

## Encouraging Innovative Part D Benefit Designs Would Lower Costs and Improve Options for Enrollees

*S. 3013, the Encouraging Innovative Benefit Design to Lower Costs for Seniors Act, would require the Centers for Medicare & Medicaid Services (CMS) to issue new guidance increasing the maximum number of allowable plans to four per region. It also would allow Part D plan sponsors to offer two additional plans provided that one of the two passed on at least 10% of aggregate rebates to the beneficiary at the point-of-sale (POS).*

**Current Medicare program guidance limits Part D plan sponsors from providing beneficiaries plan choices that best fit their needs.** Under current guidance, CMS limits Part D plan sponsors to offering three plans (one basic and two enhanced) per region.<sup>i</sup> Plan sponsors argue this limit restricts them from offering a broader range of innovative benefit designs for beneficiaries, including passing through a portion of manufacturer rebates to beneficiaries at POS.

**Part D's success is based upon a history of innovation, beneficiary choice, and competition.** Market-based approaches (e.g., preferred pharmacy networks, negotiated discounts) have proven successful in promoting access to prescription drugs through Part D, while keeping premiums low:

- **Beneficiaries select Part D plans with preferred networks.** For plan year 2020, 92% of beneficiaries chose plans with preferred pharmacy networks—an increase from 88% in 2019.<sup>ii</sup>
- The [U.S. Government Accountability Office](#) found negotiated discounts applied “downward pressure on premiums,” and this has resulted in “**premiums remain[ing] relatively unchanged between 2010 and 2015**,” according to CMS, even though total gross Part D drug costs grew approximately 12% per year in that period.”<sup>iii</sup>

**Solutions to lower costs should build on the successes of Part D.** Many of the most successful aspects of the Part D program are a result of plan innovations rather than statutory requirements, including therapeutic alternatives, additional formulary tiers, and preferred pharmacy networks.

- S. 3013 would build on these innovations by expanding the number of allowable plan options (from three to a maximum of six, based on plan sponsor decisions), which will further incentivize efficient Part D benefit designs. Under this legislation, plan sponsors can test whether beneficiaries prefer to realize the savings of PBM negotiations at the pharmacy or through lower monthly premiums.
- S. 3013 also would promote market-based solutions to bringing point-of-sale rebates to beneficiaries with minimum premium disruption unlike a 2019 proposed rule, which would have increased premiums for all beneficiaries by 25% and cost taxpayers \$177 billion.<sup>iv,v</sup>
- By providing new plan options that fit beneficiaries' unique needs, S. 3013 also would further empower enrollees to make the best health care purchasing decisions for them.

<sup>i</sup> Centers for Medicare & Medicaid Services. 2011 Part D Plan Benefit Package Submission and Review Instructions. April 16, 2010.

<sup>ii</sup> Drug Channels. New Part D Enrollment Data for 2020 Preferred Pharmacy Networks: CVS Holds Steady, Walmart Rebounds, and Walgreens Tanks. February 4, 2020. <https://www.drugchannels.net/2020/02/new-part-d-enrollment-data-for-2020.html>

<sup>iii</sup> U.S. Government Accountability Office. Medicare Part D: Use of Pharmacy Benefit Managers and Efforts to Manage Drug Expenditures and Utilization. July 2019.

<sup>iv</sup> OIG. Fraud and Abuse; Removal of Safe Harbor Protection for Rebates Involving Prescription Pharmaceuticals and Creation of New Safe Harbor Protection for Certain Point-of-Sale Reductions in Price on Prescription Pharmaceuticals and Certain Pharmacy Benefit Manager Service Fees. 84 FR 2340. February 6, 2019.

<sup>v</sup> Congressional Budget Office. Incorporating the Effects of the Proposed Rule on Safe Harbors for Pharmaceutical Rebates in CBO's Budget Projections—Supplemental Material for Updated Budget Projections: 2019 to 2029. May 2019.