



AMERICA'S AFFORDABLE HEALTH CHOICES ACT

QUALITY AFFORDABLE HEALTH CARE

HEALTH REFORM AT A GLANCE: IMPROVING THE MEDICARE PART D DRUG PROGRAM

The Medicare Part D program (Part D) was passed into law in 2003, and has been offering drug benefits to Medicare enrollees since January 1, 2006. The program has helped provide access to drug coverage for millions of beneficiaries. However, analysts have identified a number of problems with the program, including difficulties posed by the so-called “donut hole”, which causes seniors to lose coverage entirely for a portion of the year; administrative burdens that cause many low-income enrollees to miss out on benefits; and high drug prices that result from the inability of Part D plans to effectively negotiate with drug manufacturers. America’s Affordable Health Choices Act has a number of provisions designed to mitigate these problems.

MEDICARE PART D PROVISIONS:

ELIMINATE PART D DONUT HOLE

- Reduce size of the donut hole by \$500 in 2011.
- Eliminate donut hole completely (on a phased-in basis) within 15 years, using drug manufacturer rebates to cover the cost.
- Drug manufacturers provide 50 percent discounts on brand-name drugs in the donut hole to reduce costs during the phase-out.

ACCESS FOR LOW-INCOME BENEFICIARIES

- Increase allowable assets for those individuals who qualify for Part D low-income subsidies and require that the allowable asset level rise to take inflation into account.
- Reduce administrative barriers related to eligibility.
- Allow CMS to use “intelligent assignment” for low-income beneficiaries, assuring that the plans in which they are enrolled provide the best access to necessary drugs at the lowest cost to the beneficiary and Part D.
- Change calculation of which plans are eligible to enroll low-income beneficiaries at \$0 premium to allow more enrollees to keep their plan each year, rather than be reassigned to a new plan.

PRESCRIPTION DRUG COSTS

- Establish a new program under which drug manufacturers must provide rebates for dually eligible beneficiaries, and use these rebates to pay for the donut hole closure.
- The rebates restore drug rebate levels in effect prior to 2006 when dual eligible beneficiaries received their drugs through Medicaid (not Part D), and manufacturers paid the higher Medicaid rebates.

CONSUMER PROTECTIONS

- Permit beneficiaries to change drug plans if the plan in which they are enrolled makes a formulary change during the middle of the year.
- Provide for enhanced oversight of reimbursements for beneficiaries who retroactively qualify as low-income beneficiaries.
- Establish new penalties for false or misleading marketing by Part D plans.