



The Daily Dish

An Update on Drug Pricing Reforms

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Eakinomics: An Update on Drug Pricing Reforms

The Trump Administration has pursued a series of extremely aggressive potential reforms to federal programs (notably parts B and D of the Medicare program), with the ultimate goal of lowering the prices of prescription drugs. Notable among these were the proposals to change the rules surrounding step therapy and, especially, protected classes in Part D.

In August 2018, the Center for Medicare and Medicaid Services (CMS) proposed to allow Medicare Advantage (MA) plans to impose [step therapy](#) requirements as a way to manage utilization of physician-administered drugs covered under the Medicare Part B benefit. Step therapy is a utilization management tool in which patients are first required to try one treatment option before an insurer will cover a more expensive option. CMS also proposed to give joint MA-Part D plans new authority to cross-manage Part B and Part D drugs by allowing drugs covered under one benefit to be the first step of a treatment plan before allowing use of a drug covered by the other benefit.

Protected classes have been an element of Part D since its inception. Under the law, the Part D plans have to pay for drugs in six “protected classes” — antidepressants, antipsychotics, anticonvulsants, immunosuppressants for treatment of transplant rejection, antiretroviral drugs (such as those used to treat HIV), and oncology drugs — regardless of their price or efficacy. CMS proposed to allow plans to not cover drugs if their price had risen too quickly recently (faster than inflation) or if they were a minor reformulation of an existing drug.

Both proposals would give plans greater leverage in negotiating with drug manufacturers. Both proposals are traditionally unpopular with patient advocacy groups that favor unrestricted access to therapies. On Friday, the Trump Administration [pulled the plug](#) on both proposals by failing to finalize the rule. Some will describe this as a [significant loss](#) for the administration. Perhaps, but there are still a number of notable items on the administration’s agenda, including the “[rebate rule](#)” in Part D and the [international price index](#) (IPI) in Part B. In addition, there is considerable interest in Congress in buttressing these efforts with legislation that would apply the IPI to commercial insurance, as well as a broad [redesign](#) of the incentives in Part D.

It is too soon to judge the success or failure of Congress and the administration on drug prices. But it would be shocking to end 2019 with the status quo intact.