Medicare Part D

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 Medicare Modernization Act (MMA) 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 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 or lowering premiums and deductibles.

- **Six Protected Classes:** Under Part D, the six protected classes policy requires plans to cover “all or substantially all” medications within these therapeutic classes, which includes anticonvulsants, antidepressants, antineoplastics, antipsychotics, antiretrovirals and immunosuppressants.

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 was just 14 percent of total Medicare spending in 2017.

- **Average beneficiary Part D premiums are substantially lower than the projected amount.** The average monthly beneficiary premium for Part D coverage was $33.50 in 2018, slightly less than the premium in 2017. Since 2011, 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. 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.
• **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.

**Improving Affordability in Part D**

The Part D program has been incredibly successful over the past 15 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, the Administration recently proposed a rule that would ensure savings from negotiated discounts are 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.

While this is a significant step in improved affordability for Part D beneficiaries, another looming issue surrounding out-of-pocket spending must be addressed by Congress to continue this progress. The Affordable Care Act (ACA) temporarily slowed the growth rate of the catastrophic coverage threshold from 2014 to 2019, reducing the amount of beneficiary out-of-pocket spending required to enter into catastrophic coverage. If Congress does not act to stop this looming “Medicare cliff,” the coverage gap will widen by more than **$1,200 from 2019 to 2020**, significantly increasing out-of-pocket costs for many beneficiaries.

**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:** Several Members of Congress in both the House and the Senate have introduced legislation to repeal the non-interference clause. This will undermine the competitive marketplace structure that is crucial to providing patients with access to a range of drugs at affordable prices.

- **Changes to Six Protected Classes:** Centers for Medicare & Medicaid Services’ (CMS) recent proposed rule would allow prior authorization and step therapy for patients already stable on a protected class medicine or who are taking HIV/AIDS medications. This will significantly restrict access to drugs patients currently rely on as well as potentially new drugs.

- **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.
• **TrOOP Changes:** The Administration is seeking to exclude manufacturer discounts from calculations of Part D beneficiaries’ true out-of-pocket (TrOOP) spending in the coverage gap phase of the benefit. Such a change will significantly increase many beneficiaries’ out-of-pocket costs, and could potentially lead to a decrease in adherence.


v. Dall et al. The Economic Impact of Medicare Part D on Congestive Heart Failure. AJMC, May 2013. [http://www.ajmc.com/journals/supplement/2013/a460_13may_medicarepartd/a460_13may_medicarepartd](http://www.ajmc.com/journals/supplement/2013/a460_13may_medicarepartd/a460_13may_medicarepartd)