

SETTING THE RECORD STRAIGHT ON MEDICARE PART D NON-INTERFERENCE

MYTH: The Health and Human Services (HHS) Secretary is not permitted to negotiate prices, therefore no price negotiations currently take place in Medicare Part D.	
FACTS	<p>Large, powerful Part D purchasers—who may represent as many as 63 million to 125 million covered livesⁱ--already negotiate discounts and rebates with manufacturers in Part D.</p> <ul style="list-style-type: none"> • Medicare regulations state, a “Part D sponsor is required to provide its Part D enrollees with access to negotiated prices for covered Part D drugs...”ⁱⁱ • The Medicare Trustees report that brand medicine rebates are substantial,ⁱⁱⁱ often as high as 20% to 30%,^{iv} and average rebates have increased each year.^v Actual rebates have met or exceeded projected levels for each year of the program.^{vi} • The Congressional Budget Office (CBO) has found that Part D plans “have secured rebates somewhat larger than the average rebates observed in commercial health plans.”^{vii} • The Government Accountability Office (GAO) has reported that Part D plans lower costs for beneficiaries – lower premiums, deductibles, and copays – “through their ability to negotiate prices with drug manufacturers and pharmacies.”^{viii}

MYTH: Further program savings will be achieved by requiring the government to negotiate prescription drug prices in Medicare Part D.	
FACTS	<p>CBO has repeatedly said government negotiation would have a negligible impact on federal spending unless HHS were to limit access to prescription medications:</p> <ul style="list-style-type: none"> • 2004: “[S]triking [noninterference] would have a negligible effect on federal spending because CBO estimates that substantial savings will be obtained by the private plans and that the Secretary would not be able to negotiate prices that further reduce federal spending to a significant degree.”^{ix} • 2007: Striking noninterference “would have a negligible effect on federal spending because ... the Secretary would be unable to negotiate prices across the broad range of covered Part D drugs that are more favorable than those obtained by PDPs under current law.”^x • 2009: “[W]e, as an organization, still believe that granting the Secretary of HHS additional authority to negotiate for lower drug prices would have little, if any, effect on prices for the same reason that my predecessors have explained, which is that...private drug plans are already negotiating drug prices...”^{xi}

MYTH: The government needs to extract more savings from Medicare Part D.	
FACTS	<p>The Part D program already generates substantial savings for beneficiaries and taxpayers.</p> <ul style="list-style-type: none"> • According to CBO estimates, total Part D costs are 45% (\$349 billion) lower than projected for the initial 2004-2013 forecast period.^{xii} • Part D was just 11.8% of total Medicare spending in 2015.^{xiii} • The average monthly beneficiary premium for Part D coverage is estimated to be about \$34 in 2017.^{xiv} Average monthly premiums have been relatively stable since 2011 and the 2017 premium is substantially lower than the original projection of \$51.^{xv}

	<ul style="list-style-type: none"> • Heading into 2016, Part D plan bids have decreased seven years in a row and are actually lower today than in the first year of Part D’s operation.^{xvi} According to CMS, the Part D National Average Monthly Bid Amount for 2016 is \$61.08, a decrease of \$27.25 (or about -31%) since 2010.^{xvii}
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MYTH: Medicare beneficiaries would be better off if Part D drug coverage were administered by the federal government in the same way as the VA.	
FACTS	<p>Many veterans rely on other sources to supplement their VA drug coverage due to restrictions that limit their access to needed medications.</p> <ul style="list-style-type: none"> • A recent survey found that approximately 54% of veterans had both VA and non-VA drug coverage, with over 20% of respondents indicating they are enrolled in Part D.^{xviii} • A recent analysis found that of the top 200 Part D drugs, 95.5% or more were covered by the two highest enrollment Part D plans compared with only 81.5% covered by the VA formulary.^{xix} Additionally, a recent study by Xcenda found that of 25 newly FDA-approved first-in-class therapies, Part D plans covered 81 percent on average whereas coverage under the VA was only 12 percent.^{xx} This may help explain why a recent survey found that approximately 54% of veterans had both VA and non-VA drug coverage, with over 20% of respondents indicating they are enrolled in Part D.^{xxi}

ⁱ Atlantic Information Services, Inc. Pharmacy benefit survey results: 4th quarter 2012 spreadsheet. <http://AISHealth.com>.

ⁱⁱ 42 C.F.R. § 423.104(g)(1)

ⁱⁱⁱ See 2016 Medicare Trustees Report, p. 147, footnote 72.

^{iv} See 2014 Medicare Trustees Report, p. 150, footnote 63.

^v See 2016 Medicare Trustees Report, p. 147, Table IV.B8; and Medicare Trustees Reports for 2007 through 2015.

^{vi} 2016 Medicare Trustees Report, p. 147, Table IV.B8; and Medicare Trustees Reports for 2007 through 2015.

^{vii} March 12, 2007 CBO letter to the Honorable Joe Barton and the Honorable Jim McCrery, page 3.

^{viii} "Overview of Approaches to Control Prescription Drug Spending in Federal Programs." Statement of John E. Dicken, Director, Health Care, Government Accountability Office, before the Subcommittee on Federal Workforce, Postal Service, and the District of Columbia, Committee on Oversight and Government Reform, House of Representatives, June 24, 2009.

<http://www.gao.gov/new.items/d09819t.pdf>.

^{ix} CBO Letter to the Hon. Bill Frist, January 23, 2004.

^x CBO Letter to Congressman John Dingell, January 10, 2007.

^{xi} Remarks of CBO Director Dr. Douglas Elmendorf before the Senate Finance Committee, February 25, 2009

^{xii} CBO, April 2014 Medicare Baseline, and CBO Medicare baselines for 2004-2013, available at www.cbo.gov.

^{xiii} PhRMA calculation of Medicare benefit payment projections based on Congressional Budget Office data. March 2016 Medicare baseline spreadsheet. <https://www.cbo.gov/sites/default/files/51302-2016-03-Medicare.pdf>. Published March 24, 2016.

^{xiv} CMS Press release, "Medicare projects relatively stable average prescription drug premiums in 2017," July 29, 2016.

^{xv} 2008 Medicare Trustees Report, Table V.C2, p. 178.

^{xvi} See: CMS Office of the Actuary Memos, "Release of Part D National Average Monthly Bid Amount." The annual CMS/OACT memos for 2006-2017 are available at <https://www.cms.gov/Medicare/Health-Plans/MedicareAdvtgSpecRateStats/Ratebooks-and-Supporting-Data.html>.

^{xvii} *Ibid.*

^{xviii} Stroupe KT, Smith BM, Hogan TP, et al. Medication acquisition across systems of care and patient-provider communication among older veterans. *American Journal of Health-System Pharmacy*. 2013(9):804.

^{xix} Avalere Health. Coverage of top 200 Part D drugs from the Centers for Medicare & Medicaid Services' Part D prescriber 2013 national summary table in the VA national formulary, Medicare Prescription Drug Plans (PDPs), and Medicare Advantage Plans with prescription drug coverage (MA-PDs). <http://avalere.com/expertise/managed-care/insights/a-recent-avalere-analysis-found-that-the-va-national-formulary-covers-fewer>. Published June 2015. Accessed June 2015.

^{xx} Comparing Drug Coverage: Medicare Part D vs Veterans Affairs Program. © Xcenda, August 26, 2016. <http://www.xcenda.com/Insights-Library/Archive/Xcenda-Original-Research-Stark-Contrast-in-Part-D-vs-VA-Coverage-of-Newly-Approved-Drugs/>.

^{xxi} Stroupe KT, Smith BM, Hogan TP, et al. Medication acquisition across systems of care and patient-provider communication among older veterans. *American Journal of Health-System Pharmacy*. 2013(9):804.