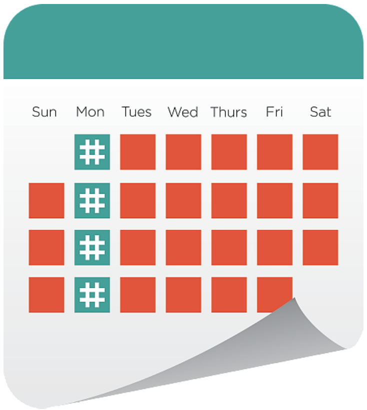
Medicare Monday: How Successful Negotiation Takes Place in Medicare

#MedicareMonday is continuing to take a closer look at proposals that could hurt the success of Medicare Part D. This week we're talking about proposals to repeal the non-interference clause in Medicare Part D.

What is non-interference?

From the beginning, the law creating Medicare Part D includes a provision called the non-interference clause; it prohibits the Secretary of Health and Human Services from interfering in the private price negotiations between Medicare Part D plans and drug manufacturers and pharmacies in the program, and prevents the Secretary from establishing a single formulary for the program.



Part D Price Negotiation Already Results in Large Savings

Those proposing to repeal non-interference fail to acknowledge that large, powerful Part D purchasers already negotiate discounts and rebates with manufacturers. According to the Medicare Trustees, these rebates are often as high as 20 to 30 percent for brand medicines and have increased each year of the program. These are the same pharmacy benefit managers (PBMs) that operate in the commercial market, representing as many as 60 to 120 million covered lives, giving them leverage to negotiate significant discounts for Part D as well. Private negotiation in Part D has helped keep costs low. According to CBO, total Part D costs are 45 percent ($349 billion) lower than original projections for 2004-2013.

Repealing non-interference would not reduce spending unless beneficiary access is also restricted

Despite claims that allowing the Secretary to negotiate would produce lower Part D drug prices, the Secretary would not be able to negotiate better than plans already do. According to the Congressional Budget Office (CBO), "The Secretary would be unable to negotiate prices across the broad range of covered Part D drugs that are more favorable than those obtained by (Prescription Drug Plans) under current law."

CBO has also stated, "…the negotiating lever that's used to lower drug prices is the threat of not allowing that drug to be prescribed or putting limitations on its being prescribed within that drug plan." Thus, to negotiate prices any further, the government would need to impose access or coverage restrictions on medicines for Part D beneficiaries. This would hurt seniors and disabled beneficiaries who rely on Part D for access to needed medicines, including new and innovative treatment options.

Competition and negotiation help keep Part D costs low, benefiting both beneficiaries and taxpayers. Altering the successful structure of this program is a step in the wrong direction. We'll continue to explore these important issues over the coming weeks so check back in with #MedicareMonday next week or subscribe to email updates here.