

Work plan: Analysis of generic drug prices in Medicare Part D

Tara Hayes, Pamina Mejia, and Shinobu Suzuki

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Today's presentation

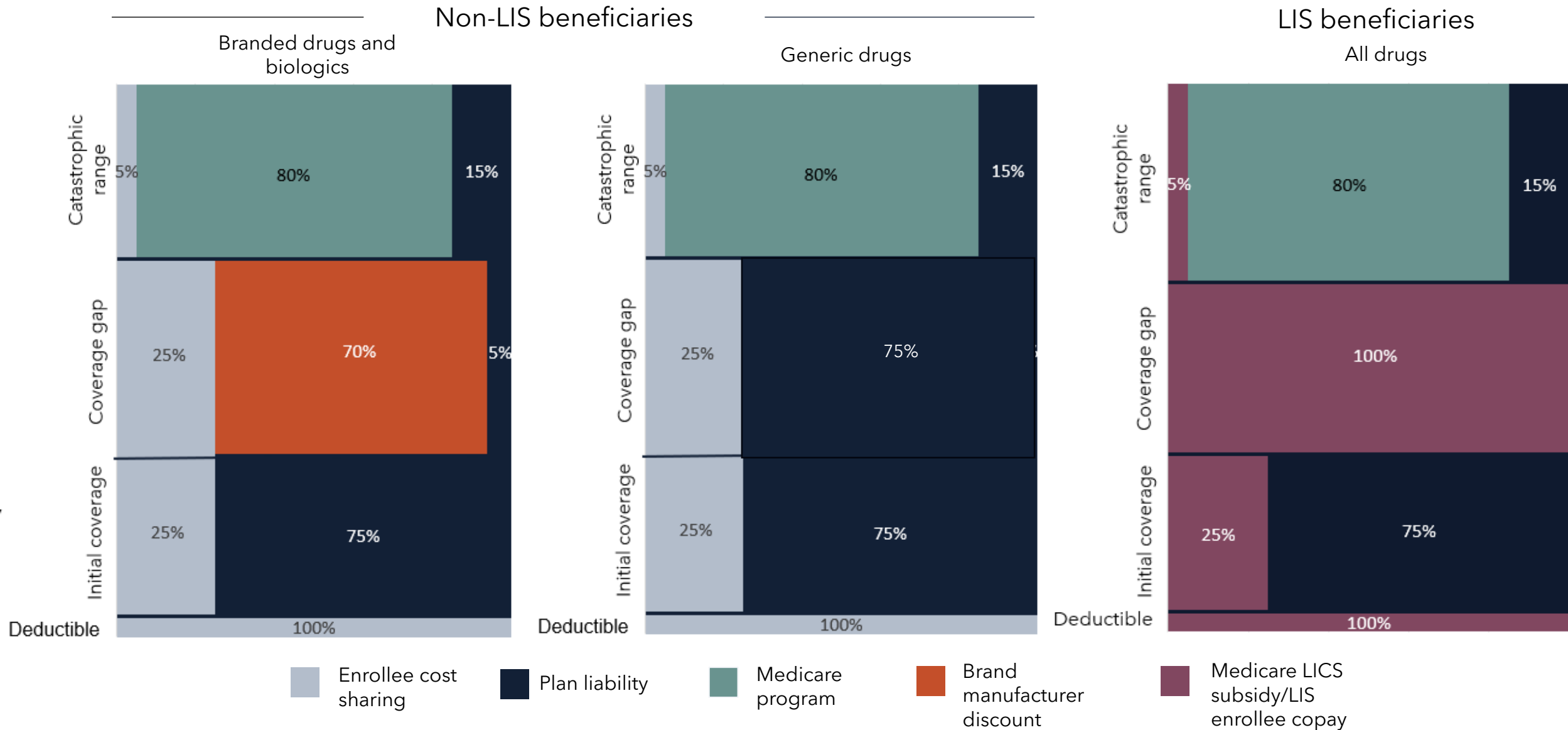
- 1 Background and motivation for project
- 2 Overview of the ongoing work
- 3 Description of Part D data analysis
- 4 Discussion of stakeholder interviews
- 5 Commissioner discussion & questions

Snapshot of the Part D program, 2023

- Over 51 million Medicare beneficiaries are enrolled in Part D*
 - 29 million (56%) are in MA-PDs (including SNPs)
 - 13.8 million (27%) received the low-income subsidy (LIS)
- Number of plans:
 - In 2023: 804 PDPs; 3,540 MA-PDs; 1,254 SNPs
- Premiums: \$26 per month, on average
 - MA-PD enrollees paid about \$15, on average, after Part C rebates of more than \$50 were applied to their Part D premium
 - PDP enrollees paid \$41, on average
- Medicare program spending totaled \$101.9 billion in 2022

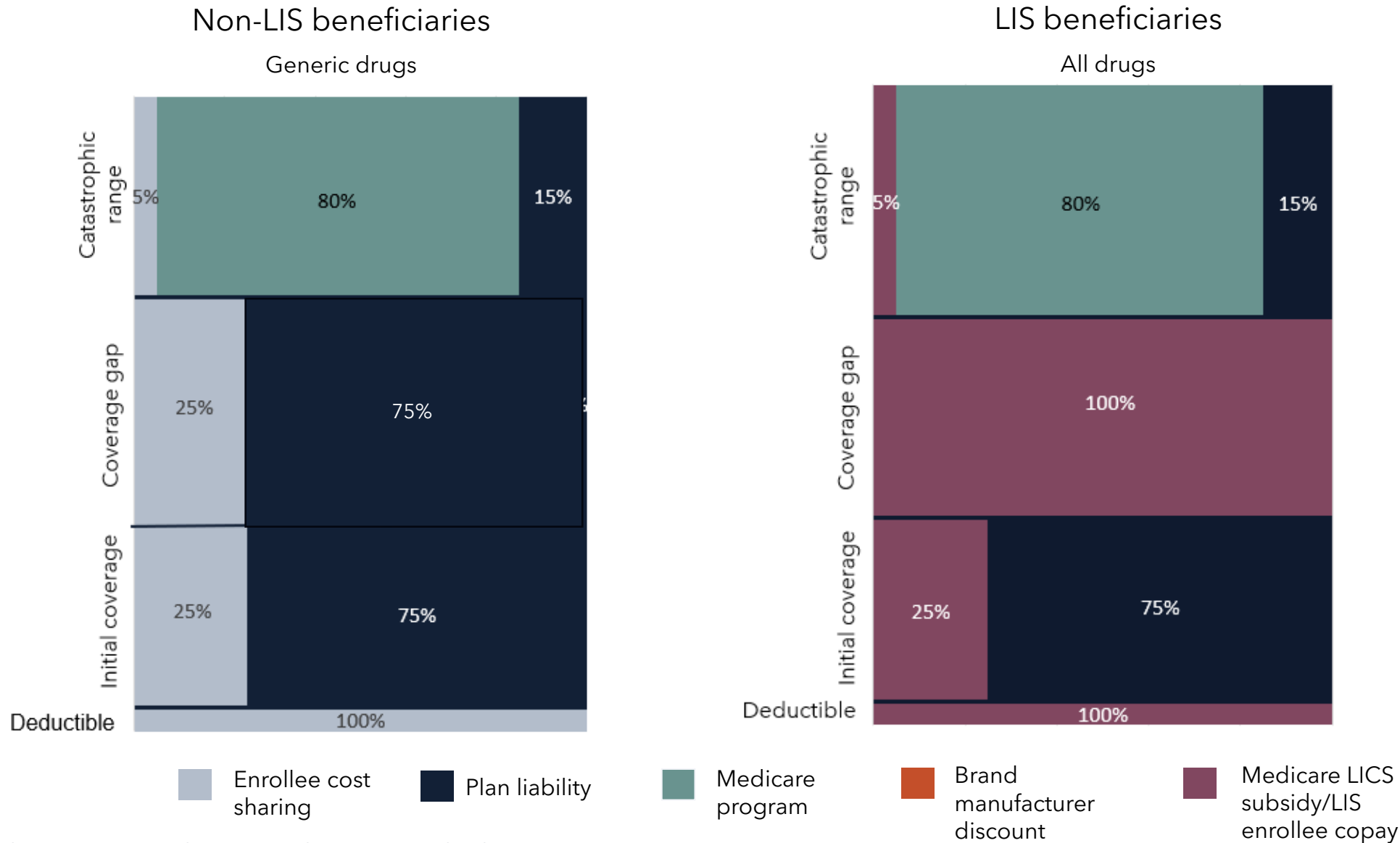
Note: Data are preliminary and subject to change. MA-PDs (Medicare Advantage prescription drug plans), PDPs ([stand-alone] prescription drug plans), SNPs (special needs plans). *Enrollment figures are based on CMS enrollment data for April 2023.

Prices of generic drugs affect Medicare's LICS and beneficiaries' coinsurance



Note: LICS (low-income cost-sharing), LIS (low-income subsidy).

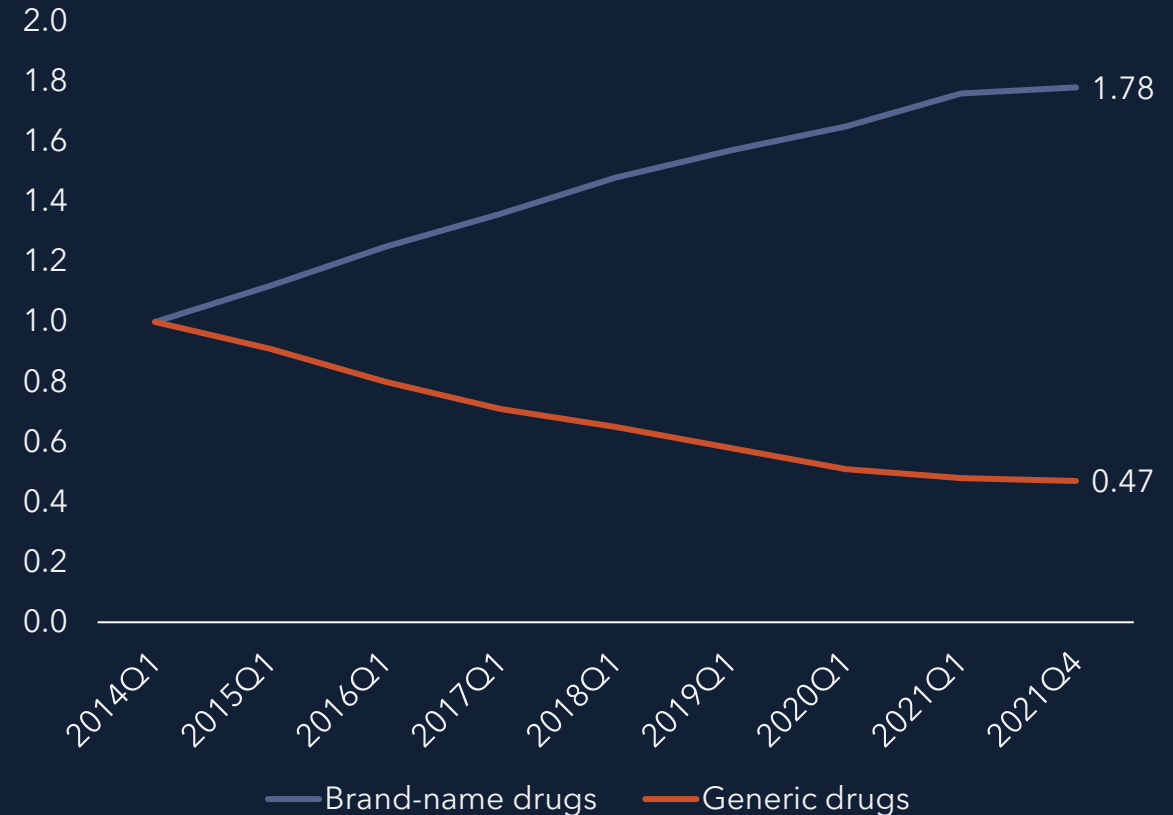
Prices of generic drugs affect Medicare's LICS and beneficiaries' coinsurance



Note: LICS (low-income cost-sharing), LIS (low-income subsidy).

Generic drug prices typically decline over time but have plateaued in recent years

- In 2021, generic drugs accounted for **90%** of all Part D prescriptions but just under **20%** of gross drug spending
- Generic drugs often cost a fraction of the price of their brand counterparts, and their prices tend to decline over time
- In recent years, however, the generic price decline has stalled



Note: Q1 (first quarter), Q4 (fourth quarter). Chain-weighted Fisher price indexes. Indexes reflect total amounts paid to pharmacies and do not reflect retrospective rebates or discounts from manufacturers and pharmacies. Source: Acumen LLC analysis for MedPAC.

Studies find that generic prices in Part D are often higher than cash prices and can vary widely

- Evidence of relatively high prices in Part D compared to discount retailers, such as Costco or MCCPDP
 - E.g., overpayments of more than 20% on 43% of most common generics cost the Part D program \$2.6 billion in 2018*
 - However, these studies do not account for postsale discounts and fees
- Studies have found numerous factors associated with wide price variation for generics across the health care market
 - Including where the drug is purchased (type of pharmacy) and dosage form and strength

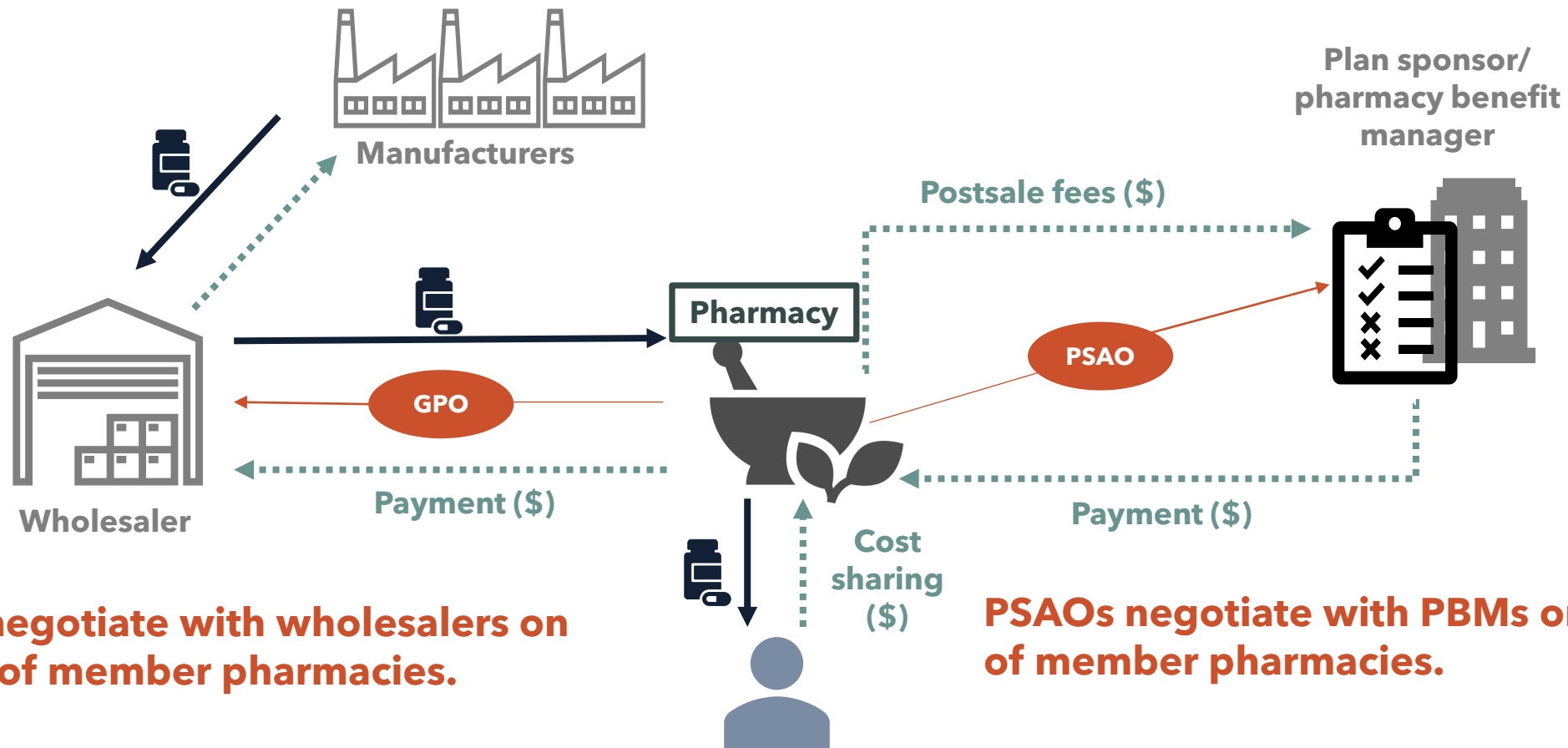
Note: MCCPDP (Mark Cuban Cost Plus Drug Program).

Source: *Trish et al. Comparison of Spending on Common Generic Drugs by Medicare vs Costco Members. *JAMA Internal Medicine*. 2021 Oct 1.

Potential impacts of higher prices and wide variation

- Higher prices may increase costs for both beneficiaries and the Medicare program
- Wide price variation may cause confusion and frustration for enrollees because it is difficult to plan for their medication costs
- Better understanding the extent to which these issues occur and the reasons behind them would be important for policymakers

Illustration of the pharmaceutical supply chain for generic drugs



GPOs negotiate with wholesalers on behalf of member pharmacies.

PSAOs negotiate with PBMs on behalf of member pharmacies.

Note: GPO (group purchasing organization), PSAO (pharmacy services administrative organization), PBM (pharmacy benefit manager).

Ongoing projects

Project	Description
Part D data analysis	Product- and NDC-level analysis of the Part D data to understand the extent to which prices paid to pharmacies for an identical generic product vary
Stakeholder interviews	Interviews to gain insights into how the pharmaceutical supply chain affects prices of generic drugs
	<ul style="list-style-type: none">• Individuals and organizations with broad expertise in the generic drug market
	<ul style="list-style-type: none">• Pharmaceutical supply chain participants
	<ul style="list-style-type: none">• Part D plan sponsors or their PBMs

Note: NDC (national drug code), PBM (pharmacy benefit manager).

Initial analysis of the Part D data: Identifying the scope and potential sources of generic price variation

- Select “top” 150 generic drugs from the 2021 Part D PDE data based on:
 - Total annual number of fills (75 drugs)
 - Total annual gross drug spending (75 drugs)
- Examine whether characteristics such as the number of manufacturers, number of unique NDCs*, or therapeutic class affect variability in prices
- Generic drug product is defined by a unique combination of active ingredient, dosage, and route of administration (e.g., aripiprazole 10 mg tablet)
- Price defined as gross payment for the ingredient cost

Note: PDE (prescription drug event), NDC (national drug code). *An NDC is a unique 11-digit number used to identify a specific drug product based on the manufacturer; the strength, dosage form, and route of administration; and the package size.

Detailed analysis of price distribution for select drugs with comparatively high price variation

- Select a subset of generic drugs from the initial analysis
 - Intended to represent different characteristics that may affect generic price variation
 - Include both high- and low-cost drugs across different therapeutic classes
- For each product, examine price distributions (variation) within and across categories such as:
 - Month
 - Geography (state, core-based statistical area, urbanicity)
 - Individual Part D plan
 - Beneficiary low-income subsidy status
 - Pharmacy type (e.g., retail vs. mail order) and pharmacy ownership

Stakeholder interviews: Individuals/organizations with expertise in generic supply chain

- Sources of variation in prices of generic drugs
- Roles that pharmaceutical supply chain participants may play in affecting generic drug prices
- Factors that may lead to overpayment for generic drugs among Part D plans

Stakeholder interviews: Participants in the pharmaceutical supply chain

- Examples include pharmacies, PSAOs, and GPOs
- Topics of discussion:
 - Factors GPOs consider in making purchasing decisions for a product with multiple manufacturers
 - Parameters over which PSAOs and PBMs negotiate
 - Types of services PSAOs provide to pharmacies

Note: PSAO (pharmacy services administrative organization), GPO (group purchasing organization), PBM (pharmacy benefit manager).

Stakeholder interviews: Part D plan sponsors or their PBMs

- How Part D plans (and their PBMs) set pharmacy payment rates for generic drugs
- Understanding why pharmacies may receive different payment amounts for the same generic product
- How certain features of the Part D benefit or program requirements may affect prices paid for generic drugs

Note: PBM (pharmacy benefit manager).

Next steps

- We plan to report findings from the data analysis and stakeholder interviews at a future meeting
- Any questions on the work plan?
- Are there other aspects of the generic drug market we should be considering?

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