

Medicare Monday: Why Medicaid-Style Rebates Aren't Good for Part D Beneficiaries or the Program

This week in the #MedicareMonday series we're taking a closer look at proposals that could hurt the success of Medicare Part D. One such proposal is to apply mandatory Medicaid-style rebates to Medicare Part D.

What these proposals fail to acknowledge are the substantial rebates that already exist in the Medicare Part D program. A key feature of Part D's competitive structure, plans and benefit managers negotiate rebates directly with biopharmaceutical manufacturers, helping to keep costs low for both beneficiaries and taxpayers. Let's take a look at the facts:

- *The Medicare Trustees report that Part D plans negotiate “substantial rebates...often as much as 20-30 percent” with manufacturers of brand drugs.*
- *They also report that average rebate levels have increased each year of the program.*
- *The Congressional Budget Office says, “Rebates negotiated by Part D plans on preferred brands...approach the lowest prices obtained in the private sector.”*

Instead, proposals to impose Medicaid-style rebates in Part D would hurt patients, potentially jeopardizing access to needed medicine for seniors and disabled beneficiaries. Here are just a few potential consequences:

- *Mandatory rebates could increase premiums. The Congressional Budget Office (CBO) has warned that imposing rebates could contribute to an increase in beneficiary premiums, and a former CBO director found that mandatory rebates could increase Part D premiums by 20 to 40 percent.*
- *Mandatory rebates could limit choice and reduce access. According to a former CBO analyst and a former Chief Actuary of CMS, imposing Medicaid rebates in Part D could undermine how Part D functions, potentially leading to higher premiums, reduced choices, higher copays and more restrictive formularies.*
- *Mandatory rebates could put tomorrow's cures at risk. CBO recently found imposing Medicaid-style rebates on Part D would reduce incentives for research and development of medicines that are used in large part by Medicare beneficiaries, such as treatments for Alzheimer's and osteoporosis.*

At the end of the day, these misguided proposals could hinder access to medicines and threaten the pipeline of innovation and hundreds of groups have opposed this proposal.

Altering the successful structure of Part D would be harmful to patients and taxpayers. We'll continue to explore these important issues over the coming weeks so check back in with Medicare Monday next week or subscribe to email updates here.