Information Alert
State-Federal Relations Division

Administration Announcement on Prescription Drug Pricing:

Following a drug pricing blueprint released this summer, the administration has released an advanced notice on a proposed rule for future prescription drug pricing and negotiations for Medicare Part B drugs. The Centers for Medicare and Medicaid Services (CMS) will be accepting public comments on this proposed rule until Monday, December 31, 2018.

The Department of Health and Human Services (HHS) surveyed prices for some of the most commonly used drugs in the United States and compared them to pricing in 16 similar countries. Of the drugs reviewed, 27 make up 60 percent of spending in Medicare Part B. Prescription drugs covered under Medicare Part B are generally administered to a patient in a doctor’s office.

Among the drugs compared, the U.S. pays the highest price for most of them, and HHS found only one instance where the U.S. price was lower than the other countries. It was also found that Medicare is paying an average of 1.8 times more for drugs than the other countries surveyed.

Based on this information HHS is proposing an International Pricing Index (IPI) Model that could leverage Medicare’s negotiating power with pharmaceutical companies. This model would include utilizing “Medicare’s innovation center to test three ways to lower the costs,” and only apply to drugs directly prescribed by doctors and will not extend to prescription drugs at local pharmacies.

If approved, CMS would run the demonstration pilot through its innovation center for 50 percent of Medicare recipients. The proposed demonstrations would be effective 2020 and run until the spring of 2025. HHS is also still working on the proposal and the IPI Model and appears to be open to expanding the list of vendors that could be included under the overall proposal.

The Obama administration had a similar proposal in 2016 that was sidetracked by strong opposition from the pharmaceutical industry. As for action on Capitol Hill, the path through Congress is not yet determined. The plan could be replaced with one that is more pharmaceutical industry friendly. However, addressing prescription drug prices and pushing back on pharmaceutical pricing practices, is one of the few areas where both chambers have shown bipartisan agreement. As the White House and Congress continues to pursue fair pricing NCSL will monitor which proposals can provide states with the flexibility and resources they need.
**Additional Resources:**


https://www.axios.com/trump-administration-drug-prices-hhs-medicare-12a4e058-8e1a-4846-9df4-98a47d6dbd4f.html