Dear:

We thank you for your leadership in introducing H.R.1038/S. 413, the Improving Transparency and Accuracy in Medicare Part D Spending Act. This legislation would rein in abusive retroactive direct and indirect remuneration (DIR) fees charged to pharmacies by pharmacy benefit managers (PBMs) in Medicare Part D.

Retroactive pharmacy DIRs, often assessed weeks or even months after a prescription has been filled, prevent pharmacies from knowing at the time of dispensing what their true reimbursement will be for that prescription. Such lag time creates an unnecessary burden on pharmacy operations and makes it very difficult to make decisions for the future. Furthermore, the magnitude of these fees often force pharmacies to make tough decisions to cut back on community contributions or to reduce employee hours, or in some cases laying off employees. Such actions have a ripple effect through local economies.

This common-sense legislation would bring greater transparency to pharmacy payments by informing pharmacies at the point of sale what their reimbursement will be for clean claim prescriptions and allow for better business planning. Furthermore, it successfully achieves greater transparency while not interfering with the ability of PBMs to ensure improved pharmacy quality by creating incentive-based payment models that reward pharmacies for achieving contractual-based metrics.

Moreover, both CMS and MedPAC have raised concerns over the effects DIR has on patients and the Medicare program. CMS noted that DIR affects beneficiary cost sharing, CMS payments to plans and pushes patients into, and through, the coverage gap sooner. Nearly all catastrophic costs are born by Medicare and these costs have more than tripled since 2010. MedPAC, also raised concerns over Medicare Part D DIR in its 2015 report to Congress stating, “MedPAC sees insurers gaming the system to hold premiums down and maximize enrollment.” Accounting for these fees at point of sale protects the integrity of the Medicare program, ensures beneficiaries are not being overcharged for their medications, and can potentially lower overall costs as fewer beneficiaries reach the catastrophic phase.

For these reasons, we are proud to endorse H.R. 1038/S. 413 and urge swift Congressional action. We again thank you for your leadership in introducing this critically necessary legislation.

Sincerely,