

Medicare Part D: Overview of Program and Proposed Policy Changes

What is Medicare Part D?

The Medicare prescription drug benefit, Part D, provides prescription drug coverage for Medicare beneficiaries. Since its inception in 2006, the program has not only provided seniors unprecedented access to medicines, but also has led to significant cost savings on medicines for over 29 million Medicare beneficiaries.

Proposed Policy Changes

The Administration and some members of Congress have suggested imposing price controls – in the form of Medicaid-style rebates on prescription drugs – in Medicare Part D. Changes to Part D of this magnitude would fundamentally change and negatively impact the value that the program has brought to seniors and our healthcare system.

Such policy changes are likely to be among those under consideration by the bi-partisan deficit reduction “supercommittee” in the coming weeks. The committee is tasked with identifying \$1.5 trillion in deficit reduction by November 23.

Price controls could disrupt a highly successful program that is costing less than originally projected and is exceeding expectations.

Total Part D spending is 41 percent lower than initial 10-year projections, according to the Congressional Budget Office.

Further, a recent study in the *Journal of the American Medical Association* (JAMA) found that improved access and adherence to medicines through Part D saves Medicare about \$1,200 per year in hospital, nursing home and other costs for each senior who previously lacked comprehensive prescription drug coverage. According to other experts, this finding equals about \$12 billion per year in savings across Medicare.

Polls have consistently shown that Medicare Part D enrollees are overwhelmingly satisfied with the coverage they are receiving under the program. A recent survey by *Medicare Today* reported that 84 percent of seniors enrolled in Medicare Part D are satisfied with their coverage, and 95 percent say their coverage works well.

To the extent policymakers would reform Medicare, the Medicare prescription drug benefit should be used as a model for reform rather than weakened by unsound policy proposals.

Imposing mandatory rebates in Part D could lead to job losses and fundamentally alter the successful program.

A new paper from the Battelle Technology Partnership Practice estimates that a \$20 billion reduction in biopharmaceutical sector revenue would result in up to 260,000 job losses across the U.S. economy. Proposals like government mandated Part D rebates would be expected to have a revenue impact of this magnitude.

Economists agree that introducing Medicaid-style rebates into Part D risks raising costs for seniors and other consumers; one analysis by former a CBO director suggests premiums in Part D would increase by 20-40 percent.

Because of its competitive structure, Medicare Part D has avoided the type of government-imposed access restrictions common in Medicaid.

Beneficiary choice among plans and the availability of a range of affordable options are key components of Part D, promoting both affordability and access to medicines. A Lewin Group study found that in 2011 the Part D plans with the highest and second highest enrollment covered 99 percent and 94 percent, respectively, of the drugs most often prescribed to those 65 or older.

All Part D enrollees may change plans on an annual basis in order to maintain prescription drug coverage that fits their cost and coverage needs, and those who are dually eligible for Medicare and Medicaid may change plans at any time, unlike Medicaid where enrollees are typically restricted to the state's preferred drug list.

Imposing Medicaid rebates on Part D could slow down research on diseases disproportionately affecting seniors.

According to CBO, price controls on Part D prescription drugs “would reduce manufacturers’ incentives to invest in R&D on products that would be expected to have significant Medicare sales.”