

# What's the Latest on Prescription Drug Proposals from the Trump Administration, Congress, and the Biden Campaign?

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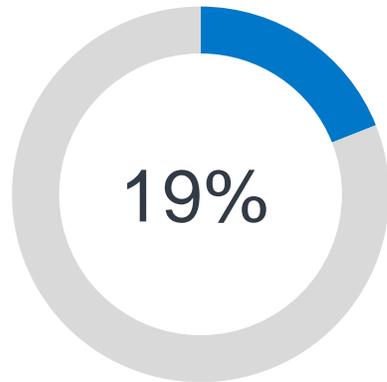
October 2020



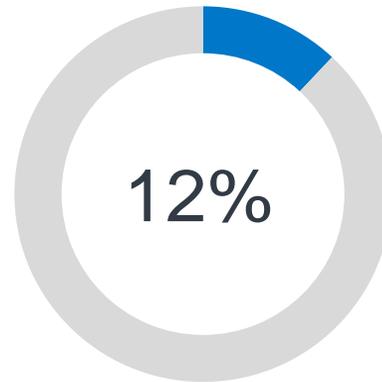
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# Three In Ten Americans Say They Haven't Taken Their Medicine As Prescribed Due to Costs

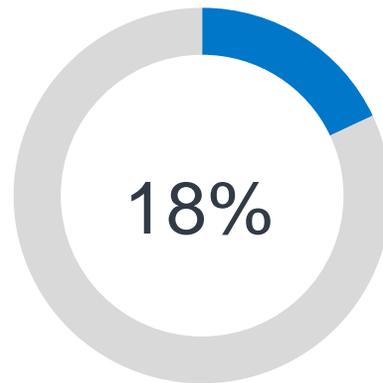
*Percent who say they have done the following in the past 12 months because of the cost:*



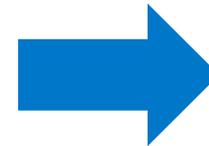
Not filled a prescription for a medicine



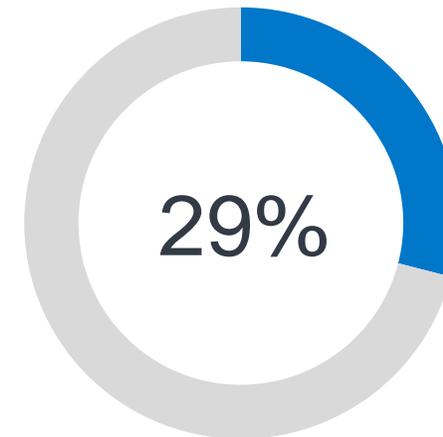
Cut pills in half or skipped doses



Taken over-the-counter drug instead

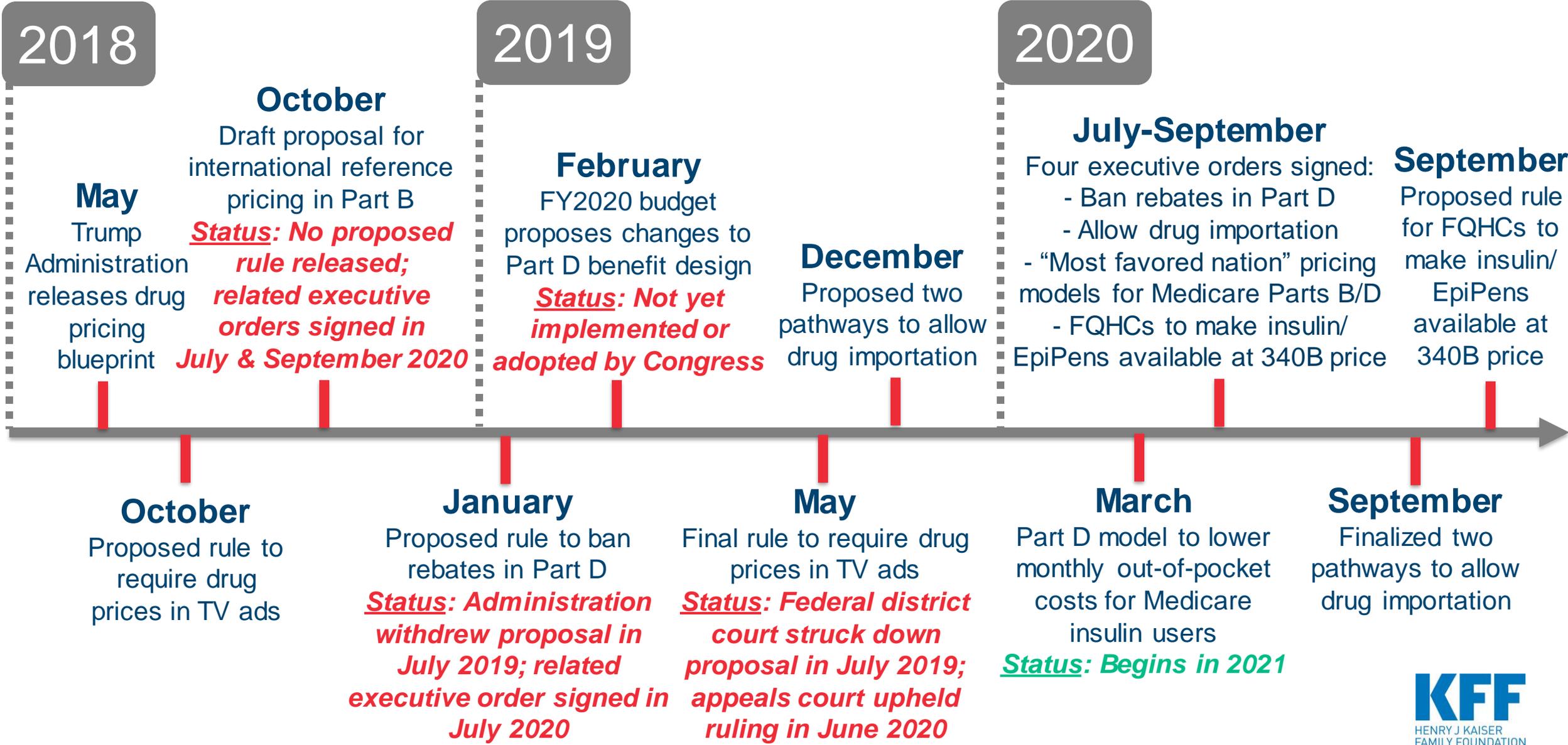


***Percent who did not take prescription medicine as directed because of the cost***



SOURCE: KFF Health Tracking Poll (conducted February 14-24, 2019).

# Timeline of Trump Administration's Prescription Drug Proposals



# Comparison of the Trump Administration and Biden Campaign on Prescription Drug Proposals

	Trump Administration 	Biden Campaign 
Government negotiates with drug companies to lower prices	<b>No proposal<sup>1</sup></b>	<b>Yes</b> , to leverage lower prices for Medicare and other payers <sup>4</sup>
Use international drug prices	“Most favored nation” drug pricing models for certain high-cost Medicare Part B and Part D drugs <sup>2</sup>	Create review board that uses international reference price in helping set prices for newly-launched specialty drugs
Allow drug importation	✓	✓
Limit drug prices increases to inflation	Medicare Part B drugs only <sup>3</sup>	Medicare and public option: all brands, biologics, and some generics
Cap out-of-pocket drug costs in Medicare Part D	✓ <sup>3</sup>	✓ <sup>4</sup>
Ban Medicare Part D rebates	✓ <sup>2</sup>	<b>No proposal</b>
Prescription drug advertising	Require drug prices in TV ads <b><i>Status: Struck down by federal court</i></b>	Eliminate drug company tax break for pharmaceutical advertising

<sup>1</sup>President Trump stated on July 24, 2020 he may support government drug negotiations, but he has not released a proposal or endorsed pending Congressional legislation to do so. <sup>2</sup>Not yet implemented; requires further Administration action to implement. <sup>3</sup>Included in the Administration’s Budget but not adopted by Congress. <sup>4</sup>In the Biden-Sanders Unity Task Force Recommendations.

# Timeline of House-Passed and Grassley/Wyden Prescription Drug Bills

2019

**July**

Senate Finance Committee passes Chairman's Mark for Prescription Drug Pricing Reduction Act of 2019 (S. 2543)

**December**

Senators Grassley and Wyden release modified Prescription Drug Pricing Reduction Act of 2019 (S. 2543)  
**Status: No vote on Senate floor in 2019; no vote to date in 2020**

2020

**June**

House of Representatives passes Patient Protection and Affordable Care Enhancement Act (H.R. 1425), which includes prescription drug savings  
**Status: No vote to date in Senate**

**October**

House Energy and Commerce, Ways and Means, and Education and Labor Committees pass Elijah E. Cummings Lower Drug Costs Now Act of 2019 (H.R. 3)

**December**

House of Representatives passes Elijah E. Cummings Lower Drug Costs Now Act of 2019 (H.R. 3)  
**Status: No vote to date in Senate**

**July**

Senator Grassley introduces updated Prescription Drug Pricing Reduction Act of 2020 (S. 4199)  
**Status: No vote to date in 2020**

# High-level Comparison of Medicare Drug Pricing Proposals in House-Passed Bill and Grassley/Wyden Bill

	Grassley/Wyden Bill <sup>1</sup> (S. 2543) December 6, 2019	House-Passed Bill (H.R. 3) December 12, 2019
Medicare Part D benefit redesign with cap on out-of-pocket costs	✓	✓
HHS Secretary negotiates drug prices	X	✓
Inflation-based limit on Part B and Part D drug prices	✓	✓
Other provisions related to Part B drug payments	✓	X
Require Part D plans to offer negotiated concessions and fees at point-of-sale	✓	X
Full premium and cost-sharing benefits to all low-income subsidy recipients	X	✓
Allow enrollees to spread out their out-of-pocket drug costs over time	✓	✓
Treatment of insulin products	No specific provisions directly related to insulin	Subject to negotiation

*Not all provisions shown.*

<sup>1</sup>The December 2019 version of the Prescription Drug Pricing Reduction Act of 2019 (S. 2543) replaces the version voted on by the Senate Finance Committee in July 2019.

# High-level Comparison of Medicaid Drug Pricing Proposals in House-Passed Bill and Grassley/Wyden Bill

	Grassley/Wyden Bill <sup>1</sup> (S. 2543) December 6, 2019	House-Passed Bill (H.R. 3) December 12, 2019
Conflict of interest requirements for committees that develop Medicaid formularies	✓	✗
HHS Secretary negotiates drug prices	✗	✓
Increases Medicaid drug rebate cap	✓	✗
Eliminates spread pricing <sup>2</sup>	✓	✓
Inflation-based limits on prescription drug prices	✓	✓
Value-based payment agreements for covered outpatient drugs under Medicaid	✓	✗
Manufacturer price transparency provisions	✓	✓

*Not all provisions shown.*

<sup>1</sup>The December 2019 version of the Prescription Drug Pricing Reduction Act of 2019 (S. 2543) replaces the version voted on by the Senate Finance Committee in July 2019.

<sup>2</sup>Spread pricing refers to the difference between the payment the pharmacy benefit manager receives from a managed care organization and the reimbursement amount it pays to the pharmacy dispensing to the beneficiary.

# How Do the Medicare Budget Effects of the House-Passed Bill and the Grassley/Wyden Bill Differ?

	Grassley/Wyden Bill (S. 2543) December 6, 2019	House-Passed Bill (H.R. 3) December 12, 2019
Medicare Part D benefit redesign with cap on out-of-pocket costs	<b>\$3.4 billion in savings</b>	<b>\$9.5 billion in spending</b>
HHS Secretary negotiates drug prices	<i>No provision</i>	<b>\$448.2 billion in savings<sup>2</sup></b>
Inflation-based limit on Part B and Part D drug prices	<b>\$82 billion in savings</b>	<b>\$37.2 billion in savings</b>
Other provisions related to Part B drug payments	<b>\$14.6 billion in savings</b>	<i>No provision</i>
Require Part D plans to offer negotiated concessions and fees at point-of-sale	<b>\$21.7 billion in spending</b>	<i>No provision</i>
Allow enrollees to spread out their out-of-pocket drug costs over time	<b>\$190 million in spending</b>	<i>Not scored separately</i>
Program improvements for low-income Medicare beneficiaries	<i>No provision</i>	<b>\$50 billion in spending</b>
New dental/vision/hearing benefits in Medicare	<i>No provision</i>	<b>\$348 billion in spending</b>
<b>Overall Medicare Budget Effect<sup>1</sup></b>	<b>~\$78.0 billion spending reduction (2021-2030)</b>	<b>~\$49.0 billion spending reduction (2020-2029)</b>

<sup>1</sup>Includes the Medicare budget effects of all provisions (not all shown).

<sup>2</sup>CBO estimates an additional \$12.3 billion in savings for private health insurance since the maximum negotiated price would apply to private payers as well as Medicare, and increased revenues of \$45 billion primarily due to higher taxable wages resulting from a reduction in PHI costs.

# How Do the Medicaid Budget Effects of the House-Passed Bill and the Grassley/Wyden Bill Differ?

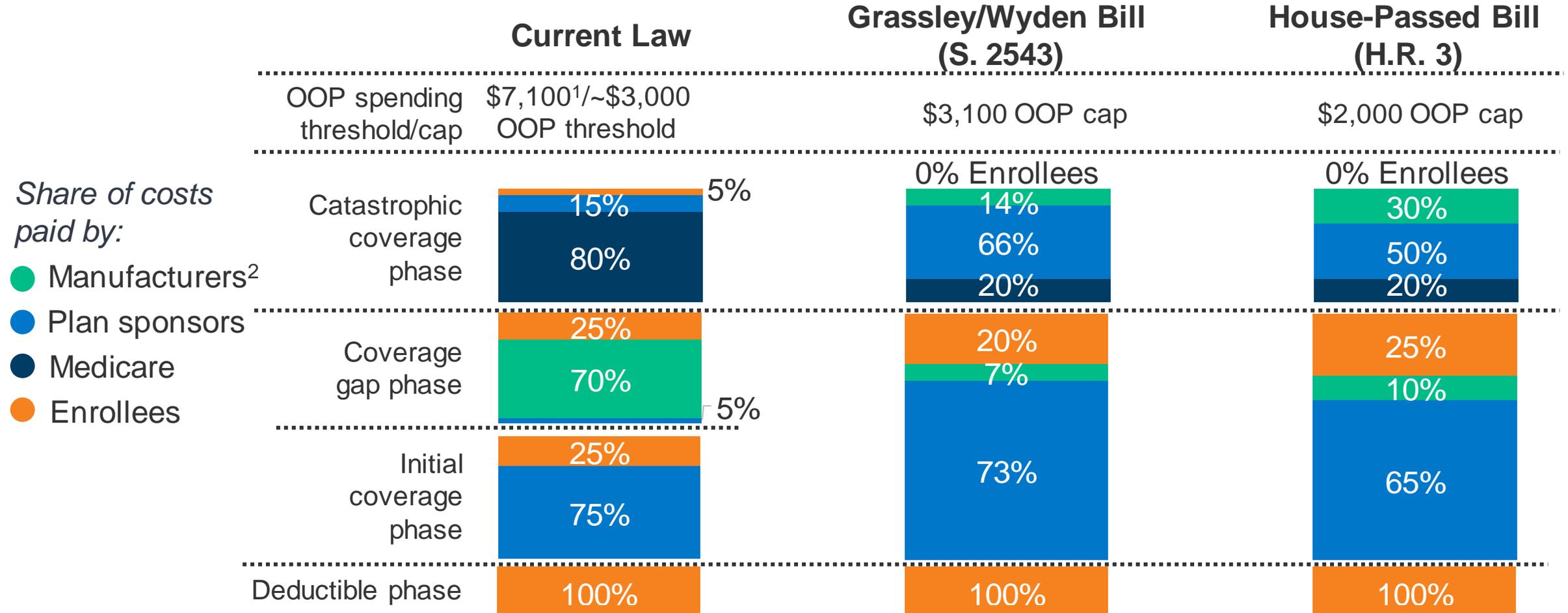
	<b>Grassley/Wyden Bill (S. 2543) December 6, 2019</b>	<b>House-Passed Bill (H.R. 3) December 12, 2019</b>
HHS Secretary negotiates drug prices	<i>No provision</i>	<b>\$1.2 billion in spending</b>
Increases Medicaid drug rebate cap	<b>\$14.2 billion in savings</b>	<i>No provision</i>
Eliminates spread pricing	<b>\$929 million in savings</b>	<i>Not scored<sup>3</sup></i>
Inflation-based limits on prescription drug prices	<i>Impact on Medicaid not scored<sup>2</sup></i>	<b>\$1.3 billion in spending</b>
Value-based payment agreements for covered outpatient drugs under Medicaid	<b>\$160 million in spending</b>	<i>No provision</i>
Program improvements for low-income Medicare beneficiaries	<i>No provision</i>	<b>\$55 billion in spending<sup>4</sup></b>
New dental/vision/hearing benefits in Medicare	<i>No provision</i>	<b>\$9 billion in spending<sup>5</sup></b>
<b>Overall Medicaid Budget Effect<sup>1</sup></b>	<b>~\$15.0 billion spending reduction (2021-2030)</b>	<b>~\$66.5 billion in spending (2020-2029)</b>

<sup>1</sup>Includes the Medicaid budget effects of all provisions (not all shown). <sup>2</sup>CBO score of S. 2543 only scores inflation-based limits on Medicare spending. <sup>3</sup>H.R. 3 as passed includes spread pricing provisions not present in the version scored by CBO.

<sup>4</sup>Along with other program improvements for low-income beneficiaries, H.R. 3 would increase eligibility for the Medicare Savings Programs, under which Medicaid pays for Medicare premiums and/or cost sharing.

<sup>5</sup>Medicaid pays cost sharing for some Medicare-covered services for those Medicare beneficiaries who are dually eligible for both Medicare and Medicaid and receive cost-sharing assistance.

# How Would the Medicare Part D Benefit Change Under the House-Passed Bill versus the Grassley/Wyden Bill?



OOP is out-of-pocket. Out-of-pocket spending limits are for 2022. <sup>1</sup>The projected \$7,100 out-of-pocket spending threshold under current law includes the value of the manufacturer discount for brand-name drugs in the coverage gap phase (~\$4,100 in 2022).

<sup>2</sup>The manufacturer discount in the initial coverage phase would not count toward the out-of-pocket cap under either bill.

# How Would House-Passed Bill and Grassley/Wyden Bill Limit the Increase in Medicare Drug Prices?

	Grassley/Wyden Bill (S. 2543) December 6, 2019	House-Passed Bill (H.R. 3) December 12, 2019
Requires rebate when the price of a drug increases faster than inflation	✓	✓
Applies to Medicare Part B or D	Both	Both <sup>1</sup>
Applies to brands or generic drugs	Brands and biologics only	Part B: brands, biologics, and biosimilars Part D: All drugs
Imposes penalty if rebate is not paid by manufacturer within 30 days	Rebate + 25%	Rebate + 25%
Benchmark used to assess whether price increased faster than inflation	Wholesale Acquisition Cost	Average Manufacturer Price
Base year for determining inflation-adjusted price	2019	2016

<sup>1</sup>Following reports to Congress, inflation rebates may also eventually be extended to group health plans and group health insurance coverage.

# How Would the Secretary Negotiate Drug Prices Under the House-Passed Bill (H.R. 3)?

- Secretary negotiates prices for **at least 50 (starting in 2024) and up to 250 drugs without market competition**
  - Based on 125 drugs with the highest Medicare Part D spending, 125 drugs with the highest net spending in the commercial market, and insulin (in year 1)
  - Drug companies subject to excise tax for not negotiating with the Secretary (65%-95% of prior year sales for a given drug)
- Maximum fair price **not to exceed 120% of average price in up to 6 countries**
  - If no international price is available, maximum fair price not to exceed 85% of average manufacturer price
- Maximum fair price **applies to both Medicare & private plans** (group and individual)
  - CBO estimates **10-year savings of \$448.2 billion for Medicare and \$12.3 billion for private health insurance**
  - **Civil monetary penalty on drug companies for not offering agreed-upon maximum fair price to private payers** of up to 10x difference between price charged & negotiated price

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*No drug price negotiation provision in Grassley/Wyden bill or Administration proposals; however Title I of H.R. 3 (the drug price negotiation provision) is included in the Patient Protection and Affordable Care Enhancement Act (H.R. 1425)*

# The House-Passed Bill Reinvests Prescription Drug Savings to Pay for Medicare Improvements And Other Investments

Major investments include:

- **New Medicare benefits** under Part B (\$348.5 billion in spending)
  - Dental and oral health care – \$238 billion
  - Vision – \$30 billion
  - Hearing – \$89 billion
- Additional help for **low-income Medicare beneficiaries** (\$49.8 billion in spending)
  - Provides for full Part D low-income subsidy premium and cost-sharing assistance for Medicare beneficiaries up to 150% FPL
  - Expands eligibility for Medicare Part A and B premium and cost-sharing assistance for Medicare beneficiaries up to 150% FPL
- Additional funding for **biomedical research and drug development**
  - NIH – \$7.2 billion
  - FDA – \$1.8 billion

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*Similar provisions are not included in the Grassley/Wyden bill*

# The House-Passed Patient Protection and Affordable Care Enhancement Act (H.R. 1425) Also Includes Prescription Drug Savings

- On June 29, 2020, the House passed the *Patient Protection and Affordable Care Enhancement Act (H.R. 1425)* which improves coverage under the Affordable Care Act (ACA)
- The legislation gives the Secretary authority to negotiate drug prices (Title III, “Lowering Prices through Fair Drug Price Negotiation”, the same as Title I in H.R. 3 (*see slide 12*), which helps pay for the ACA coverage improvements
- CBO estimates that the drug price negotiation provision of H.R. 1425 would result in 10-year savings of \$528.6 billion (2021-2030), which is somewhat higher than the 10-year savings of \$455.9 billion (2020-2029) in H.R. 3
- The savings estimate for the drug price negotiation provision is somewhat higher in H.R. 1425 than in H.R. 3 mainly because the version of H.R. 3 scored by CBO required the Secretary to negotiate a smaller number of drugs in year 2: 25 drugs in H.R. 3, versus 50 drugs in H.R. 1425; the House-passed version of H.R. 3 included the higher number in year 2

# Most Proposals For Lowering Prescription Drug Costs Are Popular Across Parties

% who strongly/somewhat favor each of the following:	Total	Democrats	Independents	Republicans
Allowing the government to negotiate with drug companies to get a lower price for people on Medicare	88%	92%	90%	85%
Allowing the government to negotiate with drug companies to get a lower price for both Medicare and private insurance	85	94	84	84
Placing an annual limit on out-of-pocket costs for seniors enrolled in Medicare Part D plans	81	83	81	82
Allowing Americans to buy prescription drugs imported from licensed Canadian pharmacies	78	75	82	75
Allowing Medicare to place limits on how much drug companies can increase the price of drugs based on annual inflation rates	76	78	77	77
Increasing taxes on drug companies that refuse to negotiate the price of medications with the federal government	72	79	71	69
Lowering what Medicare pays for some drugs based on amounts in other countries where governments more closely control prices	62	73	62	52

SOURCE: KFF Health Tracking Poll (conducted October 3-8, 2019). See topline for full question wording and response options.

