Controlling and Reducing Prescription Drug Costs

Description of the policy and how it works in practice

Reducing the price of prescription drugs, and other reforms, that reduce or limit how much individual patients pay for their prescription drugs.

While numerous policies could affect prescription drug prices, a 2024 study by the Congressional Budget Office found that setting a maximum price or limiting price growth for prescription drugs would have the largest potential effect on reducing prices.[67] Proposals with more moderate potential included increasing the number of drugs in Medicare price negotiation, expanding the benefits of negotiated prices to commercial insurance, and requiring drug manufacturers to pay governments if they raise prices above the rate of inflation.[67]

At the federal level, the Trump administration issued two executive orders in April and May 2025 that build on work begun under the Inflation Reduction Act to reduce prescription drug prices. In terms of the most potentially impactful policies identified above, these executive orders require HHS to develop further guidance on Medicare drug price negotiation68 and to either encourage or require drug manufacturers to cap U.S. drug payments at most-favored-nation pricing.[69]

According to the National Academy for State Health Policy, as of May 1, 2025, just 10 states have enacted Prescription Drug Affordability Boards (PDABs), which review drug affordability and can set upper payment limits or caps on pricing.[70] In the 2025 legislative session, 14 states are considering bills related to PDABs, while six states are considering bills related to reference rates, which would limit drug pricing in the state based on some established external reference, such as those the federal government negotiates through Medicare.[71] These reference rates can help states enact the more moderate policy described above—expanding the benefits of negotiated prices to commercial insurance. Finally, states may have

the authority to enact the other more moderate policy described above, applying inflation rebates to commercial health plans.[72]

At the federal level, other strategies to reduce prescription drug costs include reforming Medicaid drug rebates and reforming 340B drug pricing.[73] At the federal and state levels, other policy strategies include, but are not limited to, reducing consumer expenses through limits on cost sharing and out-of-pocket caps, drug importation, increasing access to generics and biosimilar drugs, and transparency in brand-name drug pricing.[70]

Health Impact

About 60% of adults in the U.S. take at least one prescription medication.[74] The U.S., when compared with similar nations, consistently has the highest per capita spending on prescription drugs.[75] In 2021, over 9 million adults reported not taking prescription medication due to cost.[74] Based on poll data from KFF in 2023, 55% of adults were worried about affording prescription medication, 28% experienced difficulties affording prescription medication, and 31% did not take medicine as prescribed due to cost.[76]

Feasibility

In addition to the challenges posed by the federal policy landscape as of November 2025, as states increasingly seek to intervene on prescription drug prices, their regulatory efforts have faced some legal challenges, primarily under federal preemption and the Commerce Clause.[77] These challenges have mostly involved laws seeking to regulate Pharmacy Benefit Managers (PBMs), price transparency, and price gouging.

Overview of the policy's impact on Black health and racial equity

There are well-documented disparities in prescription access and affordability for Black communities, as well as inequities affecting other BIPOC groups, women, people with disabilities, people with lower income, and uninsured people. These inequities include concerns about affording prescriptions, actual difficulty paying for medications, and not taking medicine as prescribed.[74, 76] More expansive policy efforts to address prescription drug pricing, and targeted efforts to reduce the cost of medicine that treat conditions disproportionately impacting these populations, can further help improve equity.[78]

Summary information from policy assessment

- **Policy status**
  MODERATE—While there is strong evidence of disparities in prescription medication affordability, there is more moderate evidence for which legal or policy mechanisms most effectively address these disparities.

- **Jurisdiction authority (federal, state, county, municipality, other)**
  FEDERAL, STATE—Regulations of prescription medication prices are enacted at the federal and state level.

- **Resource requirements (high, moderate, low)**
  MODERATE—States may need to invest in order to establish a PDAB and to enforce payment limits or other regulations like reference rates and rebates. At the federal level, continued funding is needed to support Medicare drug pricing negotiation and other efforts to enact price limits.

- **Return on investment (no, yes—social, yes—environmental, yes—economic)**
  NO—No research identified demonstrating ROI.

- **Legal considerations**
  The most promising prescription drug pricing policies are legally feasible with little to no risk, even though other potential state regulations have faced some challenges.

- **Strength of evidence (strong, moderate, weak)**
  MODERATE—Again, while there is strong evidence of prescription medication disparities, there is more moderate evidence for which legal or policy mechanisms most effectively address these disparities.

- **Equity (yes, unclear/sometimes, no)**
  UNCLEAR/SOMETIMES—Less comprehensive drug pricing regulation can perpetuate disparities in terms of who benefits. For example, Medicare drug pricing negotiation primarily benefits white communities as the majority (over 70%) of Medicare beneficiaries are white.[78] In addition, addressing prescription drug pricing only benefits those who already have access to the health care system and prescription drugs. Equity could be greater improved by pairing regulation of prescription drug pricing with other efforts to increase access to health care, such as funding for community health centers.

- **Operational approach to equity (structural, procedural, distributional)**
  Structural, procedural, and distributional — Regulation of prescription drug pricing involves making structural changes in the U.S. health care and prescription medication system. These regulations often seek to make decision-making processes fairer and transparent and ultimately result in more equitable distribution of and access to prescription medication across communities.

Examples of the successful implementation of the policy in Black communities

Addressing prescription drug costs has been a priority of the Maryland and Virginia Legislative Black Caucuses. Others working in this space include the National Academy for State Health Policy (NASHP).

NASHP has a library of model legislation.[79]

In the 2023 legislative session, Colorado, Maryland, Minnesota, and Oregon enacted laws related to PDABs and affordability review.[80] In total, 18 states considered bills related to affordability review, reference rates, or regulation of unsupported price hikes.[80]

In the 2024 session, Colorado and Vermont enacted laws related to Prescription Drug Affordability Boards and affordability review.[81] Colorado's PDAB conducted the first state-level affordability reviews in the nation—reviewing one drug in 2023, and four drugs in 2024.[83] The board found three drugs to be unaffordable and eligible for price regulation. The drugs are all primarily used to treat various chronic inflammatory diseases, which may disproportionately impact Black communities.[84] In 2025, the Colorado PDAB is still developing its rules and processes for establishing an upper payment limit (UPL) for these drugs, and future drugs, found to be unaffordable.

In total during the 2024 session, 20 states considered bills related to affordability review, reference rates, or regulation of unsupported price hikes.[81]