More than fifteen years has passed since Congress authorized the creation of Medicare Part D, the government program providing seniors and individuals with disabilities with access to affordable prescription drug coverage. Through market-based competition, Part D allows beneficiaries to choose from a range of private plans that best meet their needs. Further, several surveys show that 85 percent or more of beneficiaries are satisfied with their Part D coverage.

Important Part D Provisions

- **Non-Interference**: The non-interference (NI) clause in the Social Security Act prohibits the Secretary of the Department of Health and Human Services (HHS) from interfering in private negotiations between Part D plans, pharmaceutical manufacturers, and pharmacies or requiring a particular formulary (i.e., list of covered drugs) for the Part D program.

- **Low Income Subsidies (LIS)**: Also known as the Extra Help program, LIS help beneficiaries with limited income better afford needed medicines by reducing beneficiaries’ cost-sharing and lowering premiums and deductibles.

Part D: A Success Story

Part D provides pharmacy prescription drug coverage to seniors and people with disabilities while helping to keep costs low and also improving beneficiaries’ health:

- **Part D spending is far lower than the Congressional Budget Office’s initial projections**. Total costs for Part D are $349 billion, or 45 percent less, than the initial 2004-2013 projections, and spending on Medicare Part D is approximately 11.6 percent of 2019 total Medicare spending to date. ii

- **Average beneficiary Part D premiums are substantially lower than the projected amount**. The average monthly beneficiary premium is $32.50 in 2019, slightly less than the premium in 2018. iii Since 2011, average premiums have remained relatively stable – between $30 and $34.

- **Part D helps reduce spending on other Medicare services**. Medicare Part D prescription drug coverage has led to an 8 percent decrease in hospital admissions for seniors. iv Gaining Part D coverage also improved adherence among enrollees with congestive heart failure, resulting in $2.3 billion in annual savings to Medicare as a result of reduced spending in Parts A and B. v

- **Part D helps beneficiaries live longer lives**. A growing body of research finds reductions in mortality following the implementation of Medicare Part D. One study found since 2006, nearly 200,000 Medicare beneficiaries have lived at least one year longer with an average increase in longevity of 3.3 years. vi
Improving Affordability in Part D
The Part D program has been incredibly successful over the past 13 years and has helped seniors and people with disabilities gain access to medicines. However, more can be done to improve affordability and predictability for seniors.

For example, it has been proposed to require savings from negotiated discounts to be passed directly to patients, reducing out-of-pocket costs for many beneficiaries at the pharmacy counter. Currently, most Part D plans require beneficiaries to pay cost-sharing based on the full price of their medicine, even in cases where the plan has negotiated a drastic price reduction through rebates. By ensuring that more of the savings from negotiated discounts are passed through to the beneficiary at the point of sale, millions of Part D seniors will save more out-of-pocket, enabling them to access their medicines consistently and therefore manage their conditions more effectively.

Another policy change that would be a significant step toward improved affordability for Part D beneficiaries would be to establish an out-of-pocket cap. Under the current system beneficiaries must pay significant amounts in out-of-pocket costs before reaching the catastrophic coverage phase, in which beneficiaries are required to pay cost-sharing of 5 percent of their drug costs. Despite the relatively small coinsurance percentage above the catastrophic threshold, for beneficiaries taking multiple medications this rate can translate into significant out-of-pocket costs, making catastrophic cost-sharing financially burdening. Establishing an out-of-pocket cap would lower out-of-pocket costs, helping the beneficiary better afford the medications they need. This will also help improve adherence, keeping beneficiaries healthier, which can lower overall health care costs.

Current Threats
Medicare Part D is often targeted by policymakers as a “pay-for” for health policy changes, however, the considered changes often limit access and adversely affect patients. A list of the most recent proposals threatening Medicare Part D is provided below. For more information on these changes and how they would affect patients, please visit the Part D Threats Issue Lab here.

• **Repealing Non-Interference/Instituting Government Arbitration:** Several Members of Congress in both the House and the Senate have introduced legislation to repeal the non-interference clause. This would undermine the competitive marketplace structure that is crucial to providing patients with access to a range of drugs at affordable prices and could possibly delay or disrupt treatment plans. Worse, some proposals are suggesting replacing private negotiation with government arbitrators. This means bureaucrats would be put in a position to make decisions about the value or price of a treatment for patients. This could also threaten access to treatments for already vulnerable patients.

• **Compulsory Licensing:** Legislation has been proposed that would allow compulsory licensing for Part D prescription drugs. This legislation ignores basic patent protections and could stunt availability and future development of brand name drugs.

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i. See CBO Medicare baselines available at [http://www.cbo.gov](http://www.cbo.gov)

