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December 31, 2018

The Honorable Seema Verma
Administrator
Centers for Medicare & Medicaid Services
Hubert H. Humphrey Building
200 Independence Avenue, S.W.
Washington, DC 20201

Dear Administrator Verma:

AARP appreciates the opportunity to comment on the Center for Medicare & Medicaid Services' advance notice of proposed rulemaking (ANPRM) soliciting feedback on its International Pricing Index Model (IPI) for prescription drugs covered by Medicare Part B (CMS-5528-ANPRM). AARP, with its nearly 38 million members in all 50 States, the District of Columbia, and the U.S. territories, is a nonpartisan, nonprofit, nationwide organization that helps empower people to choose how they live as they age, strengthens communities, and fights for the issues that matter most to families, such as healthcare, employment and income security, retirement planning, affordable utilities and protection from financial abuse.

Older Americans use prescription drugs more than any other segment of the U.S. population, typically on a chronic basis. For older adults, prescription drugs are critical in managing their chronic conditions, curing diseases, keeping them healthy and improving their quality of life.

In 2016, Medicare Part B and its beneficiaries spent over \$29 billion on prescription drugs, and Medicare Part B drug spending has increased by an average of 9.5 percent every year since 2009¹. Beneficiary cost-sharing under Part B is 20 percent with no out-of-pocket limit, leaving some older adults and people with disabilities with out-of-pocket costs that can reach \$100,000 per year or more². Like all Americans, Medicare beneficiaries cannot continue to absorb the costs associated with skyrocketing prescription drug prices indefinitely; the median annual income for Medicare

¹ http://www.medpac.gov/docs/default-source/data-book/jun18_databooksec10_sec.pdf

² <https://www.gao.gov/products/GAO-16-12>

beneficiaries is approximately \$26,000 and one in four have less than \$15,000 in savings.³

Ensuring that beneficiaries can afford their prescription drugs is essential. Equally important is ensuring that prescribing decisions are appropriately focused on choosing the lowest cost therapy to effectively treat a patient.

AARP generally supports the Center for Medicare & Medicaid Services' (CMS) interest in testing payment changes for certain Medicare Part B drugs with the goal of lowering costs for the program and its beneficiaries. Given recent prescription drug price and spending trends, it is imperative that policymakers find ways to address program spending without reducing beneficiary access to necessary treatments. Thoughtful efforts to move in this direction are far preferable to the unsustainable escalations in beneficiary and taxpayer spending that would accompany maintaining the status quo.

Current Medicare Part B payment methodology is problematic

Medicare Part B currently pays prescribers for prescription drugs based on Average Sales Price (ASP) plus an unexplained⁴ but statutorily mandated 6 percent (4.3 percent under sequestration) add-on. The payment amount does not vary based on the price an individual provider or supplier pays to acquire the drug. It also does not take into account the effectiveness of a particular drug or the cost of clinically comparable drugs. Some experts have raised concerns that this methodology encourages the use of more expensive drugs -- since 6 percent of a more expensive drug generates more revenue than 6 percent of a lower priced drug, selection of the higher priced drug has the potential to generate more profit.

While more definitive study is needed, AARP believes the likelihood that the current methodology is influencing providers to use more expensive drugs over less expensive alternatives is reason enough to warrant change.

AARP is also concerned that the current Part B payment methodology does not provide Medicare with adequate leverage to address escalating prescription drug prices. The impact of this challenge is evident in recent spending trends, which indicate that the largest factor contributing to the growth in Medicare Part B drug spending was the increase in the price Medicare paid for drugs⁵. In addition, international pricing comparisons continue to show that Medicare, as well as American consumers generally, continue to pay the highest brand name drug prices in the world.

³ <https://www.kff.org/medicare/issue-brief/income-and-assets-of-medicare-beneficiaries-2016-2035/>

⁴ <http://medpac.gov/docs/default-source/reports/june-2015-report-to-the-congress-medicare-and-the-health-care-delivery-system.pdf>

⁵ http://www.medpac.gov/docs/default-source/data-book/jun18_databooksec10_sec.pdf

More Beneficiary Protections Needed

While AARP appreciates that the IPI model is still under development, we are extremely concerned by the lack of detailed beneficiary protections in the ANPRM. The ANPRM notes that CMS plans to coordinate with the Medicare Beneficiary Ombudsman but does not provide any additional detail. Moreover, while there is limited discussion of enhanced monitoring, it remains unclear how this monitoring would occur.

AARP strongly recommends that CMS establish a transparent, comprehensive, and publicly available monitoring process for the duration of the IPI. While we anticipate the proposed model will help reduce prescription drug prices and costs and encourage prescribing that ultimately benefit Medicare beneficiaries, we encourage the agency to carefully monitor for unintended consequences that may increase costs or create access barriers. CMS should also develop a well-defined, transparent process for prompt corrective action should it become aware of widespread problems through its monitoring efforts.

AARP also encourages CMS to utilize a variety of monitoring techniques, including patient experience surveys and focus groups. CMS should also draw on existing resources like the Medicare Ombudsman, 1-800-MEDICARE, and the State Health Insurance Programs, among others, and ensure that they have adequate dedicated funding and personnel to perform this role.

CMS should also identify formal processes for regularly engaging and involving Medicare beneficiaries and their advocates. AARP believes it is critically important that multiple, diverse stakeholders have the opportunity to weigh in during implementation.

Finally, AARP supports CMS' interest in developing a comprehensive evaluation of the proposed model's impact on beneficiary access and quality of care. This process should be as transparent as possible and include opportunities for public comment to help ensure that the evaluation criteria reflect the needs and concerns of all stakeholders.

AARP appreciates that the Administration has raised the pricing discrepancy Medicare faces relative to prices for brand name drugs in other developed countries. It is both unfair and unsustainable that Medicare – and other American consumers – continue to pay the highest brand name drug prices in the world. As you pursue the IPI model, AARP looks forward to further information on how CMS would implement the model, including the collection of data from other countries to develop and update the international price index. In addition, we look forward to further information on how you would prevent the manipulation of pricing information in other countries (e.g., such as through the use of unreported discounts) and what enforcement mechanisms CMS would use to ensure manufacturers provide their international pricing data in a timely manner.

AARP appreciates the Administration's ongoing efforts to help lower prescription drug prices and out-of-pocket costs for the millions of older Americans struggling to afford the

prescription drugs they need. We look forward to continuing to work with you to develop and implement solutions to help make prescription drugs more affordable and accessible for all Americans. If you have any questions, please contact me or have your staff contact Amy Kelbick on our Government Affairs staff at (202) 434-2648 or at akelbick@aarp.org.

Sincerely,

A handwritten signature in black ink, appearing to read "David Certner", with a long horizontal flourish extending to the right.

David Certner
Legislative Counsel & Legislative Policy Director
Government Affairs