

Initial findings from MedPAC's analysis of Part D data on drug rebates and discounts

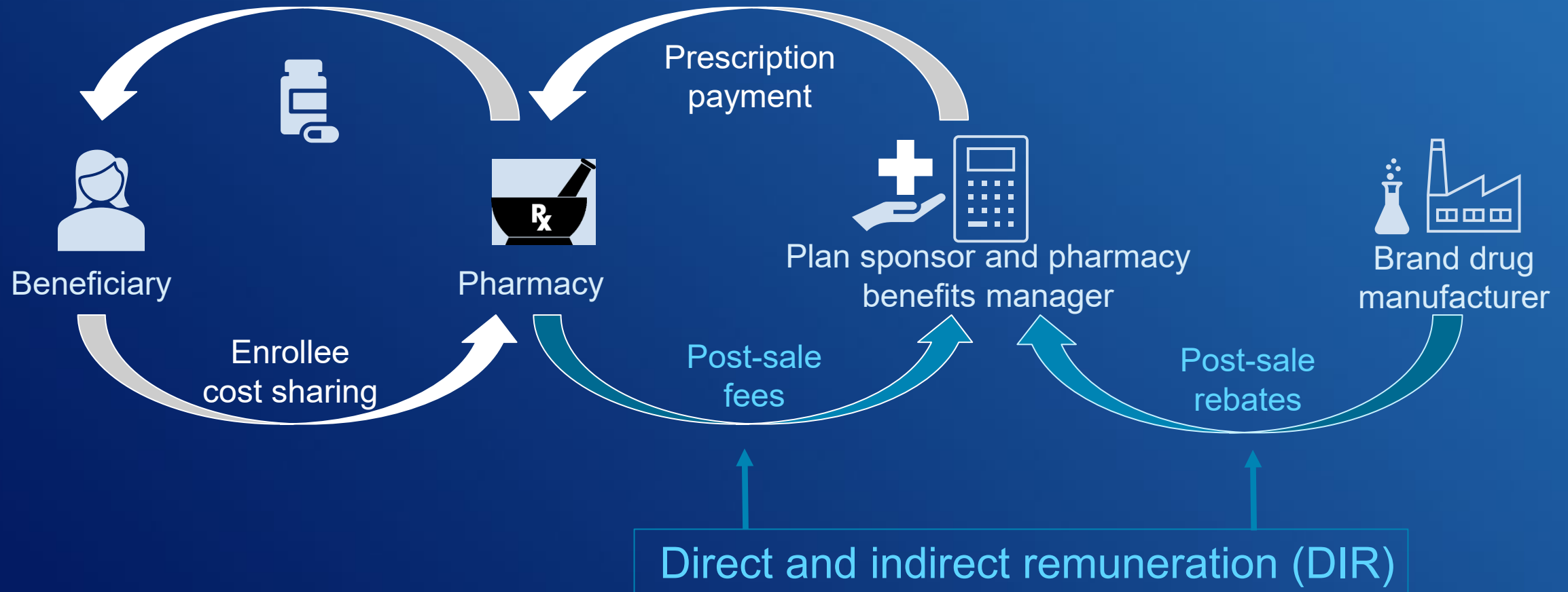
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Consolidated Appropriations Act, 2021, provides Commission with access to two sets of data

- **Post-sale rebates and fees (direct and indirect remuneration (DIR) data) for Part D outpatient drugs**
- Pricing data for provider-administered drugs under Part B and drugs covered under Medicaid
 - Average sales price (ASP)
 - Average manufacturer price (AMP)
 - Best price (BP)
- Data subject to disclosure limitations defined by statute

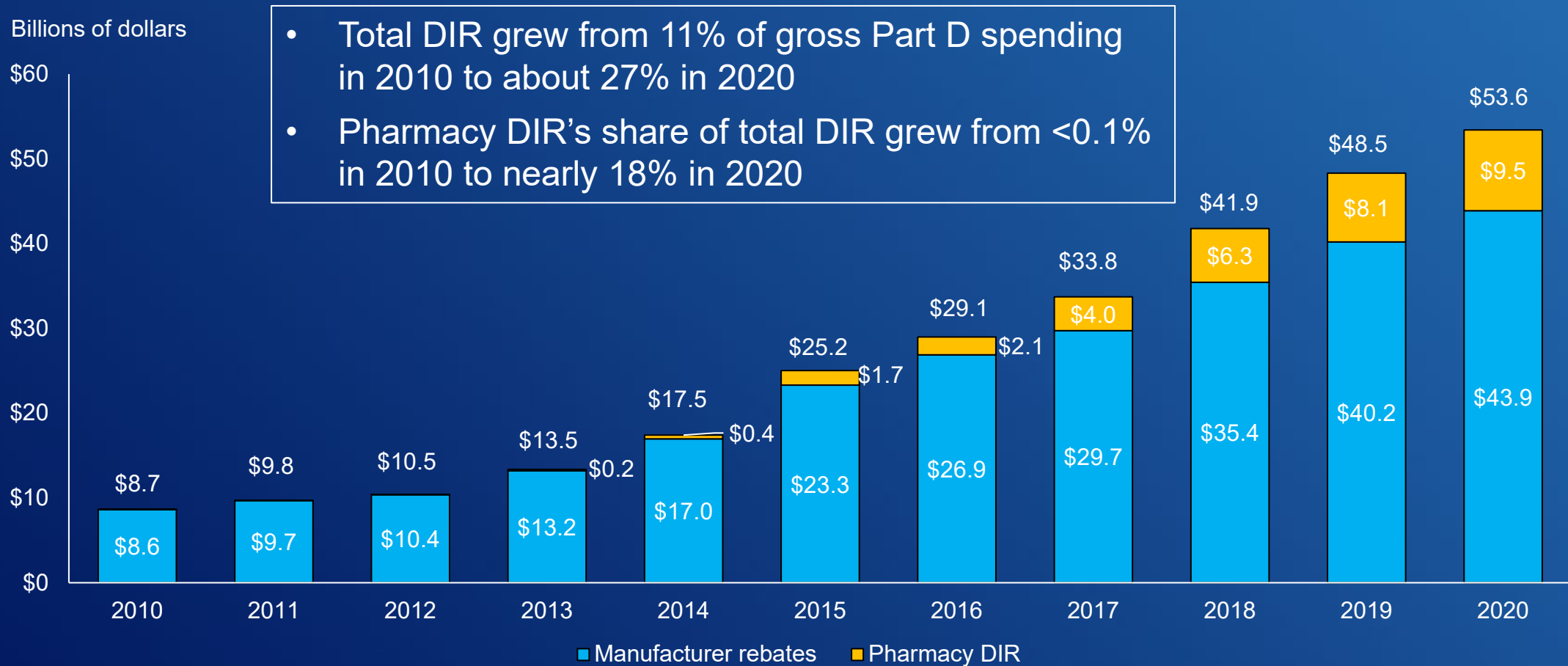
Gross drug prices at the pharmacy do not reflect post-sale rebates and pharmacy fees



DIR amounts are post-sale price concessions to plan sponsors that decrease a plan's costs

- Used by CMS to “true-up” Medicare’s prospective payments to plans with final costs of providing benefits
- Sponsors submit two separate DIR reports for each plan
 - Summary report shows categories of DIR
 - Detailed report shows DIR allocated to specific drugs
- CMS provided the Commission with both sets of plan reports for 2010-2020

Manufacturer rebates and pharmacy payments accounted for nearly all Part D DIR, 2010-2020

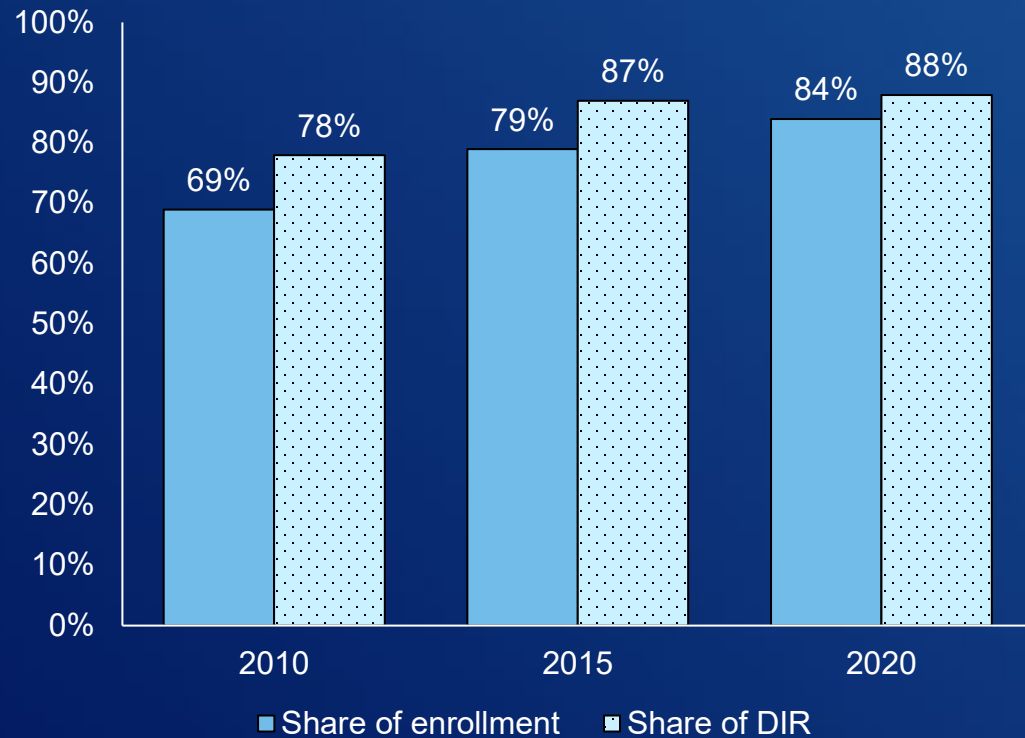


DIR amounts provided to the Commission appear to be complete and consistent with other sources

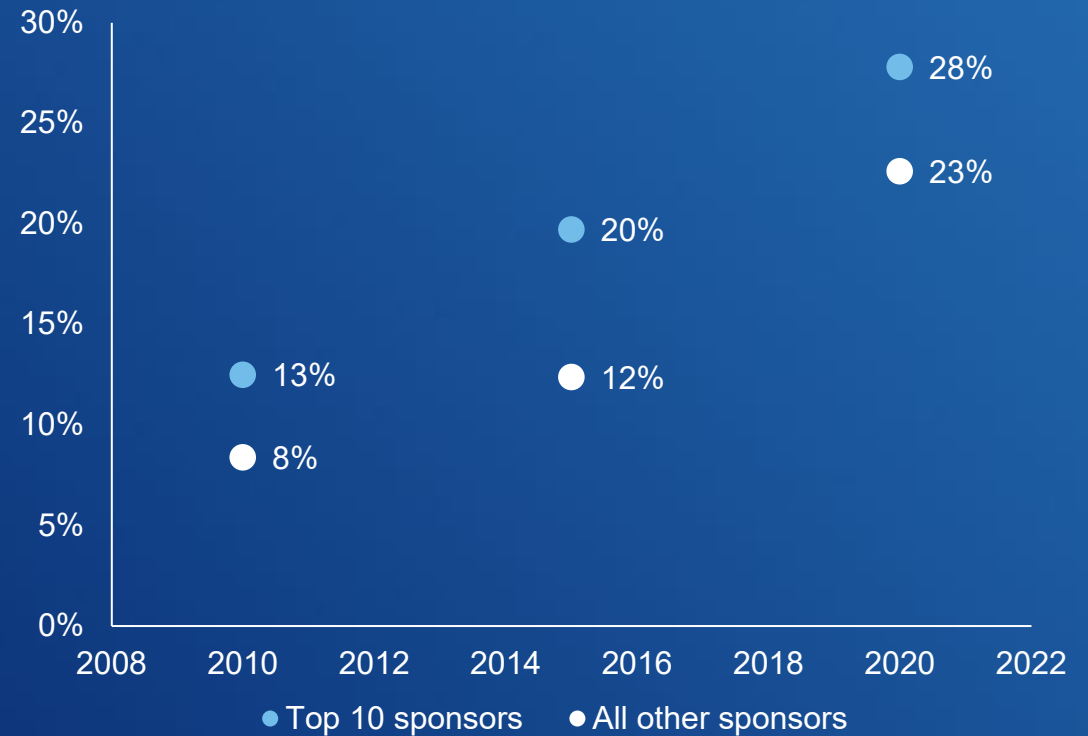
- Reflect reports from nearly all Part D plans
- Consistent with previously published DIR totals
- Amounts in plan summary reports are consistent with data in detailed reports
- Amounts in plan summary reports are largely consistent with amounts used to reconcile Medicare's plan payments

Largest plan sponsors received proportionately more DIR

Top 10 plan sponsors ranked by enrollment



Average DIR as a percentage of gross spending



Note: Data are preliminary and subject to change. DIR (direct and indirect remuneration). Includes each parent organization's combined stand-alone prescription drug plan and Medicare Advantage prescription drug plan enrollment as of July of each year. DIR includes manufacturer rebates, pharmacy fees, and all other price concessions that decrease the cost of providing Part D benefits.

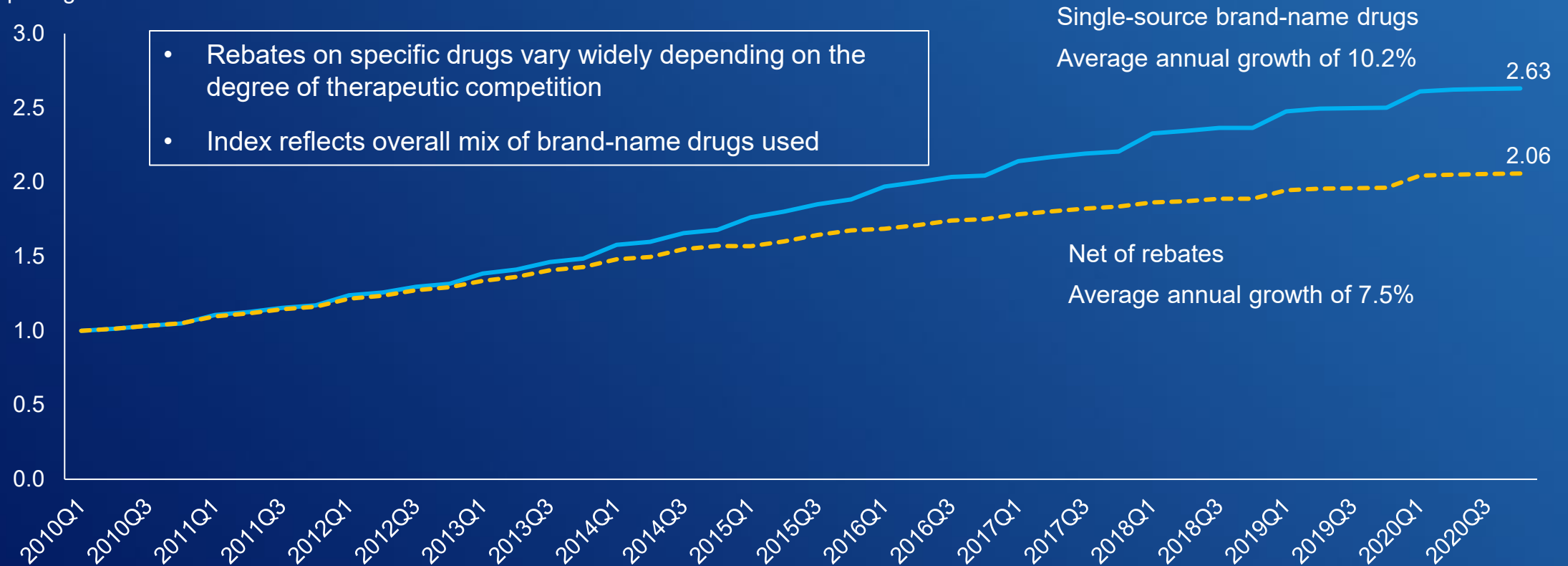
Source: MedPAC analysis of enrollment data, prescription drug event data, and plan sponsors' summary DIR reports to CMS.

Gross spending and spending net of DIR both have important effects on stakeholders

- Gross spending affects:
 - Coinsurance paid by enrollees and Part D's low-income cost-sharing subsidies
 - How quickly enrollees reach the OOP threshold
- Spending net of DIR affects:
 - Plan bids for basic benefits and enrollee premiums
 - Medicare's spending on capitated payments, low-income premium subsidies, and reinsurance

Net of manufacturer rebates, Part D prices for brand-name drugs more than doubled between 2010 and 2020

Index of cumulative price growth



Note: Data are preliminary and subject to change. Assumes plan sponsors' reports of how they allocated rebates by active ingredient are complete and accurate. Assumes plans' annual rebate amounts are distributed uniformly across each year's quarters.

Source: Acumen LLC for MedPAC.

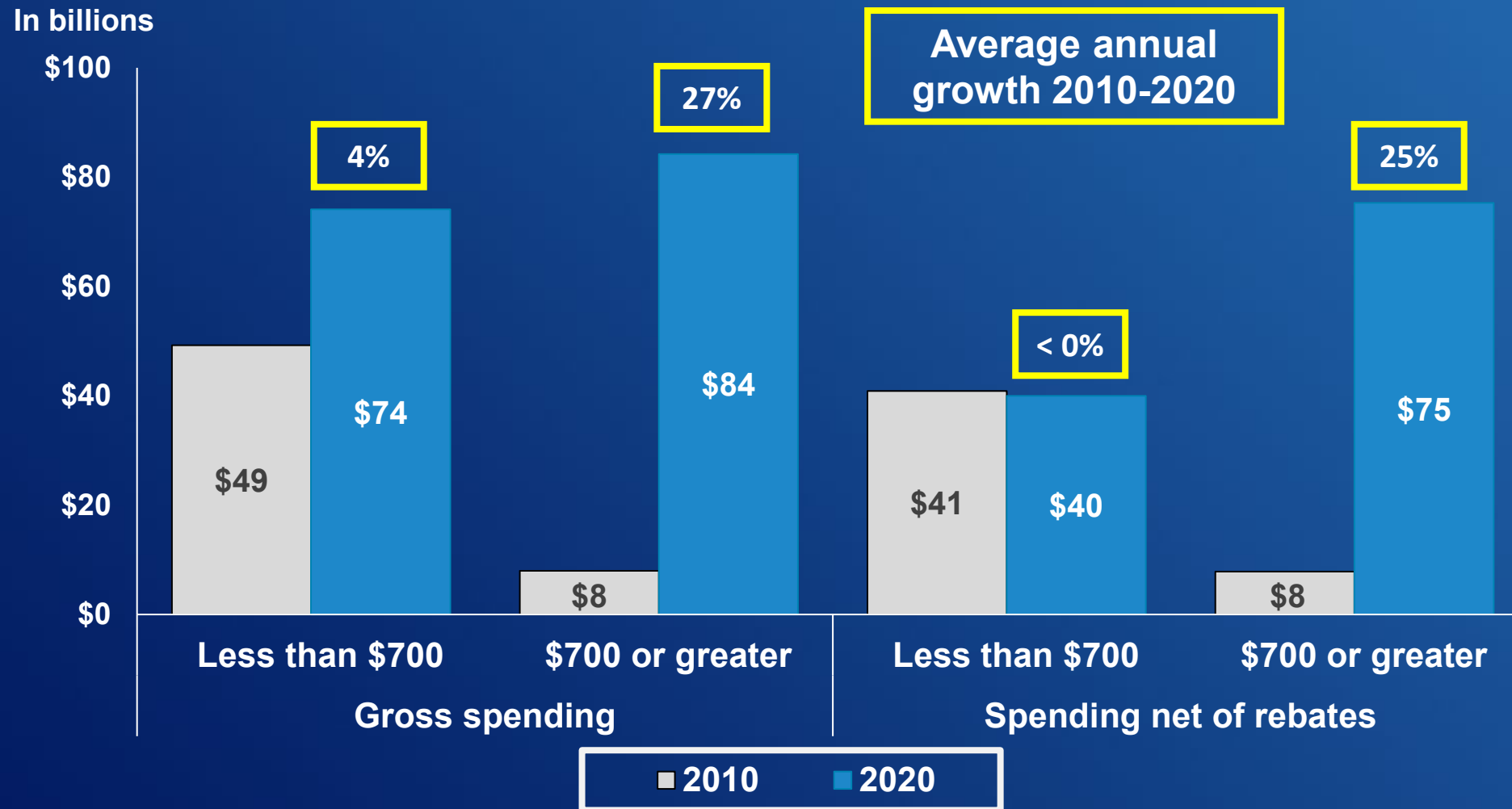
Rankings of therapeutic categories with and without manufacturer rebates in 2019

- Same categories made the top 15 list based on gross and net spending
- Manufacturer rebates affected the rankings for 10 categories
- Ranking based on net spending:
 - Fell for categories with higher average rebates (e.g., anticoagulants)
 - Rose for categories with lower average rebates (e.g., antineoplastics)
- Seven categories (out of 15) were in “protected” classes with a broad coverage requirement*
 - May limit plans’ ability to negotiate rebates with manufacturers

Note: Data are preliminary and subject to change. *Under Part D, plan formularies must include “all or substantially all” drugs in six protected classes (anticonvulsants, antidepressants, antipsychotics, immunosuppressants, antiretrovirals, and antineoplastics). Three of the seven therapeutic categories were antineoplastics, which is one of the six protected classes.

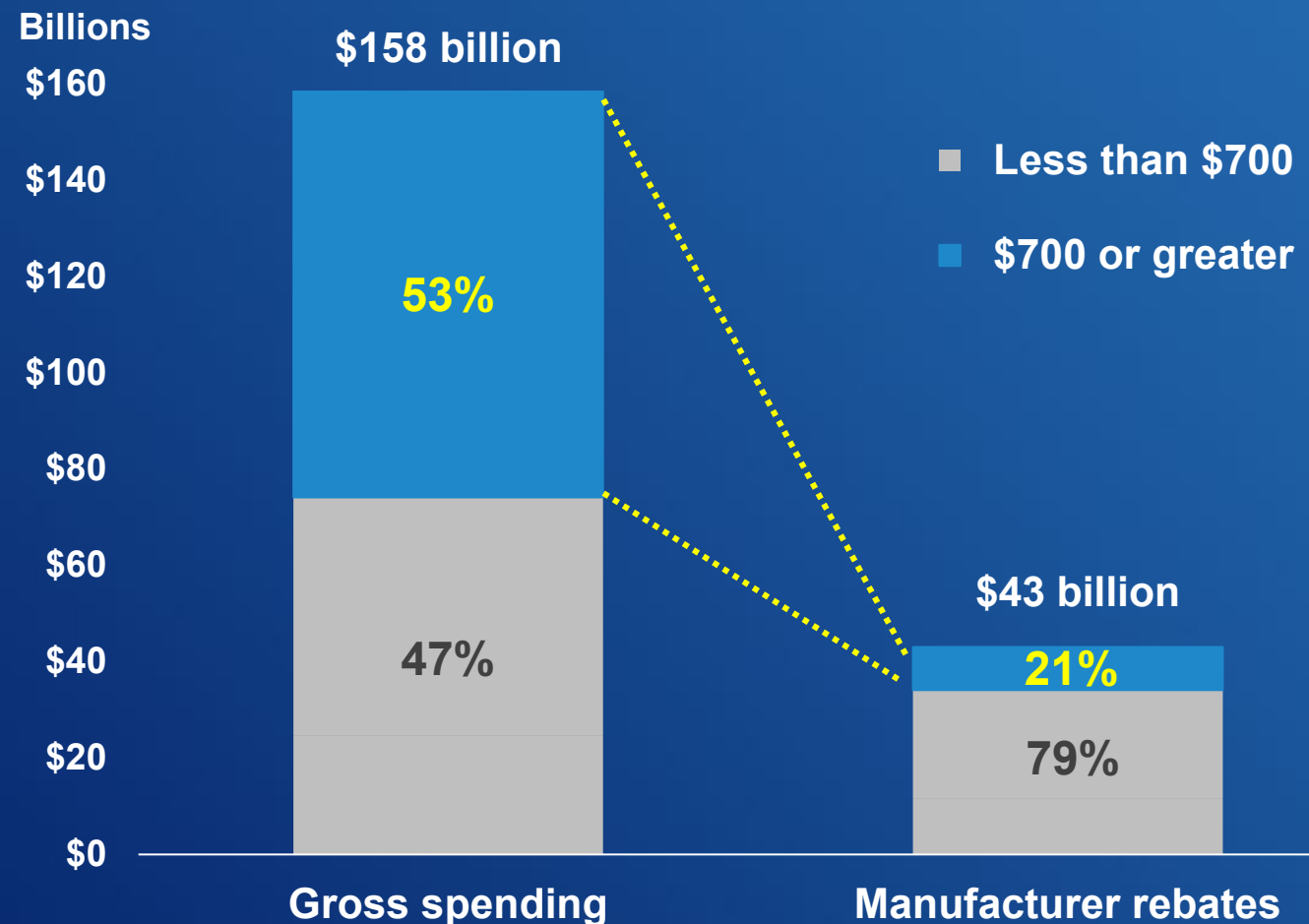
Source: MedPAC analysis of Part D prescription drug event and direct and indirect remuneration data.

Gross and net spending for high-priced drugs grew rapidly, 2010-2020



In 2020, a disproportionate share of manufacturer rebates was for drugs with prices below \$700

- **Rebates totaled \$43 billion, up from \$8.5 billion in 2010**
- **Brand drugs priced**
 - **At or above \$700:**
53% of gross spending
21% of rebates
 - **Below \$700:**
47% of gross spending
79% of rebates



Fewer and proportionately smaller rebates among drug products with the highest prices

Rebates for brand-name drugs, 2020

Price category*	Number of unique products	Share of products with any rebate	Rebated products	
			Mean price	Rebate as a share of gross spending
< \$400	911	55%	\$251	51%
\$400-\$699	353	58	486	44
\$700-\$2,499	400	33	972	32
\$2,500-\$9,999	273	31	4,745	15
≥ \$10,000	242	15	13,830	11

Summary

- DIR amounts provided to the Commission appear to be complete and consistent with other published totals
- Largest plan sponsors received proportionately more DIR
- In 2019, same therapeutic categories had highest gross and net spending, but rebates affected rank order
- Net of rebates, between 2010 and 2020:
 - Prices for brand-name drugs more than doubled in Part D
 - Spending for high-priced drugs grew rapidly
- In 2020, higher-priced drugs had fewer and proportionately smaller rebates
 - May reflect lack of therapeutic competition
 - But some high-priced drugs had larger rebates

Next steps

- Explore the relationship between therapeutic competition and manufacturer rebates
- Examine patterns in plans' reporting of DIR
- Questions or comments on the direction of future work?