

Rebate Reform

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Introduction

The combined forces of federal legislation (impacting all PBMs by requiring 100% rebate pass-through and flat-fee compensation structures), and the settlement outcomes of the FTC’s suit with Express Scripts, one of the largest PBMs (requiring a standard formulary offering that does not prioritize high list-price, high-rebate therapies) are some of the newest developments accelerating the pressure toward a “net-first” pricing framework, at least as far as PBMs are concerned.

Should these forces play out as intended, PBMs—particularly CVS Caremark, Express Scripts, and OptumRx—could lose significant revenue from hidden fees, rebates, and spread pricing. On the other hand, while the hope is that independent pharmacies, patients, and employers could benefit from increased price transparency, the end of spread pricing, and lowered out-of-pocket drug costs, the reality could be that employers will have to raise premiums in a net-first model to compensate for lower patient cost-sharing, overall plan spend may increase due to reduced patient abandonment, and pharmacies’ total reimbursement and margin may decrease.

Consolidated Appropriations Act (H.R. 7148, signed into law on February 3, 2026)

Reining in drug costs has long been a bipartisan priority for lawmakers. PBMs in particular have been a focus of attention for reasons ranging from their business practices, market consolidation, and lack of transparency; all of which factor into concerns about the role that PBMs have played in increasing drug prices. In February of 2026, Congress enacted several PBM-related provisions in the Consolidated Appropriations Act of 2026, which includes provisions that will delink PBM compensation from the price of a drug or rebate arrangements. It also requires PBMs to pass through 100 percent of rebates to employer health plans, and increases

oversight of PBM services through transparency and data reporting requirements.

Triangle Insights anticipates that actions to increase PBM transparency and moving to a net-first pricing environment will not necessarily translate into lower costs for employers and patients. Narrowing gross to net requires bargaining power, and the reforms as currently contemplated, while they do potentially weaken the bargaining power of the PBMs, may give more power to the drug manufacturers, rather than patients and employers (who, for example, may see higher premiums and higher plan spend, respectively).

As an illustration, imagine a hypothetical drug with a \$500 monthly WAC. If, in the current model, there is a 20% (\$100) rebate, and patient coinsurance is 20% (\$100), then the net cost to the PBM for this drug is \$300 per month. In a net-first model, that same drug would be priced at \$400 per month, and patient coinsurance of 20% (\$80) would put the net cost to the PBM at \$320 – an increased liability to the PBM which will likely result in new fee structures.

FTC settlement with Express Scripts

The FTC’s landmark settlement with Express Scripts is a direct challenge to the foundational economics of PBMs. While the settlement specifically applies to Express Scripts, it signals a broader shift toward net-first pricing and away from the opaque rebate- and spread-driven models that have long dominated the market. The settlement calls for a “Standard Offering” to plan sponsors that includes requiring that out-of-pocket costs are based on a drug’s net cost, and access to an insulin savings program. This “Standard Offering” would be an option available to all plan sponsors.

Though considered a landmark settlement, PBMs have seen these shifts coming. Many have already begun adjusting their models; to wit, the Evernorth (Cigna’s health services division) Rebate-Free

Pharmacy Benefit model. Many core components of the FTC settlement shared design elements consistent with this new benefit design.

Triangle Insights anticipates that while the outcomes of the settlement can help shield patients and plans from the excesses of the gross-to-net bubble, the “Standard Offering” contemplated by the settlement is not universal, and the “Meeting Competition” clause of the settlement (Section XI) could provide a path for Express Scripts to make minimal changes to its overall business practices. As the “standard offering” is simply an option sponsors can request, Express Scripts could find innovative ways to convince sponsors to continue with their existing formulary design (perhaps by incentivizing benefits consultants/brokers to keep the status quo). Further, the settlement still leaves opportunity for inflated pricing: it does not address the value PBMs can gain by holding onto rebate dollars over time before passing them back to clients; nor does it address that other stakeholders in the supply chain, such as wholesalers, will try to maintain current revenue streams (potentially by taking a larger percentage of the drug’s price), and that patients may be facing premium increases if plan spend increases.

It remains to be seen whether the “Standard Offering” will become the norm. If it gains broad market acceptance, a meaningful change in PBM contracting dynamics, rebate strategies, and pricing models could result. However, if most plan sponsors opt for alternative arrangements, reform may be limited, and most (if not all) traditional PBM practices could persist. Thus the settlement’s ultimate impact on a manufacturer’s pricing and rebate strategy will largely depend on whether sponsors migrate to the Standard Offering, and the outcome of any additional settlements reached with the other large PBMs.

For pharmaceutical manufacturers, this is not a PBM problem to watch from the sidelines. It will

require manufacturers to reassess their pricing and contracting strategies, understand the impacts on channel strategy, and ultimately determine how to compete for access while keeping an eye on where the squeeze will come next. The FTC’s action, combined with mounting legislative pressure and public scrutiny, is forcing a redefinition of how value is created, measured, and monetized across the drug distribution ecosystem.

Strategic Considerations

1. PBMs are likely to adapt their business models in a number of ways to a net-first world; manufacturers should prepare individual products and the portfolio at large for how different scenarios may unfold, and be aware of other avenues PBMs may use to extract economic value from their customers beyond GTN
2. At the product level, manufacturers should adapt their contracting and pricing strategies to a net-first pricing framework, as well as consider other levers their products will need in order to compete in a net-first environment
3. Manufacturers should also determine how their overall channel and distribution strategies might need to be adjusted under a net-first framework
4. Manufacturers need to determine if they should change their focus or strategy with respect to self-insured employers, who may either switch to the redesigned PBM model or maintain bespoke formularies and benefit designs
5. Beyond PBM reform, manufacturers will need to keep an eye on where the next drug pricing and access reforms) will come from, and how to respond

Check back between now and Asembia 2026 for each installation of this series.