Post-Convening Recap

Milbank Memorial Fund
STATE LEADERSHIP NETWORK

State Strategies to Address Rising Prescription Drug Costs: Virtual Convening of Milbank State Leadership Network

July 22, 2025

PANELISTS

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Secretary of Health and Family Services, Indiana

Prescription Drug Spending as a Cost Driver

Rachel Block of the Milbank Memorial Fund opened the session by explaining that prescription drugs are consistently cited in state health care cost growth benchmark reports as a key contributor to rising health care costs.

A Landscape of State Action

Maureen Hensley-Quinn, Senior Director at the National Academy for State Health Policy (NASHP), provided a comprehensive review of state legislative activity and strategic frameworks to improve prescription drug affordability.

State Strategies to Lower Rx Prices

Policy Approach	Tools
1. Transparency	• Reporting by drug manufacturers, wholesalers, PBMs, and health plans on prescription drug prices, spending and rebates*
2. Active state purchasing	• Wholesale Canadian Importation (requires FDA approval)* • Stronger PBM contracting* • Pooled Purchasing (e.g. ArrayRx) • Direct negotiation for high-cost drugs (Medicaid) • Outcomes-based contracting (Medicaid)
3. Limit Price Increase	• Prohibiting Price Gouging* • Inflationary Penalties
4. Set Upper Payment Limits	• Prescription Drug Affordability Boards (PDABs)* • International Reference Rates* • Medicare Maximum Fair Price (MFP) Reference Rates*

Since 2017, NASHP has tracked more than 415 enacted laws across all 50 states to lower prescription drug prices; the organization saw an uptick in the passage of these laws in 2025.

PBMs. Today, there are laws in all 50 states regulating pharmacy benefit managers (PBMs), third-party companies hired by health plans, employers, and government entities to manage prescription drug benefit programs, related to:

- consumer costs saving (banning gag clauses that prevent pharmacists from telling consumers when they can save money; limiting patient cost sharing; prohibiting spread pricing, or when a PBM charges more than what it pays for a drug and retains the profit),
- addressing consolidation and protecting pharmacies (standardizing reimbursement rates; prohibiting steering, in which a PBM channels prescriptions to their pharmacies, claw backs, and retroactive denials; banning discrimination against providers participating in the 340B program), and
- state oversight (licensure/registration; rebates; creating fiduciary duties; establishing auditing standards).

In 2025, comprehensive PBM reforms included legislation that affects private insurance plans and reforms that prevent carve outs that exclude specific health care services from standard insurance plans. Additionally, several states now require PBMs to reimburse pharmacies using a benchmark price developed by the Centers for Medicare and Medicaid Services plus a dispensing fee, rather than using opaque proprietary rate lists.

Price controls. States are also focused on limiting consumer cost sharing through out-of-pocket caps on insulin, inhalers, and epi-pens, and requiring coupons to apply toward patient's deductibles. Hensley-Quinn underscored that while consumer protections are helpful, they do not address the root issue — unsustainable pricing across the pharmaceutical supply chain. There is a

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growing state focus on supply chain transparency, including required reporting from manufacturers, wholesalers, PBMs, pharmacy services administrative organizations (PSAOs), 340B entities, and pharmacies.

Many states are creating prescription drug affordability boards (PDABs) to analyze pricing data and eventually set upper payment limits. States have slowly progressed in standing up the appropriate administrative and regulatory frameworks and addressing legal challenges and continue refining board powers and scopes. Some states are also considering wholesale international pharmaceutical importation, recognizing that other countries pay much less for pharmaceuticals. Florida is the only state to receive conditional FDA approval for Canadian drug importation, but others are still exploring feasibility through state-sponsored studies. Other states are looking to tie drug prices to international prices.

States are looking for solutions to cover high-cost drugs like GLP-1s for weight loss and cell and gene therapies like those used to treat sickle-cell disease. Thirty-three states, plus Washington, DC, and Puerto Rico, have opted into the Cell and Gene Therapy Access demonstration, covering about 84% of Medicaid beneficiaries with sickle cell disease. Under this CMS Innovation Center model, participating states receive discounts and rebates if drugs fail to deliver benefits.

Hensley-Quinn emphasized that states are not merely responding to federal gaps — they are leading on policies to improve the affordability of prescription drugs. They are requiring more transparency, using regulatory levers to hold intermediaries accountable, and increasingly exploring market interventions that shift cost risk away from patients and toward those setting prices.

Driving Down Drug Costs: Connecticut's Prescription for Reform

Senator Matt Lesser described how a Connecticut bipartisan legislative task force — including over 100 stakeholders — developed a comprehensive package that became House Bill 7192. The law includes:

- PBM accountability: Establishes "duty of good faith" and "fair dealing"; conflicts must be disclosed
- Alternatives to spread pricing: Mandates that PBMs offer customers the option to use pass-through pricing model in which the amount paid to the pharmacy is the same as the amount billed
- Patent reform: Engages federal partners to allow production of generic GLP-1 medications, increasing access to transformational drugs and saving taxpayers millions
- Annual profit reporting: Requires carriers to disclose profits from PMBs and mail-order pharmacies
- Addressing shortages: Creates task force and supply chain strategy to mitigate drug shortages
- Drug importation: Lays groundwork for safe Canadian drug importation, including virtual importation, with a feasibility study
- Rebate transparency: Requires insurers to report how PBM rebates lower patient cost-sharing
- Bulk purchasing: Allows bulk-purchasing by state agencies and creates advisory council to guide state reference-pricing strategy

The bill also limits price increases for generic and off-patent drugs to the rate of inflation (CPI) through Connecticut's Department of Revenue Services authority to levy civil penalties.

> "[We] really had a lot of folks with a stake in this legislation passing and it was built on our shared experiences. We were fair. We didn't single out either the PBMs or the drug industry. We looked at all the stakeholders and we had them all at the table, and we avoided some of the finger pointing that frequently happens." -- Senator Matt Lesser

Indiana: Transparency, Fiduciary Duty, and Supply Chain Reform

Gloria Sachdev, Secretary of Health and Family Services for Indiana, presented recent legislative successes in her state that advance prescription drug transparency, accountability, and provider oversight:

- Ownership transparency: Requires PBMs and provider groups to disclose controlling interests and private equity stakes to the Department of Insurance

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- Defined fiduciary duty: Requires PBMs and third-party administrators (TPAs) to act in the best interests of health plan sponsors
- Electronic prior authorization: Requires insurers to offer by 2026 to reduce provider burden and speed access to medications
- Pharmacy protections: Prohibits PBMs from steering patients to affiliated pharmacies or engaging in retroactive payment claw backs.
- 340B reporting: Builds on Minnesota's model to better understand hospital retention of drug discounts
- Prior authorizations: Allows Medicaid to require prior authorizations for mental health prescriptions like all other prescription drugs

Additional legislation expanded the state's audit authority to allow electronic access to PBM reimbursement records to detect spread pricing.

Keys to Success

Panelists cited resources from NASHP, Federal Trade Commission reports, and bills in peer states as critical to shaping their prescription drug costs-related legislative agendas. Both state officials emphasized the importance of bipartisan coalition-building and shared stakeholder ownership. Senator Lesser credited Connecticut's success to cross-party trust established through the bipartisan taskforce. Secretary Sachdev noted that Indiana's reforms were possible thanks to alignment between executive leadership, legislative champions, and grassroots employer and consumer groups like the Indiana Employer's Forum and Hoosiers for Affordable Health Care.

The panelists discussed the importance of educating policymakers and communicating effectively about policy ideas to help inform legislation and counter the opposition from the well-resourced pharmaceutical industry.

They also emphasized that successful implementation now rests on robust auditing, enforcement, and coordination across multiple agencies — including revenue, insurance, department of health, and consumer protection departments.

Remaining Challenges and Looking Ahead

Both state officials noted the significant affordability challenges tied to GLP-1 utilization and cell and gene therapies. Senator Lesser noted that Connecticut is interested in future legislation on multi-state cooperation to produce GLP-1s and purchase pharmaceuticals. Secretary Sachdev explained that Indiana is also exploring direct manufacturer contracting for GLP-1s in the state employee plan, with cost savings directed toward Medicaid.

Neither Connecticut nor Indiana is using artificial intelligence (AI) to tackle pharmaceutical pricing issues, but both panelists believe AI could be a useful implementation tools if the tools are accurate and used transparently.