



What is the purpose of Drug Cost Reporting?

In recent years, efforts have been made to promote greater transparency in health care spending. Plan sponsors and plan participants have been frustrated by the high cost of prescription drugs. To address transparency of drug cost spending, the Consolidated Appropriations Act (CAA) now requires plans and issuers to submit information related to prescription drugs to Centers for Medicare and Medicaid Services (CMS).

After receiving all the data, CMS will publish biennial public reports on prescription drugs highlighting the impact of prescription drug costs on premiums and out of pocket costs. These reports are expected to improve transparency and clarify how prescription drugs contribute to the growth of health care spending.

How will this benefit groups and brokers?

Brokers and employers do not currently have access to details regarding how much a plan's PBM is being paid back from drug manufacturers. Information regarding the following is not readily available:

- **Bona Fide Service Fees:** These are fees paid by a manufacturer to a PBM for services that the manufacturer would otherwise perform in absence of a service arrangement and are not passed on to a client.
- **PBM Spread:** This is the difference between the amount the Plan paid to the PBM and the amount the PBM paid to manufacturers, wholesalers, pharmacies, or other vendors.
- **Rebates Retained by the PBM:** These are manufacturer rebates received by PBMs and not passed through to any member or client.

Drug cost reporting can be filed as aggregated or non-aggregated data. If your plan's data is reported in an aggregated format, you will not see the individual data and may not have access to the above information. If your plan's data is reported in a non-aggregated format, you will have access to all of your data and the above information. This transparency will address price variations and help employers make informed choices about their healthcare spending.

What are the requirements?

The CAA requires health plans and issuers to submit files with the following information:

- Amounts spent on prescription drugs and health care services
- Prescription drugs that account for the most spending
- Drugs that are prescribed most frequently
- Prescription drug rebates from drug manufacturers
- Premiums and cost-sharing that patients pay

The required reporting will increase transparency in overall health care spending and enable employers to gain insight into their individual health plan's drug spending.

When is the filing due?

Reporting for the 2020 and 2021 calendar years was delayed from December 2021 to December 27, 2022. Reporting for the 2022 calendar year is due by June 1, 2023 and annually thereafter. The Department of Labor may enforce compliance with these rules for all plans subject to ERISA. The Internal Revenue Service may impose an excise tax of \$100 per day per affected individual under section 4980D of the Code for any failure to comply.