
Letter Number 2022-20

Date: December 8, 2022

Fee-for-service [17]

Experience-rated HMO [17]

Community-rated HMO [X]

Subject: Clarifying the Applicability of the PBM Transparency Standards

This Carrier Letter provides guidance on the use of the term “drugs” as it applies to the Pharmacy Benefit Manager (PBM) Transparency Standards in the Experience-Rated and Fee-For-Service FEHB Contracts. OPM intends to make this amendment to contract language and is providing notice to FEHB Carriers in this letter.

Background

The FEHB Contracts for Experience-Rated and Fee-For-Service Carriers includes PBM Transparency Standards, which detail pricing standards based on the distribution channel through which a drug is dispensed. “Drug” is not a defined term in the contract between OPM and the FEHB Carrier. However, it is defined in the contract between the FEHB Carrier and the PBM.

Over time, the range of what is billed through the pharmacy benefit and flows through the PBM has increased to include products and supplies that are not classified as prescription drugs or biologics by the Food and Drug Administration (FDA). However, because “drug” may be defined differently in each contract between an FEHB Carrier and its PBM, pricing standards may not apply as intended. This allows PBMs to limit the items that are subject to the PBM Transparency Standards.

Contract Language

On June 9, 2022, OPM sponsored a Carrier Collaboration Workgroup to elicit feedback from FEHB Carriers on this issue. During the meeting, participants discussed the possibility of defining drugs and including “products and supplies” within that definition. Due to the drawbacks of that approach, the group discussed a change in the term used in the contract.

“Drugs” will be replaced with “drugs, products, and supplies” in the PBM Transparency Standards (Section 1.28(b) for experience-rated HMOs and Section 1.26(b) for fee-for-service plans). This clarifies and better represents the intention of pass-through transparent pricing standards for items that are billed through the pharmacy benefit as administered by a PBM.

For questions about this Carrier Letter or other aspects of pharmacy operations for the FEHB Program, please write to OPMPharmacy@opm.gov and copy your Health Insurance Specialist.

Sincerely,

Laurie Bodenheimer
Associate Director
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