



March 10, 2023

The Honorable Meena Seshamani, MD, PhD  
Director  
Center for Medicare  
Centers for Medicare & Medicaid Services  
Department of Health and Human Services  
200 Independence Avenue, S.W.  
Washington, DC 2020

Re: Medicare Prescription Drug Inflation Rebate Comments

Dear Dr. Seshamani:

AARP, on behalf of our nearly 38 million members and all older Americans nationwide, appreciates the opportunity to comment on initial guidance from the Centers for Medicare & Medicare Services (CMS) regarding implementation of the Medicare Prescription Drug Inflation Rebate Program. This important new program requires drug companies to pay a rebate if they increase the prices of certain drugs faster than the rate of inflation. The rebates are paid to Medicare and apply to drugs covered under Part B and Part D.

The Medicare Prescription Drug Inflation Rebate Program helps address brand name drug companies' long-standing practice of [increasing](#) their prices year after year—often at more than twice the rate of inflation. Drug price increases typically translate into higher out-of-pocket costs, especially for consumers who pay a percentage of drug costs (coinsurance) rather than a fixed dollar amount (copayment). Higher prices are also [passed](#) along to consumers in the form of higher deductibles and premiums.

While CMS does not plan to invoice drug companies for inflation-based rebates until 2025, the time periods for which drug companies will be required to pay rebates have already started and may already be having an impact on their pricing behavior. Further, under the initial guidance beginning April 1, 2023, Medicare Part B beneficiary coinsurance will be 20 percent of what the Medicare payment amount would have been if the price of the drug in question had not increased faster than inflation. AARP strongly supports the implementation of this change, which will effectively protect Medicare beneficiaries from the higher coinsurance that would normally result from drug price increases that exceed inflation.

AARP is also mindful that the Medicare Prescription Drug Inflation Rebate Program may already be providing benefits for people in Medicare Part D plans, as well. Medicare Part D enrollees are increasingly subject to deductibles and coinsurance that directly expose them to prescription drug price increases. For example, [70 percent](#) of Part D enrollees in stand-alone plans (PDPs) were expected to be in a plan with the standard \$505 deductible in 2023, and most

enrollees face coinsurance that can range from 15 to 50 percent. To the extent that the Medicare Prescription Drug Inflation Rebate Program is discouraging drug companies from making large price increases, Part D enrollees could see lower out-of-pocket costs than they would have experienced otherwise.

The Congressional Budget Office (CBO) estimates that the Medicare Prescription Drug Rebate Program will save billions of dollars. These savings are due to lower spending under Part D and Part B, as well as increased tax revenues due to spillover effects that will help suppress drug price and premium growth in the commercial market. CBO also [expects](#) that the lower drug prices that result from the inflation rebate provision means Medicare beneficiaries will be more likely to use prescription drugs and that will lead to declines in spending on other Medicare-covered services.

AARP would like to reiterate its strong support for the prescription drug provisions in the Inflation Reduction Act. The successful implementation of these improvements will lead to substantial savings for Medicare beneficiaries and the taxpayers who fund the Medicare program. More importantly, they will help ensure that Medicare beneficiaries can afford the prescription drugs they need.

Thank you for the opportunity to comment on the Medicare Prescription Drug Inflation Rebate Program. If you have any questions, please do not hesitate to contact me, or have your staff contact Glen Fewkes on our Government Affairs team at [gfewkes@aarp.org](mailto:gfewkes@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