Oregon Prescription Drug Affordability Board

Pharmacy benefit manager practices

Recommendation

The Oregon Prescription Drug Affordability Board (PDAB) recommends that the Legislature strengthen oversight of pharmacy benefit managers (PBMs)—the companies that manage prescription benefits for health insurers and other health plan sponsors. The legislation should begin with standardized reporting, disclosure of affiliated businesses, independent audit authority, and public evaluation of costs and access outcomes. The goal is to make prescription drug payments and PBM compensation more transparent and support oversight of business practices affecting costs and patient access, without duplicating existing reporting.[1]

The expanded reporting would identify amount charged to health plans, paid to pharmacies, paid by patients, and retained by PBMs or affiliated business. This information would help regulators verify payments, assess PBM compensation, and distinguish changes in total costs from transfers of money among related companies.

The recommended approach reflects the board's support for stronger oversight of PBM market conduct and the establishment of transparency and audit requirements. This memo also reflects some of the recommendations in the Oregon Secretary of State's 2023 Medicaid PBM audit report.[2]

Problem to solve

Oregon licenses PBMs and collects PBM data with aggregated information on annual, statewide totals for rebates, fees, and some PBM revenue.[3] The information does not allow regulators to compare amounts charged to health plans with amounts paid to pharmacies, verify subsequent adjustments, or identify revenue retained by PBM-affiliated businesses. . Oregon therefore cannot reliably determine whether reported drug rebates or other price concessions lowered a plan sponsor's total cost or a patient's out-of-pocket cost, whether amounts paid to pharmacies affected patient access, or whether PBM revenue moved to a differently named fee or a PBM-

[1] Oregon Revised Statutes §§ 735.530–735.552 (2025), https://www.oregonlegislature.gov/bills_laws/ors/ors735.html; See Appendix E for relevant Oregon administrative rules.

[2] Oregon Secretary of State, Audits Division. (2023, August). Oregon Health Authority: Pharmacy benefit managers – poor accountability and transparency harm Medicaid patients and independent pharmacies (Report No. 2023-25). https://records.sos.state.or.us/ORSOSCMSearch/Search/RecordViewer.aspx?uri=9774904.

[3] Oregon Division of Financial Regulation, Prescription Drug Price Transparency; Pharmacy benefit managers – PBM data. Analysis available for 2024, 2025, and 2026. https://dfr.oregon.gov/drugtransparency/Pages/DPT-pharmacy-benefit-managers.aspx

affiliated business. A phased regulatory framework should begin with collection of more standardized data and include audit authority.[4]

Recommended legislative framework

Prescription drug reporting gaps

Require licensed PBMs to report the additional information needed to follow payments through the prescription drug distribution system. Direct DCBS, in coordination with OHA and other agencies holding relevant information, to identify which data elements can be accessed and used for PBM oversight, and which additional reporting requirements are needed. The review would include the Drug Price Transparency (DPT) Program, the All Payer All Claims (APAC) Reporting Program, the Oregon Medicaid Program, insurance filings, and public purchasers, and could include other state sources if relevant.

- **For claims**: the amount charged to the health plan, paid or owed to the pharmacy, and paid by the patient—including fees, recoveries, and adjustments.
- **For drugs and in the statewide totals**: rebates, discounts, price-protection payments, administrative and data fees, and other payments to or from manufacturers, group purchasing organizations, wholesalers, and pharmacy services administration organizations.
- **Where the money went**: amounts paid to the plan, applied to a patient's cost share at the pharmacy counter, or retained by the PBM or related company.
- **How the PBM was paid**: payments or contract terms tied to formulary placement, drug utilization, specialty-drug designation, or use of particular pharmacy.
- **Ownership and financial ties** among PBMs, insurers, pharmacies, rebate negotiators, wholesalers, pharmacy services administrative organizations, group purchasing organizations, brokers, and consultants; and any differences in payments between PBM-affiliated and independent pharmacies.
- **Financial incentives** that materially affect a formulary coverage decision including prior authorization, step therapy, specialty-drug designation, or direction of patients to a particular pharmacy.

Audit, examination, and enforcement authority

Authorize the Department of Consumer and Business Services (DCBS) to verify reports against contracts, claims, health plan records, pharmacy payments, later adjustments, and transactions with related companies. Allow DCBS to order corrections, recover improper payments where

[4] Oregon Prescription Drug Affordability Board. (2026). *Policy memorandum: Pharmacy benefit manager practices*. https://dfr.oregon.gov/pdab/Documents/PDAB-PBMpractices-Memo.pdf.

authorized, and use licensing or civil enforcement tools for noncompliance. Preserve existing protections against retaliation for network pharmacies and expressly protect plan sponsors and pharmacies that provide information or cooperate with DCBS examination, audit, or investigation. Authorize funding for DCBS to carry out these data verification and PBM audit responsibilities.

Oregon PBM reporting inventory and gap analysis

Authorize funding and direct DCBS, including PDAB and DPT, in coordination with the Oregon Health Authority (OHA), public purchasers, and other relevant agencies, to prepare a consolidated inventory and gap analysis using existing reports and data. The analysis would identify information already collected and publicly reported, information collected but not publicly reported, information collected but not currently integrated across agencies, and information that cannot be obtained or validated under exiting authority.

The individual requirements for expanded PBM reporting could then be evaluated to:

- Incorporate existing DPT, APAC, Cost Growth Target, insurance-rate, network adequacy, Medicaid, and public purchaser information without duplicating current reporting.
- Identify differences among existing data collection in covered markets, reporting entities, definitions, reporting periods, confidentiality requirements, and exemptions.
- Evaluate current pharmacy reimbursement practices by examining plan payments, pharmacy reimbursement, patient cost sharing, rebates and fees, PBM or affiliated-entity revenue, Maximum Allowable Costs (MAC), National Average Drug Acquisition Costs (NADAC), and Average Actual Acquisition Cost (AAAC).
- Identify the additional data or statutory authority needed to address verified gaps.
- Review the recommendations in the 2023 Secretary of State audit of Medicaid PBM practices and assess progress toward implementation.
- Recommend whether additional PBM reporting or market conduct requirements are warranted based on the remaining gaps.

Arguments for the recommendation

Claim level reporting by PBMs could be added to current APAC reporting requirements, both enhancing the value of APAC data and potentially reducing implementation costs compared to creating a new claim-level reporting structure.

Other states have carried out enforcement actions including significant financial penalties against PBMs for market conduct that violates state requirements.[5]

Arguments against the recommendation

Increased PBM reporting requirements would increase costs and resource needs for state agencies to collect and report the new data. Costs would include both one-time implementation expenses and ongoing staffing and program management expenses. Data reporting requirements for each pharmacy claim would be a large volume of new data. PDAB analysis found approximately 46 million pharmacy claims in data collected by the APAC Reporting Program for 2024.[6]

State laws and regulatory requirements vary, and other states may not provide a clear blueprint for Oregon enforcement actions. Enforcement activities may require additional resources in state agencies to implement additional work.

Requested legislative action

PDAB recommends strengthening Oregon's existing PBM transparency framework by addressing verified PBM reporting gaps, requiring affiliated-entity disclosure, and providing audit, examination, enforcement, interagency data-sharing, and outcome-evaluation authorities to regulators. Direct DCBS and OHA to coordinate implementation, identify remaining statutory, contractual, data, staffing, and fiscal gaps related to PBM oversight, and report the findings.

[5] Tennessee Department of Commerce & Insurance, Pharmacy benefit manager actions. (September 2026) https://www.tn.gov/commerce/insurance/pbm/actions.html

[6] PDAB. 2026 Drug Reviews Statewide Reference for 2024 Data. (September 2026) https://dfr.oregon.gov/pdab/Documents/2026-review-statewide-2024-data.pdf

Oregon Prescription Drug Affordability Board

Appendix A: Related PBM policy options and previous recommendations

The following concepts provide context for future policy discussions. They are separate from the current recommendation to identify reporting gaps, strengthen reporting, and provide verification and enforcement authority.

Related PBM reform and legislation considerations

Delink plan sponsor compensation of PBMs from drug prices

Oregon could require PBM compensation by plan sponsors to use fixed-dollar fees for documented services rather than percentages or formulas based on list price, ingredient cost, rebate amount, formulary placement, or drug utilization.

Performance payments could remain available when based on independently measurable clinical, access, or service outcomes and when they do not calculate from drug price, rebates amounts, or prescription volume.

Apply appropriate requirements to public programs

Oregon could apply pass-through pricing, fixed-dollar compensation, rebate standards, and conduct requirements first to public purchasers and state-administered programs where procurement and contract authority permit. The Oregon Prescription Drug Program provides an existing option for public payers and other Oregon entities to access PBM services with fully transparent operations, fixed administration fees, and pass-through of all manufacturer rebates and fee payments.[7]

Previous PDAB recommendations

Point-of-sale rebate application

The board previously recommended a target point-of sale rebate approach in Appendix A of the 2025 PDAB Drug Review Report.[8] This recommendation highlighted manufacturer rebates and other price concessions associated with drugs that may create affordability challenges as identified through the PDAB review process. Under this recommendation enrollee cost sharing at the time a prescription is dispensed would be based on net prices after rebates. The purpose

[7] Oregon Health Authority, Oregon Prescription Drug Program. https://www.oregon.gov/oha/hpa/dsi-opdp/Pages/index.aspx

[8] Oregon Division of Financial Regulation, Prescription Drug Affordability Board, 2025 PDAB Drug Review Report (Salem, OR: Author, 2025), https://dfr.oregon.gov/pdab/Documents/reports/2025-PDAB-drug-review-report.pdf.

is to align patient financial responsibility more closely with the drug's net price and provide the benefit of negotiated concessions directly to patients prescribed the drug.

Pass-through pricing and spread-pricing prohibition

PBM pass-through pricing was also recommended in Appendix A of the 2025 PDAB Drug Review Report.[9] The pass-through pricing concerns the financial relationship between a PBM and the contracting plan sponsor.

Under a pass-through pricing model, amounts charged to the plan sponsor for prescription claim generally reflect the amounts paid or payable to the dispensing pharmacy, while PBM compensation is separately identified. This structure is intended to make PBM compensation more transparent for plan sponsors and reduce the opportunity to retain undisclosed differences between plan charges and pharmacy reimbursement.

[9] Oregon Division of Financial Regulation, Prescription Drug Affordability Board, 2025 PDAB Drug Review Report (Salem, OR: Author, 2025), https://dfr.oregon.gov/pdab/Documents/reports/2025-PDAB-drug-review-report.pdf.

Appendix B: Lessons from other states

Other states provide useful models for PBM oversight, but their results are not directly comparable. Their programs cover different insurance markets, use different definitions, and measure different outcomes. Oregon can use these experiences to improve data collection and evaluation without assuming that the same policy will produce the same savings in Oregon.[10]

State	Feature	Oregon consideration
New York	Detailed reporting and examination	Collect pricing-model, rebate, claim, affiliate, and revenue information. Require a responsible officer to attest that reports are complete and accurate and give regulators authority to verify the information.
Ohio	Medicaid PBM oversight	Compare plan charges with pharmacy payments, require ownership and conflict disclosures, and separate auditing from the PBM being reviewed.
Kentucky	Before-and-after measurement	Use claim-level data to test whether prohibited spread pricing ended.
California and Colorado	Track replacement revenue	Monitor whether limits on spread pricing, rebate retention, or price-linked compensation cause revenue to reappear as administrative, data, network, affiliate, or other fees.
Maine and Vermont	Conflicts and affiliated businesses	Evaluate whether ownership relationships affect pharmacy steering, payment, formulary placement, or patient access. Use conflict disclosure and require comparable treatment of affiliated and independent pharmacies.

[10] Oregon Prescription Drug Affordability Board. (2026). *Policy memorandum: Pharmacy benefit manager practices*. https://dfr.oregon.gov/pdab/Documents/PDAB-PBMpractices-Memo.pdf.

Appendix C: Relationship to Secretary of State PBM audit

In 2023, the Secretary of State audit concluded that Oregon's Medicaid PBM structure was too complex to efficiently measure value; PBM regulation was limited and fragmented; pharmacy reimbursements varied materially by drug, pharmacy type, and PBM; and OHA did not sufficiently monitor CCO and PBM transparency and compliance.[11] The audit made two recommendations to OHA and seven to the Legislature. These 2023 audit findings support the PDAB-proposed transparency, audit, affiliate-disclosure, and enforcement framework, but several recommendations concern Medicaid program design and require separate analysis with OHA and Medicaid stakeholders.

The Secretary of State audit report made recommendations regarding the following areas that could inform future PDAB work:

- **(1 and 2) OHA oversight**: The audit recommended strong CCO contract monitoring and independent review of PBM practices. OHA's response identified planned implementation dates through 2024.
- **Medicaid structure**: evaluate a different coordinated-care PBM model, such as a single PBM or fee-for-service approach, including whether a reverse auction to select a vendor should be studied if a single PBM is selected.
- **Patient access**: evaluate a universal Medicaid preferred drug list and uniform step-therapy and prior-authorization criteria.
- **Pharmacy protections**: evaluate uniform and fair Medicaid pharmacy reimbursement policies.
- **Regulatory scope**: determine the effect of including Medicaid PBMs within ORS 735.530 and identify any remaining jurisdictional or enforcement gaps.
- **Duty and accountability**: evaluate a statutory fiduciary duty owed by PBMs to the contracting insurer or CCO and/or to covered persons.
- **Annual data**: SB 192 (2023) established aggregate PBM reporting to DCBS as recommended by the audit. The aggregate reporting is now codified in ORS 735-537. The current recommendation concerns additional information needed to address verified gaps, including claim-level information beyond existing aggregate reporting.
- **State purchasing**: study whether a state prescription drug purchasing program could reduce taxpayer costs.

[11] Oregon Secretary of State, Audits Division. (2023, August). Oregon Health Authority: Pharmacy benefit managers (Report No. 2023-25). https://records.sos.state.or.us/ORSOSCMSearch/Search/RecordViewer.aspx?uri=9774904.

For the near-term PDAB recommendation, the audit's annual data, independent audit, monitoring, and pass-through findings should be prioritized. The Medicaid model, universal preferred drug list, reimbursement, fiduciary-duty, and statewide-purchasing recommendations could be presented as a PDAB policy option after consultation with OHA and other affected agencies and stakeholders.

Appendix D: State scope clarification

- Oregon regulates PBM licensure, pharmacy audit protections, MAC-list appeals, and specified pharmacy-facing practices.[12] These authorities should not be described as broad regulation of PBM reimbursement to pharmacies.
- Medicaid and coordinated care organization requirements must be distinguished from proposals affecting fully insured commercial plans.
- Federal reforms scheduled for Medicare Part D and self-insured group health plans should be mapped to Oregon's proposal to avoid unnecessary duplication and identify remaining state gaps.
- Ohio's experience should be presented as a phased Medicaid reform involving pass-through pricing, independent oversight, and later centralized PBM administration.[13]
- Recent California and Colorado laws provide useful statutory designs but do not yet establish mature outcomes for evaluating effects on premiums, patient costs, pharmacy access, or total net spending.[14]

[12] Oregon Legislative Assembly. (2025). Oregon Revised Statutes §§ 735.530–735.552. https://www.oregonlegislature.gov/bills_laws/ors/ors735.html
[13] Oregon Prescription Drug Affordability Board. (2026). *Policy memorandum: Pharmacy benefit manager practices*. https://dfr.oregon.gov/pdab/Documents/PDAB-PBMpractices-Memo.pdf.
[14] Ibid.

Oregon Prescription Drug Affordability Board

Appendix E: Oregon administrative rules governing pharmacy benefit managers

The following rules address existing PBM licensing, reporting, complaints, and market conduct requirements. The full rules are available at https://secure.sos.state.or.us/oard/displayDivisionRules.action?selectedDivision=3795.

Oregon administrative rule (OAR)	Subject and relevance
836-200-0406	Application requirements for pharmacy benefit manager. Establishes licensing application requirements and required business and compliance information.
836-200-0411	Renewal of pharmacy benefit license. Establishes annual license renewal.
836-200-0416	Licensure requirements are not exclusive. Clarifies that PBM licensure does not replace other applicable licensing and business requirements.
836-200-0418	Aggregated rebate and payment reports. Requires annual reporting of manufacturer payments, their disposition, dispensing and administrative fees, and spread pricing revenue, and pay-for-performance revenue.
836-200-0436	Submission of complaints. Establishes documentation requirements for pharmacy complaints alleging violations of Oregon PBM laws.
836-200-0440	Market conduct requirement for pharmacy benefit managers. Addresses pharmacy delivery, specialty and mail-order requirements, reimbursement appeals, and protections against retaliation.