March 5, 2025

Stephanie Carlton
Chief of Staff and Acting Administrator
Centers for Medicare & Medicaid Services (CMS)
7500 Security Boulevard
Baltimore, MD 21244-1850

RE: Meeting Request to Reconsider the **IRA Implementation that Increases Drug Costs** for Healthcare Providers, Hospitals, and Pharmacies

Dear Acting Administrator Carlton,

On behalf of our 60,000 pharmacist, student pharmacist, and pharmacy technician members, we urge the Centers for Medicare & Medicaid Services (CMS) to take immediate action to ensure that implementation of the Inflation Reduction Act (IRA) negotiated drug pricing framework does not threaten patients by undermining the financial stability of hospitals, pharmacies, and other community providers. We urgently request an opportunity to meet with you to discuss our concerns regarding the IRA framework rolled out by the previous administration and offer suggestions to effectively bring down drug prices.

The **proposed IRA framework would actually increase prices** for providers and pharmacies, and increase bureaucratic red tape, without benefiting patients. The IRA was supposed to lower drug prices. Instead, the program raises drug purchasing costs by:

- Forcing providers to **purchase medications at an inflated price** (wholesale acquisition cost);
- Requiring providers to finance the **higher carrying cost of inventory** purchased at inflated prices until rebates are received from the manufacturer;
- Creating a system where **rebates may be significantly delayed or denied at the manufacturers' discretion**; and
- Saddling providers with **inflated administrative costs to comply with rebate programs** that vary from manufacturer to manufacturer and drug to drug.

Providers are forced to purchase medications at inflated prices

CMS's proposed approach places drug manufacturers in full control of whether patients, providers, and pharmacies can purchase products at the lower discounted price negotiated by the government, or if they must buy these medications at higher prices and then wait for the manufacturer to provide a retrospective rebate. If, as expected, most manufacturers' IRA plans will require providers to purchase medications at higher up-front prices, hospitals will face increased financial strain from drugs purchased under this program.

Hospitals must incur financing costs on the inventory purchased at elevated prices

A retrospective discount program for IRA pricing will require hospitals to come up with significant cash to purchase drugs at these higher prices. As a result, many hospitals will need to access financing through the bond market or a loan. Hospitals will be required to pay interest on such financing from the time of purchase until the rebates are received from manufacturers. This financing cost will further erode the operating margin of already cash-strapped safety-net hospitals.

As one hospital explained based on an analysis of converting just two common drugs to a rebate model, even if all claims for the two drugs were validated and nothing denied, a 30-day delay to get rebates would require a $2 million in working capital just to fund purchasing two of the IRA negotiated drugs at upfront

WAC pricing. If this model were to apply to all IRA and 340B drugs, hospitals would face millions in additional financing costs – in some cases, the cost would be enough to wipe out a hospital's margins, threatening their financial viability.

Rebates will be significantly delayed or unpaid for some portion of drugs

Retrospective rebates will significantly delay access to negotiated prices. As a result, providers will not only need to purchase drugs at significantly increased prices (wholesale acquisition cost versus the negotiated price). They will also need to wait to receive the rebates, with no guarantee that a rebate will actually be paid.

Providers will need to anticipate that some portion of rebates will be disputed and never paid, or at best significantly delayed, by manufacturers. Every time a rebate remains unpaid or is significantly delayed it lowers the operating margin of safety-net hospitals. This threat to provider's financial health would be easily addressed by requiring manufacturers to provide prices upfront, rather than as a rebate, because providers would realize the reduced cost of a drug immediately, rather than facing higher purchasing costs without any guarantee that a rebate will be received in the future.

There are significantly greater administrative costs for a rebate program compared to up-front discounts

Rebate models also impose significant administrative complexity, which raises the costs for providers, reducing money that would otherwise be spent on patient care. Because the IRA guidance puts drug companies in the driver's seat when structuring IRA negotiated rebate models, including product-specific models, each manufacturer will likely have their own model. Multiple inconsistent models further increase expenses and add to confusion relating to tracking rebate data submitted to manufacturers, validating/auditing whether rebates were received and pursuing payment for denied rebates. These concerns are compounded by the fact that CMS has indicated that hospitals and dispensers will not have access to the models until September 2025, leaving very little time for input and/or necessary revisions. With drug companies driving the process, it seems unlikely that models will adequately address the practical needs of other stakeholders.

We urge you to take immediate action to prevent the current proposed IRA drug negotiation framework from taking effect and to adopt an upfront discount model to ensure patients, providers, and our healthcare system benefit from lower drug prices. We look forward to working with you to improve the health of all Americans. Please do not hesitate to treat us as a resource should you have questions or need assistance on this or any other issue.

Sincerely,

American Society of Health-System Pharmacists
Alabama Society of Health Systems Pharmacists
Arizona Pharmacy Association
Arkansas Association of Health-System Pharmacists
Avera Health
Ballad Health
BayCare Health System
Bayhealth Medical Center
California Society of Health-System Pharmacists
Colegio de Farmaceuticos de Puerto Rico
Cone Health
Connecticut Society of Health System Pharmacists
Ephraim McDowell Regional Medical Center
Fairview Health Services
Florida Society of Health-System Pharmacists
Georgia Society of Health-System Pharmacists
Harris County Hospital District dba Harris Health
Idaho Society of Health-System Pharmacy
Illinois Council of Health-System Pharmacists
Indiana Pharmacy Association
Intermountain Health
Kansas Council of Health System Pharmacy
Kentucky Society of Health-System Pharmacists

Maine Society of Health-System Pharmacists
Massachusetts Society of Health-System Pharmacists (MSHP)
Methodist Health System
Michigan Society of Health-System Pharmacists
Minnesota Society of Health-System Pharmacists
Mississippi Society of Health-System Pharmacists
Missouri Society of Health-System Pharmacists
Nebraska Pharmacists Association
Nevada Society of Health-System Pharmacists
New Jersey Society of Health-System Pharmacy
New York State Council of Health-System Pharmacists
New Hampshire Society of Health-System Pharmacists
North Dakota Society of Health-System Pharmacist
Northeast Georgia Health System
Ohio Society of Health-System Pharmacists
Oklahoma System of Health-System Pharmacists
Oregon Society of Health-System Pharmacists
Pennsylvania Society of Health-System Pharmacists (PSHP)
Pharmacy Society of Wisconsin
Renown Health
Rhode Island Society of Health-System Pharmacists
Riverside Health
South Dakota Society of Health-System Pharmacists
Sharp HealthCare
South Carolina Society of Health-System Pharmacy
SSM Health
The Ohio State University Wexner Medical Center
University of Chicago Medical Center
University of Iowa Health Care
University of Pittsburgh Medical Center (UPMC) Health System
Utah Society of Health-System Pharmacists
UVA Health
Vermont Society of Health-System Pharmacists
Virginia Society of Health-System Pharmacists
Vizient, Inc.
West Virginia Society of Health-System Pharmacists
Wyoming Society of Health-System Pharmacy