

# Frozen Formularies: What They Are and What They Mean for Health Plans

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## Executive Summary

Frozen formularies are a formulary design approach in which a member's drug coverage and applicable clinical criteria are locked to a specific point in time, rather than automatically updating to the health plan's most current formulary. While this approach supports continuity of care, regulatory compliance, and protects members from disruptive changes, it also introduces clinical, operational, and financial tradeoffs that health plans must actively manage. Understanding when and how frozen formularies apply is essential to balancing member experience with cost and clinical strategy.

## What is a frozen formulary?

In the PBM and health plan space, a frozen formulary refers to a design in which a member's drug coverage and associated clinical criteria are locked to a specific formulary version, typically based on the member's benefit or effective date, rather than automatically updating to the current formulary and clinical criteria.

In practical terms:

- + The PBM evaluates coverage and clinical criteria using the formulary in effect at a defined point in time, not necessarily the date of service.
- + If newer formulary updates would result in more restrictive or less favorable coverage for a member, the older (frozen) formulary may continue to apply.
- + Frozen formularies are most commonly associated with regulated markets or benefit designs where negative year-over-year changes are limited, but they can be used in other plan configurations as well.

The intent is not to eliminate clinical management, but to control the timing of formulary changes so members are not unexpectedly impacted.

## Why are frozen formularies used?

Health plans adopt frozen formulary approaches for several reasons:

### 1. Member protection and continuity of care

Frozen formularies help avoid abrupt therapy changes for members who are stable on treatment, particularly for:

- + Chronic conditions
- + Specialty therapies
- + High-risk or high-cost medications

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This continuity can reduce adherence disruption, avoid gaps in care, and improve the overall member experience.

## 2. Regulatory and market requirements

In certain markets, plans are required to:

- + Limit negative coverage changes during a benefit year (removing a drug from the formulary, moving a drug to a higher copay tier, and/or adding utilization management edits)
- + Provide advance notice to members and prescribers when coverage becomes more restrictive

Frozen formularies support compliance with these requirements by ensuring members retain access to therapies covered under their original benefit design. Frozen formulary requirements arise primarily from state legislation and can vary widely from state to state.

## 3. Predictability for members and providers

By stabilizing coverage rules for defined populations, frozen formularies reduce confusion at the pharmacy counter and help prescribers avoid repeated treatment changes driven solely by formulary updates.

### What does this mean for health plan clients?

#### 1. Added complexity to the member experience

Frozen formularies can reduce member disruption, particularly during annual formulary updates. However, they also require:

- + Clear internal understanding of which members are subject to frozen rules
- + Strong coordination between PBM, plan operations, and customer service teams

Without clarity, frozen formulary logic can create confusion for members, providers, and internal staff.

#### 2. Clinical policy governance becomes more nuanced

When multiple formulary versions are in play:

- + Prior authorization and appeals reviews must account for the correct formulary version
- + Clinical teams may need to maintain and reference historical criteria
- + Inconsistent application can lead to appeals, complaints, or regulatory scrutiny

This makes strong clinical governance and education essential.



### 3. Cost and rebate implications

Frozen formularies may delay a plan's ability to:

- + Adopt newer cost-effective agents or biosimilars
- + Implement updated step therapy or preferred drug strategies
- + Fully realize rebate or pricing improvements tied to newer formularies

For plan leaders, this represents a strategic tradeoff between cost optimization and member protection that must be accounted for financially.

### 4. Operational and communication considerations

Health plans using frozen formularies may face:

- + Increased notification requirements for members and prescribers
- + Additional operational coordination during formulary updates
- + Higher sensitivity to how coverage determinations are explained and documented

Clear communication strategies are critical to ensuring frozen formulary decisions are understood and defensible.

### Key considerations for health plan leaders

When evaluating or managing frozen formularies, health plans should ask:

- + Which populations are subject to frozen formulary rules—and why?
- + Do clinical and operations teams clearly understand when historical formularies and criteria apply?
- + How are cost impacts tracked and communicated internally?
- + Are member and provider communications proactive, consistent, and compliant?

### Bottom line

Frozen formularies are a tool—not a strategy on their own. They play a role in protecting members, but they also introduce complexity that must be actively governed. Health plans subject to frozen formulary requirements must closely partner with their PBM to ensure strong clinical oversight, transparent and compliant communication, and deliberate cost management planning—while also monitoring and engaging in legislative activity that continues to shape formulary flexibility and operational expectations.

