*Advising the Congress on Medicare issues*

# Data on Medicare's net prices for prescription drugs and other drug pricing metrics

Shinobu Suzuki, Rachel Schmidt, Kim Neuman, and Nancy Ray

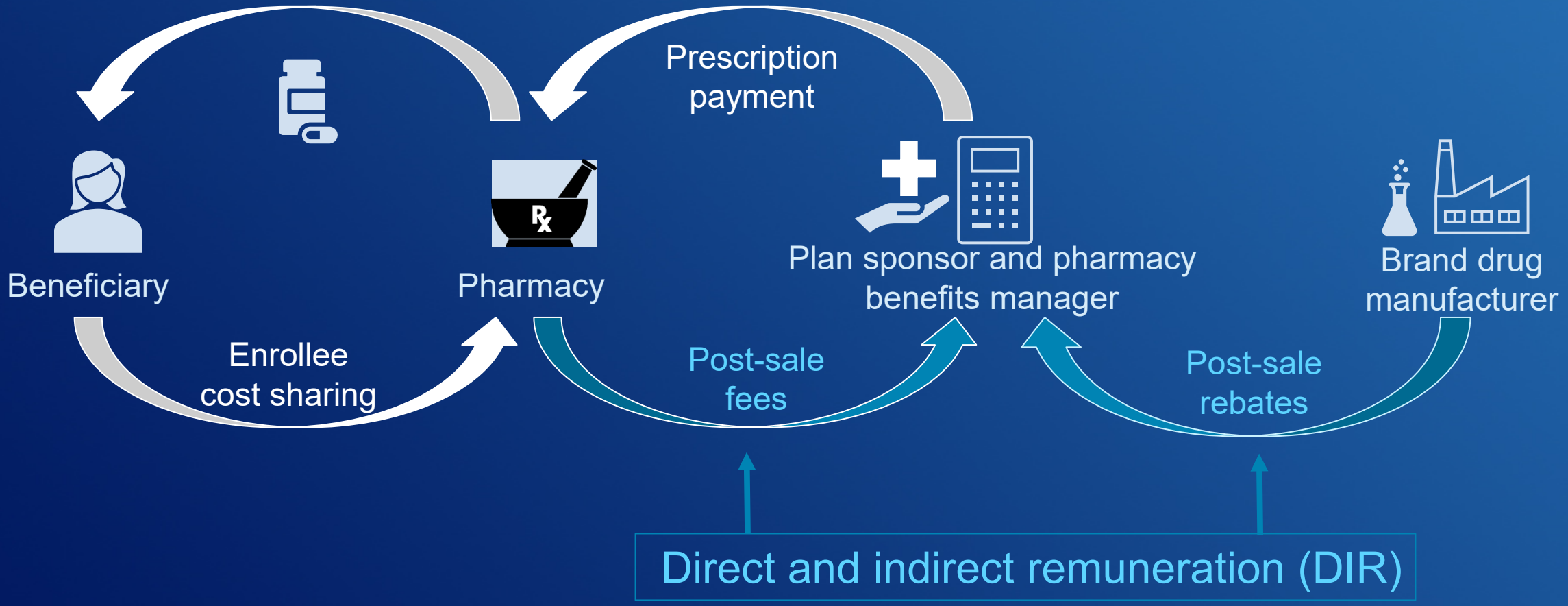
October 7, 2021

MEDPAC

# Consolidated Appropriations Act, 2021, newly 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



# Sponsors report plan-level DIR to CMS retrospectively for each benefit year

- Any price concession to the sponsor or an intermediary that decreases a plan's costs directly or indirectly
- Used to reconcile prospective plan payments with plan's final costs of providing benefits
- DIR has grown from <10% of gross Part D spending in 2007 (~$5 billion) to >26% in 2019 ($48 billion)
- Two types of DIR reports
  - Summary report shows categories of DIR for each plan
  - Detailed report shows DIR at national drug code (NDC-11) level

# Manufacturers report ASP data to CMS to establish Part B drug payment rates

- Drug manufacturers report ASP and utilization data to CMS at the 11-digit NDC-level
- Medicare generally pays 106% of ASP for Part B drugs
- Part B drug payment rates are set at the billing code level
  - CMS calculates the volume-weighted average ASP across all NDCs assigned to a billing code
- Payment rates are public, but NDC-level ASP data are not
- CAA, 2021, grants MedPAC access to NDC-level ASP data

MEDPAC

Note: CAA (Consolidated Appropriations Act).

# Manufacturers report AMP and BP data to CMS

- Manufacturers report NDC-level AMP and BP data to CMS for administration of Medicaid
  - States receive rebates on Medicaid-covered outpatient drugs using formulas that are based on AMP and/or BP
- AMP and BP data also have broader implications
  - For Part B drugs, if OIG finds ASP > AMP by at least 5%, CMS can substitute 103% AMP for 106% ASP
  - For providers that purchase outpatient drugs via the 340B program, the 340B ceiling price = AMP – Medicaid unit rebate amount

# CAA, 2021's limitations on disclosure

- Prohibits disclosure in a form that would reveal the identity of a specific manufacturer or wholesaler or the prices they charged
- For DIR data, it also prohibits revealing plan-level dollar amounts or identities of sources of price concessions

# Plans for analysis using DIR data

- Initially focus on:
  - Validating the accuracy of the data
  - Understanding the limitations of its use in research (e.g., sponsors use different algorithm to allocate DIR across plans and/or NDCs)
- Potential Part D research topics:
  - Effects of competition on rebates
  - Relationship between rebates and point-of-sale prices
  - Effects of rebates on the accuracy of Part D's risk adjustment

# Plans for analysis of ASP and other data

- Initially focus on:
  - Data validation – replicate Part B drug payment rates
- Potential Part B research topics
  - Combined billing code policies
  - Variation in ASP within billing codes
  - Generic drug pricing and utilization dynamics
- Compare Part B and Part D net price growth for similar types of products

# Next steps

- In April, we plan to come back to you with preliminary information about the pricing data, including their strengths and limitations
- We would like your feedback on:
  - Analytical plans discussed in this presentation / mailing material
  - Relative priority among the research projects
  - Additional research ideas