Navigating the IRA: A prospective solution for efficient MFP payments

cencora

Background

The Inflation Reduction Act (IRA) provides Medicare the ability to directly negotiate maximum fair prices (MFPs) of certain drugs through the Medicare Drug Price Negotiation Program (MDPNP)[1]. In order to effectuate these MFPs, the Centers for Medicare & Medicaid Services (CMS) will reimburse providers at the MFP. To support the financial stability of providers dispensing these products, CMS is building processes that will allow for retrospective refunds to occur between manufacturers and providers. This retrospective refund model creates substantial operational pressure and financial burden on impacted manufacturers and providers.

Retrospective refund model

Provider cashflow example for a product acquired at a $1,000 Wholesale Acquisition Cost (WAC), with a $300 Maximum Fair Price (MFP), and a $1 dispensing fee[2].

Day 7	**Day 14**	**Day 20-30**	**Day 44**	**Day 59**
Provider receives patient coinsurance payment of 20% of MFP at time of dispensing	Provider reimbursed 80% of MFP + dispensing fee from CMS	Provider makes payment to distributor at WAC	Medicare Transaction Facilitator (MTF) collects data and submits to manufacturer	Provider receives payment of the difference between WAC and MFP
+$60	+$241	-$1,000	-	+$700
+$60	**+$301**	**-$699**		**+$1**

Expected challenges of the retrospective refund model

- Provider would likely need to invest working capital to fund the MFP payment window
- Risk of an MFP discount being applied to products already purchased on a 340B discount
- Manufacturers would likely need to establish support functions to manage inquiries, disputes, payments, etc.

As a result, an estimated

90%+

of independent pharmacies have indicated they are considering not dispensing eligible MFP products[3]

Introducing a prospective solution for efficient MFP effectuation

As we approach the first round of MFPs going into effect January 1, 2026, having a sustainable market-wide process to accurately and efficiently effectuate MFPs is crucial to enabling patient access to vital medications. At Cencora, we are building an innovative, prospective solution to assist in implementing more efficient MFP refunds, as required by the IRA, by streamlining the gathering of claims and 340B data, calculating MFP refunds, reconciling accounts, and transmitting data to providers and manufacturers.

Our prospective discount model

Provider cashflow example for a product acquired at a $1,000 Wholesale Acquisition Cost (WAC), with a $300 Maximum Fair Price (MFP), and a $1 dispensing fee[2].

Day 7	Day 14	Day 20-30	Day 44	Day 59
Provider receives patient coinsurance payment of 20% of MFP at time of dispensing	Provider reimbursed 80% of MFP + dispensing fee from CMS	Provider makes payment to distributor at MFP	Medicare Transaction Facilitator (MTF) collects data and submits to manufacturer	Distributor manages MFP-related chargebacks with manufacturer
+$60	+$241	-$300	-	-
+$60	**+$301**		**$1**	

Positive cashflow for provider through the end-to-end process

Avoid duplicate discounts with easy-to-use transaction summary dashboard that clearly identifies eligible vs. ineligible transactions

Improved operational readiness as distributors have existing robust account management and support functions

1. https://www.cms.gov/files/document/fact-sheet-negotiated-prices-initial-price-applicability-year-2026.pdf

2. The $1 dispensing fee is solely for the purpose of this example. This example also excludes any distribution discounts or fees.

3. Based on a recent survey from the National Community Pharmacists Association.