthens enforcement mechanisms with penalties up to \$10,000 per day, per offense, creating meaningful financial consequences for violations and deterring future misconduct.

### Support Pharmacy Sustainability and Patient Access

- **Annual Pharmacist Dispensing Cost Study** - Establishes data-driven reimbursement policies based on actual dispensing costs, ensuring fair compensation that supports pharmacy operations and patient care services.
- **Extend Insurance Code Rules to Medicaid MCOs** - Applies the same regulatory standards to Medicaid Managed Care Organization PBMs, ensuring consistent consumer protections across all insurance markets.
- **Expand Critical Access Pharmacy Program** - Broadens eligibility to include areas with populations over 50,000 that are medically underserved, recognizing that pharmacy deserts exist in both rural and urban communities.
- **Increase CAP Fund Investment** - Raises the Critical Access Pharmacy Fund to \$45 million annually, providing essential support for pharmacies serving vulnerable populations and underserved areas.
- **Support Pharmacy Infrastructure** - Invests \$25 million annually through the Department of Commerce and Economic Opportunity to enhance pharmacy access and expand pharmacist clinical services.



## The Case for Action

PBM consolidation has created a market dominated by three companies controlling over 80% of prescription drug transactions. This concentration has enabled practices that increase costs for patients and health plans while threatening the sustainability of community pharmacies. HB1697 addresses these market failures through targeted reforms that promote competition, transparency, and patient-centered care.

## Benefits of HB1697

- **Lower Prescription Costs** - Direct rebate pass-through and elimination of spread pricing will reduce out-of-pocket expenses for patients
- **Improved Access** - Ending steering practices and false specialty designations will increase pharmacy choice and medication availability
- **Enhanced Oversight** - Transparency requirements and regular examinations will provide accountability for PBM practices
- **Strengthened Communities** - Investment in pharmacy infrastructure will support access in underserved areas
- **Fair Competition** - Anti-steering provisions will level the playing field between independent and chain pharmacies

## Conclusion

HB1697 represents a balanced approach to PBM reform that protects patients, supports healthcare providers, and promotes fair competition. By addressing the root causes of prescription drug cost inflation and access barriers, this legislation will create a more transparent and accountable pharmacy benefit system that serves the interests of patients and communities rather than corporate profits.

# SUPPORT PATIENTS | SUPPORT HB1697