DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
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CENTER FOR MEDICARE

DATE: August 25, 2025

TO: All Prescription Drug Plans, Medicare Advantage-Prescription Drug Plans, Section 1876 Cost Plans, Medicare-Medicaid Plans, and PACE Organizations

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SUBJECT: Network Adequacy Requirements and Dispensing Fees for Selected Drugs

Under section 1860D-2(d)(1)(D) of the Social Security Act (the "Act"), as amended by section 11001(b) of the Inflation Reduction Act, Part D plan payment for a selected drug during its price applicability period must not exceed the applicable maximum fair price (MFP), plus any dispensing fees. When the MFPs are in effect beginning January 1, 2026, pharmacy reimbursement from Part D plan sponsors for dispenses of a selected drug will be no more than the selected drug's MFP (plus any dispensing fees). CMS has continued to hear concerns that pharmacies might be reimbursed by Part D plan sponsors below the price the pharmacy paid to acquire the selected drug, including potentially below the MFP for the selected drug. Many stakeholders have requested that CMS ensure Part D plan sponsors reimburse pharmacies at the MFP, plus a dispensing fee. As noted in CMS's October 2, 2024, Medicare Drug Price Negotiation Program Final Guidance for the second cycle of negotiation and manufacturer effectuation of negotiated MFPs in 2026 and 2027, the agency shares concerns raised in public comments regarding the potential impact on pharmacy revenue when MFPs for selected drugs take effect. CMS will closely monitor for whether further programmatic adjustments are needed to address any contrary practices that emerge.

CMS encourages Part D plan sponsors to work with their network pharmacies to ensure adequate and fair compensation for dispensing selected drugs. Specifically, we expect Part D plan sponsors' dispensing fees to sufficiently compensate network pharmacies so that enrollees can be assured network access to selected drugs. As defined at 42 C.F.R. § 423.100, dispensing fees refer to costs that are incurred at the point of sale and pay for costs in excess of the ingredient cost of a covered Part D drug each time a covered Part D drug is dispensed. Examples of pharmacy costs that can be included within the dispensing fee are salaries, time associated with checking for coverage, filling the container, packaging, and overhead (including IT).[1]

Finally, CMS reminds all Part D plan sponsors of the network adequacy requirements for contracted pharmacies. The standards described at C.F.R. § 423.120 require in part that each sponsor secure the participation in their pharmacy networks of a sufficient number of pharmacies to dispense drugs directly to patients (other than by mail order) to ensure convenient access to covered Part D drugs by Part D plan enrollees. Moreover, all of a Part D sponsor's plan enrollees who reside in a long-term care (LTC) facility must be able to routinely receive their Part D benefits through the plan's network of LTC pharmacies in order for a Part D plan sponsor to be in compliance with CMS's LTC convenient access standard.

[1] *See* 42 CFR 423.100 and the Medicare Prescription Drug Benefit Manual – Chapter 5, Section 20.7: https://www.cms.gov/medicare/prescription-drug-coverage/prescriptiondrugcovcontra/downloads/memopdbmanualchapter5_093011.pdf