

Rebates and Medicare Part D

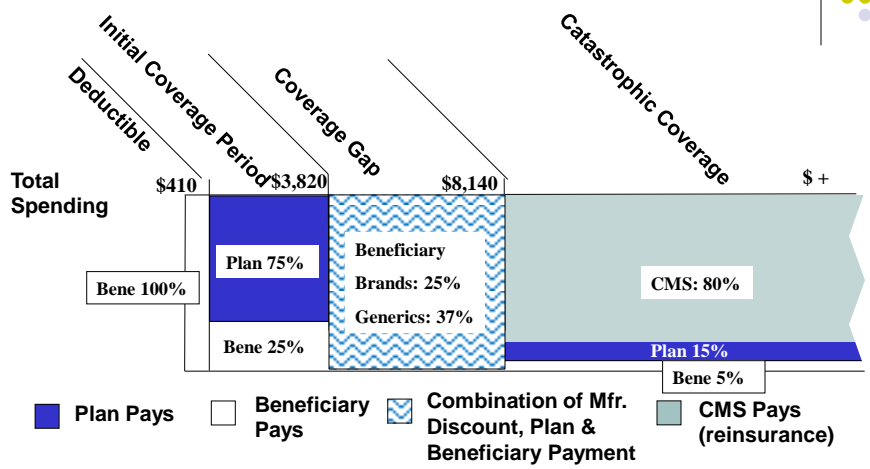
Jack Hoadley, PhD

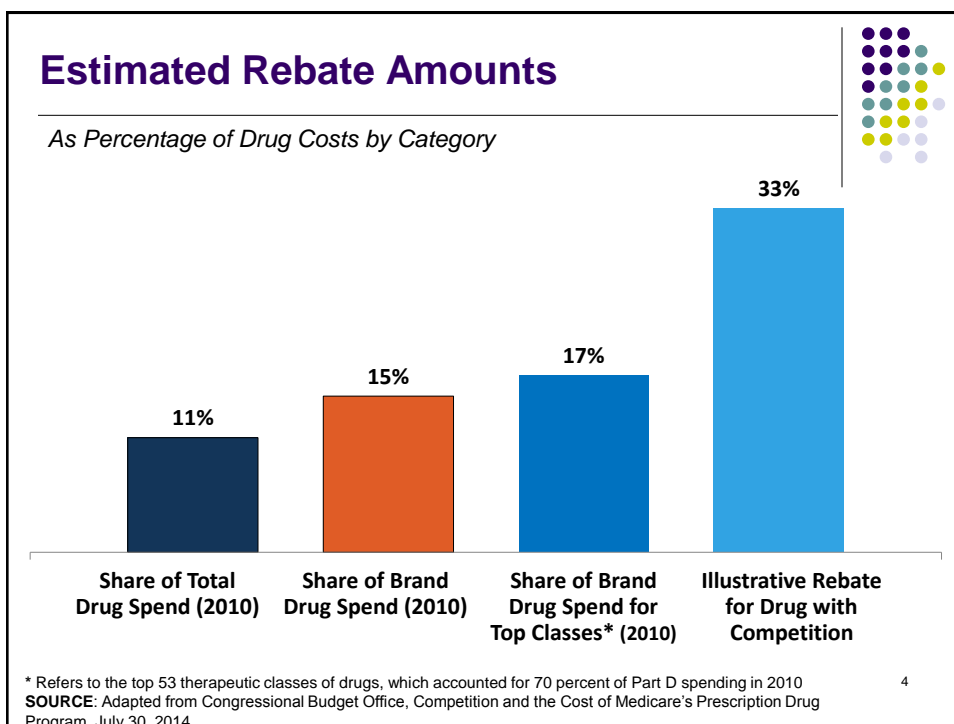
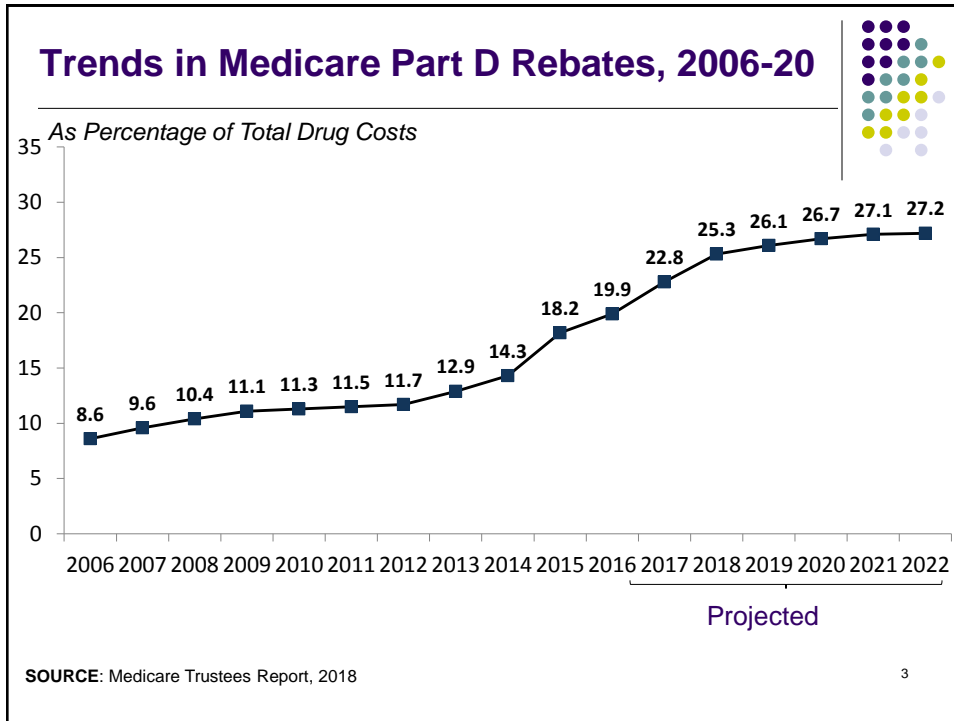
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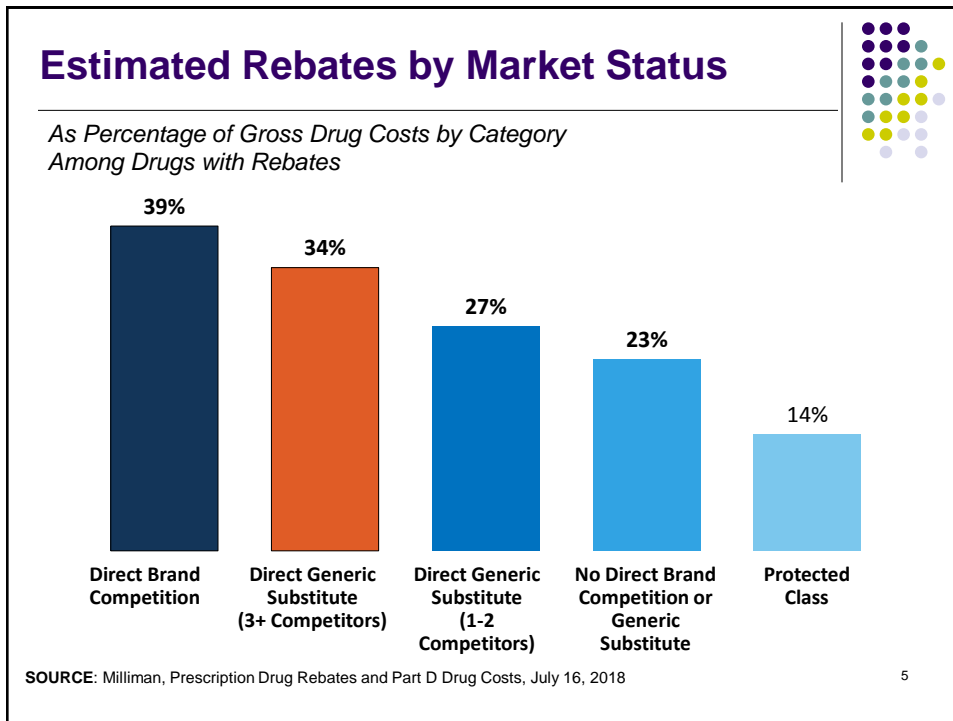
Alliance for Health Policy
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Part D Benefit Design







CMS Estimated Total Impact

In Billions

REBATE PASS-THROUGH PERCENT	33%	90%
Beneficiary Costs	-\$20	-\$53
-- Cost Sharing	-\$29	-\$79
-- Premiums	+\$9	+\$26
Government Costs	+\$27	+\$76
-- Direct Subsidy	+\$62	+\$177
-- Reinsurance	-\$22	-\$62
-- Low-Income Cost-Sharing Subsidy	-\$17	-\$48
-- Low-Income Premium Subsidy	+\$3	+\$8
Manufacturer Gap Discount	-\$10	-\$26

SOURCE: CMS Proposed Rule, November 2017

Interpreting Impact of Policy Change



- Exact numbers rely on many assumptions
- Lowers out-of-pocket costs for beneficiaries in high coinsurance tiers
- Affects when beneficiaries reach donut hole and catastrophic threshold
- Increases premiums paid by all Part D enrollees
- Changes incentives for gaming on annual plan bids submitted to CMS

What Could Change?



- Incentives for manufacturers, PBMs, and Part D plans to change use of rebates
 - Higher or lower net rebates
 - Different distribution of rebate dollars
- Impact of (partial) transparency of rebates
- Possible federal policy changes
 - Change share of federal reinsurance
 - Change out-of-pocket liability for beneficiaries
- Evolution of plan benefit design
 - Balance of coinsurance and copays