

April 4, 2019

Daniel R. Levinson, Inspector General
Office of Inspector General, U.S. Department of Health & Human Services
Attention: OIG-0936-P, Room 5527, Cohen Building
330 Independence Avenue SW
Washington, DC 20201

Dear Inspector General Levinson,

As organizations supportive of solutions that will address the rising costs of prescription drugs, we write to express our concerns with the recently issued proposal from the Department of Health and Human Services (HHS) and Office of the Inspector General (OIG) that would eliminate the current rebate process.

We recognize that cost is a serious concern for beneficiaries and agree with the goal of reducing high prescription drug costs for Medicare beneficiaries. However, as organizations representing beneficiaries, community-based organizations, providers, and managed care organizations, we oppose the recent proposed rule to eliminate manufacturer rebates in Part D. We believe if implemented, the proposed rule will jeopardize the high-quality, affordable prescription drug coverage provided in Medicare Advantage and may cause unintended consequences to beneficiaries.

We strongly urge the Administration to reconsider its proposal, and work with stakeholders to identify policies that will directly address the problem of skyrocketing prescription drug prices. Instead of addressing the root cause of high prescription drug costs, which starts with list prices set by drug manufacturers, the proposed rule would shift costs to beneficiaries in the form of premium increases and benefit reductions. **Specifically, we are concerned about the proposal's impact on integrated Medicare Advantage – Prescription Drug (MA-PD) plans in which 78% – 16.4 million – of all Medicare Advantage members are currently enrolled.**

Impact to Premiums in Medicare Advantage

According to HHS' analysis, Part D premiums could rise 19% in the first year, and 25% over the next ten years. Independent analyses quoted in the proposed rule estimate that premiums for all beneficiaries would increase, on average, by 12-22%. In addition, it is estimated that this rule could result in an increase of \$29 in monthly premiums for the 8.6 million beneficiaries in MA-PD plans who pay premiums. The facts are that the proposed rule would increase costs for beneficiaries, reversing the positive trend over the last decade during which Part D premiums have remained steady and MA-PD premiums have decreased. **These premium increases would mark the largest in the program's history.** Given that more than half of all Medicare Advantage beneficiaries have annual incomes of less than \$30,000, it will be a hardship for these people to absorb this increase in costs.

In addition, it is also important to recognize the specific burden this proposal will have on Medicare Advantage beneficiaries enrolled in employer group waiver plans (EGWPs), in which 21% (4.3 million) of Medicare Advantage members are enrolled. Self-funded EGWPs use rebate dollars to reduce premiums for their members. If finalized, the proposed rule would require rebates to be passed through at the point-of-sale. **With fewer rebate dollars, self-funded EGWPs would have no option but to increase premiums for all enrollees by the amount received in rebates.**

According to analysis from the Kentucky Teachers' Retirement System (KTRS), a self-funded EGWP, if the rule were finalized in 2018, it would have had to increase premiums for its 35,000 retirees by \$27 million. That is a significant premium increase on Medicare Advantage beneficiaries that KTRS and similarly-situated self-funded EGWPs will have to absorb if the Administration moves forward in implementation of its rule.

Impact to Supplemental Benefits

Finally, we are concerned that the proposed rule will decrease access to supplemental benefits in Medicare Advantage at a time when the Centers for Medicare & Medicaid Services (CMS) is expanding plans' ability to offer innovative new benefits to improve overall health of enrollees. In integrated MA-PD plans, Part D rebates are pooled with rebates from Part C to reduce premiums and to finance supplemental benefits. Examples of these benefits include dental, vision and hearing coverage. Newly added benefits may now include adult day care, in-home support aides, with the expectation that nutrition services such as meal delivery and transportation services will be added in 2020.

According to a recent analysis by Avalere Health, on average, \$0-premium MA-PD plans would experience a 28% reduction in resources available to finance supplemental benefits. **This could translate to an average annual \$228 decrease in funding available per beneficiary for these plans to provide supplemental services.**

Both the supplemental benefits available to all plan enrollees and those benefits targeted to supporting chronically ill beneficiaries who represent the most vulnerable population within Medicare Advantage are at risk under this proposed rule. With such a reduction in available resources caused by this proposal, plans will be less able to reduce premiums or fund supplemental benefits that are essential to improving health outcomes for beneficiaries. The uncertainty around the rule's potential impacts will likely cause plans to scale back their offering new or expanded benefits in 2020. **Importantly, this proposal is in direct opposition to CMS' goal of expanding benefit flexibility and encouraging innovation in Medicare Advantage to improve outcomes for high-risk individuals.**

The potential negative ramifications of the proposed rule threaten the affordability, access, and quality of care on which 22 million Americans depend. While we support the goal to curb the high price of prescription drugs for consumers, this proposed rule is not the solution. The potential financial impact and risk to seniors and people with disabilities are far too severe to justify. For these reasons, we strongly urge the Administration to withdraw the proposed rule

and pursue smart, effective policies that will directly address drug pricing in Medicare and reduce costs for consumers.

Sincerely,