Weekly Checkup

Drug-Pricing Reform and the CARES Act

CHRISTOPHER HOLT | APRIL 3, 2020

Last week, President Trump signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act, aimed at mitigating the economic and public health fallout of the coronavirus pandemic. Also included were some provisions you might have missed if you weren't looking for them. For example, though it hasn't received a lot of attention, **CARES extends a number of health care programs through November —provisions collectively called the "health extenders"—that were set to expire in May. The inclusion of these extenders has some implications for the two big health-policy items that were on Congress's agenda prior to the emergence of the coronavirus pandemic: drug prices and surprise medical bills.**

The health extenders in CARES include funding for diabetes programs, community health centers, graduate medical education, community mental health services, and a further delay of scheduled payment reductions to disproportionate share hospitals, among many other items. It's a grab bag of important federal health policies that tend to be paid for through annual extensions rather than long-term funding. **These health extenders are a regular part of the last minute, must-pass, end of the fiscal year government funding packages that have come to define the congressional appropriations process.**

At the end of 2019, however, the extenders were carved out; instead of being extended through fiscal year 2020, Congress decided to have them lapse in May. This was done primarily at the behest of Speaker Pelosi, and the intent was to create a piece of must-pass legislation that a legislative deal on drug prices or surprise medical bills, or even both, could be attached to. While it is not clear if Congress could have reached deals on these issues by May, **including the extenders in CARES is significant because it removes from the legislative calendar the most likely opportunity to pass a deal if one came to fruition.**

There are a couple of ways to think about the inclusion of the health extenders in CARES. Most obviously, congressional leaders simply don't know when they'll be back in DC; both the House and Senate are in recess, and it's not at all clear when they'll be back in session. Congress includes in its membership many who are among the most vulnerable when it comes to the ongoing pandemic. In fact, the House went to great lengths to avoid bringing most of its members back to DC to pass the CARES Act. As a result, leaving the health extenders out of CARES would have risked forcing Congress back into session when it might not be safe, or having the programs lapse altogether. By giving up the May date for extenders and not including anything on drug prices or surprise billing in CARES, however, Congress does seem to be acknowledging that events have superseded these important policy matters.

The other possibility for passing a deal on these issues lies in a further relief package. Speaker Pelosi is already talking about a phase 4 package, and certainly one can imagine Democrats seeking to include their preferred drug-pricing policies in such a bill. Further, some lawmakers have called for any future coronavirus-response legislation to address surprise medical bills. But Republicans have been cold to the idea of turning any future relief packages into a vehicle for unrelated policymaking, and significant policy differences remain within Congress on both drug prices and surprise medical bills.

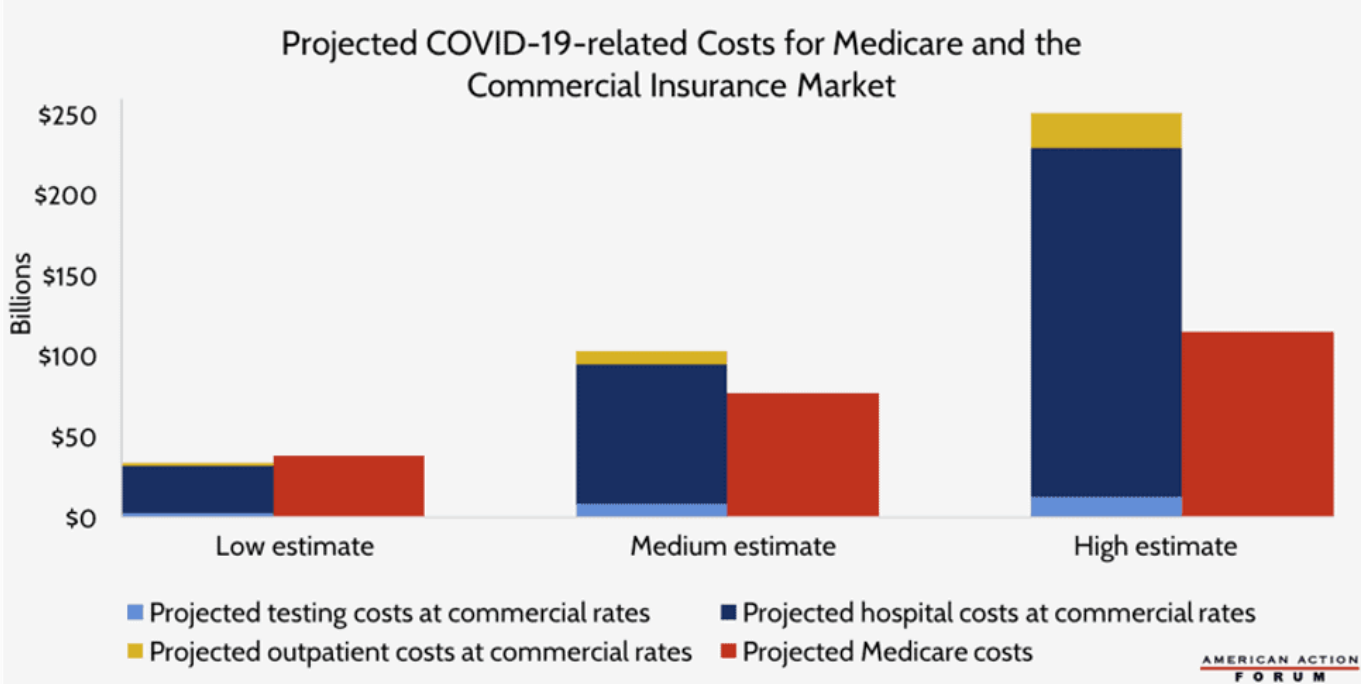
With it looking increasingly plausible that the pandemic will continue well into the summer, and perhaps even the fall, and the must-pass extenders already passed, **the two biggest health-policy issues for Congress and the administration, as of only a month ago, may be on hold indefinitely.**

CHART REVIEW: COVID-19-RELATED COSTS FOR INSURERS

Margaret Barnhorst, Health Care Policy Intern

According to a recent projection from Covered California, the state's Affordable Care Act marketplace, COVID-19-related costs for commercial insurers nationally could range from $34 billion to $251 billion this year, with a "best estimate" at $103 billion. Estimated costs include COVID-19 testing, hospital stays for severe cases, and outpatient services for infections among the 170 million Americans in the commercial-insurance market. In order to recoup these costs and budget for anticipated COVID-19-related costs in 2021, insurance companies may increase premiums and employers may shift more costs to employees. The

National Association of Accountable Care Organizations has a similar projection of COVID-19-related costs over the next year for Medicare, ranging from $38.5 billion to $115.4 billion. Increased Medicare costs would particularly impact health care organizations participating in payment models, potentially leading to the loss of shared savings, and as a result Accountable Care Organizations could drop out of Medicare to avoid losses. The CARES Act, which allocates $100 billion for hospitals and increases Medicare's reimbursement rate by 20 percent for COVID-19 cases, could offset some of these increased costs. Medicaid costs will also rise as a result of the COVID-19 outbreak. With the Families First Act increasing the federal government's share of Medicaid expenses by 6.2 percentage points, and assuming a 5 percent increase in the need for care, federal Medicaid expenditures could increase by $56 billion this year.



Commercial insurance data (testing, outpatient, and hospital costs) obtained from Covered California; Medicare data obtained from the National Association of Accountable Care Organizations

FROM TEAM HEALTH

Insulin Cost and Pricing Trends – *Director of Human Welfare Policy Tara O'Neill Hayes*
The rising costs of diabetes largely tracks the dramatic increase in the cost of prescription insulin, and list price increases lead to higher out-of-pocket expenses for consumers.

Daily Dish: Capping Seniors' Drug Costs – *AAF President Douglas Holtz-Eakin*
While sweeping drug-pricing reform is unlikely this year, capping drug expenses for Medicare Advantage enrollees is an incremental reform the administration could pursue.

COVID-19: Impact and Response
All of AAF's analysis on the pandemic and the federal government's response can be found on this organized dashboard.

WORTH A LOOK

Associated Press: Trump admin moves toward promoting broader use of face masks

New York Times: F.D.A. Approves First Coronavirus Antibody Test in U.S.