

# CAPITOL STREET

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## PBM Healthcare Sidecar In The Works

PBM Reform Provisions May Reappear Now ... Or 2H25

Relevant Companies



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### »» Our Take & Next Up

**PBM reform may be back in the mix 1Q25 with momentum to get a package together as a part of a March healthcare sidecar (March 14 budget deadline).** Potential reforms that are being discussed are those that were seen in an early draft of the December CR ([here](#)), including (1) commercial transparency and rebate pass through; (2) Medicare delinking; and (3) Medicaid spread pricing ban. The pressure to enact PBM reform continues with the House E&C Subcommittee on Health Chair (and pharmacist) Buddy Carter (R-GA) aiming to hold a PBM hearing before the end of the month. The hearing likely aligns with efforts to put together a bipartisan PBM bill. If reforms fail to materialize due to competing priorities or the need for a simpler budget vote, PBM reform could be (again) pushed back but revisited in 4Q 2025.

### »» Key Points

**PBMs may be back in a March 14 budget healthcare “sidecar” bill.** Reforms being considered are those that saw bipartisan agreement last year and were included in an early version of the CR (which funds the government through mid-March).

- Private Insurance Pharmacy Benefit Manager (PBM) transparency requirements (saves ~\$2.2 B). PBMs will be required to provide group health plans and issuers with detailed data on prescription drug spending at least semi-annually (includes gross and net drug spending, drug rebates, spread pricing arrangements, formulary placement rationale). (NOTE: this provision would likely not pass Reconciliation budget muster).
- For ERISA plans, PBMs must fully pass through 100% of drug rebates and discounts, excluding bona fide service fee, for new contracts, extensions, or renewals entered into for plan years beginning 30 months after the date of enactment. The meaning of “covered service provider” under ERISA is also clarified. (NOTE: this provision would likely not pass Reconciliation budget muster).
- Medicare Part D transparency requirements & de-linking for PBMs (saves ~\$700 M). Annual requirements set out for PBMs to report on drug prices and other information to Part D plan sponsor clients. PBMs and their affiliates prohibited from deriving remuneration for covered Part D drugs based on the price of a drug. Part D plan sponsors are provided with new audit rights with respect to PBMs.
- Prohibition of PBM “Spread Pricing” in Medicaid (which we note is a dying contract form in states) (saves \$300 M – 1 B).

**Government funding expires March 14 & a CR (“continuing resolution”) likely goes through Sept 30.** A budget deal in the form of a CR would likely go through the end of the FY (9/30). In December 2024, Elon Musk helped kill the PBM reforms in the last CR (noting the package was too large). Depending on the political environment, it is possible that PBM reforms may be derailed, or sidelined again by lawmakers if they feel it is impacting their odds of passing a budget.

**If PBM reforms fail to materialize in Feb/March, we could see reforms resurface at end of year in a Reconciliation package (recall, the provisions save and would likely pass the Byrd Rule – see our chart [here](#)).** The Senate appears to be in the driver’s seat with respect to Reconciliation. The upper chamber wants two Reconciliation bills -- one now with a focus on border energy and defense, and a second one after summertime with tax & healthcare provisions. The lower chamber wants one Reconciliation bill. In our view, the President likely doesn’t care whether it’s one or two bills as the Trump administration is seeking an early win for messaging.

**On Feb. 26, the House E&C subcommittee on health is expected to hold a hearing on PBM reforms ([here](#)).** New House E&C Health subcommittee Chair Buddy Carter (R-GA) is likely attempting to keep the pressure on PBMs and keep the topic in the public eye as they aim to restart bipartisan negotiations on PBM reforms. On the Senate side, PBM reform champions, Sens. Chuck Grassley (R-IW) and Maria Cantwell (D-WA), reintroduced commercial and FTC focused PBM reform. See bill descriptions below.

- *Prescription Pricing for the People Act* (no cost or savings). The Federal Trade Commission (FTC) will be required to complete a 6(b) study examining the effects of consolidation on pricing in the PBM industry, as well as other potentially abusive behavior. The FTC will provide policy recommendations to Congress.
- *Pharmacy Benefit Manager (PBM) Transparency Act* (saves \$740 million over 10). The bill requires PBMs to pass 100% of any rebates to the health plan or payer and also prohibits arbitrary claw backs of payments made to pharmacies. PBMs will be required to report to the FTC the cost, price, and reimbursement of prescription drugs to the health plans and pharmacies and all fees, markups, and discounts the PBM charges.

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