# DIR Fees Increase Costs for Patients and Pharmacies

**Patients are negatively impacted by insurer and pharmacy benefit manager (PBM) practices such as direct and indirect remuneration (DIR) fees under Medicare Part D that mask the real price of medications, increase the price patients pay, and interfere with pharmacists' ability to provide patient care.**

## WHAT YOU NEED TO KNOW

Retroactive DIR fees or other "clawback" mechanisms, often assessed months after a prescription has been filled, prevent pharmacies from knowing at the time of dispensing what their true reimbursement will be for a prescription. The result is a final reimbursement often below the cost of the medication paid by the pharmacy to its wholesaler. These DIR fees have no relationship to what the pharmacy actually paid for the product. Pharmacies simply cannot dispense products below their actual cost.

Because current point-of-sale prices or copays paid by beneficiaries at the pharmacy counter can be based on the contracted price before DIR fees or clawbacks are extracted, many Medicare beneficiaries actually pay higher out-of-pocket costs. The Centers for Medicare and Medicaid Services (CMS) has cited numerous research that suggests higher cost sharing by patients can impede beneficiary access to necessary medications, which leads to poorer health outcomes and higher overall medical care costs for both patients and Medicare.

Complex PBM coverage and payment policies also hinder the full potential of community pharmacists' clinical education and training from being realized, as much of their day is spent on the phone trying to find an appropriate treatment that not only is covered, but that the patient can afford.

## WHERE THINGS STAND

In 2019, CMS missed an opportunity when the agency failed to include proposed retroactive DIR fee reforms in finalizing a recent proposed rule, "Modernizing Part D and Medicare Advantage to Lower Drug Prices and Reduce Out-of-Pocket Expenses" (CMS-4180-P). The proposed rule would have passed on any price concessions from drug manufacturers and pharmacies, including DIR fees, to Medicare beneficiaries as real cost savings at the pharmacy counter.

In the proposed rule, CMS cited the fact that DIR fees on pharmacies participating in Part D grew by 45,000% between 2010 and 2017. This significant increase in DIR fees creates uncertainty for community pharmacists and the patients you serve and jeopardizes the viability and accessibility of community pharmacies and pharmacists.

CMS estimated that proposed reforms to eliminate retroactive DIR fees and share these savings with patients at the pharmacy counter would have saved Medicare beneficiaries between $7.1 and $9.2 billion in cost sharing over the next 10 years.

## HOW APhA IS FIGHTING FOR YOU

Pharmacy DIR fee reform is needed immediately to bring down beneficiary out-of-pocket costs and avoid further losses to pharmacies, including closures, that reduce patient access to care. The need for reform is NOW if patients are to retain access to convenient and effective pharmacy services.

We need Congress to pass legislation that would—

- End post point-of-sale price concessions, such as retroactive pharmacy DIR fees, to ensure consistency throughout all of the Part D benefit.
- Establish standardized pharmacy quality measures for CMS to provide incentive payments to pharmacies.
- Require that Part D sponsors include suitable claim-level detail on the electronic remittance advices that accompany payment.
- Encourage Members of Congress to support the December 2019 version of S. 2543, the Prescription Drug Pricing Reduction Act, which includes a DIR fix that ends retroactive DIR fees.

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