

# Assessing Drug Price Increases in Medicare Part D and the Implications of Inflation Limits

Juliette Cubanski and Tricia Neuman

Some recent proposals to lower prescription drug costs would require drug manufacturers to pay a rebate to the federal government if their prices for drugs covered under Medicare Part B and Part D increase by more than the rate of inflation. This proposal is included in recent legislation passed by the Senate Finance Committee ([S. 2543, Prescription Drug Pricing Reduction Act of 2019](#)) and introduced by Speaker Pelosi in the House of Representatives ([H.R. 3, Lower Drug Costs Now Act of 2019](#)). The Administration's [FY2020 budget](#) includes a related proposal that applies only to drugs covered under Part B. (See Table 1 for a comparison of these proposals.) The Medicaid program currently has a similar policy in place.

This data note analyzes changes in list prices for drugs covered by Medicare Part D in recent years compared to changes in the rate of inflation. The analysis is based on data from the CMS's most recent [Medicare Part D drug spending dashboard](#). Changes in list prices for Part D drugs are measured by one-year (2016-2017) and three-year (2014-2017) changes in average spending per dosage unit amounts reported in the dashboard. We compare these changes to the rate of increase in the Consumer Price Index for all urban consumers (CPI-U) over the same time periods. We analyze price changes for all drugs reported in the dashboard in 2017, along with the top 10 drugs by total Medicare Part D spending and the top 10 most commonly-used drugs in Part D in 2017 that had price increases between 2016 and 2017 above the rate of inflation. (See Methods for additional details.)

This analysis provides context for understanding the basic approach of an inflation rebate policy. It is not an analysis of any specific provision in either the House or Senate bills nor is it similar to a CBO cost estimate. Our analysis is based on unit prices that do not reflect manufacturer rebates and discounts to plans, which are considered proprietary and therefore not publicly available; the Senate Finance Committee inflation rebate proposal is also based on list prices (Wholesale Acquisition Cost), while the House proposal is based on Average Manufacturer Price, which may include some discounts to wholesalers but not rebates paid to plans and PBMs.

## Key Findings

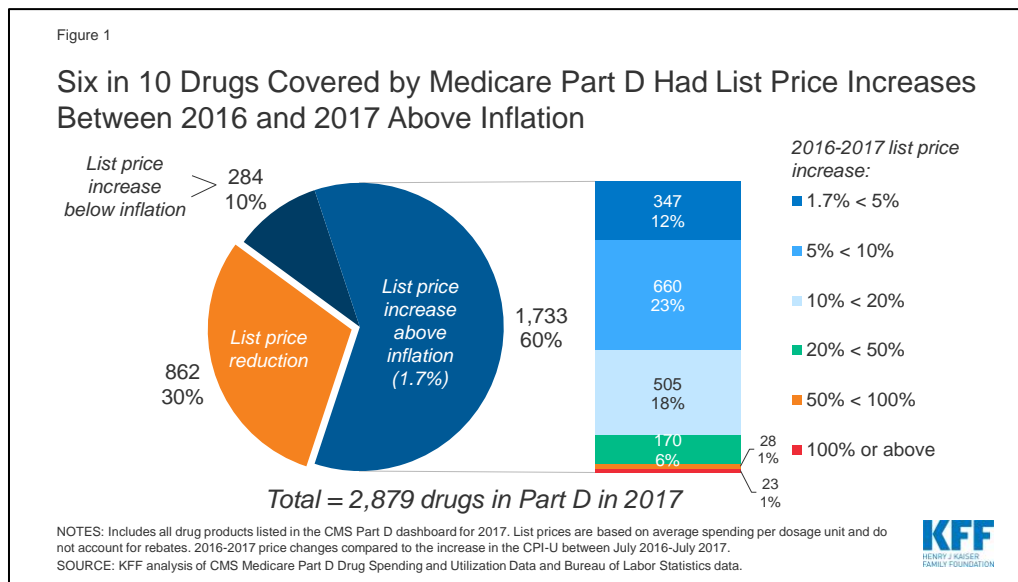
- For many drugs covered by Medicare Part D in 2017, list prices increased faster than inflation by several percentage points. Of the 2,879 drugs reported in 2017 in the Part D dashboard, including both brand-name and generic drugs, 60% (1,733 drugs) had list price increases that exceeded the inflation rate between July 2016 and July 2017, which was 1.7%.

- Among the top 25 drugs by total Medicare Part D spending in 2017, all of which were brand-name drugs, 20 had list price increases between 2016 and 2017 that exceeded the inflation rate, in some cases by several percentage points; for example, 15.7% for Lyrica, a pain medication, 15.3% for Revlimid, a cancer medication, and 13.2% for Humira Pen, for rheumatoid arthritis. For these 20 drugs, price increases ranged from 3 times to more than 9 times the rate of inflation.
- Among the 96 drugs used by more than 1 million Part D enrollees in 2017, roughly one-fifth of these drugs (22 drugs) had list price increases between 2016 and 2017 above the rate of inflation. Of the 22 most-commonly used drugs with price increases above inflation, 17 were generics (77%); half of the products (11) had list price increases below 5%, while price increases for the remaining half of products ranged from 6% to 32%--or 3 to 18 times the rate of inflation.

## Findings

### PRICE CHANGES AMONG ALL DRUGS COVERED BY PART D

Of the 2,879 drugs reported in 2017 in the Part D dashboard, including both brand-name and generic drugs, 60% (1,733 drugs) had list price increases that exceeded the inflation rate between July 2016 and July 2017, which was 1.7% (Figure 1). One-fourth of all Part D drugs had price increases of at least 10% between 2016 and 2017, and more than one-third (35%) had price increases above the rate of inflation but below 10%. Another 284 drugs (10%) had price increases below inflation, while for the remainder (859 drugs, or 30%), list prices decreased between 2016 and 2017.

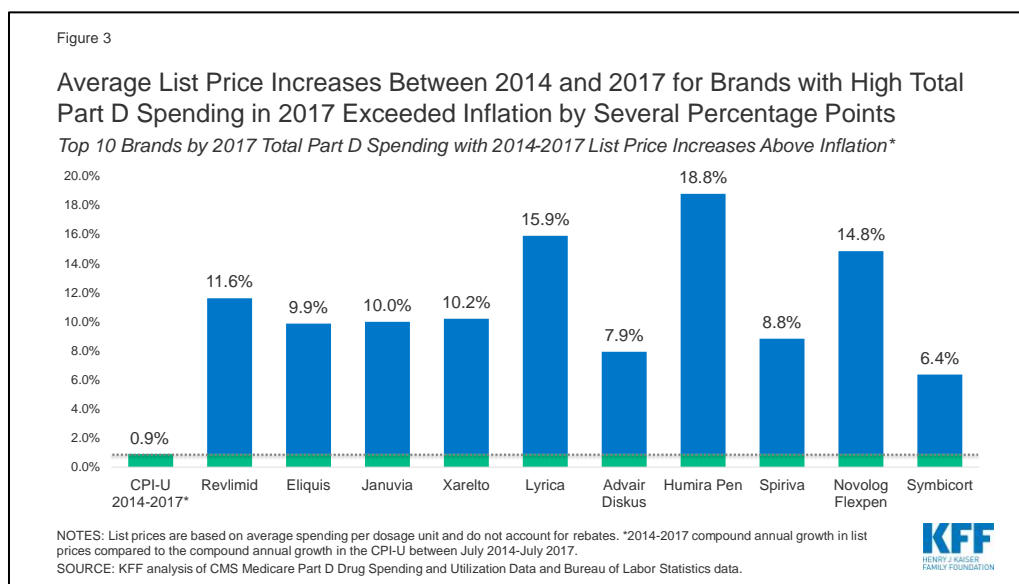
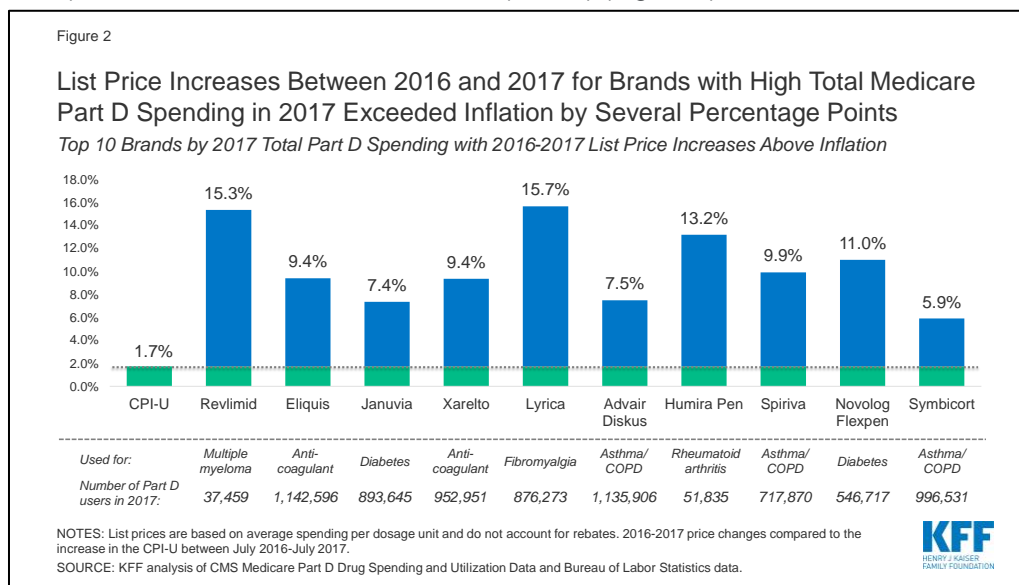


### PRICE INCREASES AMONG TOP DRUGS BY TOTAL PART D SPENDING

Focusing on the top 25 drugs by total Medicare Part D spending in 2017, all of which were brand-name drugs, 20 had list price increases between 2016 and 2017 above the inflation rate (Table 2). For these 20 drugs, price increases ranged from 3 times to more than 9 times the rate of inflation.

Among the top 10 of this subset of drugs, list price increases exceeded the inflation rate by several percentage points, including four drugs with double-digit increases: 15.7% for Lyrica, a pain medication used by 0.9 million Part D enrollees in 2017; 15.3% for Revlimid, a cancer medication used by 37,000 enrollees; 13.2% for Humira Pen, for rheumatoid arthritis, taken by 52,000 enrollees; and 11.0% for Novolog Flexpen, an insulin therapy used by nearly 550,000 enrollees (Figure 2). Four of these 10 drugs are taken by roughly one million or more Part D enrollees (Eliquis, Xarelto, Advair Diskus, and Symbicort).

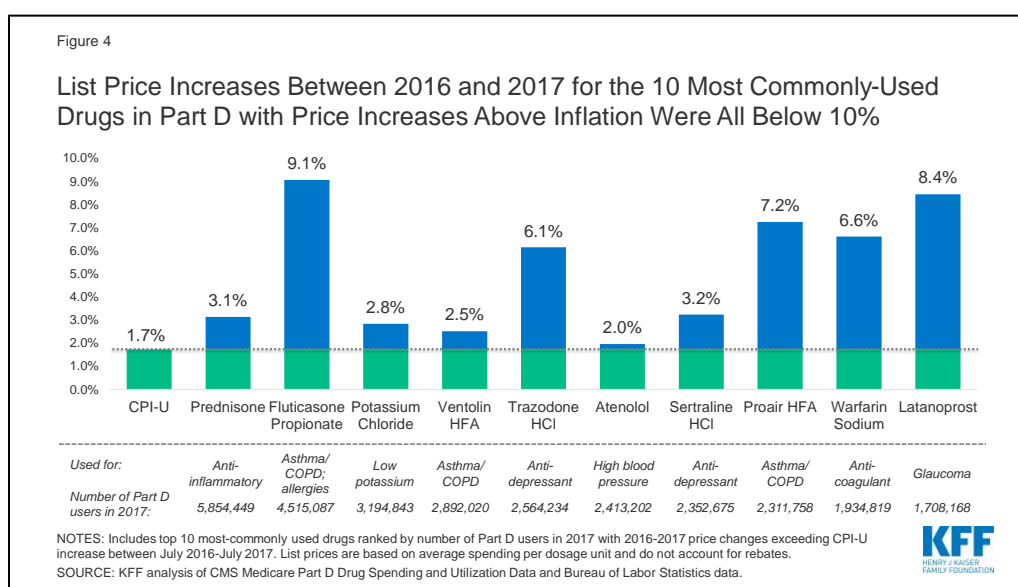
A similar picture emerges for list price increases over a three-year period (from 2014 to 2017), when the average annual rate of inflation was 0.9%. Over this longer time frame, six of the top 10 brands by total spending with list prices that exceeded inflation had list price increases in the double digits, including Humira Pen (18.8%), Lyrica (15.9%), Novolog Flexpen (14.8%), Revlimid (11.6%), Xarelto, a blood thinner (10.2%), and Januvia, a diabetes treatment (10.0%) (Figure 3).



## PRICE INCREASES AMONG MOST-COMMONLY USED MEDICARE PART D DRUGS

There were 96 drugs used by more than 1 million Part D enrollees in 2017, and 22 of these drugs had list price increases between 2016 and 2017 above the rate of inflation (Table 3). Among these 22 most commonly-used products in Part D, 17 were generics (77%); half of the products (11) had list price increases below 5%, while price increases for the remaining half of products ranged from 6% to 32%—or 3 to 18 times the rate of inflation.

Focusing in on the top 10 of this subset of most commonly-used drugs in Part D with price increases above inflation, the list includes eight generic drugs and two brands (the asthma treatments Proair and Ventolin). Price increases among these top 10 most commonly-used drugs with price increases between 2016 and 2017 above inflation were all below 10%; five of the 10 were less than 5% (Figure 4).



## Conclusion

This analysis documents that list price increases for many Part D drugs exceeded inflation in previous years, in some cases by a substantial margin. While [some data suggests](#) that overall drug price increases may have moderated in more recent years, there is also [evidence](#) that prices for specific drugs continue to rise at rates above inflation.

Our analysis suggests the potential for savings if drug manufacturers limited price increases to the rate of inflation or paid a rebate to the federal government, as has been proposed in recent legislation. The magnitude of actual changes in spending would depend on numerous details specified in legislation, including the drugs to which the policy applies, the price measure used to compare against inflation, and the base year used for calculating rebates, as well as how drug companies respond (e.g., increasing launch prices for new drugs or decreasing existing rebates). In a [preliminary estimate](#) of the Senate Finance Committee legislation, the Congressional Budget Office (CBO) estimated a \$57.5 billion

reduction in Medicare spending between 2020-2029 due to the Part D inflation rebate proposal, and a \$10.7 billion reduction due to the Part B inflation rebate proposal. CBO has not yet estimated the effects of the inflation rebate proposals in H.R. 3.

Medicare beneficiaries could also benefit from a policy that constrained the growth in list prices. This is because cost sharing under Part D often comes in the form of coinsurance, which is calculated as a percentage of the list price. To the extent that an inflation rebate policy also resulted in slower growth in overall Part D program costs, beneficiaries could also see lower Part D plan premiums. [CBO estimated](#) \$10 billion in savings on cost sharing and premiums for Part D enrollees under the Senate Finance Committee's Part D inflation rebate proposal. However, if drug manufacturers respond to the policy change by increasing launch prices for new drugs, some Medicare beneficiaries could face higher out-of-pocket costs for new drugs that come to market, with potential spillover effects on costs incurred by other payers as well.

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## Methods

This analysis is based on data from the most recent release of the Centers for Medicare & Medicaid Services (CMS) [Medicare Drug Spending Dashboard](#), which includes data for 2013-2017. Drugs were excluded from the analysis if they were not in the dashboard data in 2014 (for analysis of price increases between 2014-2017) or 2016 (for analysis of price increases between 2016-2017). In this analysis, we use weighted average spending per dosage unit as the measure of list price, which is reported by CMS for each drug in the dashboard per year.

Changes in list prices for Part D drugs are measured by one-year (2016-2017) and three-year (2014-2017) changes in average spending per dosage unit amounts reported in the dashboard. We compare these changes to the rate of increase in the Consumer Price Index for all urban consumers (CPI-U) between July-July over the same time periods. We report the compound annual growth rate for three-year changes in list prices and inflation.

We analyzed price changes for all drug products reported in the dashboard for 2017. In addition, we sorted all drugs in the dashboard by the calendar 2017 total spending amount reported in the dashboard and by number of beneficiaries using each drug in 2017, and report data for the top 10 drugs for each subset with price increases (i.e., weighted average spending per dosage unit) greater than inflation.

**Table 1: Comparison of Proposals Related to Drug Price Increases Above the Rate of Inflation**

Features	H.R. 3: Lower Drug Costs Now Act of 2019	S. 2543: Prescription Drug Pricing Reduction Act of 2019	Trump Administration FY2020 Budget
Applies to Part B/Part D	Part B and Part D	Part B and Part D	Part B
Applies to brands/generics	Part B: brands, biologics, and biosimilars Part D: All drugs	Brands and biologics only	Not specified
Base year	2016	2019	2018
Implementation year	2022	Part B: 2021; Part D: 2022	2020
Base price for determining inflation-adjusted price	Part B: ASP Part D: AMP	Part B: ASP Part D: WAC	Part B: ASP
Rebate required for increasing drug price faster than rate of inflation	✓	✓	Not applicable*
Civil monetary penalty for not paying rebate within 30 days	125% of rebate amount	125% of rebate amount	Not applicable*

NOTES: ASP is average sales price. AMP is average manufacturer price. WAC is wholesale acquisition cost. \*Under FY2020 budget proposal, CMS wouldn't pay more for a Part B drug than the inflation-adjusted price, so a rebate would not be needed.  
SOURCE: KFF analysis of provisions of H.R. 3, S. 2543, and Administration's FY2020 budget.

**Table 2: List Price Changes Between 2016-2017 for Top 25 Drugs by Total Medicare Part D Spending in 2017**

Drug name	Total Part D spending, 2017	Number of users, 2017	2016-2017 list price growth
Revlimid	\$3,312,773,264	37,459	15.3%
Eliquis	\$3,076,266,439	1,142,596	9.4%
Januvia	\$2,786,062,255	893,645	7.4%
<i>Lantus Solostar</i>	<i>\$2,631,724,728</i>	<i>1,112,315</i>	<i>0.9%*</i>
Xarelto	\$2,611,721,793	952,951	9.4%
<i>Harvoni</i>	<i>\$2,555,839,934</i>	<i>32,397</i>	<i>0.1%*</i>
Lyrica	\$2,517,073,735	876,273	15.7%
Advair Diskus	\$2,374,829,262	1,135,906	7.5%
Humira Pen	\$2,015,734,946	51,835	13.2%
Spiriva	\$1,662,019,570	717,870	9.9%
<i>Lantus</i>	<i>\$1,553,906,987</i>	<i>614,743</i>	<i>0.3%*</i>
Novolog Flexpen	\$1,533,124,007	546,717	11.0%
Symbicort	\$1,510,965,216	996,351	5.9%
Copaxone	\$1,499,493,336	26,171	11.6%
Sensipar	\$1,436,678,980	154,448	14.3%
<i>Levemir Flextouch</i>	<i>\$1,404,127,510</i>	<i>509,282</i>	<i>0.2%*</i>
Ibrance	\$1,399,517,851	20,441	8.1%
Imbruvica	\$1,368,727,295	18,744	10.9%
<i>Renvela</i>	<i>\$1,316,266,396</i>	<i>183,928</i>	<i>1.5%*</i>
Enbrel Sureclick	\$1,157,839,006	32,005	14.5%
Humalog Kwipen U-100	\$1,090,043,555	414,797	9.0%
Restasis	\$1,049,441,691	565,560	9.2%
Victoza 3-Pak	\$1,031,526,061	214,934	9.9%
Tecfidera	\$1,024,106,779	17,055	12.0%
Latuda	\$991,725,695	111,857	16.8%

NOTES: List prices are based on average spending per dosage unit and do not account for rebates. \* indicates list price increase below the increase in the CPI-U between July 2016-July 2017 (1.7%).  
SOURCE: KFF analysis of CMS Medicare Part D Drug Spending and Utilization Data, 2016-2017.

**Table 3: List Price Changes Between 2016-2017 for Most Commonly Used Part D Drugs in 2017 with List Price Increases Above Inflation**

<b>Drug name</b>	<b>Number of users, 2017</b>	<b>2016-2017 list price growth</b>
Prednisone	5,854,449	3.14%
Fluticasone Propionate*	4,515,087	9.06%
Potassium Chloride*	3,194,843	2.84%
Ventolin HFA	2,892,020	2.52%
Trazodone HCl	2,564,234	6.14%
Atenolol	2,413,202	1.96%
Sertraline HCl	2,352,675	3.24%
Proair HFA	2,311,758	7.24%
Warfarin Sodium	1,934,819	6.61%
Latanoprost	1,708,168	8.44%
Mupirocin	1,639,334	1.92%
Cyclobenzaprine HCl	1,624,555	31.00%
Naproxen	1,587,484	3.36%
Glimepiride	1,326,711	6.24%
Polyethylene Glycol 3350	1,322,866	32.21%
Fluoxetine HCl	1,266,054	4.49%
Mirtazapine	1,212,203	3.17%
Eliquis	1,142,596	9.40%
Advair Diskus	1,135,906	7.48%
Isosorbide Mononitrate ER	1,127,360	6.18%
Ketoconazole*	1,119,831	2.16%
Synthroid	1,045,781	3.40%

NOTES: List prices are based on average spending per dosage unit and do not account for rebates. Excludes 74 drugs with more than 1 million users in 2017 with price changes below inflation or price reductions.  
SOURCE: KFF analysis of CMS Medicare Part D Drug Spending and Utilization Data, 2016-2017.