H.R. 4437
Generic Drug Pricing Fairness Act of 2014

H.R. 4437 is a bipartisan bill introduced by Representatives Doug Collins (R-GA-09) and Dave Loebsack (D-IA-02) that would bring greater transparency to Medicare Part D generic drug payments.

Background
Generic prescription drugs account for approximately 80 percent of drugs dispensed, but the reimbursement system for these medications is a mystery to pharmacists and raises serious questions as to whether Medicare is overpaying the drug plan middlemen, pharmacy benefit managers (PBMs). The contracts independent community pharmacies sign with PBMs for access to their pharmacy networks are non-negotiable and do not disclose the terms and conditions regarding payments for most generic drugs.

Even though pharmacists are reimbursed for generics via Maximum Allowable Cost (MAC) lists, these lists are not updated on a regular basis which frequently results in pharmacists being reimbursed below their acquisition cost for various medications particularly in today’s pharmaceutical marketplace which has been plagued with a series of generic price spikes.

H.R. 4437 will require PBMs to identify the sources used to set and update MAC prices and require MAC lists to be updated more frequently, keeping pace with actual market costs. It will also establish an appeals process for pharmacies to resolve disputes over drug reimbursement in cases in which the reimbursement amount is less than the pharmacy acquisition price for a drug.

The Generic Drug Pricing Act of 2014 will:

Increase transparency of generic drug payment rates, requiring PBMs to:
  • Disclose the sources used to set MAC prices;
  • Provide pricing updates at least once every seven days, as market prices change; and
  • Notify pharmacies of any changes in individual drug prices in advance of the use of such prices for the reimbursement of claims.

Establish a definition of a drug pricing standard.
  • Definition specifically includes MAC as a pricing standard.

Protect patient privacy and choice of pharmacy by:
  • Prohibiting a PBM from transmitting personally identifiable utilization or claims data to a PBM-owned pharmacy, unless the patient has voluntarily elected to fill their prescription at such pharmacy; and
  • Prohibiting a PBM from requiring that a beneficiary use a retail or mail order pharmacy in which the PBM has an ownership interest.