

Alarm Bells are Ringing: Medicare Drug Price Negotiation Program Will Fail Without Changes

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By B. Douglas Hoey, RPh, MBA

Opinion Article



If CMS doesn't reconsider its mandate, which forces independent pharmacies to go deep into a hole and lose money, many of them will close.

On either side of the political aisle, you'll find a desire to reduce prescription drug cost for Americans. Former President Biden made the Medicare Drug Price Negotiation Program a centerpiece of his health care agenda. President Trump has already formalized his commitment to preserving the Medicare cost-savings program.

Recently, the Centers for Medicare & Medicaid Services (CMS) announced the next 15 drugs to be negotiated. They are all popular brand-name drugs for common illnesses, including blockbuster semaglutide (Ozempic). Independent pharmacists support lowering prescription drug costs; however, as we notified the last administration and stress now following a new national survey and a research report, the program as it is currently designed is doomed to fail.



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There are 2 main problems. First, the federal program forces pharmacies to pay out thousands of dollars per week to acquire the drugs and then wait potentially weeks to receive refunds from the drugmakers. Second, it mandates that independent pharmacies serving Medicare Part D patients participate, even if doing so drives them out of business.

In the study, we found that pharmacies will face payment delays of at least a week beyond current terms; they will lose \$11,000 per week in cash flow; and they could lose as much as \$43,000 annually. As any small business owner knows, such disruption can put a company out of business.¹

The national survey found that more than 32.8% of independent pharmacists have already decided not to stock 1 or more of the drugs in anticipation of the financial hit.² Another 60.4% said they are considering not stocking 1 or more of the drugs. There are more than 18,000 independent pharmacies in the country, and many serve rural and under-served communities. Our survey indicates that if changes aren't made to the program, only a fraction will participate. That will leave millions of Medicare patients stranded without the drugs they need.

If CMS doesn't reconsider its mandate, which forces independent pharmacies to go deep into a hole and lose money, many of them will close. It could be a catastrophe for Medicare patients.

Many independent pharmacies are already teetering because of the predatory behavior of the 3 largest pharmacy benefit managers (PBMs), which control 80% of all prescriptions in the US. All 3 – CVS Caremark, Optum Rx, and Express Scripts – own or are owned by giant insurance companies like UnitedHealth Group and Cigna. They also own mail-order pharmacies.

The big PBMs and insurance companies impose billions of dollars in backdoor fees on independent pharmacies. They determine which pharmacies patients must use, they often steer patients to their own pharmacies, they decide how much patients must pay out of pocket, they frequently reimburse small pharmacies less than it costs them to acquire drugs and fill prescriptions, and they often reimburse those pharmacies less than they reimburse their own pharmacies.

Because of the conflicts of interest and self-dealing, made possible by vertical integration, pharmacies were struggling long before the new program. This could be the straw that breaks the camel's back.

The alarm bells are ringing. Congress must act this year to ensure local pharmacies survive. There is strong bipartisan support for PBM reform, and President Trump has said many times he wants to "get rid of the middlemen." President Trump has an opportunity to fix the glaring flaws in the Medicare Drug Price Negotiation Program. Otherwise, all the good intentions that inspired the program will be wasted.

B. Douglas Hoey is CEO of the National Community Pharmacists Association, which represents more than 18,000 independent pharmacies across the country.

References

1. New Analysis Finds the Medicare Drug Price Negotiation Program Threatens Financial Stability of American Pharmacies. News Release. NCPA. January 30, 2025. Accessed March 4, 2025. <https://ncpa.org/newsroom/news-releases/2025/01/30/new-analysis-finds-medicare-drug-price-negotiation-program>

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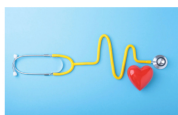
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