

## The Hidden Dangers of State PBM Legislation

**Problem:** While intended to improve transparency and protect independent pharmacies, PBM legislation would have serious negative impacts on Veterans' access to prescriptions and care. Recent proposed legislation to restrict PBMs' contracting and operational capacity threaten the operational capacity of TRICARE and the VA Pharmacy Benefits Program, that operate under uniform, nationwide contracts. These programs depend on PBMs to provide Veterans with affordable, efficient access to their prescriptions.

**Background:** PBM legislation that restricts contracting, reimbursement, or mail-order operations interferes with federally managed programs such as TRICARE and the VA Pharmacy Benefits Program. These programs depend on uniform, nationwide networks that provide veterans with affordable, efficient access to their prescriptions.

Federal PBMs within TRICARE and the VA Health Care network negotiate rebates and manage supply-chain networks, acting as a necessary means of these healthcare systems to operate nationwide to provide care and prescriptions to Veterans and their families. Pharmacy Benefit Managers enable TRICARE and the VA to provide cost-efficient prescriptions through large scale contracts with Pharmaceutical providers, ensuring that Veterans and their families have consistent pharmacy access across all 50 states. They further act as an additional means of oversight and regulatory body by protecting Veterans from fraud and applying regulated management of the disbursement of controlled-substances. Of particular note, rural Veterans rely on PBMs to have guaranteed access to their prescriptions, as PBMs' large-scale networks ensure delivery of prescriptions to remote Veterans who reside in "pharmacy deserts" and lack pharmacy access.

At the State-level, regulation on the authorities and abilities of PBMs to operate already interferes and conflicts with federal health care programs for Servicemembers and Veterans. Further State-proposed legislation to limit how PBMs can manage pharmacy networks, reimbursement rates, and prescription delivery options threatens to break the continuity of nationwide healthcare systems and increase costs to both Veterans and taxpayers. The resulting outcome of such legislation would negatively impact Veterans, limiting access to pharmacies, increasing out-of-pocket costs for Veterans, potentially eliminating prescriptions by mail; disrupting Veterans' continuity of care; and instituting inequitable access to care across states.

- **Reduced Access to Pharmacies:** Veterans rely on mail-order and preferred network pharmacies. State laws that ban "steering" or mandate inclusion of non-preferred pharmacies dismantle these networks, leading to fewer pharmacy options and longer travel times.
- **Increased Out-of-Pocket Costs:** PBM contracts deliver negotiated savings for TRICARE and VA beneficiaries. When state laws restrict PBMs' ability to negotiate or mandate higher reimbursements, cost savings evaporate, driving up copays and federal spending.
- **Disrupted Continuity of Care:** Chronic care management depends on reliable medication delivery. PBM disruptions can cause:
  - Missed refills or delayed shipments
  - Sudden pharmacy changes
  - Medication adherence lapses that threaten health and stability



- **Inequitable Access Across States:** Veterans' federal benefits are meant to be uniform nationwide. State PBM laws create inconsistency meaning a veteran in Tennessee may have different access than one in Alabama, violating the federal principle of equal treatment.

**Recommendation:** PBMs play a critical role in providing oversight to prescription pricing, accessibility to prescriptions, and regulated access to controlled-substances in order to prevent abuse. By attempting to regulate PBMs without recognizing the federal structure of TRICARE and VA benefits, States risk harming veterans. Federal preemption exists to ensure that veterans' care is consistent, efficient, and protected from local interference. Therefore, the Special Operations Association of America recommends:

Objective	Recommendation
Protect Veterans' Benefits	Exempt TRICARE and VA programs from state PBM legislation.
Prevent Legal Conflict	Require legal review of proposed PBM laws for federal preemption compliance.
Preserve Access	Protect mail-order and preferred pharmacy options vital to veterans.
Coordinate with Federal Partners	Engage DoD, VA, and veteran groups before enacting PBM reforms.
Educate Legislators	Develop briefings to explain how PBM laws can unintentionally harm veterans.