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# INFORMATION BULLETIN

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## PCRB Information Bulletin #032

To all members of the PCRB:

### **Re: Update on *Federated Insurance Co. v. Summit Pharmacy* – Supreme Court Questions Continued Use of Red Book for AWP Determinations**

During oral arguments on November 19, 2025, the Pennsylvania Supreme Court signaled strong skepticism toward the long-standing use of the “Red Book” to determine Average Wholesale Price (AWP) for prescription drug reimbursement under the Pennsylvania Workers’ Compensation Act. Several justices questioned whether the Red Book’s pricing represents any meaningful “average wholesale price,” noting that its AWP values are generated by a private publisher and may not reflect actual acquisition costs in the marketplace.

The case, *Federated Insurance Co. v. Summit Pharmacy*, has become the state’s most consequential test of pharmacy-pricing methodology in more than a decade. Federated argues that the Red Book overstates AWP and therefore inflates carriers’ payment obligations. Summit maintains that the General Assembly has long relied on the Red Book in practice and has never amended the statutory reference to AWP, suggesting legislative acceptance of that standard.

During Wednesday’s session, justices pressed both parties on whether AWP—as presently implemented—has become an opaque term of art governed by a single commercial entity. Members of the Court also noted that other states and federal programs have moved away from AWP-based pricing altogether, instead using indices such as the National Average Drug Acquisition Cost (NADAC). Justice P. Kevin Brobson remarked that although AWP once reflected average wholesale prices when first introduced decades ago, it has since become “incredibly unreliable.”

This latest hearing follows the Commonwealth Court’s January 2024 decision holding that Red Book values do not accurately reflect AWP and ordering the Bureau of Workers’ Compensation to identify a new, nationally recognized pricing schedule. That

ruling is currently under review. PCRB previously notified members of the Supreme Court's acceptance of the appeal in Information Bulletin No. 018.

The Supreme Court's ruling, which is expected in the coming months, has significant implications for carriers. If the Court upholds the Commonwealth Court's decision, reimbursement standards could shift away from Red Book values and toward a new benchmark set by the Bureau. Changes to the underlying pricing schedule may affect claim costs, fee-review outcomes, and pharmacy-billing practices. Until the Court issues its decision and the Bureau publishes guidance, carriers should anticipate continued uncertainty in drug-pricing disputes.

PCRB will monitor the proceedings closely and notify members once the Court issues its opinion or the Bureau announces any regulatory updates. Members are encouraged to remain aware of the potential for revised reimbursement methodologies and to prepare for operational adjustments depending on the outcome.

**Source:** [Law 360](#)