

Department of  
Health Policy



SCHOOL OF MEDICINE  
VANDERBILT UNIVERSITY

# Spending Challenges for Prescription Drugs: Part B and Part D Reform

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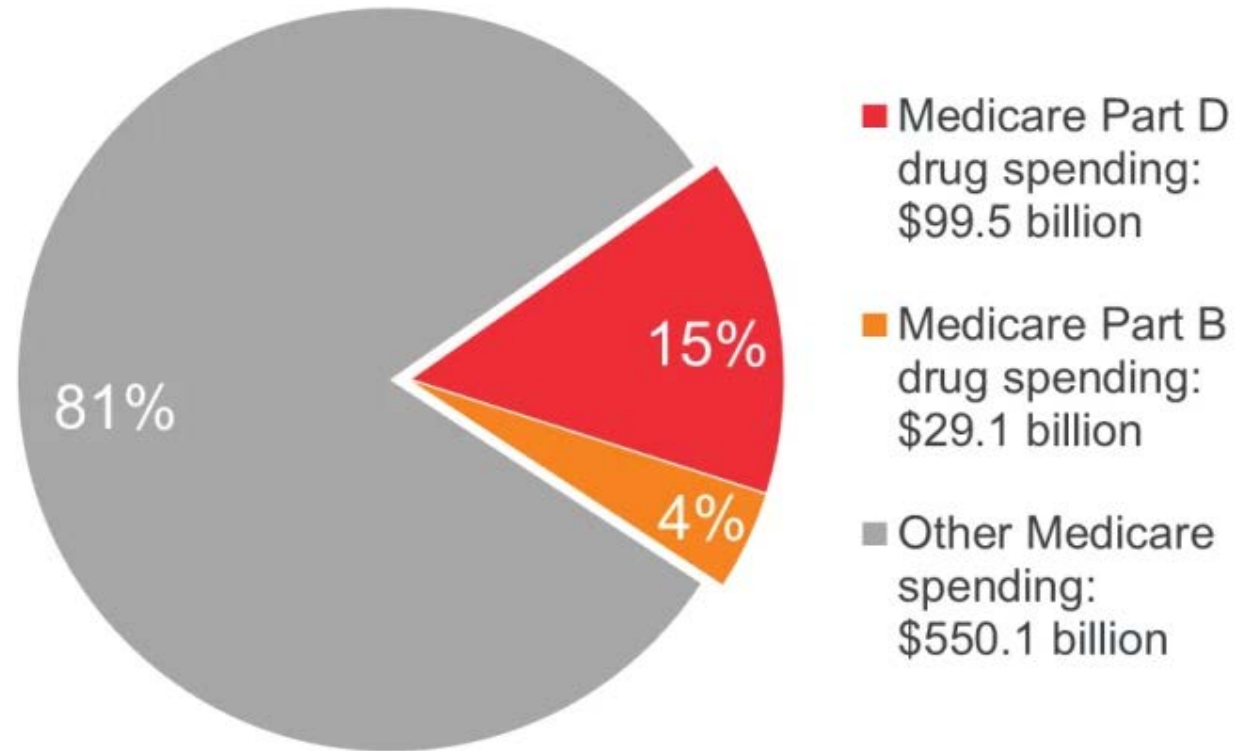
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Ingram Associate Professor of Cancer Research



# Prescription Drugs and Spending Trends



**Total Medicare Drug Spending in 2016 = \$128.6 billion**  
**Total Medicare Spending in 2016 = \$678.7 billion**

SOURCE: MedPAC, June 2018 Data Book (Part B drug spending) and 2017 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds, Tables III.D1 and V.B1.

# Recent Proposals for Part B

- International Pricing Index
- Step-Therapy for Medicare Advantage
- Relocate Drugs from Part B to Part D

# Recent Proposals for Part D

- Reclassify rebates as kickbacks / pass-through rebates at the point-of-sale
- Remove protected class status for drugs (dropped from final rule)
- Adding an out-of-pocket spending cap on Part D\*

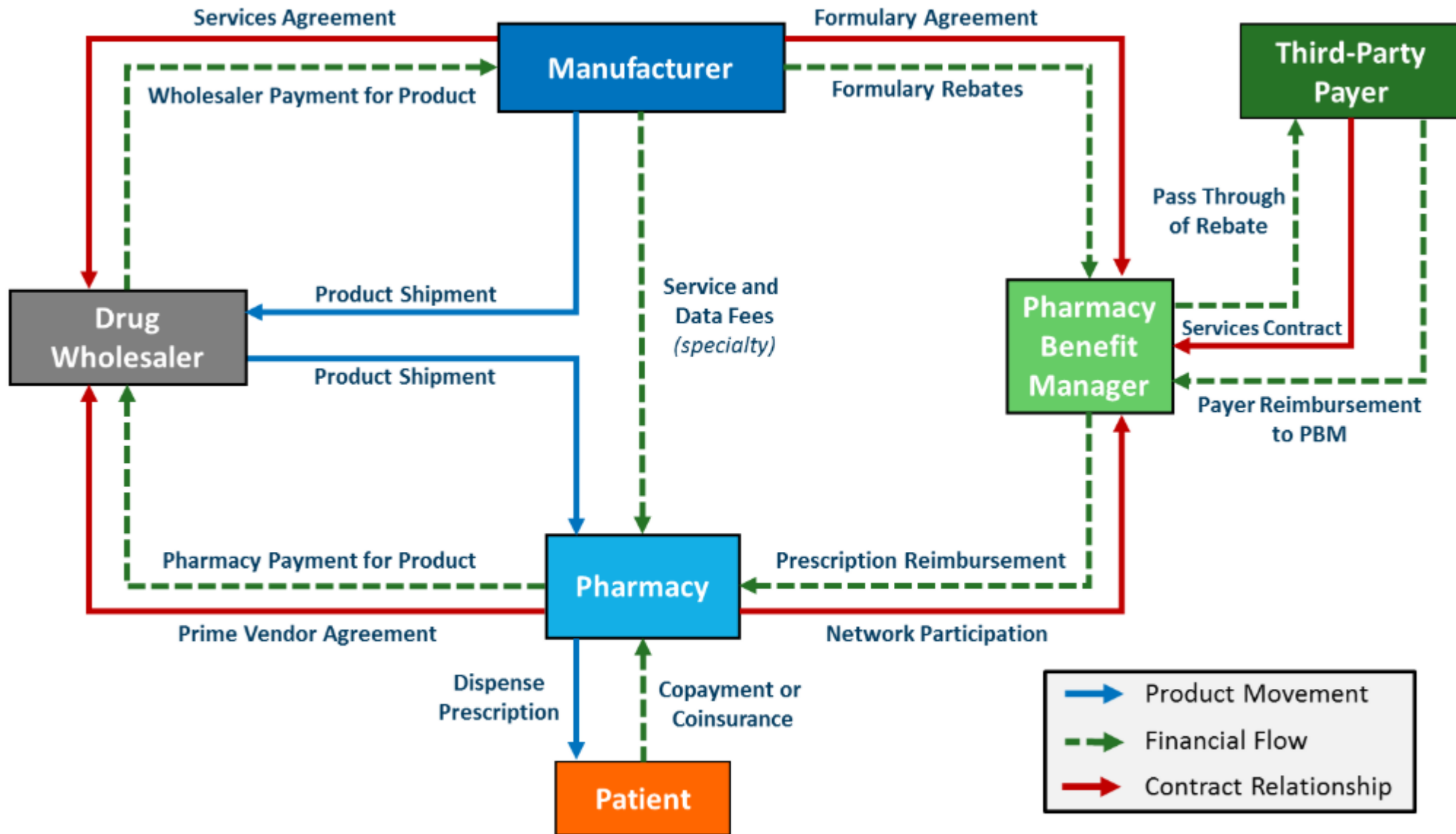
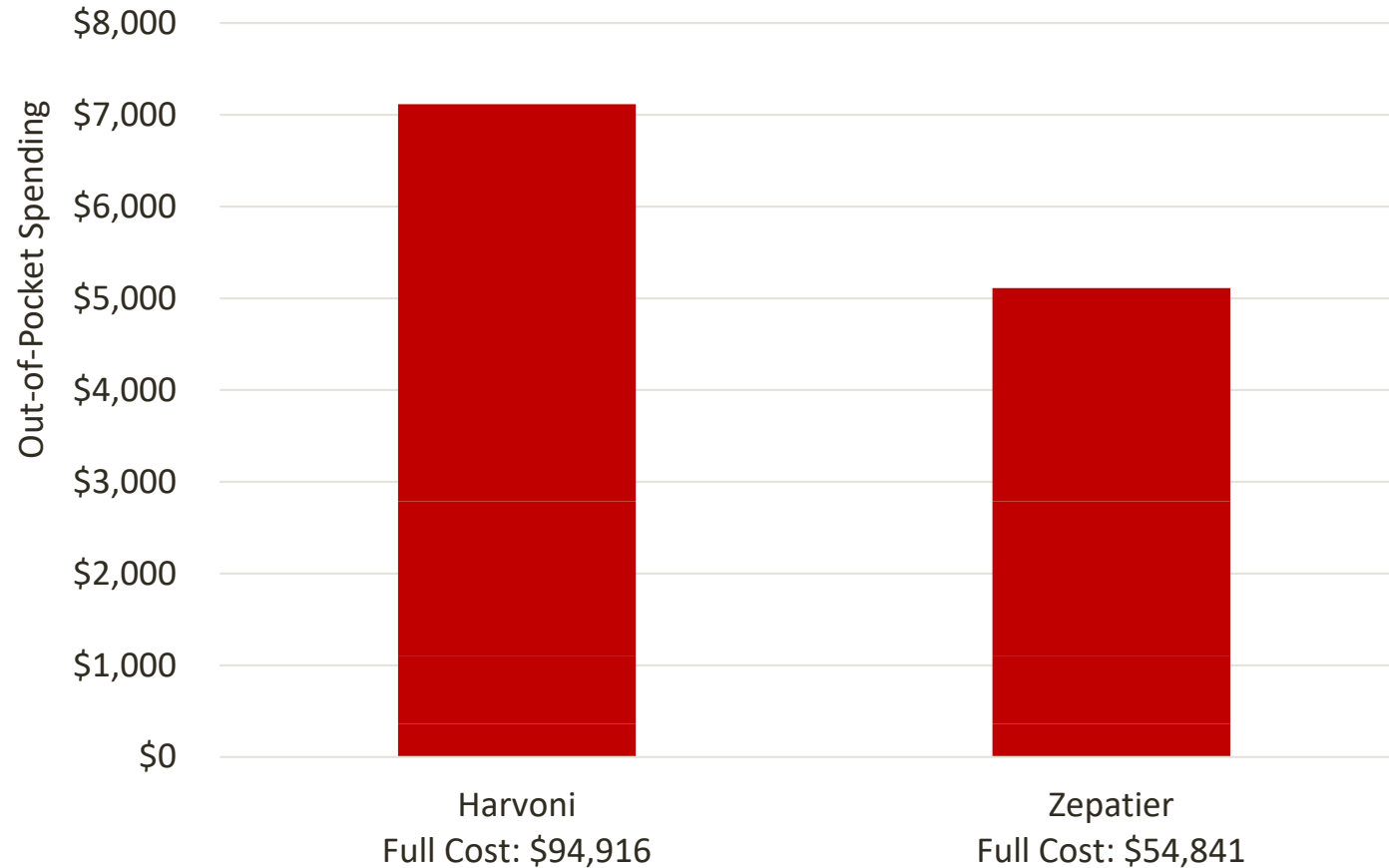


Chart illustrates flows for patient-administered, outpatient drugs. Please note that this chart is illustrative. It is not intended to be a complete representation of every type of financial, product flow, or contractual relationship in the marketplace.

Source: Fein, Adam. J., *The 2016 Economic Report on Retail, Mail and Specialty Pharmacies*, Drug Channels Institute, January 2016.

(Available at [http://drugchannelsinstitute.com/products/industry\\_report/pharmacy/](http://drugchannelsinstitute.com/products/industry_report/pharmacy/))

# If Rebates are Large, Patients Could Benefit



**Dusetzina SB**, Conti RM, Yu NL, Bach PB. Association of Prescription Drug Price Rebates in Medicare Part D With Patient Out-of-Pocket and Federal Spending. *JAMA Intern Med.* 2017;177(8):1185–1188.

# What Might Work?

- Reference Pricing
- Price Setting that Aligns with Value
- Shift Incentives in Part D for Negotiating
- Regulation?



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# Questions?

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