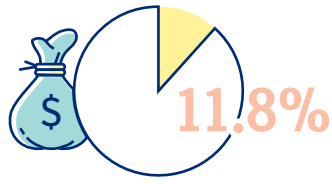


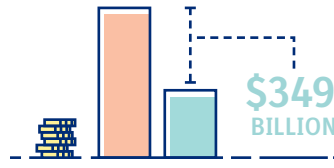
# GOVERNMENT NEGOTIATIONS WOULD INCREASE COSTS AND REDUCE ACCESS FOR BENEFICIARIES

## BY THE NUMBERS



### PART D IS A SMALL FRACTION OF MEDICARE SPENDING

Part D, including brand and generic drugs and pharmacy costs, represented just **11.8 percent** of Medicare spending in 2015, according to CBO figures.<sup>i</sup>



### PART D SPENDING IS FAR BELOW PROJECTIONS

Total Part D costs are **\$349 billion** (45%) less than projected for the initial 2004-2013 forecast period, according to CBO data.<sup>ii</sup>



### PART D BENEFICIARY PREMIUMS ARE SUBSTANTIALLY LOWER THAN THE PROJECTED AMOUNT

The average monthly beneficiary premium is estimated to be about **\$34** in 2017,<sup>iii</sup> substantially lower than the \$51 forecast originally by the Medicare Trustees.<sup>iv</sup>

## LEADING TO HAPPY PATIENTS

**PART D ENROLLEES ARE SATISFIED** Several surveys show that about 90 percent or more of Part D enrollees are satisfied with their coverage and say that their coverage works well.<sup>v</sup>



## IMPLICATIONS OF PART D GOVERNMENT NEGOTIATIONS

### PART D REBATES COULD INCREASE COSTS AND REDUCE ACCESS FOR BENEFICIARIES

CBO has warned in the past that legislation imposing this type of government price setting in Part D could contribute to an increase in beneficiary premiums<sup>vi</sup>, reduced choices, higher copays and more restrictive formularies.<sup>vii</sup>



### PART D REBATES COULD PUT TOMORROW'S CURES AT RISK

According to CBO, a Medicaid-style rebate in Part D would "decrease incentives to develop new drugs, particularly drugs for which a large share of users would be Medicare beneficiaries."<sup>viii</sup>



### PLANS ALREADY NEGOTIATE SUBSTANTIAL REBATES

The Medicare Trustees have found Part D plans already negotiate "substantial" rebates<sup>ix</sup> with manufacturers on brand drugs which are "often as much as 20-30 percent."<sup>x</sup> CBO reports that "rebates negotiated by Part D plans on preferred brands...approach the lowest prices obtained in the private sector."<sup>xi</sup>

### PART D REBATES COULD JEOPARDIZE JOBS IN A GROWING ECONOMY

A recent study estimates that the impact of a mandatory rebate on Part D drugs would result in 130,000 to 260,000 lost jobs supported by the biopharmaceutical sector.<sup>xii</sup>



## WHAT IS THE IMPACT ON PATIENTS' COSTS?

We support proposals that lower costs for patients, such as **1** Cap on patient out-of-pocket costs, and **2** Sharing rebates at the point-of-sale. We oppose changes to the calculation of "True Out-of-Pocket (TrOOP)" because it would raise patient costs.

- <sup>i</sup> CBO, March 2016 Medicare Baseline Spending Forecast. Calculated as the share of Part D spending in components of Mandatory Outlays.
- <sup>ii</sup> See CBO Medicare Baselines available at [www.cbo.gov](http://www.cbo.gov)
- <sup>iii</sup> CMS Press release, “Medicare projects relatively stable average prescription drug premiums in 2017,” July 29, 2016.
- <sup>iv</sup> 2008 Medicare Trustees Report, Table V.C2, p. 178.
- <sup>v</sup> Morning Consult Survey for Medicare Today, “Nearly Nine in 10 Seniors Satisfied with Medicare Part D” July 2016; MedPAC, “Report to Congress: Medicare Payment Policy,” March 2013, p. 345.
- <sup>vi</sup> Battelle Technology Partnership Practice, The U.S. Biopharmaceuticals Sector: Economic Contribution to the Nation, July 2011, p. 6-7.
- <sup>vii</sup> CBO, Budget Options Volume I Health Care, March 2008. p. 125.
- <sup>viii</sup> Antos & King, “Tampering with Part D Will Not Solve Our Debt Crisis,” American Enterprise Institute Health Studies Working Paper, June 2011.
- <sup>ix</sup> CBO, “Competition and the Cost of Medicare’s Prescription Drug Program” July 2014, p. 35.
- <sup>x</sup> See 2017 Medicare Trustees Report, p. 143, footnote 66.
- <sup>xi</sup> See 2014 Medicare Trustees Report, p. 150, footnote 63.
- <sup>xii</sup> CBO, “Costs under Medicare’s Prescription Drug Benefit and a Comparison with the cost of Drugs under Medicaid Fee-for-Service,” Presentation by Anna Cook at the AcademyHealth Annual Research Meeting, Baltimore, MD, June 23, 2013.  
<http://www.cbo.gov/publication/44366>