

Preferred Networks and pharmacy access in Part D

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Presentation roadmap

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Part D beneficiaries obtain prescription drugs through plan pharmacy networks

- Part D plans contract with pharmacies to form plan-specific pharmacy networks that must meet “convenient access standards”
 - Vary by urbanicity (e.g., in urban areas, 90% of beneficiaries must live within 2 miles of a pharmacy)
- Networks determine where beneficiaries can fill prescriptions at in-network rates; influence both the cost and convenience of obtaining medications
- Many plans further designate a subset of in-network pharmacies as “preferred” cost-sharing pharmacies

Reports of rising pharmacy closures

- Retail pharmacy closures have accelerated since 2022, affecting both chains and independents
- Multiple factors cited as drivers of pharmacy closures, including declining reimbursement, rising costs, and market shifts toward mail-order and big-box stores
- Several studies have found that pharmacy closures disproportionately affect rural and underserved communities, raising concerns about access to pharmacy services

Source: Berenbrok et al. 2025, Stevenson 2026, Cameron 2025, Avalere Health 2025, National Community Pharmacists Association 2026, Span 2024, Wittenauer et al. 2024, Catalano et al. 2024.

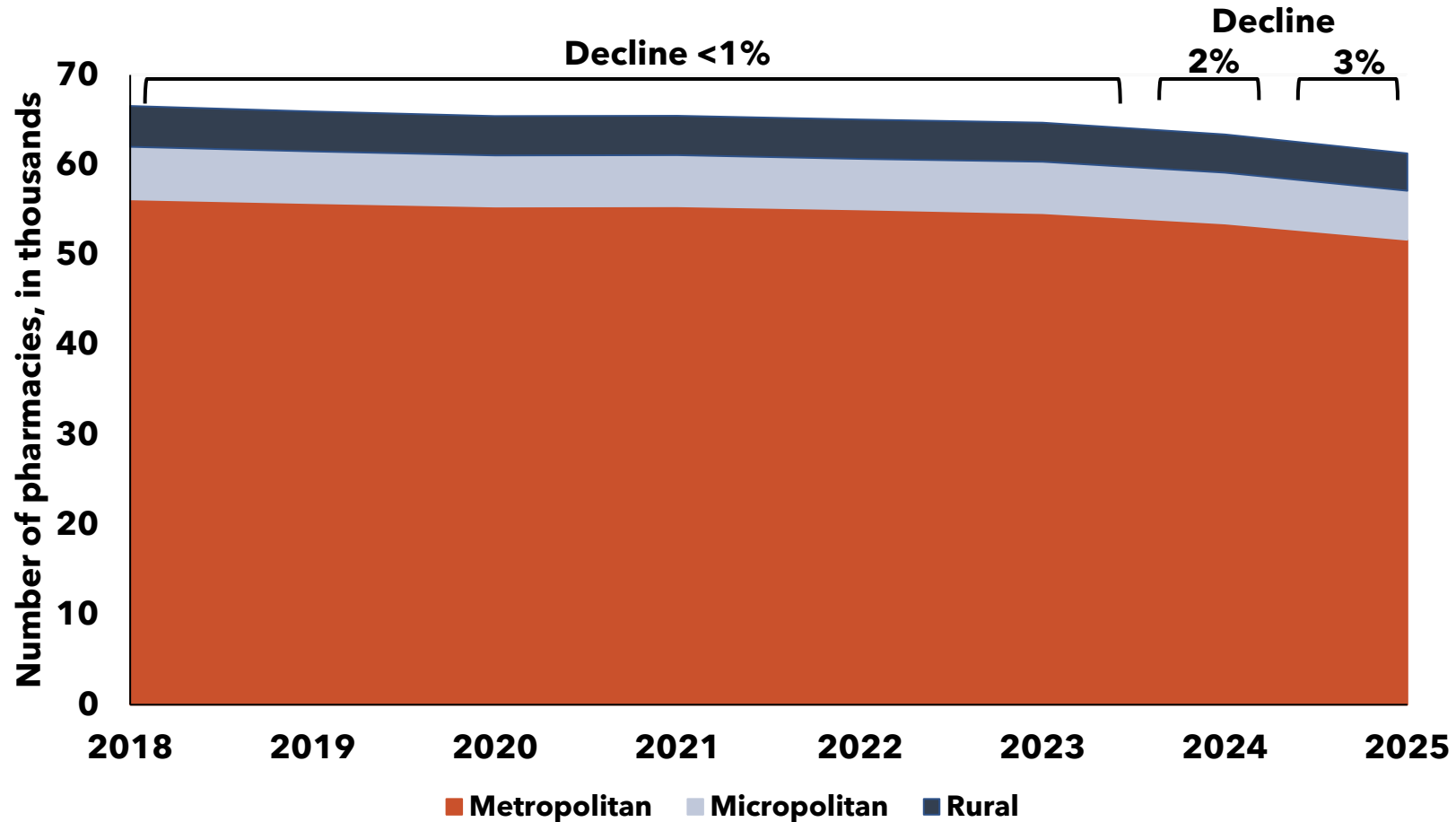
Pharmacy closures may affect Part D pharmacy networks and beneficiary access

- Pharmacy closures reduce the number of retail pharmacies available for Part D plans to contract with, which may:
 - Alter network composition (e.g., ownership type or location)
 - Increase the likelihood of network gaps for beneficiaries in areas with few pharmacies
- Pharmacy closures may also contribute to increased turnover in network pharmacies (“network churn”), even if overall network size remains stable, which may affect beneficiary access



Trends in the retail pharmacy market

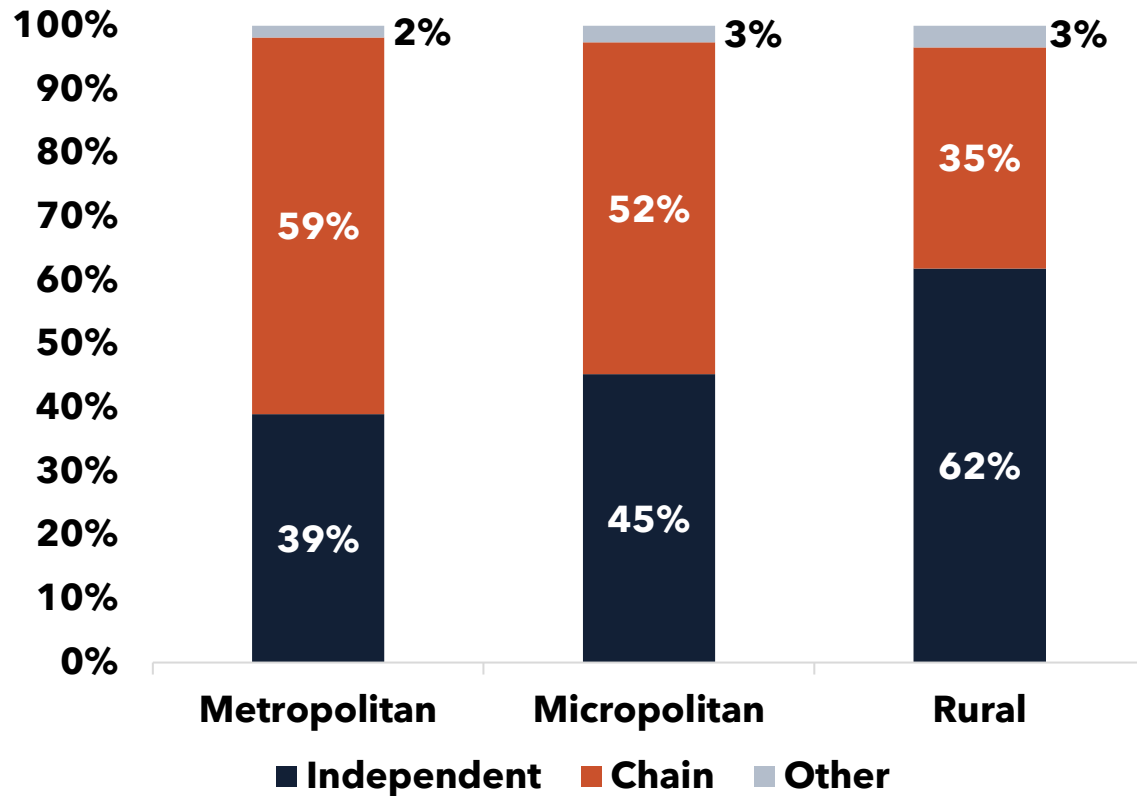
Number of retail pharmacies declined across geographic areas, 2018-2025



Note: Number of retail pharmacies in thousands, by urbanicity. Metropolitan, micropolitan, and rural designations based on Office of Management and Budget's core-based statistical areas.

Source: Acumen LLC analysis of National Council for Prescription Drug Programs data for MedPAC.

Pharmacy ownership varied across geographic areas, 2025



Note: Average shares of pharmacy ownership across ZIP codes in 2025 by urbanicity. Metropolitan, micropolitan, and rural designations based on Office of Management and Budget's core-based statistical areas.

Source: MedPAC analysis of the National Council for Prescription Drug Programs data.

- ZIP codes in metropolitan areas had the highest average chain share
- Rural ZIP codes were predominantly served by independent pharmacies
- The effects of pharmacy closures on access may vary by urbanicity, as closures of chains versus independents may have different implications across areas

Closures by chain pharmacies drove recent decline in the number of retail pharmacies

- Pharmacy closures have been increasing
 - 2021: 1,764
 - 2025: 3,929
- Chain pharmacies accounted for the majority of closures in 2025 (62%, up from 25% in 2021)
- Rates of pharmacy closures increased across all geographic areas, with higher rates in metropolitan and micropolitan areas
- These trends may have implications for pharmacy network composition and churn

Source: MedPAC analysis of National Council for Prescription Drug Programs pharmacy data

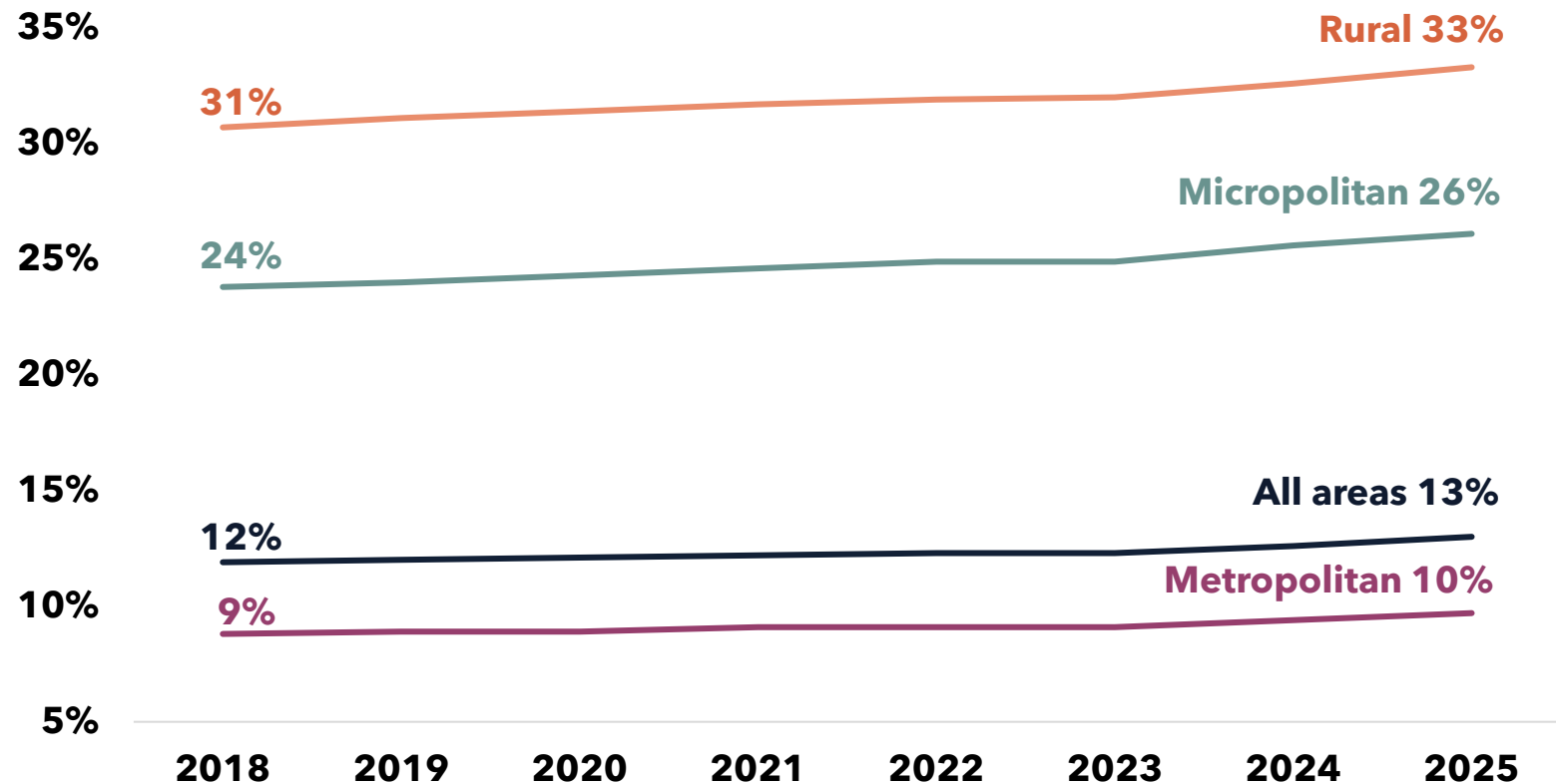
Geographic unit matters for measuring access

- One way to measure pharmacy access is to determine the availability of pharmacies within a geographic area
- ZIP-code level (40,000 ZIP codes)
 - May overstate lack of access if beneficiaries travel to nearby ZIPs
 - Estimates can be viewed as an upper bound on share beneficiaries without access
- County level (3,000 counties)
 - May understate access barriers, especially in rural areas
 - Estimates can be viewed as a lower bound on share beneficiaries without access
- Even within a given geography, beneficiaries near ZIP-code or county borders may have “convenient access” to pharmacies*

Note:

* <https://www.govinfo.gov/content/pkg/CFR-2013-title42-vol3/pdf/CFR-2013-title42-vol3-sec423-120.pdf>.

Increase in Part D beneficiaries living in ZIP codes with no pharmacies, 2018-2025



Note: The analysis is limited to ZIP codes with at least one Medicare Part D beneficiary. Shares reflect the percentage of Medicare Part D beneficiaries residing in ZIP codes that contain no retail pharmacy in the National Council for Prescription Drug Programs database. Metropolitan, micropolitan, and rural designations based on Office of Management and Budget's core-based statistical areas

Source: MedPAC analysis of National Council for Prescription Drug Programs pharmacy data and Centers for Medicare & Medicaid Services Medicare Part D enrollment data.

Few Part D beneficiaries live in a county with no pharmacy

	Share of beneficiaries			
	2018		2025	
	ZIP	County	ZIP	County
All Areas	12%	<1%	13%	<1%
Metropolitan	9	<1	10	<1
Micropolitan	24	<1	26	<1
Rural	31	<1	33	1

Note: Metropolitan, micropolitan, and rural designations based on Office of Management and Budget's core-based statistical areas.

Source: MedPAC analysis of National Council for Prescription Drug Programs pharmacy data and Centers for Medicare & Medicaid Services Medicare Part D enrollment data.

Role of mail-order pharmacies in ensuring beneficiary access

- Patients may obtain chronic and specialty drugs via mail
- Mail-order pharmacies could improve access for individuals residing in areas with few or no retail pharmacies
- Decline in the number of retail pharmacies does not appear to have led to corresponding increase in the use of mail-order pharmacies
 - Between 2018 and 2024, mail-order pharmacies' share of Part D prescriptions* remained relatively stable, fluctuating between 14.6% and 15.7%
 - Specialty pharmacies accounted for <1% of all Part D prescriptions
- Use of mail-order pharmacy may differ by individual's access to retail pharmacies

Note: Prescriptions weighted by number of days supply.
Source: MedPAC analysis of Part D prescription drug event data.



Part D pharmacy networks and use of “preferred” designation

Measuring size and coverage of Part D pharmacy networks

- Analysis limited to stand-alone PDPs
- For each plan, we calculated the number of in-network pharmacies in PDP region
 - I.e., the number of retail pharmacies that participate in a plan's network in the PDP region served by a plan
- Using these counts, we calculated the *PDP region coverage rate*
 - Defined as the share of pharmacies within a PDP region that participate in a plan's network

Note: PDP (prescription drug plans).

PDP networks offered broad pharmacy coverage, modestly favoring chain pharmacies in 2025

- PDP networks offer broad pharmacy coverage (~90% within PDP regions)
- Network composition generally mirrors local markets
- However, networks modestly favor chain pharmacies
 - Local markets: ~60% chain
 - PDP networks: ~64% chain
- This gap (~4 pp) varies across plans (typically 1-8 pp)
- Basic, enhanced, benchmark, and non-benchmark PDPs show similar coverage and modest chain overrepresentation

Note: PDP (prescription drug plan), pp (percentage point). All statistics are PDP enrollment-weighted averages. Results can be interpreted as the network characteristics faced by the average PDP enrollee.

Source: MedPAC analysis of Part D pharmacy network data, Centers for Medicare & Medicaid Services Medicare Part D enrollment data, and the National Council for Prescription Drug Programs data.

Preferred networks may affect beneficiary costs and pharmacy choice

- Plans may use preferred networks to offer lower cost sharing, creating price differentials across pharmacies
- Evidence suggests that some beneficiaries respond to price signals and choose preferred pharmacies
 - Response observed mostly among non-LIS beneficiaries
 - LIS beneficiaries are insulated from cost-sharing differentials
- For non-LIS beneficiaries, preferred pharmacies can lower OOP costs
- For pharmacies, preferred status may involve a trade-off between lower reimbursement and higher prescription volume

Note: LIS (low-income subsidy).
Source: Xu et al. 2023, Starc and Swanson 2021, FTC 2024

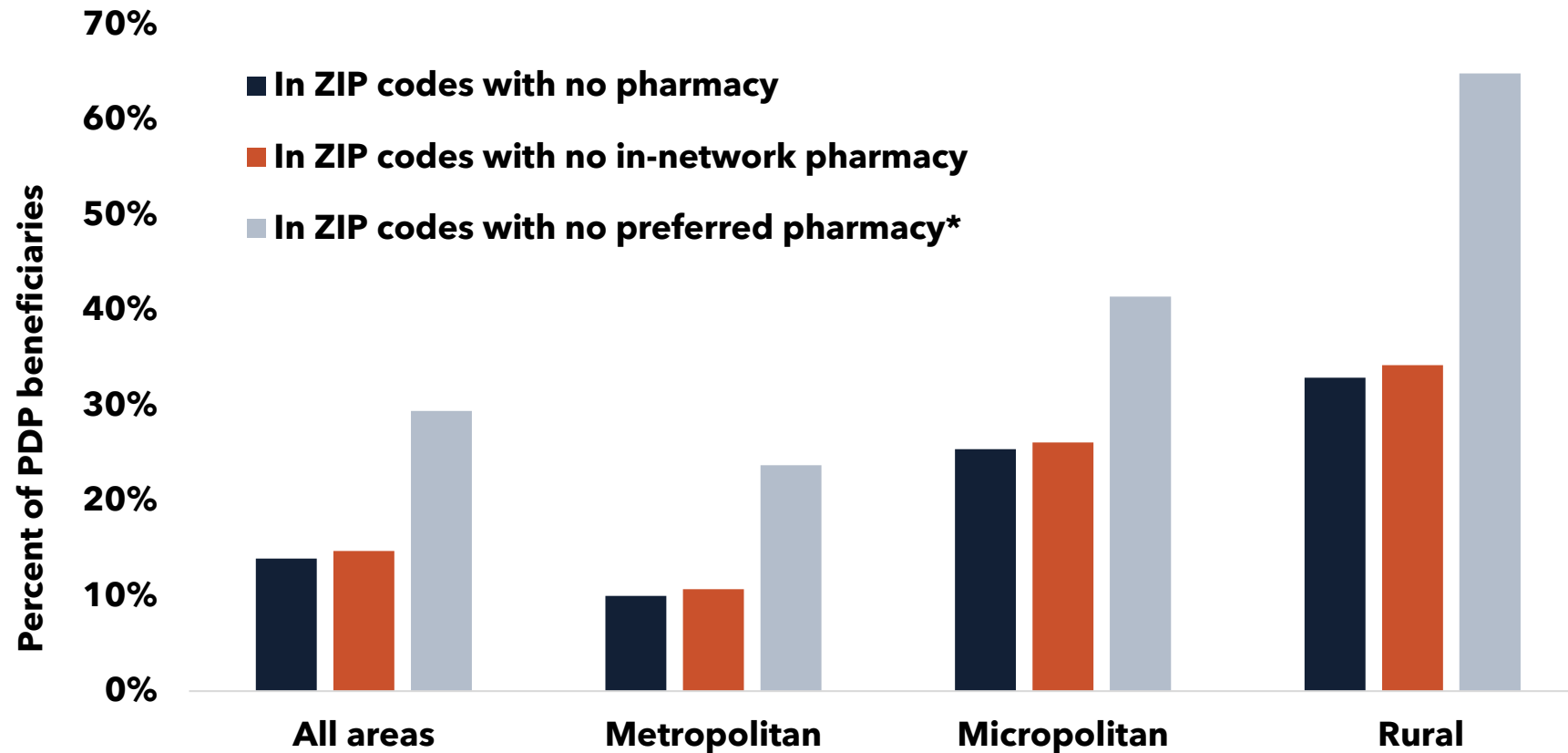
Most PDPs use a preferred pharmacy designation, with large differences by ownership type

- In 2024, 96% of PDP enrollees were in plans that used a preferred designation for a subset of in-network pharmacies
- In 2025, on average, about 44% of in-network pharmacies were designated preferred
 - Preferred status differs sharply by ownership type, with ~66% of chains designated as preferred vs. ~3% among independents
- Preferred networks have evolved over time and have become increasingly concentrated among chain pharmacies

Note: PDP (prescription drug plan). Statistics are PDP enrollment-weighted averages.

Source: MedPAC analysis of Centers for Medicare & Medicaid Services (CMS) Part D pharmacy network data, CMS Part D enrollment data, and the National Council for Prescription Drug Programs data.

Beneficiary access to in-network and preferred pharmacies differs by geographic area, 2024



Note: PDP (prescription drug plan). Preferred statistic is restricted to PDP enrollees enrolled in plans that offer a preferred pharmacy tier. Metropolitan, micropolitan, and rural designations based on Office of Management and Budget's core-based statistical areas.

Source: MedPAC analysis of Centers for Medicare & Medicaid Services (CMS) Part D pharmacy network data, CMS Part D enrollment data, and the National Council for Prescription Drug Programs data.

Broad access to in-network pharmacies, but preferred pharmacy access is limited in rural areas

	Share of beneficiaries, 2024	
	ZIP	County
Share of beneficiaries with no in-network pharmacy		
All Areas	15%	<1%
Metropolitan	11	<1
Micropolitan	26	<1
Rural	34	2
Share of beneficiaries with no preferred pharmacy		
All Areas	29%	5%
Metropolitan	23	1
Micropolitan	41	4
Rural	65	36

Note: Preferred statistic is restricted to PDP enrollees enrolled in plans that offer a preferred pharmacy tier. Metropolitan, micropolitan, and rural designations based on Office of Management and Budget's core-based statistical areas.

Source: MedPAC analysis of Centers for Medicare & Medicaid Services (CMS) Part D pharmacy network data, CMS Part D enrollment data, and the National Council for Prescription Drug Programs data.

Pharmacy networks impacted by changes in retail pharmacy market and contracting arrangements

- Between 2021 and 2025, PDP networks experienced a modest increase in participation rates
- However, trends in the aggregate number of pharmacies may mask turnovers in network pharmacies
- “Network churn” may be driven by both pharmacy exits and entries
- Network exits can be due to:
 - Market exits—pharmacies permanently cease operations (pharmacy closures)
 - Contract exits—pharmacies remain open but leave a plan’s network due to changes in contracting arrangements
- Similarly, network entries can be due to new pharmacy openings or changes in contracting arrangements with existing pharmacies

Note: PDP (prescription drug plan),
Source: MedPAC analysis of Centers for Medicare & Medicaid Services Part D pharmacy network data and the National Council for Prescription Drug Programs data.

PDP network exits driven more by pharmacy closures than by contract changes

Year	Total network exit rate	Exit rate: pharmacy closures	Exit rate: contract change
2022	3.7%	2.8%	0.9%
2023	4.7	3.1	1.5
2024	8.1	4.9	3.2

- Pharmacy exits rose between 2022 and 2024
 - From 3.7% to 8.1% overall
 - Both pharmacy closures and exits due to contract changes increased
 - But pharmacy closures accounted for the majority of network exits
- Network entries did not fully offset network exits

Note: PDP (stand-alone prescription drug plan). Statistics are PDP enrollment-weighted averages.

Source: MedPAC analysis of Centers for Medicare & Medicaid Services (CMS) Part D pharmacy network data, CMS Part D enrollment data, and the National Council for Prescription Drug Programs data.

Summary

- Pharmacy closures may affect Part D enrollees' access to pharmacy services, particularly in areas with limited availability of pharmacies
- Assessing beneficiary access at geographic level is difficult
 - Results are sensitive to the geographic unit used
 - In some areas, potential access issues may be overstated when using a narrow geographic boundary (e.g., ZIP code) and understated using a broader boundary (e.g., county)
- We observed lower access to preferred pharmacies in rural areas compared with other areas
- Access to pharmacy and medications is also influenced by:
 - Use of mail-order drugs
 - Availability of pharmacies in nearby ZIP codes or counties



Discussion

Discussion

- Questions or comments?
- We plan to continue to monitor pharmacy networks and beneficiaries' access
 - Focus groups with pharmacists planned for the next cycle
 - Additional analysis to examine the effects of pharmacy closures on medication access



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