H.R. 4913 WILL RAISE COSTS FOR MEDICARE BENEFICIARIES AND TAXPAYERS

H.R. 4913, *"Ensuring Access to Lower-Cost Medicines for Seniors Act,"* would mandate automatic formulary placement of generics and biosimilars on "generics-only" tiers immediately after launch, as well as create a high-cost specialty tier designated for specialty generics and biosimilars. The result would be higher drug prices and premiums for beneficiaries and higher costs for taxpayers.

Coverage mandates for drugs on Medicare Part D formularies allow drug manufacturers to set extremely high prices.

- For example, in the Medicare Part D protected classes, where drugs must be covered, discounts (rebates) are lower and prices are higher.
- As noted by the Centers for Medicare & Medicaid Services (CMS): "Typical private market discounts for these [protected class] drugs are in the 20 to 30 percent range, but the average discount across all protected classes in Part D is just 6 percent." [1.]

CMS recently found that mandating generic drug placement will not lower prescription drug costs for beneficiaries and could lead to higher cost sharing.

- CMS also states that Medicare Part D beneficiaries currently have "robust access to generic medications." [2.]

CMS also concluded that an automatic formulary placement mandate could risk Medicare beneficiaries' safety by forcing placement of drugs labeled as harmful to the elderly, and could also result in high-priced drugs on inappropriately low tiers.[2.]

Sources:

1. "Proposed Changes to Lower Drug Prices in Medicare Advantage and Part D." CMS, November 2018. https://www.cms.gov/blog/proposed-changes-lower-drug-prices-medicare-advantage-and-part-d

2. "Announcement of Calendar Year (CY) 2020 Medicare Advantage Capitation Rates and Medicare Advantage and Part D Payment Policies and Final Call Letter." CMS, April 2019. https://www.cms.gov/Medicare/Health-Plans/MedicareAdvtgSpecRateStats/Downloads/Announcement2020.pdf

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Many recently launched generic drugs had prices that were only slightly below the brand version's list price and much above the brand version's net price after discounts.

- The bill mandates that any generic with a lower list price than the brand version receive an automatic formulary placement without specifying that the net drug cost must be lower. The generic tier's lower cost sharing in effect could encourage use of a higher-cost product, increasing costs for taxpayers.

Requiring placement on a generic tier would likely reduce use of flat copays and encourage Part D plans to use co-insurance based on a percentage of drug price to continue giving beneficiaries an incentive to use the most cost-effective drug option.

Biosimilars are not currently interchangeable with their reference biologics and, unlike most generic drugs, they are very expensive.

- It makes no sense to create a biosimilar formulary tier with lower cost sharing if the biosimilar is not lower cost and cannot easily be substituted for the brand biologic.