Medicare Part D Reform
Proposals to Restructure the Benefit to Realign Incentives
Tara O’Neill Hayes – Deputy Director of Health Care Policy
October 25, 2019

Part D Benefit Design: 2006
Part D Benefit Design: 2010 (ACA)

Generic Medicines & Biosimilars in the Coverage Gap

Paid By Beneficiary | Paid By Plan
---|---
2010 | 100%
2011 | 80%
2012 | 60%
2013 | 40%
2014 | 20%
2015 | 5%
2016 | 1%
2017 | 0%
2018 | 0%
2019 | 0%
2020 | 0%

Part D Benefit Design: 2010 (ACA)

Brand-name Drugs in the Coverage Gap

Paid By Beneficiary | Paid By Plan | Manufacturer Discount
---|---|---
2010 | 100%
2011 | 80%
2012 | 60%
2013 | 40%
2014 | 20%
2015 | 10%
2016 | 5%
2017 | 2%
2018 | 1%
2019 | 0%
2020 | 0%

AmericanActionForum.org

AMERICAN ACTION FORUM 4
Part D Benefit Design: 2010 (ACA)

Part D Benefit Parameters

- Pre-ACA Catastrophic Threshold
- ACA-imposed Catastrophic Threshold
- Initial Coverage Limit
- Deductible

Coverage Gap
Initial Coverage Phase

Part D Benefit: Subsidy Shifts
Part D Benefit Design: 2019 (BBA)

Part D Benefit Reform: 2020 (AAF Proposal)
Part D Benefit Reform: 2022 (Sen. Finance Proposal)

Manufacturer: 20%
Insurer: 60%

- For generics, reinsurance will be 40% (generic manufacturers won't pay rebates).

Part D Benefit Reform: 2022 (Speaker Pelosi’s Proposal)

Manufacturer: 10% in ICL, 30% in Cat
Insurer: 65% ICL, 50% Cat

- For generics, insurer liability will increase to 80%.
Part D Benefit Reform: Break-Even Price

<table>
<thead>
<tr>
<th>Drug Cost</th>
<th>Current Law</th>
<th>AAF ($2500, 10%)</th>
<th>FINEANCE ($3100, 20%)</th>
<th>PELOSI ($2000, 10%/30%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Max Rebate</td>
<td>Rebate as % of</td>
<td>Max Rebate</td>
<td>Rebate as % of</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Drug’s Price</td>
<td></td>
<td>Drug’s Price</td>
</tr>
<tr>
<td>$ 5,000</td>
<td>$ 4.12</td>
<td>8.1%</td>
<td>$ -</td>
<td>0.0%</td>
</tr>
<tr>
<td>$ 10,375</td>
<td>$ 4.12</td>
<td>39.7%</td>
<td>$ 1.31</td>
<td>1.3%</td>
</tr>
<tr>
<td>$ 15,000</td>
<td>$ 4.12</td>
<td>27.5%</td>
<td>$ 5.81</td>
<td>3.8%</td>
</tr>
<tr>
<td>$ 20,000</td>
<td>$ 4.12</td>
<td>20.0%</td>
<td>$ 3.031</td>
<td>5.2%</td>
</tr>
<tr>
<td>$ 25,000</td>
<td>$ 4.12</td>
<td>16.0%</td>
<td>$ 4.481</td>
<td>7.0%</td>
</tr>
<tr>
<td>$ 30,000</td>
<td>$ 4.12</td>
<td>13.7%</td>
<td>$ 4.331</td>
<td>6.4%</td>
</tr>
<tr>
<td>$ 35,000</td>
<td>$ 4.12</td>
<td>11.8%</td>
<td>$ 2.371</td>
<td>6.8%</td>
</tr>
<tr>
<td>$ 40,000</td>
<td>$ 4.12</td>
<td>10.3%</td>
<td>$ 2.831</td>
<td>7.1%</td>
</tr>
<tr>
<td>$ 45,000</td>
<td>$ 4.12</td>
<td>9.2%</td>
<td>$ 3.281</td>
<td>7.3%</td>
</tr>
<tr>
<td>$ 50,000</td>
<td>$ 4.12</td>
<td>8.2%</td>
<td>$ 3.791</td>
<td>7.6%</td>
</tr>
<tr>
<td>$ 55,000</td>
<td>$ 4.12</td>
<td>7.5%</td>
<td>$ 4.311</td>
<td>6.4%</td>
</tr>
</tbody>
</table>

Stakeholder Liability for $30,000 in Drug Costs

- Government (Gov)
- Insurer
- Beneficiary (Bene)
- Pharmacy (Rx)
- Medicare Part D Prescription Drug Plan (Medicare Part D)
- Other (Other)

Current Law: Government/Subsidy
- Government Liability Before Cat Cov
- Government Liability In Cat Cov
- Insurer Liability Before Cat Cov
- Insurer Liability In Cat Cov
- Beneficiary Liability In Cat Cov
- Pharmacy Liability Before Cat Cov
- Pharmacy Liability In Cat Cov

AAF: Government/Subsidy
- Government Liability Before Cat Cov
- Government Liability In Cat Cov
- Insurer Liability Before Cat Cov
- Insurer Liability In Cat Cov
- Beneficiary Liability In Cat Cov
- Pharmacy Liability Before Cat Cov
- Pharmacy Liability In Cat Cov

Finance: Government/Subsidy
- Government Liability Before Cat Cov
- Government Liability In Cat Cov
- Insurer Liability Before Cat Cov
- Insurer Liability In Cat Cov
- Beneficiary Liability In Cat Cov
- Pharmacy Liability Before Cat Cov
- Pharmacy Liability In Cat Cov

Pelosi: Government/Subsidy
- Government Liability Before Cat Cov
- Government Liability In Cat Cov
- Insurer Liability Before Cat Cov
- Insurer Liability In Cat Cov
- Beneficiary Liability In Cat Cov
- Pharmacy Liability Before Cat Cov
- Pharmacy Liability In Cat Cov
## Part D Benefit Reform: Total Rebates Collected (est)

<table>
<thead>
<tr>
<th>Proposal</th>
<th># Benes for Whom Rebate Is Paid</th>
<th># Drugs Cost Requires Rebate</th>
<th>Total Spend on Drugs Paying Rebate</th>
<th>Min Drug Rebate Collected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Law</td>
<td>3,666,605</td>
<td>541</td>
<td>$72,520,357,426</td>
<td>$9,196,170,164</td>
</tr>
<tr>
<td>AAF</td>
<td>1,898,265</td>
<td>382</td>
<td>$62,211,649,817</td>
<td>$4,139,188,093</td>
</tr>
<tr>
<td>Finance</td>
<td>1,419,001</td>
<td>333</td>
<td>$57,630,394,657</td>
<td>$8,419,685,042</td>
</tr>
<tr>
<td>Pelosi</td>
<td>47,395,374</td>
<td>1,624</td>
<td>$153,682,638,005</td>
<td>$23,132,459,710</td>
</tr>
</tbody>
</table>

## Part D Benefit Reform: Bene OOP

<table>
<thead>
<tr>
<th>Total Drug Spend</th>
<th>Current Law</th>
<th>AAF Proposal</th>
<th>Finance Proposal</th>
<th>Pelosi Proposal</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2,000</td>
<td>$864</td>
<td>$864</td>
<td>$864</td>
<td>$864</td>
</tr>
<tr>
<td>$5,000</td>
<td>$1,144</td>
<td>$1,614</td>
<td>$1,614</td>
<td>$1,614</td>
</tr>
<tr>
<td>$7,500</td>
<td>$2,239</td>
<td>$2,239</td>
<td>$2,239</td>
<td>$2,000</td>
</tr>
<tr>
<td>$10,000</td>
<td>$2,864</td>
<td>$2,500</td>
<td>$2,864</td>
<td>$2,000</td>
</tr>
<tr>
<td>$15,000</td>
<td>$3,189</td>
<td>$2,500</td>
<td>$3,100</td>
<td>$2,000</td>
</tr>
<tr>
<td>$20,000</td>
<td>$3,499</td>
<td>$2,500</td>
<td>$3,100</td>
<td>$2,000</td>
</tr>
<tr>
<td>$25,000</td>
<td>$3,589</td>
<td>$2,500</td>
<td>$3,100</td>
<td>$2,000</td>
</tr>
<tr>
<td>$50,000</td>
<td>$4,939</td>
<td>$2,500</td>
<td>$3,100</td>
<td>$2,000</td>
</tr>
</tbody>
</table>