

Press release

CMS Takes Action to Lower Prescription Drug Costs by Modernizing Medicare

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Proposed regulation for Medicare Parts C & D would strengthen negotiations with prescription drug manufacturers to lower costs and increase transparency for patients

Today, the Centers for Medicare & Medicaid Services (CMS) proposed policies for 2020 to strengthen and modernize the Medicare Part C and D programs. The proposal would ensure that Medicare Advantage and Part D plans have more tools to negotiate lower drug prices, and the agency is also considering a policy that would require pharmacy rebates to be passed on to seniors to lower their drug costs at the pharmacy counter.

“President Trump is following through on his promise to bring tougher negotiation to Medicare and bring down drug costs for patients, without restricting patient access or choice,” said HHS Secretary Alex Azar. “By bringing the latest tools from the private sector to Medicare Part D, we can save money for taxpayers and seniors, improve access to expensive drugs many seniors need, and expand their choice of plans. The Part D proposals complement efforts to bring down costs in Medicare Advantage and in Medicare Part B through negotiation, all part of the President’s plan to put

American patients first by bringing down prescription-drug prices and out-of-pocket costs.”

In the twelve years since the Part D program was launched, many of the tools outlined in today’s proposal have been developed in the commercial health insurance marketplace, and the result has been lower costs for patients. Seniors in Medicare also deserve to benefit from these approaches to reducing costs, so today CMS is proposing to modernize the Medicare Advantage and Part D programs and remove barriers that keep plans from leveraging these tools.

“In designing today’s proposal, foremost in the agency’s mind was the impact on patients, and the proposal is yet another action CMS has taken to deliver on President Trump and Secretary Azar’s commitment on drug prices,” said CMS Administrator Seema Verma. “Today’s changes will provide seniors with more plan options featuring lower costs for prescription drugs, and seniors will remain in the driver’s seat as they can choose the plan that works best for them. The result will be increasing access to the medicines that seniors depend on by lowering their out-of-pocket costs.”

Private plan options for receiving Medicare benefits are increasing in popularity, with almost 37 percent of Medicare beneficiaries expected to enroll in Medicare Advantage in 2019, and Part D enrollment increasing year-over-year as well. The programs are driven by market competition; plans compete for beneficiaries’ business, and each enrollee chooses the plan that best meets his or her needs. Consumer choice puts pressure on plans to improve quality and lower costs. Premiums in both Medicare Advantage and Part D are projected to decline next year.

Today’s proposed changes include:

- Providing Part D plans with greater flexibility to negotiate discounts for drugs in “protected” therapeutic classes, so beneficiaries who need these drugs will see lower costs;
- Requiring Part D plans to increase transparency and provide enrollees and their doctors with a patient’s out-of-pocket cost obligations for prescription drugs when a prescription is written;
- Codifying a policy similar to the one implemented for 2019 to allow “step

therapy” in Medicare Advantage for Part B drugs, encouraging access to high-value products including biosimilars; and

- Implementing a statutory requirement, recently signed by President Trump, that prohibits pharmacy gag clauses in Part D.

CMS is also considering for a future plan year, which may be as early as 2020, a policy that would ensure that enrollees pay the lowest cost for the prescription drugs they pick up at a pharmacy, after taking into account back-end payments from pharmacies to plans.

Medicare Advantage and Part D will continue to protect patient access, as both programs are embedded with robust beneficiary protections. These include CMS’s review of Part D plan formularies, an expedited appeals process, and a requirement for plans to cover two drugs in every therapeutic class.

CMS looks forward to receiving comments on these proposals and other policies under consideration.

For a blog post on the proposed rule by Secretary Azar and Administrator Verma, please visit: <https://www.cms.gov/blog/proposed-changes-lower-drug-prices-medicare-advantage-and-part-d>.

For a fact sheet on the proposed rule, please visit:

<https://www.cms.gov/newsroom/fact-sheets/contract-year-cy-2020-medicare-advantage-and-part-d-drug-pricing-proposed-rule-cms-4180-p>.

The proposed rule (CMS-4180-P) can be downloaded from the *Federal Register* at: <https://s3.amazonaws.com/public-inspection.federalregister.gov/2018-25945.pdf>

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