

Medicare drug spending

ISSUE: A significant portion of the Commission’s work relates to Medicare’s payments for prescription drugs in various settings. In preparation for discussions about specific policies, at the September 2015 meeting we will provide an overview of how Medicare pays for prescription drugs and the magnitude of that spending.

KEY POINTS: Medicare’s importance as a payer for prescription drugs has grown since the introduction of Part D in 2006. In 2013, across all settings (e.g., hospitals, physician offices, hospice, and Part D), Medicare’s direct and indirect purchases of prescription drugs and pharmacy services amounted to approximately 19 percent of total program spending. Even though Medicare is a large payer for prescription drugs, its influence over pharmaceutical pricing is limited and varies depending upon the payment system used for reimbursement. This presentation will provide context for discussions about issues related to how Medicare pays for drugs administered by physicians under Part B, how Medicare shares risk with plans in Part D, and Medicare’s payment and cost sharing for drugs provided in facilities that participate in the 340B program.

ACTION: Commissioners should review and comment on the paper.

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