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Trump Administration Gives Medicare New Tools to Negotiate Lower Drug Prices for Patients

From HHS

August 7, delivering on proposals in President Trump's American Patients First blueprint, HHS announced that Medicare Advantage plans will be able to use tools employed by private-sector insurers to negotiate lower prescription drug prices for patients.

HHS Secretary Alex Azar issued the following statement:

“President Trump promised better Medicare negotiation and lower drug prices for the American people. Today, we are taking an important step in delivering on that promise. By allowing Medicare Advantage plans to negotiate for physician-administered drugs like private-sector insurers already do, we can drive down prices for some of the most expensive drugs seniors use.

“As soon as next year, drug prices can start coming down for many of the 20 million seniors on Medicare Advantage, with more than half of the savings going to patients. Consumers will always retain the power to choose the plan that works for them: If they don’t like their plan, they don’t have to keep it.

“We look forward to seeing the results of this step toward tougher negotiation within Medicare, and will continue efforts to expand negotiation tools throughout our programs.”

Further Background

What is the policy HHS announced today?

The Centers for Medicare & Medicaid Services is rescinding a policy regarding Medicare Part B drugs that discouraged Medicare Advantage plans from using tools that are widely used in private insurance plans to negotiate lower prices from pharmaceutical companies.

Specifically, patients will now be able to choose Medicare Advantage plans that require enrollees to try certain more cost-effective drugs first (known as “step therapy”). Plans will also be able to cross-manage between the drugs covered by different parts of Medicare, allowing them to pay for the most appropriate, most affordable drugs, regardless of whether patients receive them in a doctor’s office (Part B) or at a pharmacy (Part D).

These negotiating tools will offer plans the same power that

private-sector insurers have to drive down the price of prescription drugs and force manufacturers to compete on price, while maintaining patients' rights to appeal decisions, choose another plan, or enroll in Medicare fee-for-service instead.

What is the problem that's being addressed?

As President Trump has made clear, American drug prices are too high. Government programs for our seniors often pay higher prices than necessary for drugs, because they lack the tools they need to negotiate discounts. For many physician-administered drugs covered by Medicare Part B, private insurance plans negotiate discounts of 15 to 20 percent or more, while Medicare essentially pays full price.

This step to strengthen negotiation in Medicare is one piece of HHS's ongoing efforts to implement the President's American Patients First blueprint – PDF. As Secretary Azar said in introducing the blueprint at the White House in May, "Our blueprint brings the latest negotiation tools to our government programs and expands private-sector negotiation to parts of Medicare that have never had negotiation."

Who will benefit from this change?

More than 20 million Americans are enrolled in Medicare Advantage plans, representing 33 percent of Medicare enrollees. In 2017, Medicare Advantage plans spent \$11.9 billion on Medicare Part B drugs, the category where plans will now have more power to drive down prices.

How will patients see the benefit of these savings?

Plans will be required to pass on to patients more than half of the savings generated from tougher negotiation. Savings can be realized for enrollees through lower coinsurance amounts and through rewards programs, which provide patients with benefits such as gift cards.

Beginning in 2020, plans will be able to pass on savings to

patients through lower premiums. (Premiums have already been set for 2019 Medicare Advantage plans.)

How soon can patients see savings?

Medicare Advantage plans can begin using these tools as part of their 2019 policies, meaning savings could be generated and passed on to patients as soon as next year. Plans have limited time to implement the tools for next year, however, and it is expected that more plans will adopt the tools over time.

How will this protect patients' access to drugs?

High drug prices and the associated cost-sharing can be a significant barrier to patients' access to drugs, which is why President Trump has made bringing down prices such a priority.

Each year, beneficiaries have the opportunity to choose which Medicare Advantage plan is right for them, or whether they would prefer Medicare fee-for-service, which covers all medically necessary drugs at a fixed price. Plans will be allowed only to apply step therapy to new prescriptions or prescriptions where the patient is not actively receiving the affected medication. On top of that, for the first time in 2019, beneficiaries will be able to change their Medicare Advantage plan or switch to fee-for-service through March 31.

If a beneficiary chooses a plan that incorporates step therapy and needs a drug subject to it, but feels they need access to it without trying an alternative drug, they can ask their plan for an exception, which will be reviewed as expeditiously as the beneficiary's health condition requires (generally within 72 hours).

Medicare Advantage plans will be required to couple Part B step therapy with patient-centered care coordination services for beneficiaries as part of a drug management care coordination program. Care coordination must include discussing medication options with beneficiaries, providing beneficiaries with educational material and information about their medications, and implementing adherence strategies to

their medication regimen.

How does this fit into President Trump's drug-pricing blueprint?

President Trump and Secretary Azar laid out tougher negotiation as one of the four key strategies for putting American patients first and lowering drug prices. In particular, the blueprint highlighted the importance of bringing competition to Medicare Part B, which CMS is doing today.

This policy change to Medicare Advantage will bring new negotiating power to Medicare faster than other policies may have, but it is just part of a broader vision to ensure that the latest, successful negotiation tools are applied throughout the Medicare program to bring down prices for seniors.

Read more at CMS.gov:
<https://www.cms.gov/Newsroom/MediaReleaseDatabase/Press-releases/2018-Press-releases-items/2018-08-07.html>.

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