CAPITOL STREET

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Next Phase of Affordability & Drug Pricing Reforms

Senate Dems Seek Feedback on Drug Pricing & Innovation: PBMs, GLP-1 Netflix Model, Expanding Negotiation, Biomedical Innovation & Part B Pay Reform

Relevant Companies: ALL HEALTHCARE

Our Take & Next Up

Senate Democrats are seeking feedback on their next set of healthcare reforms: IRA expansion, vertical integration, US biopharma competitiveness, and PBM/Pharmacy reform. With an eye towards a potential House majority after the midterm elections, Senate Democrats are releasing a Request for Information (RFI) to collect stakeholder and public feedback on their next phase of healthcare priorities (here). We note that proposed reforms include expansion of the Medicare drug negotiation program, additional PBM reforms, premium affordability, GLP-1 "Netflix" pricing and incentives for US biopharma development.

We are unlikely to see legislative text until 2027. RFI comments will be collected until August 17, 2026. Senate Finance Democrat staff won't hold meetings and hash out their priorities until after the comment period ends. The legislative discussion draft would not likely appear until 2027 as the Senate focuses on completing FY2027 budgets and year-end reauthorizations.

Key Points

This is a post-midterm election wishlist of policies: Some may see the light of day. Senate Democrats are unlikely to have legislative text ready until 2027**.** The policy proposals reflect incremental drug pricing reforms possible through existing IRA pathways. Ideas build on previously outlined drug pricing reforms released in February 2026 by Senate Finance Ranking Member Wyden (D-OR) that proposed incorporating MFN pricing into the Medicare negotiation program, addressing Part D cost-sharing and encouraging the US biopharma sector.

Democrats call for Medicare drug negotiation program expansion: MFN, more negotiated drugs, earlier negotiation timelines as well as eliminating the orphan fix. The IRA Medicare negotiation program is expected to endure with a majority of the litigation resolved and codification of the program later this year via 2029 final rules. For Democrats, the negotiation program offers the clearest path to implementing additional drug pricing relief in Medicare. Proposed IRA changes include:

- Factoring international prices into Medicare drug price negotiation and ultimately finding a pathway to lower drug prices in the commercial market;
- Allowing HHS to negotiate more drugs each year; we note a past bill called for expanding it to 50 drugs (from the 20 drugs max.);
- Lowering the eligibility requirements to negotiate prices earlier in drug product lifecycles (which would be paired with financial incentives for biosimilars of negotiated biologics);
- Eliminating the orphan fix;
- Increasing Medicare inflation rebates through re-basing, incorporating MA units for Part B drugs, and/or extending such rebates to the commercial market. As a reminder, there are Medicare CPI caps in Parts B & D and Medicaid CPI caps but not one for MA for Part B dispensed drugs.

Part B physician add-on payments (ASP+6%) are also being targeted for change. Senate Dems want more "de-linking" in Medicare which includes changing the physician add-on payments in Part B. Lawmakers are scrutinizing any Medicare reimbursement tied to pricing that incentivizes high cost drug spend. Physicians will push back on this proposal and it is not yet clear what the new model could look like. The failed MFN experiment in Trump's first term (2020) involved eliminating the 6% markup and instead providing a flat administrative fee, which oncologists and other specialists vehemently opposed.

Democrats are considering a "Netflix" model to control GLP-1 spending. The RFI requests feedback on developing a subscription model to facilitate access and lower costs on drugs with broad uptake, including GLP-1s. A subscription model for drugs (Netflix model) decouples drug payment from volume as payment is a fixed, upfront fee for access for a defined population over a set time period. This model was previously utilized for Hepatitis C drugs for certain state Medicaid programs (LA, WA). President Biden proposed a similar subscription model coverage for Hepatitis C drugs in the federal budget in his FY 2024 budget program.

Premiums remain a major focus in the affordability debate. The rising costs of premiums continue to be a major cost concern. We note that these reforms are more likely to cost than save with implication for additional cost shifting to plans. Proposals include:

- Expanding eligibility for Part D Low-Income Subsidies (LIS) for Medicare and, more notably,
- Containing Part D premiums.

PBM reforms include addressing vertical integration, private label drugs, and pharmacy reimbursement. Lawmakers are scrutinizing any perceived misaligned incentives, including PBM owned biosimilars. We view it as unlikely that another major PBM package will move in 2026/2027 before changes from the *Consolidated Appropriations Act (CAA)* go into effect in 2028. Still, ideas will be sought for legislation in 2027+.

Other affordability reforms target out of pocket spending and plan incentives. PBMs continue to be a target in addressing the incentives for high drug spend and Dems are also seeking ways to support reimbursement for pharmacies. Additional reforms floated include:

- Expanding the $35 OOP cap for insulin to more chronic care drugs in Medicare;
- Addressing patient steering by PBMs by changing the cost-sharing under the deductible and when the coinsurance applies to be based on net drug prices;
- Moving to a cost-plus/NADAC-based reimbursement model for generic medicine ingredient costs;
- Prohibiting or putting guardrails around PBMs' ability to limit direct contracting between manufacturers, health plans, and other entities in Medicare Part D and other markets;
- Increasing PBM accountability to contain pharmacy trend;

- Addressing potential Medicare program abuses that occur through vertical integration;
- Increasing dispensing fees in Medicare Part D to decrease pharmacies reliance on drug margin;
- Holding health insurance plans and PBMs accountable for inappropriate pharmacy rejections in Part D.

In contrast to the significant pricing reforms, the RFI also calls for ways to fund and improve U.S. biopharma pipeline. Proposals include (1) additional incentives for early research (academia, nonprofit, private sector), (2) creating funding for translational research, (3) increasing incentives for biotechs in areas of unmet clinical need or high-risk science, (4) improving clinical trial participation, and (5) biomedical workforce incentives.

BACKGROUND

This new RFI builds on priorities highlighted earlier this year by Senate Finance Dems. The Dear Colleague letter in February focused on reforms that: (1) reduce the prices pharmaceutical manufacturers charge for drugs; (2) directly lower patient out-of-pocket costs and address perverse incentives in the supply chain that keep prices high; and (3) bolster biopharmaceutical innovation for the future. The three-pronged plan intends to build on the IRA to enact additional drug pricing reform.

In 1H 2026, the Finance Committee minority staff engaged with stakeholders to solicit policy ideas for this RFI. Staff completed listening sessions with more than 70 external organizations representing patients, consumers, academic researchers, think tanks, health insurers, and pharmaceutical companies to gather ideas and receive feedback.

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