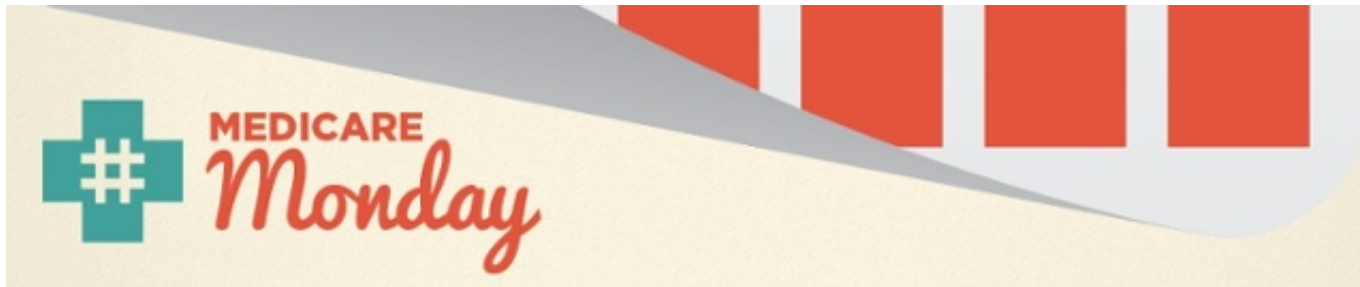


New report looks at Medicare negotiation proposals

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In case you missed it, today's special edition of #MedicareMonday highlights a [new issue brief](#) from the Kaiser Family Foundation on how Medicare negotiation proposals would change the structure of Part D and require government interference. The issue brief provides useful background information on negotiation in Medicare, including how it happens now and the impact of proposed changes.

Titled *Searching for Savings in Medicare Drug Price Negotiations*, here are some key points from the report:

- “In the years leading up to the enactment of the Medicare Part D prescription drug benefit in the *Medicare Modernization Act of 2003*, lawmakers debated whether the federal government should provide a drug benefit directly, but in the end opted to provide drug coverage through a marketplace of private plans that compete for business based on costs and coverage. Under Part D, private plan sponsors separately negotiate drug prices with pharmaceutical companies, establish formularies, and apply utilization management tools to control costs.”
- “Notably, Congress added language to the MMA, known as the ‘noninterference’ clause, which stipulates that the HHS Secretary ‘may not interfere with the negotiations between drug manufacturers and pharmacies and [prescription drug plan] sponsors, and may not require a particular formulary or institute a price structure for the reimbursement of covered part D drugs.’ In effect, this provision means that the government can have no role in negotiating or setting drug prices in Medicare Part D.”
- “CBO has said that giving the Secretary authority to negotiate lower prices for a broad set of drugs on behalf of Medicare beneficiaries would have ‘a negligible effect on federal spending.’ It based this assessment on its view that the Secretary would not be able to leverage deeper discounts for drugs than risk-bearing private plans, given the incentives built into the structure of the Part D market, where plan sponsors bid

to participate in the program, compete for enrollees based on cost and coverage, and bear some risk for costs that exceed their projections.”

- “Beyond simply removing the non-interference clause and allowing the Secretary to negotiate drug prices, CBO has said that in order to obtain price discounts, the Secretary would need authority to establish a formulary that included some drugs and excluded others and imposed other utilization management restrictions, in much the same way that private Part D plans do.”



To learn more, take a look at [what is being said](#) about harmful proposals to change the structure of the Part D program, or read our [post](#) on how changing the structure of Medicare Part D could hurt beneficiary access.