

PBM Compensation - Delinking/Flat Fee

Policy Description

Maryland would implement a Pharmacy Benefit Manager (PBM) Delinking or Flat Fee Model to delink PBM reimbursement from rebates, and reduce financial incentives for PBMs to favor high-cost drugs. This policy shifts PBM compensation from percentage-based rebates and list prices to a transparent, service-based structure.

- **Delinking:** Under some contracts, PBMs are paid based on negotiated rebates, and may have a financial incentive to prefer the drug with a larger rebate over the drug with the lowest net cost. With delinking, PBMs would be compensated via negotiated flat-dollar service fees per claim, prohibiting income based on a drug's price, cost, or rebate volume.
- **WAC Neutrality:** Compensation based on rebates set as a percentage of a set Wholesale Acquisition Cost (WAC) is decoupled from WAC increases. Using a "WAC-in-Time" model, fees are derived from the difference between the net price and a specified, time-locked WAC.

Implementation Process and Timeline

Phase 1: Strategic Assessment (4 months): PDAB conducts a therapeutic class-wide review of current rebate-to-fee ratios in state-funded health plans to model the fiscal impact of a flat-fee transition.

Phase 2: Stakeholder Alignment (5 months): Staff engages with the state partners, such as the Maryland Insurance Administration (MIA) and the Department of Budget and Management (DBM), to draft standardized "flat fee" contract language for state health plans.

Phase 3: Legislative Phase (4 months): Introduction of legislation to mandate delinking for all state-regulated health plans and PBM contracts.

Phase 4: Program Launch (Milestone): Full implementation; PBMs operating in Maryland must certify that compensation is derived solely from flat service fees.

Other State Examples

Colorado ([HB 25-1010](#)): Prohibits PBM income based on drug price; mandates flat-dollar service fees and "formulary neutrality" starting in 2027.

Florida ([SB 1550](#)): Requires a "pass-through" model where 100% of rebates are sent directly to the health plan, limiting PBMs to transparent administrative fees.

California ([SB 41](#)): Recently enacted legislation that includes a mandatory PBM delinking provision. This law prevents hidden fees and reduces PBM "spread pricing" by requiring that PBM compensation be entirely independent of drug list prices or rebate values.