Advising the Congress on Medicare issues

Future policy directions to address Medicare prescription drug spending

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Outline of this presentation

- Scope of ideas
- Commission's past drug recommendations
- Ideas previously considered that were not taken up as recommendations
- Topics we plan to cover this spring
- Other ideas

What we will not cover: Ideas outside the scope of Medicare

- Government support for drug research and development
- Patent policy and anti-competitiveness enforcement
- Drug approval process, exclusivity, interchangeability, risk evaluation and management strategies
- Medicaid drug policy
- Tax policy
- State laws such as pharmacy rules for drug substitution

The Commission's 2017 Part B drug recommendation

- Package of reforms:
  - Improvements to average sales price (ASP) system
    - Improved ASP data reporting
    - Reduce WAC+6% to WAC+3% for new drugs without ASP data (adopted)
    - Rebate for ASP inflation
    - Consolidated billing codes for biosimilars and originator biologics
  - Drug value program (DVP): market-based alternative to ASP payment system with tools
    - Formulary and utilization management
    - Binding arbitration
  - Reduce ASP add-on to encourage DVP enrollment

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Note: WAC (wholesale acquisition cost). Source: MedPAC June 2017 report to the Congress.

The Commission's 2016/2018 Part D recommendations

- Change Part D to:
  - Transition Medicare's reinsurance from 80% to 20% of catastrophic spending and keep Medicare's overall subsidy at 74.5% through higher capitated payments
  - Apply coverage-gap discount to biosimilar products
  - Exclude all manufacturers' discounts in the coverage gap from enrollees' "true OOP" spending
  - Eliminate cost sharing above the OOP threshold
- Greater flexibility to use formulary tools
- Make moderate changes to LIS cost sharing to encourage use of generics and biosimilars

Note: OOP (out-of-pocket). LIS (low-income subsidy).
Sources: MedPAC June 2016 and March 2018 reports to the Congress.

Other past drug recommendations

- Reduce Part B dispensing and supplying fees (June 2016)
- Establish a comparative effectiveness review entity (June 2007)
- Move vaccines from Part D to Part B (June 2007)
- Clarify ASP reporting requirements for bundled price concessions (January 2007)

Ideas the Commission has considered in the past

- Coverage with evidence development
- Comparative clinical effectiveness information
  - Least-costly alternative
  - Pearson-Bach model
  - Consolidated billing codes for single-source products with similar health effects
  - Cost-effectiveness analysis
- Oncology provider accountability approaches
  - Oncology medical home, bundling, ACOs
  - Clinical pathways
- ASP hybrid model (flat add-on)

Note: ACOs (accountable care organizations).

Topics we will cover this spring

- Reference pricing
- Broader use of arbitration
- Restructuring Part D's coverage-gap discount
- Approaches to reduce out-of-pocket costs in Part D for high-cost drugs

Other ideas aimed at prices and spending

- Exclude new products from coverage or from formulary at launch
- Medicaid-like rebate in Medicare
  - For Part D drugs used by LIS enrollees
  - Flat percentage rebate for Part B drugs

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Note: LIS (low-income subsidy).

Other ideas aimed at prices and spending (cont'd.)

- Outcomes-based pricing
- Indication-specific pricing
- Direct negotiation by Medicare

Other ideas aimed at prices and spending (cont'd.)

- Exclusive specialty pharmacy networks
- Account for coupons in ASP calculation
- Move certain drugs from Part B to Part D
- Manufacturer rebate for wasted drugs

Note: ASP (average sales price).

Summary

- Questions?
- Did we miss important ideas?
- Set priorities for next work cycle