

“...it’s not the state or the pharmacy’s fault that the PBMs have such byzantine procedures that affect drug prices.” - Chief Justice Roberts during the *Rutledge v PCMA* argument

Ensuring Patient Choice and Access to Medications

“PBMs are middlemen in the healthcare industry. They extract extra profit from patients through opaque and often predatory tactics. They are not doctors, but they work with insurance companies to deny people the drugs and treatments doctors prescribe. Not only are they driving up healthcare costs for Illinois families by hundreds of millions of dollars per year, but they are also putting small, local, independent pharmacies out of business. – Governor Pritzker, 2025 State of the State Address

Reforming Pharmacy Benefit Managers (PBMs) in Illinois is Critical

Illinois residents deserve affordable medications and access to community pharmacies. However, current practices by Pharmacy Benefit Managers (PBMs) threaten both. PBMs are intermediaries between insurers and pharmacies, but they have increasingly leveraged their market power to inflate drug prices, limit patient choice, and undermine independent pharmacies. To protect Illinois families and ensure a competitive marketplace, decisive action is needed.

Key Recommendations for Legislative Action:

Ban PBM Spread Pricing:

PBMs charge health plans more for medications than they reimburse pharmacies, pocketing the difference. This practice inflates drug costs for employers and the state, draining healthcare dollars. Illinois should ban spread pricing to ensure cost transparency and lower costs for all stakeholders.

Mandate NADAC + Professional Dispensing Fee:

Implementing a payment model based on the National Average Drug Acquisition Cost (NADAC) plus a fair professional dispensing fee will ensure all pharmacies are reimbursed equitably, promoting competition and preventing PBMs from undercutting independent pharmacies. Currently, PBMs reimburse pharmacies by paying them a negotiated rate for dispensed medications, typically based on the drug's cost plus a dispensing fee, but these rates are based on opaque benchmarks and often lower than the pharmacy's acquisition cost, impacting long-term sustainability.

Enforce Transparency in PBM Pricing:

PBMs operate with little to no oversight, allowing them to overcharge employers and manipulate prices. Illinois should require PBMs to disclose pricing practices and negotiated discounts to protect employers and consumers from hidden costs.



Regulate Specialty Drug Classifications:

PBMs exploit arbitrary 'specialty drug' classifications to charge higher prices and restrict dispensing to their own specialty pharmacies. Illinois must define 'specialty drugs' based on evidence, preventing PBMs from inflating costs and limiting patient access. The FTC's January 2025 report found that major PBMs imposed significant markups on specialty generic drugs (**sometimes exceeding 1,000%**) leading to increased costs for patients and plan sponsors, which can inflate medical-loss ratios and drive up insurance premiums.

Increase Oversight of PBM Contracts:

PBMs use anti-competitive contracts to steer patients to their own pharmacies and inflate costs. Illinois should enhance regulatory oversight to prevent patient steering, ensure contract transparency, and maintain market fairness.

Impact on Illinois:

- **Community Pharmacies at Risk:** More than 80 pharmacies closed in Illinois in 2024, undermining access to care, especially in rural and underserved areas.
- **Cost to Taxpayer:** The performance audit of the Medicaid Managed Care PBMs **identified over \$200 Million over 2 years in spread pricing overbilling** to the Medicaid Managed Care (MMC) prescription program.
- **Consumer Choice and Access:** PBMs' patient steering practices limit consumer choice, forcing patients to use PBM-owned pharmacies.

Call to Action:

We urge Illinois legislators to implement comprehensive PBM reforms to protect patients, support community pharmacies, and ensure a fair drug pricing system. These actions will enhance transparency, promote competition, and lower prescription drug costs for all Illinois residents.

