

MEDICARE PART D

Issue Background

The Medicare Part D prescription drug program was created to provide seniors access to affordable medicines. The program relies on market-based competition led by private health insurers that negotiate discounts and rebates with drug manufacturers. This market-based approach has led to substantial savings for taxpayers and has helped millions of seniors access the medicines they need at costs they can afford.

Proposals to allow the federal government to directly negotiate prices with drugmakers would severely undermine a program that is working well for seniors and taxpayers. Further, they would ultimately restrict access to medicines and not achieve the intended goal of lowering drug costs.

The nonpartisan Congressional Budget Office (CBO) found that government interference in Medicare drug prices will not produce real savings unless the government is also allowed to impose price controls and restrict patient access to certain medicines. The CBO also reports that imposing Medicaid-style rebates in Medicare Part D would reduce incentives to create new medicines, “particularly drugs for which a large share of users would be Medicare beneficiaries.”

Echoing these concerns, more than 200 patient-advocacy groups urged Congress to reject government interference in Medicare drug prices because of the harm it will inflict on seniors. In a 2017 letter, these patient advocates wrote the proposal could “jeopardize beneficiaries’ access to comprehensive, affordable prescription drug coverage and would undermine the structure of a highly successful program upon which millions of people rely.”

Policy Position

America’s seniors deserve comprehensive access to a wide range of needed medications at an affordable price. The Medicare prescription drug benefit program was designed to do just that, and for more than a decade, it has served the best interests of taxpayers and seniors. Congress should reject policies that would undermine this market-based program, because doing so would stifle medical innovation and hurt the ability of seniors to get the medications they need. Instead, policymakers should look at the real drivers of spending in our health care system and preserve a prescription drug program that is working well for everyone.

Key Points

- ✓ The Medicare Part D program cost **\$349 billion less** than the initial 10-year cost estimates.
- ✓ Approximately **90 percent of seniors are satisfied** with the program.
- ✓ The Medicare prescription drug program has helped **reduce seniors’ hospital admissions by 8 percent** and reduced spending on hospital services by 7 percent.
- ✓ Plans and patients in Medicare Part D pay an estimated **35 percent below drugmakers’ list price** for a dozen widely-used treatment areas — a better discount than what the private sector generally pays for the same drugs.
- ✓ The real drivers of future Medicare spending are payments to hospitals and doctors, which are **expected to grow by \$552 billion** over the next decade — nearly four times more than the projected growth in prescription drug spending.