Press Release

AAF Paper on Medicare Part D Finds Success of Competition

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Washington – The American Action Forum (@AAF) today released a paper finding that the Medicare Part D program has been successful in its first ten years, with significantly lower government expenditures than projected, low beneficiary costs, and high customer satisfaction. The paper, authored by AAF President Douglas Holtz-Eakin and AAF Health Care expert Robert Book, finds that Medicare Part D's success stems from the program's reliance on competition and market forces in order to improve affordability for older Americans.

The key features in the competitive structure include the bidding process, beneficiary choice, robust private negotiations between Part D plans and drug manufacturers, and incentives that drive generic drug use. Regarding federal costs, the paper finds that Part D has repeatedly come under estimated federal budget costs. So much so that actual cost for 2012 fell below every projection of those costs over the past decade. In its first five years, Medicare Part D cost under half what was originally projected because actual costs have been dramatically lower. In 2004, Part D was projected to cost $957.3 billion over 10 years, yet by 2011 the revised cost estimate for the same 10 year period was just $499.4 billion – roughly 48 percent of original estimates. Beneficiaries display great satisfaction with Part D and in 2013 have at least 23 different plans to choose from in every region.

Holtz-Eakin and Book conclude in their paper, *"Rather than dismissing the role of competition in Part D's success, it would be better to learn from the program's experience and apply these lessons in the context of other government programs. In short, Part D's success should make it a model for future programs and future reforms."*