MEDICARE PART D: PROTECTING AMERICA’S SENIORS AND TAXPAYERS

The Medicare Part D benefit program was created to ensure seniors have access to affordable prescription drugs. The program relies on market-based competition led by private health insurers that negotiate discounts and rebates with drug manufacturers. Spending on prescription drugs in Medicare Part B also leverages discounts and rebates obtained by private insurers to maintain robust drug competition for seniors. The success of this market-based approach has resulted in substantial savings for taxpayers and affordable medicines for America’s seniors.

Medicare Part D: By the Numbers

- **43.2 million** seniors enrolled
- **90%** of seniors are satisfied with the program
- **3%** decrease in premiums expected for 2018
- **$33.50** average monthly premium next year
- **$349 billion** less than original cost projection
- **8%** decrease in hospital admissions for seniors

Source: Centers for Medicare and Medicaid Services (CMS); Morning Consult; CMS; Congressional Budget Office (CBO) figures and initial 10-year estimate National Bureau of Economic Research, 2014

Leading Drivers of Medicare Spending

More than 80% of Medicare funding is spent on Medicare Part A (hospital services) and Medicare Part B (physician and clinicals services).

Future changes in prescription drug spending expected to remain consistent with the rest of the Medicare program.

**TOTAL MEDICARE SPENDING**

- Prescription Drugs Part D: 15%
- Hospital Services Part A: 42%
- Physician Clinical Services* Part B: 43%

**PROJECTED 5-YEAR CHANGE IN MEDICARE SPENDING**

- Part A: 5.7%
- Part B: 7.8%
- Part D: 6.4%

Source: 2017 Medicare Trustees Report

*Includes spending on prescription drugs administered in a clinical setting, which is projected to represent just 4% of total Medicare spending according to a Moran analysis of MedPAC and CBO data.
MYTH: Allowing the federal government to directly negotiate prices with drugmakers in the Medicare Part D program will lower costs for seniors and taxpayers.

FACT: Empowering the federal government to interfere in Medicare drug prices will undermine a program that is working well for seniors and taxpayers.

- The Medicare Part D program cost **$349 billion less** than the initial 10-year cost estimates and nearly 90% of seniors are satisfied with the program. Source: CBO figures; Morning Consult

- Private insurers already negotiate aggressively with drugmakers to achieve significant savings. Plans and patients in Medicare Part D pay an estimated **35% 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. Source: QuintilesIMS Institute, October 2016

- 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. Source: Analysis of CBO Medicare Baseline, June 2017; MedPAC Data Book, June 2017

- Government interference in Medicare drug prices will undermine the well-being of seniors and exacerbate the costs of other Medicare services. Source: Johns Hopkins Bloomberg School of Public Health and the University of Illinois at Chicago, 2014 Study

- More than 200 patient-advocacy groups have urged Congress to reject government interference in Medicare drug prices because of the harm it will inflict on seniors.

- “We believe that repeal of the non-interference provision 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.” Source: “Protect Patient Access to Medication,” February 2017

- Direct negotiation in Medicare will have little impact on drug costs. The nonpartisan Congressional Budget Office (CBO) has written 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 medicines.

- The CBO has also found 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.” This threatens potential breakthrough discoveries to treat Parkinson’s, osteoporosis and other diseases that disproportionately affect the elderly.