MedPAC Proposal for Improving Medicare Part D

On June 15th, 2016 the Medicare Payment Advisory Commission (MedPAC) released a proposal for improving Medicare Part D as part of its June 2016 Report to the Congress: Medicare and the Health Care Delivery System. This proposal, which calls on both Congress and the Secretary to take action to change Medicare Part D, comes in response to the 60% increase in Part D spending (from $46 billion to $73 billion) from 2007 to 2014. Facing rising drug costs – particularly with the introduction of (often high-priced) specialty drugs, which have made up more than 50% of new FDA-approved drugs since 2009 – MedPAC aims to outline an approach to restrain overall drug costs. MedPAC’s ultimate goal with Part D reform is to ensure beneficiary access and keep Medicare financially sustainable for taxpayers.

MedPAC’s proposed changes look to make the maintenance of Part D more affordable for beneficiaries and taxpayers in the long-run by providing protection against catastrophic out-of-pocket (OOP) spending and exposing some beneficiaries to higher cost sharing in the coverage gap. With the latter set of recommendations that will leave some beneficiaries facing higher cost sharing, MedPAC acknowledges the need to combine their proposal with enhanced protections for non-low-income subsidy (LIS) beneficiaries facing high cost-sharing burdens. In addition, any changes to Part D structure would need to be accompanied by recalibration of the prescription drug hierarchical condition category (RxHCC) model, which predicts the Part D benefit spending that a plan sponsor would cover (i.e. the plan liability).

MedPAC wants Congress to transition the individual reinsurance subsidy from 80% to 20% (while maintaining Medicare’s overall 74.5% subsidy of basic benefits), believing that such an approach will create stronger incentives and tools to manage the benefits of high cost enrollees. At the same time, assuming no behavioral changes, MedPAC hopes that enrollee premiums will remain unaffected due to the continuation of the overall 74.5% subsidy for basic benefits. MedPAC also wants Congress to exclude manufacturers’ discounts in the coverage gap from enrollees’ true OOP spending. Their intent is to provide greater OOP protection and encouragement to increase use of generics, as currently only brand-name drugs are eligible for the manufacturers’ discounts. Without the exclusive “brand-discount,” the use of generic drugs will not adversely impact efforts to lower the plan’s responsibility for benefit spending.

MedPAC’s other recommendations to Congress include eliminating enrollee cost sharing above the OOP threshold and changing the Part D LIS. MedPAC wants Medicare beneficiaries receiving the LIS to use generic drugs, preferred multisource drugs, and biosimilars when available in their selected therapeutic classes. In order to encourage such utilization, MedPAC proposes that Congress modify the copayments for Medicare beneficiaries with incomes at or below 135% of poverty, and direct the Secretary to reduce or eliminate cost sharing for such treatments. Additionally, MedPAC suggested that the Secretary should change Part D to remove antidepressants and immunosuppressants for transplant rejection from the classes of clinical concern and streamline the process for formulary changes. Other recommendations to the Secretary included requiring prescribers to provide standardized, clinically rigorous supporting justifications when applying for exceptions, and granting plan sponsors more flexibility in managing specialty drug benefits.

Ultimately, there is a very real need for reform and restructuring of Medicare Part D, which still largely retains the incentive structure from its original launch in 2006, when its design was meant to encourage broad
participation of Medicare beneficiaries and private plan sponsors in the then new program. The environment in which Part D currently operates has changed significantly, particularly considering the reality that the market for Medicare Advantage plans providing prescription drug coverage (MA-PDs) has expanded and a market for stand-alone prescription drug plans (PDPs) is in place. There is no clear timeline for if and when such proposed changes to Part D will be made. Though, with the MedPAC seal of approval, they could spark legitimate discussion under a new administration and Congress in 2017, with this report acting as starting point for possible legislation.