



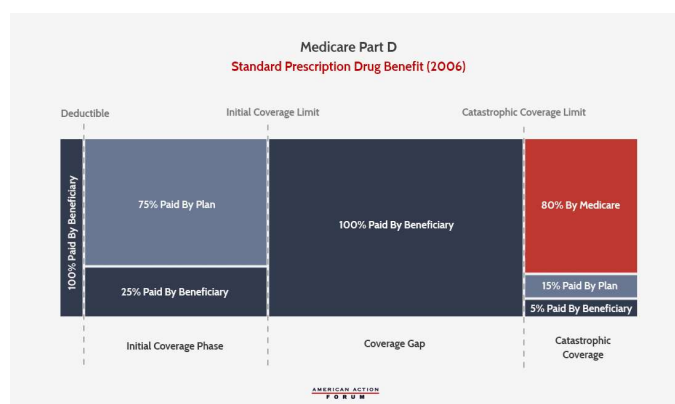
## Medicare Part D Reform

### Proposals to Restructure the Benefit to Realign Incentives

Tara O'Neill Hayes— Deputy Director of Health Care Policy

October 25, 2019

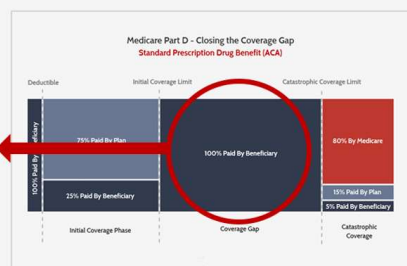
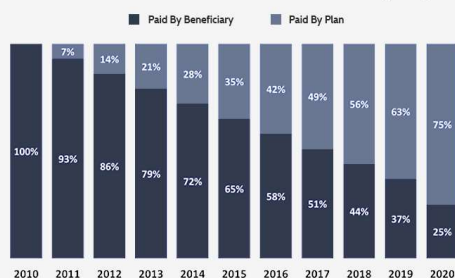
## Part D Benefit Design: 2006



AMERICAN ACTION FORUM 2

## Part D Benefit Design: 2010 (ACA)

Generic Medicines & Biosimilars in the Coverage Gap



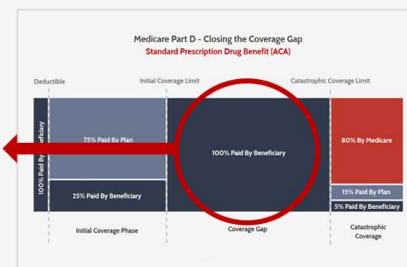
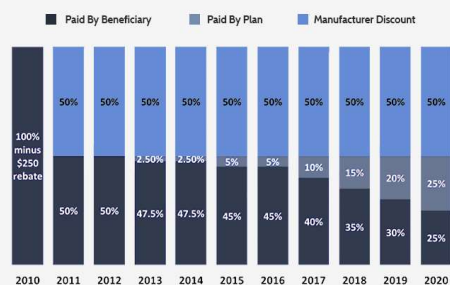
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## Part D Benefit Design: 2010 (ACA)

Brand-name Drugs in the Coverage Gap

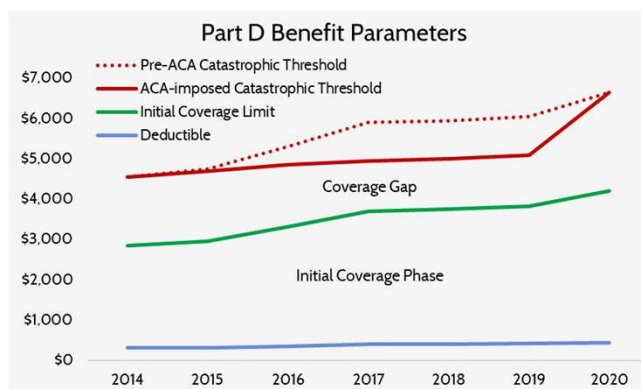


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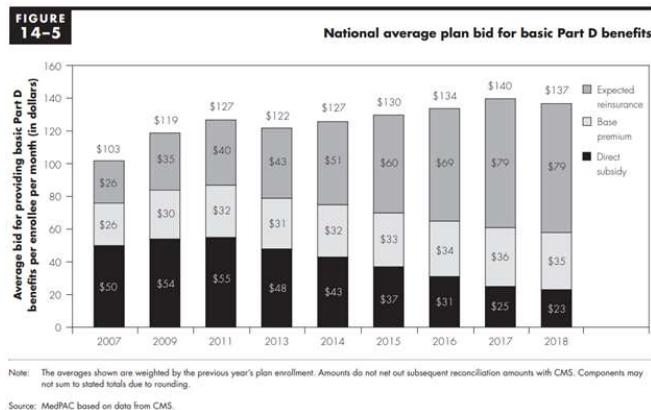
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## Part D Benefit Design: 2010 (ACA)



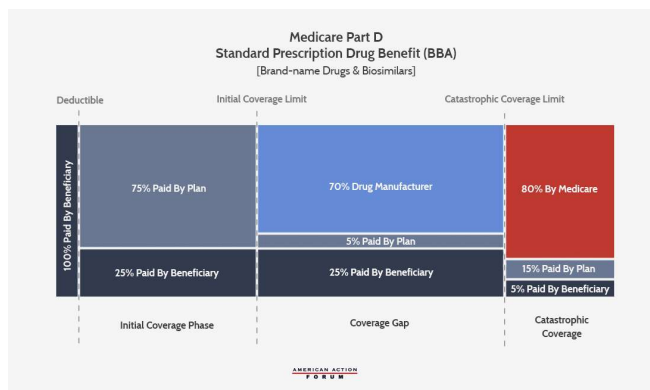
AMERICAN ACTION FORUM 5

## Part D Benefit: Subsidy Shifts



AMERICAN ACTION FORUM 6

## Part D Benefit Design: 2019 (BBA)



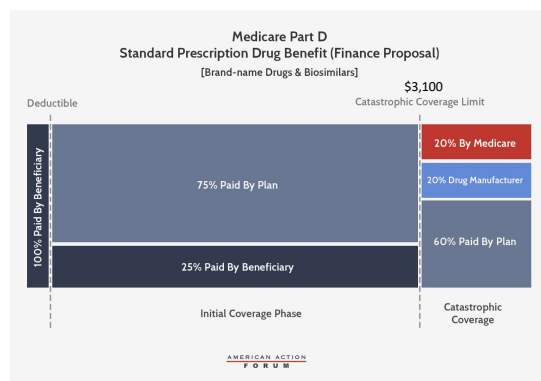
AMERICAN ACTION FORUM 7

## Part D Benefit Reform: 2020 (AAF Proposal)



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



### CHANGES FROM AAF:

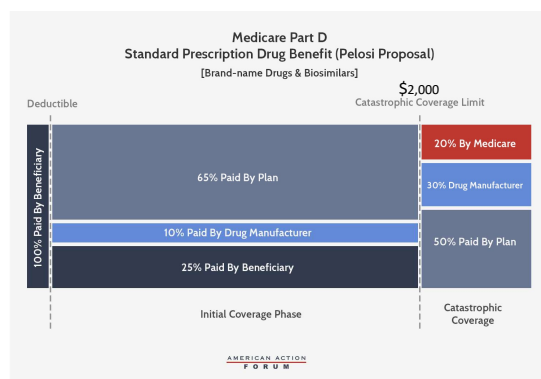
- OOP Cap: \$3,100
- Manufacturer: 20%
- Insurer: 60%

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



AMERICAN ACTION FORUM 9

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



### CHANGES FROM AAF:

- OOP Cap: \$2,000
- Manufacturer: 10% in ICL, 30% in Cat
- Insurer: 65% ICL, 50% Cat

- For generics, insurer liability will increase to 80%.



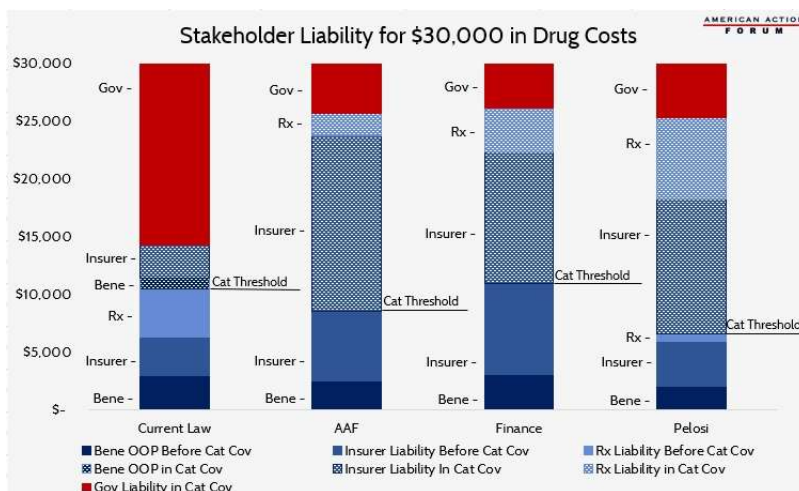
AMERICAN ACTION FORUM 10

## Part D Benefit Reform: Break-Even Price

	Current Law		AAF (\$2500, 9%)		FINANCE (\$3100, 20%)		PELOSI (\$2000, 10%/30%)	
Drug Cost	Max Rebate	Rebate as % of Drug's Price	Max Rebate	Rebate as % of Drug's Price	Max Rebate	Rebate as % of Drug's Price	Max Rebate	Rebate as % of Drug's Price
\$ 5,000	\$ 357	7.1%	\$ -	0.0%	\$ -	0.0%	\$ 452	9.0%
\$ 10,378	\$ 4,122	39.7%	\$ 131	1.3%	\$ -	0.0%	\$ 1,643	15.8%
\$ 15,000	\$ 4,122	27.5%	\$ 581	3.9%	\$ 811	5.4%	\$ 3,143	21.0%
\$ 20,000	\$ 4,122	20.6%	\$ 1,031	5.2%	\$ 1,811	9.1%	\$ 4,643	23.2%
\$ 25,000	\$ 4,122	16.5%	\$ 1,481	5.9%	\$ 2,811	11.2%	\$ 6,143	24.6%
\$ 30,000	\$ 4,122	13.7%	\$ 1,931	6.4%	\$ 3,811	12.7%	\$ 7,643	25.5%
\$ 35,000	\$ 4,122	11.8%	\$ 2,381	6.8%	\$ 4,811	13.7%	\$ 9,143	26.1%
\$ 40,000	\$ 4,122	10.3%	\$ 2,831	7.1%	\$ 5,811	14.5%	\$ 10,643	26.6%
\$ 45,000	\$ 4,122	9.2%	\$ 3,281	7.3%	\$ 6,811	15.1%	\$ 12,143	27.0%
\$ 50,000	\$ 4,122	8.2%	\$ 3,731	7.5%	\$ 7,811	15.6%	\$ 13,643	27.3%
\$ 55,000	\$ 4,122	7.5%	\$ 4,631	8.4%	\$ 9,811	17.8%	\$ 16,643	30.3%



AMERICAN ACTION FORUM 11



AMERICAN ACTION FORUM 12

## Part D Benefit Reform: Total Rebates Collected (est)

Proposal	# Benes for Whom Rebate Is Paid	# Drugs Cost Requires Rebate	Total Spend on Drugs Paying Rebate	Min Drug Rebate Collected
<b>Current Law</b>	3,666,605	541	\$ 72,520,357,426	\$ 9,196,170,164
<b>AAF</b>	1,898,265	382	\$ 62,211,649,817	\$ 4,139,188,093
<b>Finance</b>	1,419,001	333	\$ 57,630,394,657	\$ 8,419,885,042
<b>Pelosi</b>	47,395,374	1,624	\$ 153,682,638,005	\$ 23,132,459,710



AMERICAN ACTION FORUM 13

## Part D Benefit Reform: Bene OOP

Total Drug Spend	Current Law	AAF Proposal	Finance Proposal	Pelosi Proposal
\$ 2,000	\$ 864	\$ 864	\$ 864	\$ 864
\$ 5,000	\$ 1,614	\$ 1,614	\$ 1,614	\$ 1,614
\$ 7,500	\$ 2,239	\$ 2,239	\$ 2,239	\$ 2,000
\$ 10,000	\$ 2,864	\$ 2,500	\$ 2,864	\$ 2,000
\$ 15,000	\$ 3,189	\$ 2,500	\$ 3,100	\$ 2,000
\$ 20,000	\$ 3,439	\$ 2,500	\$ 3,100	\$ 2,000
\$ 25,000	\$ 3,689	\$ 2,500	\$ 3,100	\$ 2,000
\$ 50,000	\$ 4,939	\$ 2,500	\$ 3,100	\$ 2,000



AMERICAN ACTION FORUM 14

